Summary

The Arcade Apartments are the result of a successful historic rehabilitation of a 500,000-square-foot, long-vacant local architectural landmark in downtown St. Louis into a mixed-use, mixed-income property featuring 202 affordable artist lofts, 80 market-rate apartments, and 50,000 square feet of commercial/office space.

Dealmakers

- Historic rehabilitation of a local landmark
- Vibrant mixed-use redevelopment
- Downtown revitalization
- Public-private partnership
- Widespread support and will to transform a derelict but architecturally significant property

Overview

Location	800 Olive St, St. Louis, Missouri
Project Type	Mixed-use, mixed-income
Developer	Dominium
Contributing Partners	City of St. Louis Land Clearance for Redevelopment Authority Webster University Lead architect: Ebersoldt + Associates Architecture Architecture and Project management: Trivers Associates General contractor: Paric Corporation
Housing Type	Multifamily rental
Site Size	.8 acres
Units	**282 units:** • 202 affordable units (restricted to artists) • 80 market-rate
Development Costs	$118,000,000
Development Timeline	1906 – 1918: Original property constructed 2013: Property purchased 2014: Groundbreaking 2015: Property opened

Funding Sources	Baker Tilly BMO Harris Bank Central Bank of Kansas City City of St. Louis Land Clearance for Redevelopment Authority Community Renewal and Development Corp. Cornerstone Real Estate Advisors Enhanced Historic Credit Partners Enterprise Bank & Trust Missouri Department of Economic Development Missouri Housing Development Commission National Trust Community Investment Corp. St. Louis Development Corp. St. Louis Industrial Development Authority U.S. Bancorp Community Development Corp. U.S. Bank Webster University
Website	www.arcade-apartments.com www.arcadeartistapts.com

Development Partners

Dominium

Founded in 1972, Dominium is one of the country's largest affordable housing development and management companies. The company owns, develops, and manages more than 24,000 rental apartments and townhomes in 23 states, including Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Texas and Wisconsin.

City of St. Louis Land Clearance for Redevelopment Authority

The St. Louis Land Clearance for Redevelopment Authority (LCRA) oversees many aspects of public and private real estate development in the City of St. Louis. One of the primary functions of LCRA is to review development proposals that include requests for public assistance in the form of tax abatement or tax-exempt revenue bonds.
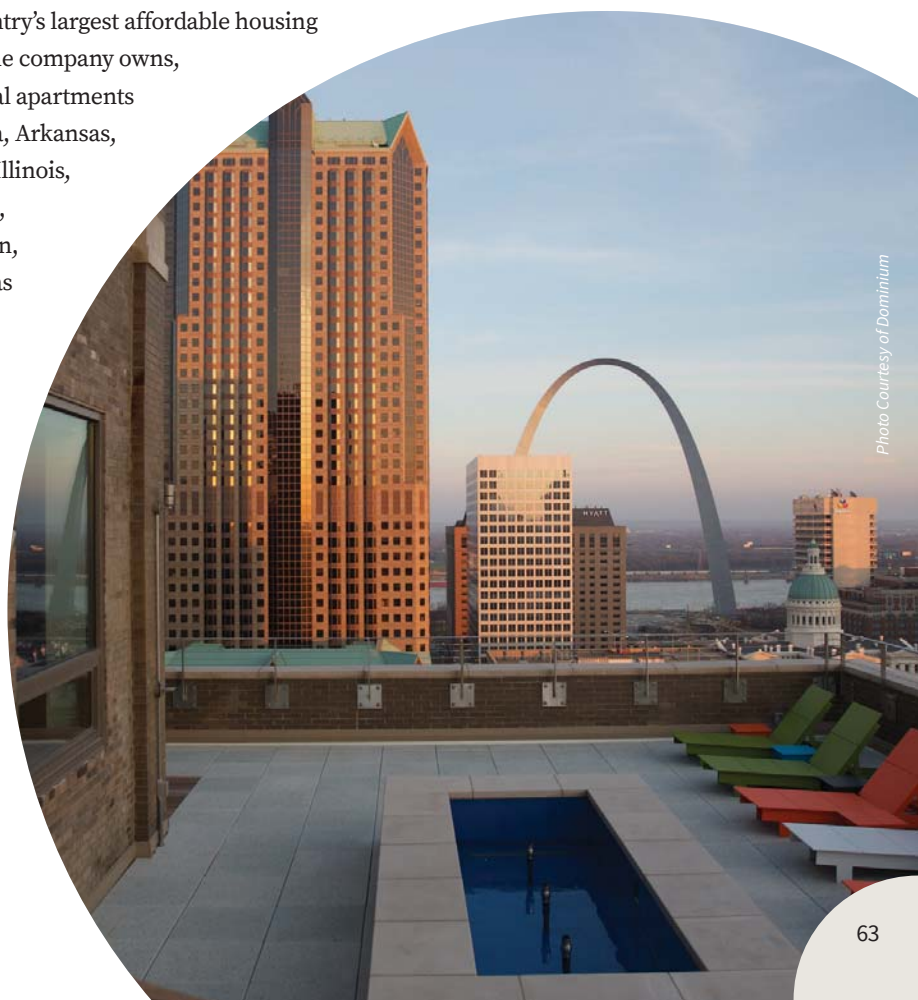
Photo Courtesy of Dominium

