

CLAYTON & LINDBERGH LAND USE ANALYSIS MEMORANDUM

Re: NW Clayton & Lindbergh Area **To:** Frontenac Planning & Zoning
Commission & Board of Aldermen
Date: 09/28/2012 **From:** John Brancaglione
CC: Bob Shelton
John Morgan
Kevin O'Keefe
File

AREA DESCRIPTION AND INTRODUCTION

In accord with our services agreement with the City of Frontenac, we are providing our planning analysis and comments regarding an area consisting of four (4) parcels located at the northwest corner of Clayton Road and Lindbergh Boulevard (“Area”). The Area is bounded on the east by Lindbergh Boulevard, on the south by Clayton Road and on the west and north by property that is part of the Hilton Hotel complex. **Plate 1**, in the **Appendix** to this memorandum, depicts the Area and the parcels involved. For purposes of the discussion herein, the parcels are numbered 1 through 4. The Area encompasses approximately 1.9 acres. The easternmost parcel (Parcel 1) is approximately .7 acres and is occupied by a building that has housed several retail entities over the years. The adjacent parcel to the west (Parcel 2) is a converted house that presently houses a medical (chiropractor) office and is approximately .4 acres. The next two parcels to the west consist of a parking lot for the Ziern Galleries office building (Parcel 3 - .2 acres), the office building itself, and a single-family residence to the north behind the office building (both on Parcel 4 - .6 acres). These two parcels comprise approximately .8 acres.

The retail building at the Clayton / Lindbergh corner has been for sale and is currently held by Reliance Bank. The parcel to the west held by the Braun Trust represents (according to our information) a willing seller. The Ziern properties are not for sale (again, according to our information).

Our analysis of the Area is intended to address several planning and market issues, including:

- Current lands uses, both as they exist and in the context of the larger surrounding area;
- The current market status of the properties;

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- The possible future land use scenarios that might be appropriate for the Area in terms of typical urban planning principles;
- The extent to which real estate market conditions relate to or may impact potential land uses;
- The impacts on the surrounding land uses that may result from any plausible future land use scenarios for the subject site; and the degree to which any impacts may be mitigated through site design;
- The benefits for the City of Frontenac that could result from any of the identified future land use scenarios in terms of an improved appearance to a key entry to the community. High-quality development of any type in any community at a prominent location creates an impression that the community is a good place to make a substantial investment. This combination of appearance and investment supports adjacent and community-wide property values and creates real estate market confidence. In this instance, a long-standing vacant building creates an appearance of real estate market rejection and reduces the value of adjacent parcels (particularly those to the west some of which are physically and economically obsolete land uses).
- Any changes to the City's Comprehensive Plan or Zoning ordinance that may be required in order to enable any future development scenario.

EXISTING LAND USE AND PHYSICAL CHARACTERISTICS

Plate 2 in the **Appendix** to this memorandum shows the current land uses of both the Area and the surrounding properties. As noted by the acreages cited above, all of these properties are very small by modern commercial development standards. Parcel 1 consists of a retail building on two levels that housed various retail uses over the years (a furniture store, a rug store, etc.). This building has been vacant for a year, has a variety of code issues, and is in poor condition, particularly in terms of the interior. This parcel has the additional challenge of a significant difference in the topography of the site - a total of 13 feet vertically on the north/south axis in a distance of only about 175 feet. The building is on two levels and the predominant parking field (approximately 32 spaces) is on the lowest portion of the site on the north. A few parking spaces (10) are provided on the upper level fronting Clayton Road. These are angled spaces that require a "pull-in / back out" movement for access from Clayton Road; a very undesirable parking situation.

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The next parcel to the west (Parcel 2) is relatively level in the portion occupied by the medical office (in a converted house) and its adjacent parking areas, but drops off dramatically in the northern third of the parcel (approximately 9 feet vertically in a distance of only about 71 feet).

Parcels 3 and 4 which comprise the Ziern holdings share the same characteristics topographically as Parcel 2. The portions of the parcels containing the parking and the retail/office building have a smaller topography change from Clayton Road to the north for the first approximately 140 feet. Parcel 4, which has greater north/south depth (about 283 feet) has a 19 foot decline in topography from the Clayton Road frontage to the northern property line.

