**UNIVERSITY CITY COUNCIL**

**JOINT STUDY SESSION MINUTES**

5th Floor of City Hall

6801 Delmar

March 27, 2017

5:30 p.m.

**MEETING CALLED TO ORDER**

The City Council Study Session was held in Council Chambers on the fifth floor of City Hall, on Monday, March 27, 2017. Mayor Welsch called the Joint Study Session to order at 5:30 p.m. In addition, the following members of Council were present:

Councilmember Rod Jennings

Councilmember Paulette Carr

Councilmember Steven McMahon

Councilmember Terry Crow

Councilmember Michael Glickert

Councilmember Bwayne Smotherson

Also in attendance was Andrea Riganti, Community Development Director, EDRST Board members Joe Edwards, Brendan O'Brien, Raheem Adegboye, George Lenard, Kristine Hendrix and Robert Kuhlman, Jr.

Councilmember Carr stated she had provided Council with a draft of the RFP for a search firm, and after receiving no significant revisions would ask that it be placed on tonight's agenda for discussion and a vote.

Mayor Welsch asked for additional time to review the draft since she had been out of town and just received it this morning.

Councilmember Carr honored the Mayor's request and informed Council she would be calling for a Special Meeting on Thursday or Friday of this week to get the process started.

Councilmember Glickert expressed his approval of both requests.

Hearing no further requests to amend the agenda, Mayor Welsch asked Ms. Riganti to proceed with her presentation:

**AGENDA**

*(Requested by Interim City Manager Charles Adams)*

1. **Review of the EDRST Board's Draft Budget for FY18.**

Andrea Riganti, Community Development Director, stated although Council's official consideration of the Board's budget will occur simultaneously with their review of the City's Budget, tonight's session is an opportunity for both groups to meet and discuss specific recommendations prior to final approval.

**Introductions**

EDRST Board members Joe Edwards, Raheem Adegboye, George Lenard, Kristine Hendrix and Robert Kuhlman, Jr., introduced themselves to Council.

Brendan O'Brien, Vice Chairman, thanked Council for the opportunity to participate in this discussion. And on behalf of their Chairman, Mark Wiener; who is out of town this evening, he would like to stress the importance of this Board's desire to act in solidarity, in spite of sentiments that may be exhibited towards any of the projects being recommended.

**Background**

Ms. Riganti stated the EDRST is a .25% sales tax on retail throughout the City. This tax is collected and distributed in accordance with Section 120.520 of the Municipal Code and Chapter 67 of the State Statute, which states that the use of the revenue shall be restricted as follows: No more than 25% shall be used for administration; 20% shall be used for long-term economic development, including, but not limited to the acquisition of land, infrastructure, public facilities, extension of streets, and matching dollars for grants. The remaining balance shall be used for marketing, grants and loans to companies for job training, site development, equipment, infrastructure, employee training, et cetera.

**Revenue History**

* $614,000, in sales tax was collected by the City in FY08. *(That amount remained relatively stable until FY15, when it jumped to $646,000.)*
* $650,000 was collected in FY17
* The fund's reserve balance is comprised of funds set-aside for Olive Boulevard activities; $800,000 for a project to be determined at a later date and sales taxes collected in excess of the amount budgeted or projects that come in underfunded.
* $665,000 has been budgeted for FY18. *($100,000 of this amount has been slated for a full-time staff person to handle economic development activities, per the recommendation of the EDRST Board and Council.)*

**FY18 Applications**

This year the Board received funding requests in the amount of 1.4 million dollars. Copies of these requests have been provided to Council and all applications were made available to the public via the City's website, on February 9th of this year. A link has also been provided for tonight's Study Session.

**Application Review Process**

* February 9th - Applications sent to the Board and made available online
* February 16th - Applicants presented their proposals at the EDRST Board Meeting
* March 2nd - A public hearing was held
* March 16th - EDRST Board meets to discuss staff recommendations
* March 23rd - The final EDRST budget was prepared

**Staff Evaluation**

Staff conducts a technical evaluation in advance of the Board's consideration to ensure that projects align with the following criteria established by the City's Comprehensive Plan:

* Does the project have the ability to leverage additional resources against the sales tax?
* Is the project long-lasting and value-added?
* Does the project have the capability to spark redevelopment of vacant properties?
* Will the project act as a catalyst for additional development?
* Does the project provide employment opportunities?
* Does it align with activities in the proposed project area?

**EDRST Board Evaluation**

In 2013 the Board adopted the aforementioned criteria as a part of their evaluation process, along with the following funding priorities:

* Olive Blvd redevelopment
* Infrastructure improvements along Olive and Delmar
* Continued support of existing successful business districts
* Expansion of the City's efforts related to business retention, attraction and expansion

Ms. Riganti noted that the list provided to Council includes the applicant's name, project title, application and the amount recommended by the Board, and then opened the meeting up for discussion.

Mr. Kuhlman stated the general practice of the Board has been to adhere to the revenue available when making recommendations. However, this year in particular, the Board strayed away from that unwritten tradition to address the outlay for sidewalk improvements by dipping into the reserves to cover what they felt was a much needed expenditure. Staff did a great job of taking these requests totaling over 1.4 million dollars and whittling them down for the Board's consideration. He stated the Board has developed a scientific approach to making all of its recommendations, which eliminates a lot of guess work and personal opinions. Each application is looked at objectively, based on the criteria outlined in their proposals and weighing it against the Board's guidelines. Conscientious deliberations were conducted on all of the items being presented here tonight and the Board believes they were successful in the final results. So, he appreciates this opportunity to provide Council with the story behind the numbers. Mr. Kuhlman stated the documents provided to Council essentially fall into four categories; marketing, events, economic development and infrastructure. The Board strongly believes that each of the items recommended are proper and that the designated allocations are appropriate.