Webster University

Webster University is an American non-profit, private university, with its main campus in Webster Groves, Missouri. Webster operates as an independent, non-denominational university with multiple branch locations across the United States. It offers undergraduate and graduate programs in various disciplines, including the liberal arts, fine and performing arts, teacher education, business and management. In 2014, Webster enrolled about 22,000 students, representing all 50 U.S. states and 140 countries.

Planning and Policy

The 500,000-square-foot, historic Arcade Building in downtown St. Louis is actually two buildings: the 18-story Wright Building, constructed two years after the St. Louis World's Fair in 1906, and the Arcade Building, built in 1919 to wrap around the existing building.

The historic landmark was designed in a Gothic Revival style with a vaulted and buttressed interior and a two-story shopping arcade—once the largest indoor shopping mall in the country—that replicated the style of early Italian gallerias. It was also distinguished as the largest concrete structure in the world when it was built.

When the Wright-Arcade Building closed in 1978, it remained vacant for nearly 35 years. Despite its designation as a city landmark in 1980, a series of proposals to redevelop the building stalled. The owner's efforts to demolish the building were stymied in 1989 when the City of St. Louis denied the permits. The Great Recession derailed a 2008 plan to convert the property to luxury condominiums when the housing market crashed and the developer went under. In 2009, the city's Land Clearance for Redevelopment Authority (LCRA) declared the property blighted and authorized a 10-year tax abatement to incentivize the restoration of the building.

By 2010, with the building in foreclosure, the city purchased the property and issued a Request for Proposals to seek a new developer, requiring a minimum bid of $7 million and historic rehabilitation in compliance with the Secretary of the Interior's standards. However, the city rejected the single response to the RFP, from a California developer offering to buy the building for $1.00 and turn it into an international trade center.

With the Arcade returned to the market again, the city finished the asbestos removal and secured the building's ground-floor appearance to make it more attractive to developers.

A second RFP from the city in 2012 yielded success when Dominium, a Minneapolis-based developer that had successfully completed other adaptive-reuse projects in St. Louis, submitted a proposal for a mixed-use redevelopment. A city selection committee voted unanimously to negotiate with Dominium on a redevelopment agreement. The results of those discussions included the city's cleanup of the building, doubling the project's tax abatement from 10 years to 20 years, and selling it to Dominium for $9.45 million.

> "It takes a village: the efforts of many different people and agencies made the redevelopment of the Arcade Building possible."
>
> **Jeff Huggett**
> vice president and project partner, Dominium

Site Development

The Wright-Arcade Building faces the Old Post Office Square, an architecturally significant central site in downtown St. Louis. In 1997, there were more than 70 vacant buildings in the downtown area, 11 of them in the immediate vicinity of the Old Post Office, which was built in 1872 and has been restored for commercial and institutional uses. Today, there are fewer than vacant 10 buildings in the downtown area, with the majority of the others in the process of rehabilitation and renovation for apartments and retail uses or already completed. Also nearby are a stop for the mass-transit MetroLink and the city's first downtown grocery, Culinaria.

At the time LCRA accepted Dominium's proposal for the building in 2012, the long-vacant building contained evidence of water damage throughout the structure. Mechanical, plumbing and electrical systems, fire sprinklers, and elevators were non-functional, and the presence of asbestos and lead-based paint required extensive remediation. The lower stories had suffered from deterioration and vandalism, with interior fixtures stolen and broken glass on the floors. Some of the exterior terra cotta had been damaged and storefronts altered, but most exterior and interior features remained intact.