In the context of the surrounding environs, the Area is located in a retail commercial land use environment. The Schnucks supermarket is to the east across Lindbergh; the Schneithorst development is located diagonally to the southeast; Plaza Frontenac and the freestanding Brio restaurant site are located across Clayton Road to the south; and commercial uses continue to the west, including the Le Chateau development to the west on the north side of Clayton Road. As noted previously, the Area is virtually surrounded on the north by the Hilton Hotel complex.

LAND USE/DEVELOPMENT POTENTIAL

Purely from a land use perspective, an argument can be made for combining all four parcels into a unified tract for complete redevelopment. This would allow for the ability to better utilize the change in topography that impacts the use of all four parcels by developing a single building at grade with the top of a parking deck that would be generally at grade with Clayton Road (i.e. both the ground floor of the building and surrounding upper level of the parking deck would be at grade with Clayton Road). This would also afford an opportunity to create better access to the resultant development. The potential use for such a building would be retail or ground level retail with office uses on a second and/or third floor (the ability to provide sufficient parking would limit the height of the building). Another fairly obvious land use potential would be for expansion of the Hilton Hotel. However, unless such an expansion would generate additional revenue for the City in the form of additional rooms or banquet/conference facilities (as opposed to the hotel simply expanding its parking), retail uses would be preferred.

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From a development standpoint, there are certain factors that limit the development potential of the four parcels as a combined tract. The Ziern holdings (Parcels 3 and 4) are currently occupied and owned by entities that are not willing sellers. Even if they were amenable to a sale of their holdings, there is significant value in these properties for their size (.8 of an acre with a current market value of \$1,614,700 according to the St. Louis County Assessor). In addition, the varying width and depth of these parcels does not add appreciable benefit to combination with Parcels 1 and 2 to the east in terms of development potential. When the value of these parcels is taken into consideration, along with the cost of demolishing existing buildings, the development economics of combining all 4 parcels probably results in an economically infeasible situation. If it was possible to combine the existing office building into a redevelopment scenario however, it might alter the economics of such a redevelopment scenario to a degree that would make it economically feasible. Since it is our understanding that the Ziern parcels are not for sale, and because their inclusion in a redevelopment effort may not be advantageous, we will focus the remaining discussion on Parcels 1 and 2.

Parcels 1 and 2 are located at what is a very busy location, from a traffic standpoint, and close to a major highway with Average Daily Traffic (ADT) in excess of 145,000 vehicles. As noted previously, they are in a land use environment that is overwhelmingly retail in nature. MODOT's website shows traffic counts on Lindbergh north and south of the Area to be in the vicinity of 21,000 ADT. While we were unable to find current traffic count data for Clayton Road, we believe (based on the counts on I-64, Ballas, and Lindbergh) ADT on Clayton Road is probably in the vicinity of 20,000 vehicles at this location.

In considering the likely appropriate land use scenarios for Parcels 1 and 2, we've considered a variety of factors, as well as those noted above. The following discussion outlines these considerations.

Retail Development

Purely from the standpoint of the City's revenue base, consideration should be given to the potential for reuse of the approximately 1.1 acres comprising Parcels 1 and 2 for retail purposes. As noted in the Branding document component of the City's Strategic Plan, the City's retail base, when sales and other taxes are combined, represents approximately 75% of the City's total revenue. The sales taxes that accrue to the City from high-quality and stable retail development will exceed the revenue contribution of any other land use. The City's retail sales tax base is undoubtedly one reason that the overall property tax rate in the City is relatively low compared to some other areas. For example, the 2011 residential tax rate for a property in Frontenac with a tax code

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of “117J” was 6.0544. By comparison, the residential tax rate for a property located in Webster Groves with a tax code of “134H” was 9.1059 (50% higher!).¹ We would also note that this sales tax base contributes funding for the City’s Fire/EMS services which are substantial property tax levying entities when operating as stand-alone taxing districts.

