

## MEMORANDUM

TO: Gregory Rose, City Manager  
City of University City, MO

FROM: Carson Bise, President  
TischlerBise, Inc.

DATE: September 3, 2020

RE: Response to University City Comments Regarding TischlerBise Fiscal Impact Analysis

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Thank you for forwarding the comments from Washington University on *The Fiscal Impact of Property Owned by Washington University Report* (Report), prepared by TischlerBise, Inc. This memorandum is intended to address the University's comments regarding our analysis.

## DISCUSSION OF SPECIFIC COMMENTS

*Comment: Page 2 of the University's review raises the point that "there is no fiscal impact without economic activity and the whole system depends on the availability of consumers, students or not, who spend money in the private sector."*

The Executive Summary of our Report makes mention that there is no doubting the economic impact of the University on the City and region. However, not all of the *economic* activity translates into *direct* revenue to the City of University City. Further, we were not retained by the City to ascertain the economic impact of University-owned property. Perhaps a future phase could evaluate the economic impacts and what the fiscal impacts of the indirect and induced impacts are to the City from a fiscal perspective.

*Page 2 of the University's review criticizes the Report for determining the fiscal impacts "at a glance." It goes on to criticize the analysis for using parcel-specific data to determine some cost and revenue factors and population, employment and vehicle trip-based allocations for other cost and revenue factors. The critique, in the same paragraph, goes on to seemingly accuse the Report of only using the parcel-specific approach only when the cost is will have a "disproportionate impact on City finances related to police and fire services."*

TischlerBise agrees to a certain extent with University's comment that the analysis determines the fiscal impacts "at a glance." Our Report states the approach used in this evaluation is TischlerBise's Cost of Land Use Fiscal Impact Analysis approach, in which the characteristics of various residential (i.e., single-family, multi-family, institutional) and nonresidential (i.e., retail, office, industrial, institutional) "prototypes" are

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defined and a “snapshot” approach is used to determine the annual costs and revenues for each land use prototype to the jurisdiction. Rather than land use prototypes, this analysis models properties that are specifically owned by the University, which TischlerBise categorized by land use. In fact, the majority of fiscal impact analyses prepared across the country use a “snapshot” approach, based on current conditions.

Generally, this type of analysis does focus on an average cost approach where revenues and costs are allocated to population, employment and other demand factors. This is because unlike the costs for fire and police, where the departments track addresses for calls for service, City departments are not tracking service by address. However, as population and employment increase, so do most departmental expenses if levels-of-service are to be maintained. However, we do know from having prepared over 900 fiscal impact analyses across the country, that retail uses tend to generate high public safety costs, as does off-campus student housing.

*Page 2 also criticizes that “the Report did not compare the fiscal impact of University-owned property to other tax-exempt institutions or comparable, taxable properties with the City.”*

The University is correct in its assertion that our study did not compare the fiscal impact of University-owned property to other tax-exempt properties within the City. However, that was not the intent of this study and, to our knowledge, other tax-exempt uses are not utilizing their tax-exempt status to purchase and utilize income (to the owner) producing properties that would otherwise pay property tax.

*Related to the above criticism, “it does not take into account University-owned property used for commercial purposes that contribute to the tax base.”*

We are not sure what the University means by this statement. To our knowledge, the University does not own commercial properties that pay property tax. If the University is referring to sales tax then the answer is that the analysis does take that into consideration. However, there are some sales taxes the City receives based on population. There are others that are situs-based, or point of sale. These point of sale sales taxes are credited to University-owned commercial uses.

*The final criticism on Page 2 relates to the fact the analysis did not mention the “significant impact the University has on City revenue from building permits and fees.”*

The University is correct in its assertion that our study did not include the “significant impact the University has on City revenue from building permits and fees.” This is because the intent of the study was to determine the annual impact versus one-time costs and revenue. Additionally, we strongly disagree that building permits and fees constitute “significant” revenue. This revenue source totals 3.26 percent of General Fund revenue.