In the year prior to its sale of the Arcade building to Dominium in 2013, LCRA led a $3.8 million environmental cleanup made possible by state brownfields tax credits and a loan from the St. Louis Brownfields Cleanup Fund.

Public Outreach

Multiple stakeholders supported the redevelopment of the Arcade building, including the downtown neighborhood association and several city and state agencies.

Dominium also reached out to the community to evaluate the demand for the artist lofts. Dominium met with several different St. Louis area arts groups to publicize an online market survey and gather feedback about the need for the artist apartments. Arcade Apartments is Dominium's third artist lofts project in the St. Louis market—they also developed 72 units in the $25 million Metropolitan Artist Lofts, which opened in 2012, and converted the $23.2 million Leather Trades Lofts building into 86 units in 2011.
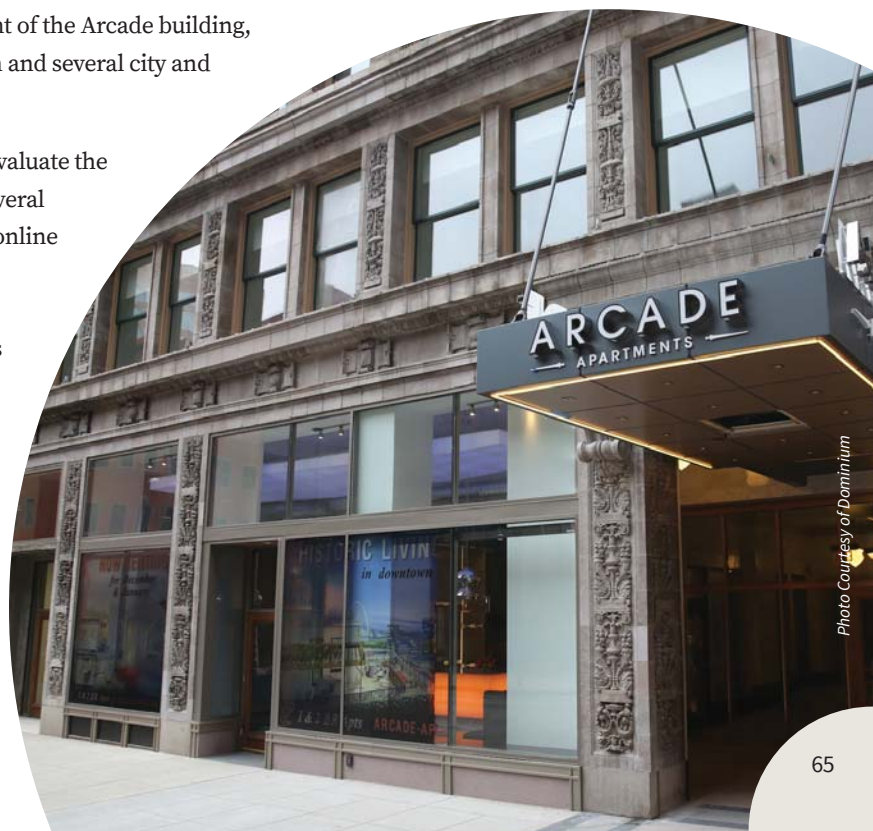

Photo Courtesy of Dominium

Design

The 19-story Wright Building was designed in 1906 by the St. Louis architectural firm of Eames & Young. In 1919, Thomas P. Barnett designed the Gothic Revival-style Arcade Building to wrap around the existing building, with 14 stories on one side and 16 stories on the other, incorporating the Wright building at the southeast corner. Inside, the difference in floor height between the two buildings is compensated by short flights of stairs.

The focal point of the Arcade is its brick façade on Olive Street, which includes a large arcade entrance, enormous second-story bay windows, and intricate Gothic detailing and terra cotta ornamentation. The grand interior, two-story, rib-vaulted arcade is a similar style, with marble-tiled floors, and it extends the length of the building—a full city block. The building contains more than 2,500 windows, many more than 20 feet wide, and some ceilings that are equally as tall. At its peak, the building was famous for its jewelry shops. Designated as a city landmark in 1980, it was listed on the National Register in 2003.

