

Schuylkill River Development Corporation: Sustainable Business Strategies

REVISED FINAL REPORT

Submitted to:
Schuylkill River Development Corporation
2314 South St.
Philadelphia, PA 19146

Submitted by:
Econsult Corporation
6th Floor
3600 Market Street
Philadelphia, PA 19104

November 2005

EXECUTIVE SUMMARY/INTRODUCTION

Schuylkill River Development Corporation (SRDC) is leading a long-term effort to revitalize the Schuylkill River and its environs from the Art Museum south to Fort Mifflin. An integral part of Philadelphia's bold new River City initiative, this revitalization plan not only serves to strengthen the important nascent link between Center City and West Philadelphia, but will also turn hundreds of underutilized acres of land asset along the lower Schuylkill River into valuable, performing assets for the city and the region. SRDC has developed a comprehensive plan with associated public capital investment requirements, and potential private capital investment opportunities. The project is well underway, and SRDC is engaged in many steps of the development process.

SRDC plays several roles as the overall project manager. They coordinate design and work with neighbors and interested parties, and they are actively engaged in identifying and obtaining funding from various sources. ***The fundraising effort can be helpfully informed by estimates of the potential economic and fiscal impacts of the proposed development, so potential funding parties can see a "return" to their investment.*** This report presents our estimates of potential economic and fiscal impacts, which include construction period capital investment impacts, increased recreational benefits, and increased property values (and associated property tax revenues to the city and school district) for residential properties near the proposed improvements, as summarized here (for public and private investment during Phase I planned through 2008):

- Nearly \$2.5 billion regional impact from proposed infrastructure investment
- Over 10,200 regional jobs generated during the construction period
- Over \$1.9 million per year in additional recreational benefits
- Reasonable probability of annual property tax increases of \$3-6 million from increased values to existing residential properties

SRDC's role is and will be an ongoing one; as such, ***SRDC is looking for sustainable revenue sources and opportunities to allow it to continue functioning not only for the duration of the project's physical infrastructure development, but beyond as the area generates economic activity.*** Econsult reviewed how public-private riverfront development entities raised operating and capital funds in other cities in order to sustain their operations over time. We also worked with SRDC to compile a preliminary list of business strategies designed to guarantee SRDC's own long-term fiscal capacity, or sustainability, which would be crucial to allowing SRDC to maintain its important ongoing role in the revitalization effort. Included in this list are: (1) strategies to continue securing public funding (including TIF financing to capture some of the benefits generated), (2) SRDC playing the role of real estate developer, or at least owner/coordinator role in the actual build out of the private infrastructure and induced private development, and (3) Entrepreneurial and partnership opportunities.

This report presents our findings on (1) the potential economic impacts of the proposed SRDC redevelopment (including how it relates to the feasibility of Tax Increment Financing –TIF – for a source of public capital improvement funds) and (2) recommendations for sustainable business strategies for SRDC going forward.

Recommend Potential Sustainable Business Strategies

Description: Review strategies employed in other cities for applicability. List of specific sustainable business strategies and public/private partnerships to provide future operations (and possibly investment) funding for SRDC.

To fulfill its long-term mission, SRDC must satisfy two distinct but related ongoing funding needs:

1. Public capital infrastructure development
2. Ongoing operations of SRDC

These are related in at least two ways. First, without the infrastructure development, there is really no need for SRDC operations (at least at any significant scale). Second, SRDC's role in management and administration of the capital infrastructure development can be reimbursed by capital project finance.

After researching similar efforts in other cities, and discussions with SRDC staff, we developed a preliminary menu of alternative sustainable business strategies designed to provide on-going revenues to allow SRDC to continue manage the overall development project. We have now narrowed that list down to a recommended list of two primary strategies and three secondary business opportunities.

C.1 STRATEGIES USED IN OTHER CITIES

Riverfront parks, districts and trails have been used to help revitalize downtown and adjacent areas via two primary avenues: (1) by enhancing the quality of life and overall attraction for residents and visitors in cities across America, and (2) by changing negative influences into amenities generating positive real estate value spillover impacts. As part of many master plans and downtown strategies, riverfronts have promoted open space and encouraged a general connection between the outdoors and the community through not only general recreation opportunities, but also through various activities and events, including:

- Festivals
- Public markets
- Performing arts
- Guided scenic walks
- Sports competitions
- Concerts
- Cook-offs

- Receptions
- Art Gallery shows
- Oktoberfests

The Chattanooga Riverfront District, for example, has a nightfall concert series that is held every Friday night bringing together an estimated 5,000 people from the local and surrounding community. Peoria Riverfront District holds a public market every Saturday from June until September which has practically doubled in size over time.