*On Page 3 of the Report, the University states “the study’s findings state that residential properties, taxable or exempt, place a high burden on public services compared to the revenue they generate. This does not take into consideration the vital and complementary role a mix of residential and commercial properties play in an economy. Residential land uses rarely “pay their own way,” but they are vital to the fiscal health of the City and region. Commercial properties often fill the role of fiscal powerhouses for a City and region. In our experience, people drive the economy, which in turn results in positive fiscal impact.”*

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We generally do not disagree with the University on this statement, and our similar reports usually contain a statement recognizing that all communities have contributors and recipients from a fiscal perspective, and the key to fiscal sustainability is understanding that relationship, recognizing where you are positioned in the market place, and zone accordingly. That being said, the primary determinate in the fiscal equation is revenue structure, and the City has a revenue structure that favors residential development since its largest growth-related revenue sources (sales tax) are distributed largely based on population. Property tax only comprises 16 percent of total City revenue (all Funds).

Please let me know if you have any questions about this memorandum.





Office of Government & Community Relations

August 7, 2020

Mr. Gregory Rose  
City Manager  
6801 Delmar Boulevard  
University City, Missouri 63130

Dear Mr. Rose:

Thank you for sharing the draft of the fiscal impact analysis report from TischlerBise and inviting Washington University to provide feedback. As we indicated in our letter to you on September 26, 2019, Washington University is committed to identifying ways that we can work together to benefit both University City and the University. Such mutually advantageous plans may include additional joint Loop area safety efforts, future public infrastructure investments in lighting, pedestrian and cycling pathways, and community development and housing initiatives that align with the City's efforts to remain an attractive place to live and work.

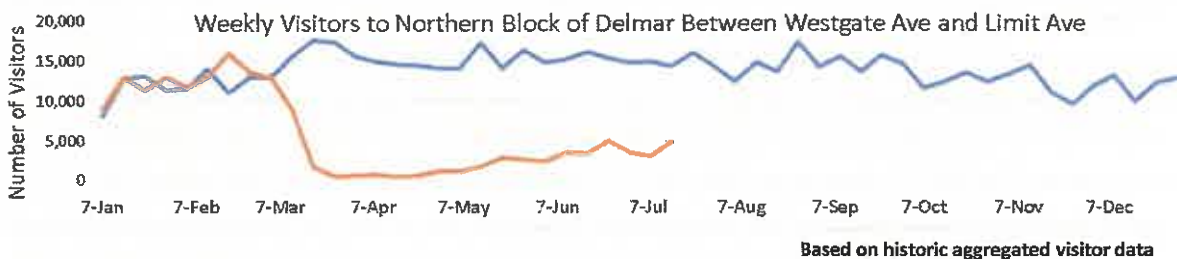
In light of the COVID-19 pandemic, the world in which we operated previously has changed significantly with the simultaneous health and economic emergencies. In response to these challenges, the university has made some difficult decisions, including major budget reductions, a hiring freeze, and workforce furloughs. These actions are a direct result of the detrimental impact of the crises. We recognize that our neighboring municipalities, including University City, Clayton, the City of St. Louis and St. Louis County are also struggling to reconcile their budgets based on the impact of these dual emergencies on their operations.

Throughout these crises, both of which have exposed stark racial disparities, Washington University has remained committed to its mission of education, research and patient care to improve lives in service of the greater good. All of our efforts focus on being a strong partner deeply invested in the health and success of the St. Louis region. To that end, researchers at the Washington University School of Medicine recently were tapped to join the historic effort to conduct trials to find a vaccine that can alleviate the pandemic as part of the National Institute of Allergy and Infectious Diseases COVID-19 Prevention Network. Even prior to this announcement, university researchers already were involved in studying a broad range of potential treatments and developed a mouse model of COVID-19 that will potentially speed up the search for drugs and vaccines to treat the disease. Our physicians and students also have assisted state and local health departments in their efforts to investigate cases and conduct contact tracing. Additionally, we have provided temporary housing for health care providers who wanted to avoid the risk of spreading the virus to their families and we have delivered meals to at-risk community members and essential personnel working on the frontlines in University City, St. Louis and Clayton.

While today's world is vastly different from the conditions of just a few months ago, the University remains resolute in its desire to work with all of our surrounding communities to create mutually beneficial partnerships. In our prior conversations with you and Mayor Crow, we have expressed a strong interest in joint efforts to examine the economic, fiscal and community impacts of the

University's investments as they relate to University City. It is regrettable that we did not have an opportunity to participate in this latest effort when University City decided to conduct this project on its own.