The City has limited opportunities for retail development, and this site was in retail use for many years. Currently Reliance Bank has proposed to redevelop the site as a bank (a non-retail use), replacing the location they currently have to the west. Their site plan proposed to reuse only the original building on the parcel at the southeast corner of the site. A parking deck would be built generally at grade with the building, and drive-through banking facilities would be provided on the lower level of the parking deck more or less at grade with the lowest, northern portion of the site. While not a retail use, this would provide an attractive building and site at this prominent corner. The Reliance Bank proposal would put Parcel 1 back into productive use, but we don’t believe would add value to Parcel 2. We would also note that the building location indicated on the Bank’s site plan would appear to give improved visibility to Parcel 2 and the building on it were it not for a wide, vertical fountain feature proposed on the west edge of site that appears intended to hide the existence of the adjacent building on Parcel 2. It is the drive-through banking feature of the proposed development that gives us significant cause for concern about the viability of this proposal.

In an urban planning land use context, any land use with drive-in or drive-through facilities or whose characteristics are intended to serve customers in a very short period of time are typically classified as a Motor Vehicle-Oriented Business (MVOB). The common feature of such uses is vehicular turning movements to and from the site in short periods of time (usually just minutes). Uses that fall into this category are banks with staffed or unstaffed (ATM) teller facilities that serve people in their vehicles, gasoline/convenience store operations, carryout restaurants without table seating, fast-food restaurants with drive-through facilities, and now even drug stores. We have written ordinances for several St. Louis area communities that contain MVOB provisions that control where these uses can be located along major streets and what site characteristics

¹ This comparison points to what is often the difference in residential taxes between cities with a high-generation retail land use component, versus one with little retail land use and or uses which are less productive in terms of sales. Webster Groves is a “B” or “pool” city for sales tax purposes. Its relatively smaller retail land use base means that it is more advantageous from a revenue standpoint to derive its sales tax revenue on a per-capita basis as part of the St. Louis County pool. Its higher residential property taxes are most likely the result of this situation.

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must be present (e.g. vehicle stacking on site). These ordinances were based on several models proposed more than 20 years ago by the American Planning Association. Many communities around the country have adopted MVOB zoning ordinance variations on these models. As might be expected, MVOB uses present public safety concerns due to the frequent and relatively continuous turning movement characteristics to and from such a land use. Such uses at busy corners are the most problematic and this situation worsens when they are located on more than one corner of a busy intersection. Such is the case here where Starbucks is located on the opposing corner from Parcel 1 at the southeast side of the intersection (a use where there is no drive-through facility but carryout is a major portion of the business) and the Bank of America on the same side of Clayton Road and across Lindbergh from Parcel 1 (which does have drive-through facilities). The MVOB nature of the Bank's proposal as presented causes us to question the appropriateness of this use for Parcel 1.

Redevelopment of Parcel 1 for any commercial use will leave Parcel 2 in obsolete isolation (as it is now). This parcel consists of a chiropractic office in a converted house on a parcel of less than half an acre and suffers from the same conditions as Parcel 1:

- They are too small for most commercial uses;
- The topography makes development all that more difficult;
- The buildings are obsolete for most modern retail commercial uses (we know from conversations with the City building and zoning staff the building on Parcel 1 has significant code violations that would need to be corrected prior to any use); and
- Sufficient and convenient parking is difficult to achieve without construction of a parking deck (such as is proposed in the Reliance Bank plan).

Conversion of a single-family structure to commercial use such as is the case with Parcel 2 is indicative of its obsolescence for its original purpose; and its current use does not take full advantage of the site. We believe that unless Parcel 2 is combined with Parcel 1 for a more comprehensive redevelopment and reuse, the value of Parcel 2 will decline and it will be more difficult for owners of the parcel to make productive use of the site and building over time. Joint redevelopment would also provide the ability for Parcel 1 to be expanded and possibly be suited for a range of specialty retail uses.² We

² The term "specialty retailers" is typically used to refer to a type of retail use that caters to a specific clientele (often based on demographic factors), carries an array of merchandise in a particular category (such as those noted

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would note that retail uses that historically occupied this building were specialty, destination-type retailers.

The size of Parcel 1 and the obsolete configuration of the building and parking have probably contributed to its year-long vacancy. We would also note that the cost of re-development of Parcel 1 or the combined properties will be significant because of the topography. Increasing the density of any commercial use of these parcels will necessitate a parking deck of at least one level (as proposed by the bank). This may also dictate an elevator installation.