Riverfront districts can be funded through public and private partnerships, city funding, association fees, activity-based revenues, or some combination of funding sources. Many riverfront districts have been extremely successful in developing and promoting a livable, exciting area where residents and visitors enjoy attractions and events year-round. In Chattanooga, starting from a base of \$12.3 million in private funding, the riverfront district has grown to almost 11 miles of large and small businesses and parks.

The Chattanooga Riverfront District, through various management and funding mechanisms, has become a quite successful core of the downtown area. In summary:

- Chattanooga Riverfront projects are managed by the RiverCity Company, a private, non-profit company created to assist city and county governments and the private sector is spurring economic development and the use of public space along the riverfront.
- Most of the projects of the Chattanooga Riverfront District are funded through public/private partnerships.
- After the completion of parks and trails, ongoing management and operations are funded through city and county funds.
- All activities and events are scheduled and managed by the Chattanooga Downtown Partnership, a subsidiary to the RiverCity Company.
- The Chattanooga Downtown Partnership holds primarily free events for the general public and uses a combination of City funds and private sponsorships.
- With an estimated yearly budget of \$100 million, the RiverCity Company obtains approximately half of their funding through foundation gifts and grants. The other half comes from RiverCity-owned land and buildings, generating revenues from fees and payments. However, as a non-profit, these funds can only be used to meet the non-profit strategies and objectives of the Riverfront District.
- Events are generally funded through an estimated \$100,000 in City funds and 5 times as much from sponsors.

Some of the Chattanooga Riverfront District events include:

- A Harley-Davidson Rally
- Swing Festival
- The second largest rowing regatta nationwide
- Private Fundraisers
- Concerts and Festivals

The Peoria Riverfront in Illinois is run primarily through the Peoria Riverfront Association and the Peoria Parks District (a member of the Association). Funding and management mechanisms, different from the ones that exist in Chattanooga are promoting the Peoria Riverfront District as a great place to enjoy music, sports, live arts, and other events and attractions:

- The Parks District is funded through a combination of tax revenue and private donations. They serve as the general landlord responsible for the scheduling and management of events and activities.
- Businesses in the district formed the association from a sponsorship from Methodist Hospital. For ongoing funding, all members of the Riverfront Association pay dues that are used for association operations, payroll, riverfront marketing, community banners, media time, etc.
- The Peoria Riverfront Association is funded primarily through association dues and private donations and corporate sponsors, with no funding from city or local tax revenues.
- The Association includes many community businesses and organizations, creating a very collaborative approach between the Parks District, the Civic Center, the Sports Arenas and Fields, and others that helps in the implementation and organization of programs and events.
- The Parks District and the Riverfront Association function under separate budgets.
- The Association budget does not include any money for activities.
- The Riverfront District is not funded through revenue-generating activities. The events are free to the public and include several fundraising activities and non-profit events.

Some of the Peoria Riverfront events include:

- Horse-drawn carriage rides
- Public markets
- Concerts
- Sports Events
- Art Gallery Walks
- A Rib-Fest Cook-off
- Oktoberfest
- Steamboat Festival

The Cincinnati Recreation Commission operates Cincinnati's Central Riverfront, also known as Sawyer Point. There are no outside organizations that support riverfront activities. The

commission does work with local groups interested in utilizing the space for community events. Sawyer Point has hosted concerts by national music artists, charity fund raising events festivals and sporting events.

Summary of Funding:

- Local event producers rent portions of the facility for various events throughout the year.
- Tax revenues from the city are also used as an additional funding source
- A parking facility located on the park grounds generates revenue used to support the River Front

The Saint Paul Riverfront Corporation began as a riverfront committee, but quickly became a non-profit corporation primarily run with city funds. The corporation was designed to increase the awareness of the Riverfront community and develop a master plan for development. Currently, three programs run through the Saint Paul Riverfront Corporation: The Design Center, Public Outreach and Communication, and Special Projects and Development. No longer funded by the City, the Riverfront Corporation is primarily funded through foundations and public and private donations. City funds are allocated solely for the Design Center of the Corporation, and the funding is pre-arranged through the city budget. The Corporation acts to assist with the writing of city grants for federal funds, but the projects remain as city projects.

