

# ST. LOUIS POST-DISPATCH

## Economy complicates effort to shed city school buildings

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The cost of maintaining empty buildings and the city's declining student population are prompting St. Louis school officials to try to sell nearly a dozen vacant schools this summer. But two factors are complicating the sales: a tough economy and the lack of state and federal historic tax credits.

Six of the 11 schools went on sale last week. Five more will be held off the market until July in an effort to prevent a glut.

Job growth is sluggish among young adults, a key demographic for developers who in the past remodeled a few former schools as apartments or condos.

St. Louis school officials are no longer reluctant to sell buildings to charter school operators, even though charters are luring more students each year from the school system. Mayor Francis Slay's office has been working to attract more quality charter schools to the city, in the hope of stopping more families from leaving the city for better schools. In 2009, the city school system lifted its deed restriction prohibiting sale of its buildings to charter schools.

New census figures show an 8 percent drop — a loss of 29,000 residents — in the city's population since 2000. Those numbers reveal that about 75 percent of the loss were school-age children.

Uncertainty over the future of the state tax credit for historic preservation is also hindering sales of unused schools. Developers rely on the credits, but efforts to overhaul state tax credit programs died this spring when the General Assembly failed to pass economic development legislation. Eventual cuts in the programs are likely.

Peter Katsinas, president of contracting firm Katsinas Construction, toured Gardenville School two years ago, when the school system tried unsuccessfully to sell the building at 6651 Gravois Avenue. Gardenville, designed by famed school architect William Ittner, is back on the market. This time, Katsinas is taking a pass even though he considers Gardenville ideal for conversion to residences.

"Nothing will make economic sense unless they keep the state and federal tax credits in place," he said. "Without those, just empty a gun in your head because you will not survive."

Hilliker Corp. and Linda M. Wash Real Estate have the schools listed at \$10 to \$20 per square foot. Katsinas said those prices are reasonable but added: "Even if you give it to me and there's no demand for it, what am I going to do with it? Real estate is very, very weak."

Peter Newton, a Hilliker broker long involved in selling surplus city schools, said an inability to get tax credits would make rehabbing the old buildings more difficult.

"What is going on in Jefferson City is strangling us," he said. "We've got all these historic buildings. (Rehabbing them) only makes sense with the tax credits."

Jose Cerda represents six charter school operators who are looking for buildings in St. Louis. He's vice president of IFF, a Chicago-based nonprofit that lends money to schools and other nonprofits for buildings.

"We do think there's a market for these buildings," he said. "The question is price and process."

But Robbyn Wahby, education liaison to Slay, said many of the buildings are larger than what many charter school operators want or can afford. She noted that, like public schools, charter schools operate with tax money.

"These charter schools should not have to take scarce education dollars and be putting them in real estate," Wahby said.

She suggested leasing them, rather than selling.

Melanie Adams, vice president of the Special Administrative Board, which oversees city schools, said district officials don't want the additional burden of becoming a landlord.

Some schools might be attractive to churches. A member of a non-denominational church was among those who recently toured Lyon Elementary, 7417 Vermont Avenue. The church member, who declined to give his name or identify his church, said the 101-year-old school, listed for \$860,000, might fit his church's needs.

Hilliker and Wash are conducting more tours Wednesday and June 22 of the first group of schools for sale. Sealed bids are due July 15.

For decades, St. Louis Public Schools has shed buildings — many of them architecturally significant — as student enrollment fell from its peak of 115,543 in 1967 to about 24,000 this year. City students departed for suburban schools and, more recently, charter schools. Records show the district has sold 17 buildings since 2005. District officials acknowledge enrollment may never be what it was even 10 years ago.

Hal Ball, senior vice president at Hilliker, said some schools — such as Lafayette Elementary in Soulard — are "a home run" for redevelopment because they are in solid neighborhoods. Others — even those designed by Ittner — could be demolished if the buyers want a new use for the property.

Six of the latest schools for sale were designed by Ittner, considered the father of modern school architecture. He designed 47 city schools between 1897 and 1915. As his fame grew nationally, he went on to design hundreds more in 30 states.

Katsinas said an alternative to demolition or immediate rehab could be a "1031 exchange," named for a federal tax code provision that allows developers to defer taxes on a building's sale by putting the proceeds into another building. Such exchanges might let developers "mothball" schools until the economy improves.

"The market will turn eventually," Katsinas said. "It's not going to stay this way forever."