There are two larger locations where retail development is also appropriate. One is the area we analyzed at the northeast corner of Clayton and Spoede comprised largely of the Ladue School District's Early Childhood Center just to the west of the Area being discussed in this memorandum. The other location is the Shriners' Hospital site on Lindbergh just south of the Area. These sites are 15 and 14 acres respectively. Therefore, as far as potential retail development is concerned, each of these locations are much larger and provide for better retail development opportunities as a result. Does that mean that a retail use on Parcel 1 or more particularly the combination of Parcels 1 and 2 would be stalled by these potential other opportunities? We can't say for sure, but we have seen developers and retail tenants/occupants wait for the better, less difficult site. On the other hand, there is probably no other one acre commercial site in St. Louis County with a comparable combination of location prominence and market demographics. In addition, these parcels will require interest on the part of a specialty retail user willing to pay for the costs associated with using Parcel 1 or a combination of Parcels 1 and 2. Therefore, it may be difficult to achieve retail reuse unless the City can provide an incentive to the prospective developer even in spite of the location of Parcels 1 and 2.

In any city, it is usually not advantageous to the City or the real estate market for a long-standing retail use location to change to non-retail use. This often signals a change in market preference for a certain type of use or, as is the case here, the physical, functional, and economic obsolescence of the site improvements. Cities today are dependent on the sales tax base that retail development contributes. And as we said previously, good urban planning would encourage the combination of Parcels 1 and 2 in the belief that the resultant land area might be more attractive for retail development.

above), and is a destination (i.e. has a larger market area draw because of what is being sold). Often these types of retailers are attracted to a location because there is a hole or gap in the market for that category of merchandise.

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However, acquisition costs relative to the acreage derived when the parcels are combined is high. Combining the two parcels would result in a site of 1.1 acres with the aforementioned topographic challenges (roughly one-third of the combined site is 13 feet lower). At the same time, according to the St. Louis County Assessor's market value, the combined site is valued at \$1,904,200. This is a significant land cost in a development scenario for such a small site. In addition, there are the development costs associated with building demolition, site preparation, and a parking deck.

If the City wants to encourage combination of these properties and retail reuse, it may be necessary to consider offering the use of Community Improvement District (CID) financing or property tax abatement via Chapter 353 or Chapter 100 statutory provisions. Our review of Parcels 1 and 2 suggest that it may be possible to meet the statutory requirements for designation under these programs. These tools could provide the financial incentive necessary to overcome the costs of development while at the same time enabling density via a multi-story building could also help to make the economics of a redevelopment scenario work (although building height might be limited to three stories due to property acquisition costs, building costs requiring an elevator, and parking requirements).

In considering the potential for retail development, we believe it is necessary to consider the ability for the retail commercial real estate market to absorb new locations. The best land use plan in urban planning principles and terms must also have a basis in market reality or the plan may never be implemented. Like most US metro areas, St. Louis was overbuilt with retail space before the recession. Too many retail entities were competing for the same population within these metro areas because population growth was not sufficient, the number of new housing units was beginning to slow, salaries were beginning to stagnate, and unemployment was mounting. Vacancy rates began to rise as retailers folded or exited soft markets (Linens 'N Things, Borders, CompUSA, etc.). However, we have seen strong retail locations with solid demographics survive this scenario, and where those locations did experience increased vacancies, they have been among the first to backfill spaces. Also, locations with high-income demographics and retailers selling higher end merchandise seemed to suffer the least.

When considering the potential for retail development of the Area, we believe that Frontenac's location, demographics, and presence of high end retailers support the premise that there is a retail market potential for specialty retailers. This is confirmed by an ESRI Retail Market Profile that we obtained for a five-mile ring around the Area. In certain categories such as Furniture & Home Furnishings; Specialty Food, Wine, & Liquor; Clothing & Clothing Accessories; and Health & Personal Care, there is a retail

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gap that represents leakage to other locations outside the ring, or surplus spending power of more than \$20 million.³ This doesn't account for the potential capture of retailers not already in the market area or the St. Louis market.