In summary:

- The Riverfront Corporation has no operational city funding, yet they maintain a joint, information-sharing connection with the city and work hand-in-hand on project development and grants.
- The Riverfront Corporation is responsible for all operations of the riverfront.
- The overall budget of the Riverfront Corporation is between \$1 and \$1.5 billion.
- City funds budgeted to the Design Center are approximately \$200-250,000, annually.
- Events are run using corporation funding or attendee fees, but they seldom raise more than cost.
- The Corporation holds a few events each year and sponsors several showcase events both primarily for networking opportunities and awareness about the Riverfront community
- The Riverfront Corporation serves to help organize and create private development plans and projects.
- Developments are privately owned and managed, with Landmark Plaza being the one exception. It is the newest downtown park, and it owned exclusively by the Corporation.
- Many events held at Landmark Plaza are free to the public, and private events are typically closed to public guests. Private event revenue for renting the space goes directly to the City.
- Foundations provide the funding for operations and are typically established for 2-3 years at a time to smooth funding streams.
- The Riverfront Corporation notes that their continued success is due in part because they worked to develop a mechanism that could outlast political changes while also remain flexible to change when necessary.

- The Corporation has been formed with a long-term agenda for continued success along the Riverfront.

Some of the Saint Paul Riverfront Corporation events include:

- Annual Millard Fillmore Dinner
- Fillmore week- Riverwork Exhibits and Brownbag lunch presentations
- Taste of Minnesota Festival
- Target Corporation Family Picnic

Hartford Connecticut's Riverfront Recapture is a private, non-profit organization designed to improve the quality of life for the Hartford community by restoring access to the Connecticut River and develop parks and public recreation facilities, make the Riverfront a visitor destination, and leverage the public investment in the parks to attract private development while promoting regional growth. Riverfront Recapture is run through a mix of funding mechanisms. Riverfront Recapture benefits from management agreements with the City of Hartford, the Town of East Hartford, and the Metropolitan District Commission (MDC).

In summary:

- Riverfront Recapture is responsible for park programming that includes activities such as concerts, festivals, rowing classes, and tournaments.
- MDC has agreed to maintain the Riverfront parks and fund the riverfront park rangers program (employees of the Park System who provide park information for visitors, enforce park rules, and assure that the park is well maintained).
- The MDC also agreed to pay the rangers program through an increase in the water rate (\$6 per household per year).
- Riverfront Recapture is responsible for all the marketing and awareness of the park and its importance and activities.
- Riverfront Recapture is primarily responsible for obtaining and managing federal, state, and private source funds allotted for riverfront infrastructure and development as well as the funds necessary for programs and operations of the organization.
- Funding for Riverfront Recapture comes from a combination of sources (federal, state, local - public and private) and they hold frequent fundraising events and activities as a means of providing funds for the riverfront's continued success.
- They also initiate funding for scholarships and receive support from the local arts council, convention and visitor's bureau, state grants, corporate sponsorships and small business giving, and private donations or individual giving.
- Fundraisers held at the Riverfront include "The Big Mo," The Riverfront Golf Classic, and The Dragon Boat Festival.

Events and activities of Riverfront Recapture include:

- Rowing classes
- Fishing tournaments
- Concerts
- Festivals
- Sporting events (America's Walk for Diabetes or American Heart Association Walk, Soccer Shootout, Dirt Triathlon)
- Private boathouse events
- Private downtown performances
- A Mountain Biking Trail
- Orienteering
- Summer youth programs
- Lunchtime jam sessions
- Entertainment Series-Guitars under the Stars

Pittsburgh's Riverlife Task Force promotes collaboration between public and private sectors in order to enhance the Three Rivers Park. It is comprised of 48 community leaders and landowners of property along the boundaries of the park. Within the taskforce there are a number of subcommittees, which specialize in areas such as urban design, transportation, programming, development, lighting and conservation. In 2000 the task force hired Chan Krieger & Associates, an urban design firm, to create a master plan for the riverfront. Since then they have been actively engaged in meeting its objectives. The plan focuses on providing public access to the rivers and their edges, expanding and connecting the parks along the shoreline with a series of trails, bridges green spaces and waterfront amenities.