Evidence of how economically abysmal 2020 has been can be found in a review of foot traffic data for the area around the Delmar Loop Commercial District. The graph below depicts a comparison of foot traffic on Delmar between 2019 in comparison to the same time span in 2020. The blue line depicts 2019 and the orange line depicts 2020. It is clear from the graph that activity diminished significantly during the depths of the pandemic lockdown and aftermath, and the numbers have only recently begun to improve. Clearly, it will be some time before full economic activity resumes to prior levels.



### Understanding Methodology and Findings

Now that we have reviewed a draft report from your consultant – based on information that pre-dates the COVID-19 crisis – we do have questions regarding the data used in the study and the premise of several findings. There appear to be gaps in both the data and information provided by your consultants—likely because the university did not have the opportunity to play an active role in this effort. Additionally, some of the data presented in this study is no longer relevant because the report does not reflect today's conditions. What all of us are facing simply is not business as usual.

The draft report states that economic analyses project cash flow to private businesses and fiscal impact analyses project cash flow to the public sector. However, there is no fiscal impact without economic activity and the whole system depends on the availability of consumers, students or not, who spend money in the private sector. We believe the study's analysis is too narrow to fully understand and describe the impact of property owned by the University, or any private citizen or developer.

Specifically, your consultant's methodology determines fiscal impact of land use prototypes at a glance. Some of the data used are from actual, parcel-specific assessment records and other data seem to be derived from multipliers and estimates. We noted that the study divides revenues and expenditures evenly by population, jobs, and vehicle trips. Interestingly, the report only deviates from this approach when it deems University-owned properties to have a disproportionate impact on City finances related to police and fire services.

The study also does not compare the fiscal impact of University-owned property to other tax-exempt institutions or comparable, taxable properties within the City. It does not take into account university-owned property used for commercial purposes that contribute to the tax base. In addition, it does not mention the significant impact the University has on city revenue from building permits and fees.

The study's findings state that residential properties, taxable or exempt, place a high burden on public services compared to the revenue they generate. This does not take into consideration the vital and complementary role a mix of residential and commercial properties play in an economy. Residential land uses rarely "pay their own way," but they are vital to the fiscal health of the City and region. Commercial properties often fill the role of fiscal powerhouses for a City and region. In our experience, people drive the economy, which in turn results in positive fiscal impact.

Using the draft report's metrics, our staff were able to recreate many pieces of the study for all residential properties (single-family, institutional, and multi-family) in the City. We found that single-family homes seem to exhibit the worst net impact on City finances based on the metrics in the report. A broader view would consider how all types of residential properties benefit the City. We expect that your consultant will find that residential properties, in general, help drive the cycle of fiscal and economic activity in the City.

Finally, the draft focuses on highlighting one difference between University-owned properties and taxable residential properties, which is the tax bill. However, another major difference between the two – and arguably more important – is the tremendous amount of economic and community development impact supplied by the University compared to other residential properties in the City. We believe it is important to ensure that your study reflects an accurate estimate of the positive fiscal and economic impact that the faculty, staff and student residents have on University City's budget.

As we have stated many times, the University remains highly interested in collaborating with University City on projects of mutual interest. There have been major, successful investments because of our committed partnership over the years. Some examples include:

- Multiple public infrastructure initiatives;
- Joint community policing efforts in the areas surrounding the Loop;
- More than \$285,000 in forgivable home loans to our employees for the purchase of 49 residential properties in the Northeast section of the City as part of the University's Live Near Your Work Program;
- A \$1-yearly ground lease of university property for the fire station on Westgate.

As we face a world that is changing daily, it would serve both University City and Washington University well to evaluate additional partnership opportunities now and in the future. This will especially benefit both of us as we continue to grapple with the scourge of this pandemic whose end we cannot see or predict. We can do things together that we cannot do alone and we hope that a continued and long-term partnership will bring about positive change.

Sincerely,



JoAnna Schooler

Assistant Vice Chancellor

Community & Local Government Relations