When the Arcade was designed during World War I, much of the nation's steel production was prioritized for wartime use. As a result, engineers and architects employed reinforced concrete for the building frame instead of steel. At the time, this was the world's tallest structure built of this material and considered a major engineering accomplishment.

The Arcade building has 19 stories, including the mezzanine. The commercial space, leased by Webster University, includes the ground level, mezzanine and second story. The third to eighteenth floors are residential.

Historic Rehabilitation and Redevelopment

When Dominion won its bid on the Arcade building from the St. Louis Land Clearance for Redevelopment Authority, one condition of the sale was that the developer was required to restore the building to be compliant with the Secretary of the Interior's standards for historic preservation. This was also a requirement to receive historic preservation tax credits. The Dominion project team paid careful attention to detail and restored as many of the existing historic features as possible from the original building, including the brick façade, terra cotta features, and a grand stair connecting levels of the old shopping arcade.

Photo Courtesy of Dominium

While Dominium has developed at least a dozen historic rehabilitation projects around the country, they had some particular construction concerns about whether the original construction in the Arcade building could withstand the renovations. Fortunately, ample testing confirmed the stability of the existing building.

Except for the preservation of the historic elements, however, the rest of the construction was a gut rehabilitation. The team installed new elevators; all-new wiring; efficient heating and cooling systems, including a water-source heat pump; LED lights; and other utilities consistent with Enterprise Green Communities criteria.
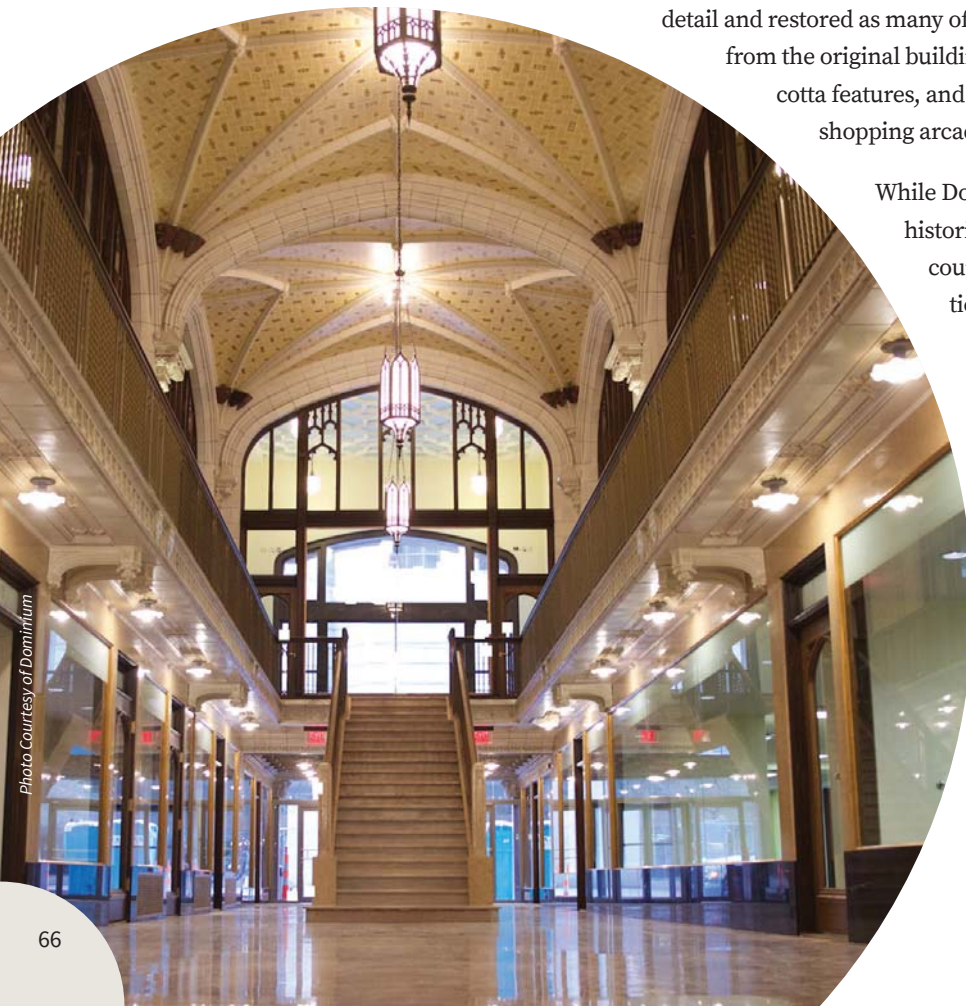
The lower floors' 54,000 square feet leased by Webster University were renovated to create 12 classrooms, two computer labs, 25 private offices, a 175-seat auditorium, a café and an art museum.