In Summary:

- The Riverlife Task Force works with both the City Planning Department and project stakeholders on design and development initiatives.
- They also obtain commitments from land owners to participate in projects that develop and enhance the riverfront
- The task force has raised \$2.8 million to support operations and to address unforeseen issues. They are funded by a wide variety of organizations including:
 - Eden Hall Foundation
 - Mellon Financial Corporation Foundation
 - Pittsburgh Steelers
 - PNC Foundation
 - The Heinz Endowments
 - UPMC Health Systems
 - Woodmere Foundation
- They work with PennDOT as well as City and County officials on improving construction policies for roadway enhancement around the riverfront areas
- The Riverlife Task Force conducts feasibility studies concerning the consolidation of rail lines along the riverfront

Events and activities along Three Rivers Park:

- Hiking Trails
- Bike Trails
- Boat Tours
- Rafting
- Carnegie Science Center
- Festivals

C.2 POTENTIAL FUNDING STRATEGIES FOR SRDC

FUNDING REQUIREMENT:

What are SRDC's planned ongoing functions and roles, and how much annual funding will be required going forward? Our initial review of SRDC's current budget and activities suggest ongoing annual operational budget requirements of \$500,000-\$700,000. We have used this as a target for annual revenues. These funds would represent the operational base, including planning and marketing. This base would be augmented by funding for specific projects or sponsored events.

SUMMARY FUNDING FINDING: A significant conclusion drawn from our review of other riverfront entities is that the bulk of funding, for both capital improvements and for ongoing operations (however defined) is provided by the local and/or state governments¹. Although many private and entrepreneurial sources are listed, they typically make up only a small portion of overall revenues for the entity. This carried over into our examination of the opportunities for SRDC. We did not identify any single strategy that would be likely to generate sufficient revenues to cover the entire anticipated costs of continuing SRDC operations. However, we do recommend several specific actions for SRDC to take which, if implemented, could significantly augment SRDC's current funding base.

However, based on this review and our discussions during the project, we categorize the following general funding mechanisms with the potential for becoming sustainable future funding streams to meet SRDC's ongoing operational budget requirements:

- Create partnerships between city and local governmental departments and organizations with SRDC (as mechanism for obtaining public funding)
- Manage programs and events funded through a combination of public and private funds or rentals.

¹ Note: this does include land donated by the government.

- Extend SRDC to a larger membership organization providing funding through a combination of member dues and private sponsorships
- Rely on private donations and corporate sponsorships (beyond SRDC above)

We examine each in turn, and offer recommendations for SRDC:

APPROACH 1: Expand Public and Private Partner Funding Sources.

SRDC is already an established public-private partnership, and it has obtained public funding heretofore. We look at ways to justify continued support and to secure future public funding.

1. Annual Funding via increased economic value generated by SRDC investments
 - a. Sources of increased value,
 - Land value appreciation
 - Increased Business/Sales activity (via Corporate sponsorships and advertising)
 - Voluntary or legal BID, Business or residential associations?

We examined the potential for TIF financing, and found that under reasonable assumptions we could expect \$3-6 million per year in property tax revenue growth attributable to the SRDC infrastructure investments².

2. SRDC plays role of outsourced management/investment/custodian entity for the public sector (state and local Government).
 - a. SRDC charges overhead fee on all public capital grants/investments
 - b. SRDC manages (or plays some role), for a fee, the Station Square project
 - c. SRDC has the ability to OWN property, including taking ownership of property contributed by the city or other public agencies. Sale or lease of such property should be a key potential revenue source, even with some payback to city.
 - Land swaps with publicly-owned properties in other parts of the city

RECOMMENDATION #1:

**SRDC should seek public and private (corporation membership funding) as defined in 1 & 2 above for the base of its annual operating revenues.
(Target: approximately \$300-400,000 per year, exclusive of any capital funds)**

² Benefit boundaries established by City Planning Commission after discussions among Econsult, SRDC, PIDC and the City Commerce Dept.

