

Sandel & Associates

The Loop Media Hub

Gigabit Economic Development Impact Statement

Prepared for:
The Loop Media Hub Feasibility Study



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Economic Development Impact Statement

Present Real Estate Status

University City's Loop and DeBaliviere Avenue from Forest Park Parkway to Delmar Boulevard lie within a vibrant, diverse economic corridor. The primary economic activity along this corridor, now designated for the Loop Trolley, is commercial/retail. The Co-Star Group, a leading provider of worldwide real estate information, reports that commercial/retail operations occupy more than half of the business structures along the Trolley route. Another sixteen buildings, according to Co-Star, are either Class B or Class C office space. The corridor is almost completely developed with only one half-acre land site available (5819 Delmar). The current vacancy rate for slightly more than one million square feet of space along the corridor is 8.5%. This rate has fallen from 11.1% over the past three years. The largest available office space is 18,000 sf at 280-286 DeBaliviere Avenue followed by 6,932 sf at 6665 Delmar and 5,343 sf at 6108-6122 Delmar. These three vacancies totaling 30,275 sf, according to Co-Star, are the only Class B or C office space available along the Loop Trolley corridor.

Co-Star also tracks the tenants within these buildings and reports the following data for corridor:

Industry	# of Tenants
Agri/Mining/Utilities	1
Business Services	9
Communications	8
Financial Institutions	3
Government	2
Insurance	3
Law Firms	1
Medical	4
Personal Services	13
Real Estate	5
Retailers/Wholesalers	43
Unknown	35
Total	127

The five largest tenants listed within this report are Pulaski Bank (25,000 sf), Able Hardware (18,000 sf), The St. Louis Regional Arts Commission (16,000 sf), Announce Media (12,080 sf) and Davita, Inc (12,000 sf). An estimated 100 of the tenants occupy 3,500 or less square feet.

Present Demographics/Estimated Spending

Co-Star utilizes U.S. Census data to generate reports on the area demographics and consumer spending. These reports are prepared using a 1, 3 and 5 mile radius from a target point within the study area. The team used 6032 Delmar as the center point for this analysis. The following is a sample of the data generated:

Estimated Annual Spending (2011)

1 mile: \$ 229,552,000
3 mile: \$1,867,008,000
5 mile: \$4,432,456,000

Total Number of Businesses within 1 mile radius: 597

Estimated Number of Employees within 1 mile radius: 8,430

2010 Census Population Number

1 mile: 19,263
3 mile: 141,050
5 mile: 358,316

The 2011 estimate of population by age cohort has the largest segment (25-34 years old) at 20.03% within the 1 mile radius. This is also the largest age segment in the 3 and 5 mile radii, but the percentage drops from 20.03% to 16.78% and 16.28% respectively. The segment with the largest gain in 3 and 5 mile categories is Age 65 and Older. The median age centered around the University City Loop is 29.7 but this statistic increases by 4-5 years the farther one travels out.

The 2011 population is ethnically diverse within the 1, 3 and 5 mile radii. African Americans are the largest group with more than 48% of the population in all three census rings. Caucasians are 39.76% of the population within 1 mile; 44.32% within 3 miles; and 45.29% within 5 miles. There is a significant Asian population with the 1 mile radius -- 7.35% of those responding to the Census.

Population by Occupation Classification (2011) is broken down as follows:

Blue Collar: 10.35% within 1 mile; 13.28% at 3 miles; and 15.31% at 5 miles
White Collar: 72.12% within 1 mile; 68.52% at 3 miles; and 64.36% at 5 miles
Service Sector: 17.54% within 1 mile; 18.19% at 3 miles; and 20.33% at 5 miles

More than 70% of the workforce (age 16+) travel greater than 15 minutes to their place of employment. Within a 1 mile radius of University City's Loop, 52.92% of the population hold an Associate, Bachelor or Advanced degree. This number drops to 45.18% at 3 miles and 39.76% at 5 miles from the center point.

The household income within the 1 mile radius is lower than the income levels at 3 and 5 mile radii. Almost 33% earn \$15,000 or less in annual income but this number might be misleading due to the large number of college students living within this area.

Housing values vary within the three concentric circles with greatest percentage of the housing in the 1 mile radius valued between \$200,000 - \$299,000. A unusually high amount (61.70%) of the housing stock within 1 mile of the center point was built in 1939 or before.

Economic Assessment of Project Area

The University City Loop and DeBaliviere corridors have a number of distinct economic advantages. These include, but are not limited to:

- active commercial/retail areas with multiple food establishments, personal service providers, entertainment venues, educational assets and professional services;
- close proximity to a top level institution of higher learning and major employment centers (Clayton-Brentwood, BJC-Washington University Medical Center, Page Avenue industrial corridor);
- immediate access to a highly skilled and educated labor force;
- a central location within a major metropolitan area with nearby access to state and federal highways;
- sufficient infrastructure (i.e. water, sewer, power, telecommunications, streets) to support existing business activity and moderate growth;
- an extensive public transportation system, including two MetroLink stops; and
- local governments (University City and St. Louis City) committed to economic development.