Redesigning the upper floors for the building's 282 residential units posed one of the redevelopment's biggest challenges. The floor plans could not be repeated easily since each floor was different. The architects developed 85 layouts for the 202 affordable artists' lofts and 80 market-rate apartments, along with 11,000 square feet of shared artists' studios.

Community Amenities

All apartment residents enjoy an array of shared amenities, including storage lockers, yoga studio, large fitness center with steam room, artist studio space, and WiFi in select common areas.

Tenants also enjoy the rooftop terrace with indoor clubroom with full kitchen, lounge furniture, plantings, and gas fireplace. Significant resources were invested in the rooftop deck to make it structurally sound and take advantage of the prime view of the Mississippi River and Gateway Arch.

Apartment Amenities

The spacious apartment lofts, with 9- to 20-foot ceilings, were designed in modern style with polished-concrete floors, exposed ductwork, and open plans. The many windows offer views of St. Louis as well as ample natural light, complemented by contemporary lighting systems. Floors 15 to 18 are all market-rate apartments. The artist lofts are on floors 4 to 14, and the third floor is mixed.

Amenities available to all apartment residents include open kitchens with granite countertops, solid cabinetry, ENERGY STAR washer and dryer, range, dishwasher, refrigerator/freezer and microwave, spacious bedrooms with ceiling fans, generous bathroom vanities, large tubs and showers, and a pet-friendly policy.

The finishes are mostly comparable, with a few minor differences such as ceramic tiles in the bathroom floors in the artists' units versus polished concrete floors in the market-rate apartments. Selected artist and luxury units also have 15- to 20-foot ceilings, private balconies, walk-in closets, and carpeted bedrooms.

The underground parking garage has 129 spaces, of which 40 are reserved for Webster University and 89 for apartment residents. The garage also has a car wash system and charging stations. The most expensive market-rate apartments include one garage space in the rent. For others in both the market-rate and affordable units, the cost for an unreserved parking space in the onsite underground garage is an additional $125 per month.

An additional 225 spaces of off-site garage parking is also available a block away for $75 per month. For other transportation options, there is ample indoor bike storage, the 8th & Pine MetroLink station right outside, and six cars available through the downtown Enterprise CarShare.

Artist Amenities

Arcade Apartments also includes many features to support and build community among local artists. These include over 11,000 total square feet in shared studio spaces with plenty of natural light, open floor plans, and soundproofing for fine art, photography, music, and multimedia pursuits. Many of these spaces have specialized features, such as a performance studio with hardwood floor and seating, music practice rooms designed for optimal acoustics, and a pottery kiln. Picture rails are also mounted for artwork display.

Financing

The $118 million Arcade project involved a mix of federal and state historic tax credits and New Market Tax Credits, loans, mortgages, and investment from Webster University.

To manage the complex project financing for the project, Dominium split the ownership into two different ownership entities. The first ownership entity, which includes Webster University's commercial and institutional space, 80 market-rate apartments, and 130 parking spaces, cost $50 million.

Financing sources, Arcade Apartments – Ownership Entity #1		
Source	**Type**	**Funding**
BMO Harris Bank	Bridge and permanent construction loans	$13,000,000
U.S. Bank	Equity Federal and State Historic Tax Credits New Market Tax Credits	$31,000,000
Webster University	Equity	$4,000,000
General Partners	Equity	$2,000,000
	Total	**$50,000,000**

> **Provide a good product with good service, and people will respond positively, even in a weaker market.**
>
> **Jeff Huggett**
> vice president and project partner, Dominium

U.S. Bank Community Lending Division also provided a $44 million construction loan to bridge the equity investment. New Market Tax Credits for the project were allocated by Central Bank of Kansas City, Enterprise Bank & Trust, National Trust Community Investment Corp., St. Louis Development Corporation, and U.S. Bank.

The second ownership entity includes 202 affordable artist lofts on floors 4 to 14 and cost $68 million. The four-percent Low Income Housing Credits were allocated by Missouri Housing Development Commission, which also provided a federal HOME loan and Affordable Housing Assistance Program tax credits.