APPROACH 2: SRDC as Entrepreneur

We have examined potential opportunities where SRDC could generate net revenues from sales of products or services, related to SR experience and branding. While these types of activities are not common for riverfront entities, they are common for regional marketing efforts and for tourist, recreation, arts & culture and historical destinations. We believe that a reasonable target for annual net revenue (that is, available to support SRDC operations) from such operations could be \$50-75,000.

Branded SR trinkets and other “consumer” items. Join forces with GPTMC and other riverfront organizations for cross marketing various items: Penns Landing Corp., Manyunk Development Corp., and the (North Delaware) River City Corp.

SRDC obtains corporate and foundation sponsorships for events and festivals, in conjunction with City Recreation and Fairmount Park. SRDC captures small fees for coordinating role, and space rentals:

Expand planned ferry and boating services; explore ability to charge dock fees for private boats.

SRDC officials “sell” experience around other riverfronts, participate on paid ULI panels, etc. (DISTANT FUTURE, but possible to help branding and marketing efforts.)

RECOMMENDATION #2:

SRDC should seek branding and marketing partners in region, as well as private corporate and foundation funding for sponsorships of events as defined in #a-c above to augment its annual operating revenues.

(Target: \$50-75,000 net annual).

APPROACH 3a: SRDC as Partner

SRDC continues and expands Corporation membership to additional private entities

SRDC operations partially funded by public sector or foundations as public private partnership. Partial ongoing funding or asset donations could be public contribution.

APPROACH 3b: SRDC as Partner: Environmental Education

There is potential for part of SR riverfront to be an environmental education, experiment and research laboratory and center. This has great potential excitement and brings additional public purpose to the river and riverfront. SRDC could act as a broker or coordinator for SR Environmental Education and Research activities in partnership with other players:

- a. Collaborate with environmental groups or programs at area colleges/universities & K-12 schools
- b. Search for educational/training/research grants, SRDC takes fee.
- c. Pittsburgh Voyager (environmental boat-related)
- d. River Life Task Force Pittsburgh golden triangle
- e. <http://www.riverlifetaskforce.org/pspRenovations.pdf>
- f. Join with the Franklin Institute's planned new magnet high school (to be located at 22nd & Arch) and it's PACTS (Partnerships in Achieving Careers in Technology and Science) environmental program.

FROM DENNIS WINT:

I think your idea has merit and worth pursuing. I would see a series of both scientific studies done by high school students as well as a science history/culture/city development project, e.g., how the environment was naturally formed, the impact of human development and technology, the history of this dynamic, resulting in the river today, and opportunities for the future.

PACTS (Partnerships in Achieving Careers in Technology and Science) is a program of the Institute for high school students of color, to provide opportunities for career development in science. They are mostly high school students. The program has been in operation about 12 years. One of their projects was the cleanup of Centennial Lake in Fairmont Park.

The plans for the science high school are also proceeding, with the school to open with 100, 9th grade students in September 2006. A new 9th grade will be added every year.

Students from PACTS and the science high school could use the river as a hand-on investigation as part of their curriculum.

The science high school will be located at 23rd and Arch, in a c. 1955 building that previously served as the offices of the School District's personnel and legal departments. Both departments moved to the new offices on North Broad. The project looks to be ago. Candidates for the principal position were interviewed two weeks ago, with the intent of hiring the person within the next couple of weeks. The school will open September 2006 with about 100, 9th grade students. A new grade will be added each year.

- g. Discuss greater EPA involvement with EPA regional officials
- h. Plan activities with Water Department Watershed Coordinator

APPROACH 3c: SRDC as Partner: Rowing and Boating

SRDC can help introduce Rowing and Boating on Lower River. Sufficient excess demand exists for additional rowing and boating facilities, and lots of parties are interested, but no coordinating entity has brought all parties and interests to the table. SRDC should play this role. Partners could include the Philadelphia School District, Penn or other area colleges, private rowing clubs, and the City of Philadelphia.

PSD is tentatively planning a rowing program and is considering funding in its sports facility capital budget for a boathouse and is considering lower Schuylkill River

SRDC could establish and oversee (in addition to the planned initial boat docks) revenue-generating operations (boat launches, cruises, etc.)

RECOMMENDATION #3:

SRDC should seek partners to establish environmental education and boating/rowing activities along the SR waterfront, as detailed above to augment its annual operating revenues.

(Target = \$100,000/year)