This list of advantages is key to attracting, retaining and expanding target industries that will create family-support jobs, capital investment and new business opportunities for entrepreneurs. But these advantages are tempered by a number of economic realities, including:

- limits on traditional infrastructure to support high levels of economic growth, in particular the lack of electric power sources to support large data centers;
- issues of traffic congestion and lack of parking near or along busy thoroughfares;
- no Class A office or “flex” space and minimal amounts of Class B or C office space;
- lack of modern housing options in immediate area to support a high-tech workforce; and
- inconsistent and/or insufficient ultra-high-speed broadband connectivity.

Each of these limitations are addressable with actions by a combination of local and county governments, interested developers, regional institutions and a supportive business community. The project corridor’s ability to address these shortcomings will be critical to its long-term economic success, especially in broadband connectivity. Companies like Cisco, Square and Answers.com depend upon the ultra-high-speed connections to the internet to stay competitive in the global marketplace. In fact, each of these local companies recently made locational decisions influenced by their ability to secure a reliable and affordable high speed internet connection.

Potential industries that would be attracted to this location:

- healthcare
- computer programming
- banking and accounting services
- software and application development
- data centers
- finance, insurance and real estate (FIRE)
- engineering
- manufacturing design and prototype development
- entertainment (music, movies, HDTV programs)

Projected Economic Impact

Based upon this assessment, it is clear the project corridor has real potential to attract economic activity that would take full advantage of these conditions. It is very difficult to predict the timing, size and scope of this activity along with its long-term economic impact. Yet it is reasonable to suggest that the existing economic conditions and assets within the corridor -- with enhanced connectivity -- would be successful in securing new high tech operations. The economic impact of increased employment and capital investment would be significant for the local community and surrounding region.

Take for example the impact of Cisco locating 300 computer programming jobs in downtown St. Louis during the past two years. St. Louis RCGA's estimated economic impact included additional 335 jobs spread across the region; \$37.9 million¹ in direct economic output (i.e. salaries, company expenditures); and another \$44.5 million of indirect economic benefit.

When projected forward over the next five to ten years for similar types of economic activity in the project corridor, here are the economic impact numbers for St. Louis City and St. Louis County only:

Reasonable estimate:

0. 1,000 high tech jobs (i.e. computer programmers, software development) paid at industry standard
1. 972 additional jobs across a number of industries including real estate, employment services, food service & drinking establishments, hospitals/healthcare providers, telecommunications and wholesale trade
2. \$132,590,000 in wages and benefits
3. \$172,227,000 in additional economic benefit (i.e. sales, rents, services, etc.)
4. Total annual economic output in excess of \$265,000,000

As the project examples illustrate, there are various types of economic development impacting many different business segments. Introduction of ultra-high speed connectivity to the project corridor addresses the primary needs of many high-tech businesses; especially those that show the greatest job creation, labor output, and value add ability.

¹ Calculated in 2010 dollars using a IMPLAN economic impact model with 2008 base year.

North - Wellston Metro Station Stop

During the 1940's through the late 1960's the area north along Skinker towards the Wellston Enterprise Center was a busy manufacturing area. During those times this area was filled with light manufacturing, final assembly, machine and paint shops stretching from the area near where Skinker and the Metro line now interest, north to the area around the Wellston Metro station stop. At that time, many of these businesses moved to this area ***to be close to the Wabash Railroad line*** which ran from downtown St. Louis, to The Delmar Station, to Chicago and Detroit along this route.

As mentioned previously in The Loop Media Hub feasibility study Findings, three entrepreneurial accelerator companies expressed interest to either open an office, or move their office to The Loop Media Hub area ***to have access to Gigabit connectivity and amenities*** along The Loop Trolley right of way. Together these three companies have 300+ start-up clients.

If only a very small portion of these start-up companies were to locate in The Loop on a year over year basis, access to a variety of dedicated or mutli-purpose office buildings, parking and expansion area would soon be needed. ***Expansion could continue north along Skinker towards Wellston or east along Delmar towards St. Louis.***

To help accelerate this development, a community development campaign similar to The Walk of Fame in The Loop could be developed. In this case however, the names of famous innovators and entrepreneurs could be used on the sidewalk face plates; famous names such as Steve Jobs or Mark Zuckerberg.



Figure 1 Wellston Innovation Walkway

Summary

The Loop Media Hub, Delmar east and Wellston project corridor represents a prime opportunity for real-estate development, job creation, capital investment and new opportunities for entrepreneurs and small businesses. The combination of affordable ultra-high speed connectivity with access to top level institutions of higher learning, major job centers, proactive local governments and a supportive business community will be very attractive to a wide array of advance technologies and high-tech business concerns. This future economic activity will provide significant benefit to tax-supported institutions, small business owners along the corridor and individuals/college students seeking employment.