Financing sources, Arcade Apartments – Ownership Entity #2		
Type	**Source**	**Funding**
Cornerstone	First Mortgage	$9,000,000
U.S. Bank	Equity: Federal and State Historic Tax Credits 4 percent Low Income Housing Tax Credits	$47,000,000
City of St. Louis	Second Mortgage	$4,200,000
Missouri Housing Development Commission	Third Mortgage	$4,200,000
Business investors	Loans	$3,000,000
Developer	Equity	$1,000,000
	Total	**$68,400,000**

Marketing and Management

To promote the residential units, the marketing team focused on driving prospective tenants to the website. Dominium created two websites to simplify communications and leasing: one for the artist lofts, and one for the market-rate housing

While the market for the artist lofts is harder to measure, Dominium did have experience with the two previous projects in St. Louis with a comparable product. Metropolitan Artist Lofts and Leather Trades Lofts, with a combined total of 158 units, had leased up quickly and inspired Dominium's confidence about demand. A market survey provided additional data to support the 202 artist units in the Arcade Apartments.

Promotions included sponsoring art events, working with Downtown St Louis, Inc., and hosting a booth at a downtown housing event. The efforts succeed in several units being leased sight unseen. After the project opened, the artist lofts were 100 percent leased in five months, and all the units were at 100 percent occupancy in seven months. The residents tend toward a younger demographic, with the majority are under 55.

Rents

The one-, two-, and three-bedroom apartments vary in size from 650 to 2,500 square feet. Rents range from a low of $563 a month for working artist apartments to $3,000 or more for two-level suites at market rates. Rent includes water, sewer and trash removal utilities. Residents are responsible for gas, electricity, and any cable or internet.
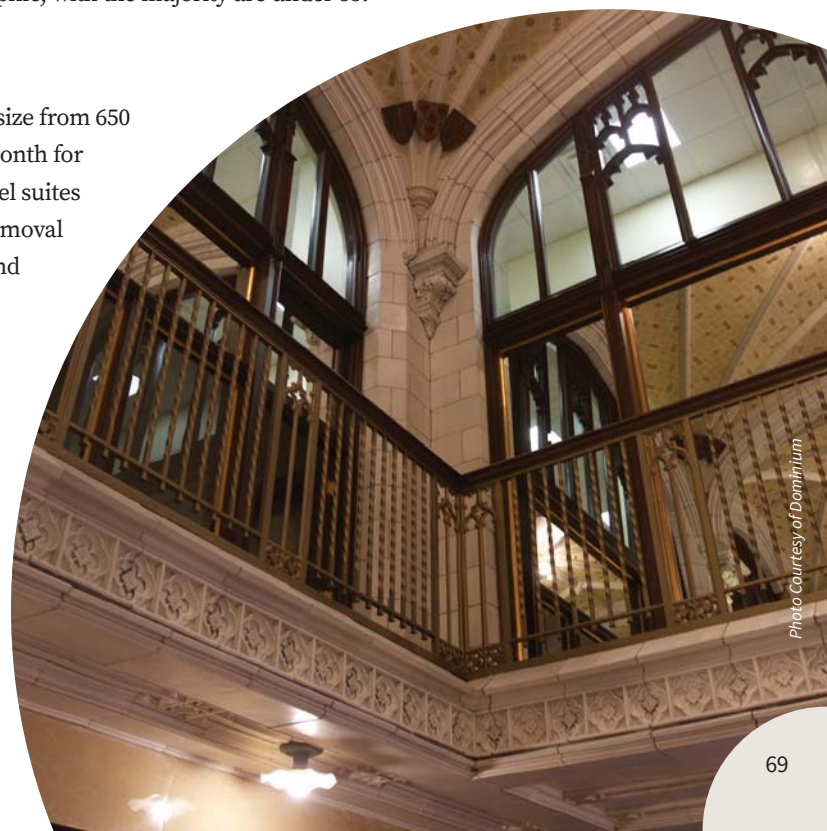

Photo Courtesy of Dominium

Affordable Live-Work Units for Artists

The 202 units set aside for artists in the Arcade Apartments are awarded based on income qualifications and a proven commitment to an art, with a wide range of eligible pursuits. The other 80 units rent at market rates.