The current status of the Area is noted below:

- The current zoning of the Area is C-1, Commercial. This district classification provides for an array of commercial uses for the Area. The maximum building height is three stories, or 40 feet. "Grade" as defined by the City Zoning Code is "The average level of the finished ground level adjoining the building at all exterior walls". In this instance the definition of building height in the zoning code states measurement as "*the vertical distance measured from the existing grade of the lot*", which in the case of Parcels 1 and 2 varies by approximately 13 feet on the north/south axis. For example, if a building were to be proposed that is at grade with Clayton Road on its main level (which would be the same as a surrounding parking deck) and has two additional stories above, it could present a conflict with the Code. Therefore, it may be more appropriate for any redevelopment of these combined parcels to be done via a rezoning under the City's Planned Development district regulations.
- The Comprehensive Plan Future Land Use Map depicts "Regional Commercial" as the land use category. This would not appear to be conflicting with the concept of retail development of this site as discussed previously. Any potential retail user of this property will likely have a regional customer draw.
- Vehicular access to this site should not be a greater issue than it is today. The elimination of the current parking scenario on Parcel 1 fronting Clayton Road (under the Bank's proposal or any other redevelopment scenario) should make for safer access to either or both parcels.
- Ideally, proposed retail or restaurant establishments should be unique to the St. Louis market and not be a relocation from other developments within the City

³ Retailer decisions to locate at a particular site are usually based on a variety of factors that include the presence of complimentary retailers (those selling merchandise in categories that might be part of a combined shopping trip), evidence that consumers are traveling farther to purchase the products they want to sell (i.e. the money is being spent in another market area hence the term "leakage"), that there is simply no other retailer selling the type, mix, or price range of merchandise they would be selling, or some combination of all of these factors.

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unless such a relocation would occur as a result of the need for expansion and the business would be otherwise lost to the City. We would note that, given the likely costs associated with retail development of the Area, only retailers who can afford higher rents will be interested in the site.

Retail development of Parcels 1 and 2 will yield the highest revenue returns to the City and would yield the second highest revenue returns to the other taxing districts whose revenues are derived largely from property taxes. However, St. Louis County would also have substantial gains from County-levied sales taxes. In most instances, banks generate some of the highest property tax returns when measured on the basis of square footage of building and site combined. Certainly the Reliance Bank proposal with the associated parking deck will yield a high property tax return for the other taxing districts, but not more than a denser retail scenario like we have suggested above which combines both properties.

SUMMARY

We believe that there are both challenges and benefits for the development options that we have discussed above for the four parcels which comprise the Area. These are re-capped below.

- Three of the four parcels suffer from shallow depths that make redevelopment difficult even if combined.
- They all have topographic challenges on a north/south axis that mean the grade differential is from 13 to 19 feet across a relatively short distance.
- Parcels 3 and 4 are in related ownership and are not for sale and thus we removed them from consideration.
- Parcels 1 and 2 have obsolete buildings and site improvements for modern commercial uses that will make them less valuable over time. In addition, the building on Parcel 1 has significant code issues that most likely makes reuse in its current form economically infeasible.
- The very best development scenario for the City would combine Parcels 1 and 2 for retail use, but this scenario might have significant economic feasibility issues by private development standards unless the City would support a redevelopment project financially via one or more of the incentive mechanisms we discussed.

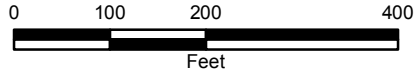
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- The proposal by Reliance Bank will put Parcel 1 back in productive use with an attractive building and site plan but will leave Parcel 2 to “fend for itself”, and we think will make it less valuable over time. This should be an inducement to the current property owners to be amenable to participating in a redevelopment scenario that combines the two parcels.

As is apparent from our discussion, we believe there are really only two logical scenarios for the Area and they are focused on Parcels 1 and 2. In our analysis, it is clear to us that complete redevelopment of the both properties for retail purposes is the most desirable outcome in terms of the City’s goals and objectives. The Bank’s proposal for Parcel 1 will “orphan” Parcel 2 and limit its reuse potential for new commercial development that would yield a new building not significantly larger than what is already on the site unless a parking deck is also part of the design. As a result, any future redevelopment of this property will have difficulty making use of this very small parcel (.4 acres) due to the difficulty of amortizing the cost of a parking deck as part of the project. It is for this reason that we believe that economies of scale would make for a better use of both parcels when combined. Our task in responding to the City’s request for this planning analysis is not, as we understand it, intended to result in a recommendation for one particular land use scenario. Rather, we have analyzed the potential for redevelopment of the parcels that comprise the Area and pointed out the costs and benefits to the alternatives.