Total household income is based on gross annual income earned from all sources and must be under the following limits based on household size:

- **1 Occupant:** $29,580
- **2 Occupants:** $33,780
- **3 Occupants:** $37,980
- **4 Occupants:** $42,180

To qualify for residency in one of the artist's units, at least one member of a household must demonstrate a commitment to an art form and submit an online application that will be reviewed by a committee of artists. Applications must include a resume, references and portfolio, history of creative work, long-term creative and career goals, and description of the applicant's desire to engage in a creative community. However, the qualifying member need not derive income from these artistic endeavors. Applications only need to be submitted once, without the need for annual renewals.

A variety of artists are eligible, including:

- **Fine artists:** Painting, drawing, sculpting, book art and print making
- **People who create imaginative works:** Aesthetic literature, costume design, photography, music composition and architecture
- **Functional & craft artists:** Jeweler, potter, chef, quilt maker, silk screener, carpet maker, furniture maker, and toy designer
- **Performers:** Singers, musicians, dancers, actors and performance artists
- **Media artists:** Radio, film, television, multimedia, cyber-art, gaming and animation
- **Design artists:** Graphic and web design, interior design, aesthetic design, package design and set design

Commercial Space

As the anchor tenant of the Arcade building's commercial space, Webster University's early commitment to a 20-year lease beginning in 2016 was key to moving the project forward. Webster University was also a tenant and key player in the 2004 restoration of the Old Post Office across the street from the Arcade.

While Webster University's main campus is located in the St. Louis suburbs, it has branch locations around the United States and operates worldwide, with a total enrollment of about 22,000 students. The Arcade Building is home to the university's Gateway Campus and accommodates up to 1,000 students. The Arcade Building lease substantially increases the university's visibility downtown, as it expands the university's downtown campus to 55,000 square feet from 33,000 square feet, including its space in the Old Post Office.

Programs offered include a master's in Cybersecurity, MBA and other business courses, classes for first responders, and Webster's undergraduate degree completion program. Other anticipated programs include a downtown lecture and performance series.

Management

Dominium's management arm serves as the property manager for Arcade Apartments. With 300 people living in one building and ample shared space, there are bound to be some occasional conflicts.

Some of the management is supported by the building design: for example, the commercial and residential entrances are separate, and entry access is controlled. Sound studios are soundproofed and located away from the residential units. The management team also aims to help with artist studios to be self-governing and resolve conflicts as they arise.

Observations and Lessons Learned

Historic rehabilitation requires a thoughtful design process.
Dominium invited various subcontractors, such as HVAC, masonry, and electrical professionals to be part of the design early on. The goal was to identify possible issues in the 500,000 square foot building and 80+ residential floor plans.

Negotiate to achieve solutions. Complying with the Secretary of the Interior's standards for historic preservation was essential to earn the historic preservation tax credits and comply with the conditions set forth by LCRA's sale of the property. Dominium negotiated with the Department of the Interior to move some of the historic hallways, as long as the design kept the arcade and restored the marble floors, wainscoting, plaster work near the ceiling, 100-year-old woodwork, and plate glass windows in other historic corridors. This swap worked out well and created square footage for additional leasable space.

Address challenges with creativity. The original roofline had 12 levels to it, posing additional complications in designing the apartment units. Yet whenever possible, the roof levels became exterior decks for the apartments overlooking the interior courtyard. This turned out to be a popular and enviable amenity, since downtown urban living does not often provide for much personal outdoor space.

Look for flexibility on parking. Parking can often be an issue in an historic rehabilitation project. The tall, 14-foot basement ceiling allowed for the installation of an extra floor between the Arcade building's basement and sub-basement, for a total of 129 spaces in three levels of underground parking. Dominium also worked closely with the city and treasurer's office to lease an additional 225 off-site spaces for residents at a nearby parking garage.

Bring value to the available market. The City of St. Louis is not the strongest market, and it took longer to bounce back from the recession. Dominium found creative ways to pay for the cost of restoring this historic landmark—and raise the bar on the quality-of-life amenities—to produce a successful project.

Collaboration pays off. The widespread dedication and collaboration from private and public sectors were crucial for the successful redevelopment of the Arcade building.

This document is a portion of NAHB's report
How Did They Do It? Discovering New Opportunities for Affordable Housing.

Click here to view the full report.

How Did
They Do It?

Discovering New Opportunities
for Affordable Housing

Photo Courtesy of Brynn Grey Partners Ltd.

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