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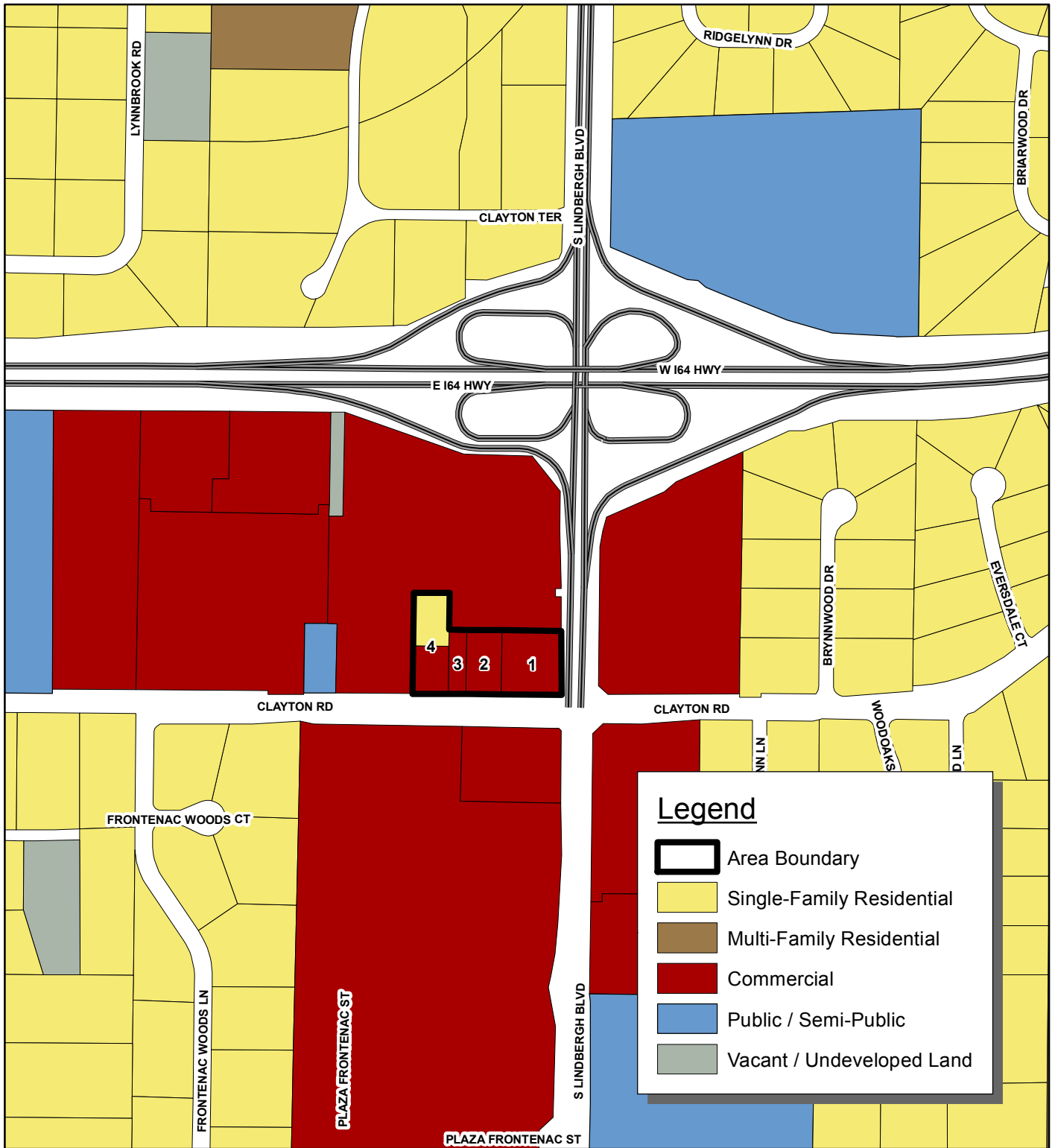
MAP APPENDIX



September 2012

Plate 1
Area Boundary
 Clayton/Lindbergh Land Use Analysis





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Plate 2
Existing Land Use
 Clayton/Lindbergh Land Use Analysis