Mr. O'Brien stated as a result of good dialogue between the two entities he thinks Council now has a better understanding of the Board's carefully considered and formulated process. That being said, they are all more than happy to clarify anything Council has questions or concerns about.

Councilmember Carr asked for the rationale behind the increase in funding for the Chamber of Commerce from $36,000 to $50,000? Ms. Riganti stated the Chamber had requested $36,000 for city-wide marketing/advertising, and $33,000 for regional tourism. Staff felt the two requests were similar in nature and that the funding could be combined into a single project title. So the $50,000 is reflective of what staff and the Board believed was necessary to accomplish the combined project. Councilmember Carr stated last year when the Chamber of Commerce was brought back to Council for reevaluation Mr. Rice promised to submit quarterly reports for Council's review. However, to date, none have been provided, and that raises questions with respect to their performance. She stated she has not seen an increase in revenue or an increase in the number of new businesses. So she would like to understand what metrics, if any, the Board utilized to reach the conclusion that The Chamber should continue to be funded?

Mayor Welsch asked Ms. Riganti if staff had been sharing the Chamber's quarterly reports with members of Council. Ms. Riganti stated that the reports are made available online. Mayor Welsch asked Ms. Riganti if she could discuss the status and progress of each applicant.

Ms. Riganti stated all applicants must submit a quarterly performance report to City staff, which is shared with the Board, as well as the public, and includes metrics associated with funds expended, progress on established goals, and a narrative identifying past and present actions.

Mr. Lenard stated the Board has been making efforts to become more objective in looking at fraternal investment metrics, which are often difficult to measure. He then asked Mr. Edwards how he measures the success of some of The Loop's marketing efforts.

Mr. Edwards stated one great metric is the handful of businesses that actually monitor the number of customers by the purchases that are made. And with respect to the advertisements and promotions in the *Official St. Louis Visitor's Guide*, the owner of Componere Gallery and several other shops, have shown that over 50% of their summer business is a direct result of those promotions. He stated he is not sure if The Chamber has established any comparable metrics, although sometimes you just have to take a chance on certain things to get the word out, especially in a growing area. Mr. Edwards stated it has taken 44 years for The Loop to get where it is today, but it's fragile and needs more attention, especially with respect to marketing.

Mr. Lenard stated he thinks continuing to put more demands on the receivers of EDRST funds to be more creative in coming up with ways to measure their success is definitely something everyone would like to see. For example, coupons could be distributed for the Delmar Block Party to determine whether the event produces additional revenue for the stores in that area.

Councilmember Carr stated while she appreciates everyone's comments, her question is specifically related to the recommendation of $50,000, and the fact that the Chamber has not kept their part of the bargain. Because the questions in her mind are how will these projects benefit U City? Will they increase the City's revenue or increase the number of businesses within the City? It's really a revenue and business type of issue. She stated that she has read the quarterly reports posted online, however they did not answer any of her questions. With respect to Create Space, Councilmember Carr stated Council had received Ms. Li's letter. However, she will never succumb to intimidation. So, if Ms. Li can find a Muny partner willing to underwrite her for this project, she would certainly encourage her to do so. Councilmember Carr stated Council had been provided with a list of questions submitted by a citizen that she would ask either the Board or staff to address.

1. Whatever happened to the $50,000 awarded to Make Space?
2. How or when did Make Space train 50 individuals in handling equipment within the first month and offer Make Space at no cost or a highly subsidized rate to local and St. Louis community students? *(This was stated in their justification paperwork as an expected outcome.)*

Councilmember Carr stated she is part of the greater St. Louis Community, but her charge is to be a steward of U City. So, while she supports the efforts made by all of these terrific students, the hope is that their future businesses would be located here to increase the City's sales revenue and foot traffic. To train them and then give them permission to relocate to another city, simply seems like a transfer of funds.

1. If Make Space has been launched where is the plan to train and accept 50 members to Make Space per month, until enrollment is full?
2. When did the Council vote to become a municipal partner?

Councilmember Carr stated she does not remember Council taking a vote to become a municipal partner, and to do so would probably require a Resolution rather than the mere passage of a budget. She stated she thinks Mr. Lenard would also agree that if something of this nature was brought to the School District he would want to make an affirmative statement regarding a partnership.

1. Was it with a white-boxing?

Councilmember Carr stated the City paid for the white-boxing on Delmar and continued to provide reduced rent.

1. What other concessions?

Councilmember Carr stated she is fully aware of all Resolutions, Ordinances and Bills, and there have been none to establish a partnership.

Ms. Hendrix stated she could not answer whether or not there is an actual partnership, but when Ms. Li came to the Board she did say there were other people interested in her proposal. And when it comes to projects like this, she admits that it can be a gamble. But the Board decided this was an opportunity that needed to stay in U City because it is innovative; has the potential for growth, and provides opportunities for the School District and this City's youth. So she thinks it is an investment in a young woman whose business helps other young people get started, it's a great opportunity, and it's an investment that this City should make.

Mr. Lenard stated his recollection is that for well over a year this Board has consistently supported these entrepreneurial projects spearheaded by Julia Li's requests for funding.

But her plans were stymied by this Council, causing her to reach a point where she was ready to pull out and give up on U City.

However, being solidly in support of this effort, Mr. Lenard stated he talked to Ms. Li and she reached the conclusion that she would give it one more shot by radically changing the manner in which she asked for funding. This year's application is not asking for the purchase of any hardware items; she has put the Make Space business which requires a lot of capital, on hold, focusing only on Kitchen Space and Create Space. So she has eliminated many of the hard items being objected to and revised her request to only seek funding for scholarships and staff to run the programs. Mr. Lenard stated his belief, was that the purpose of this meeting was for the two entities to come together, work on whatever it takes to satisfy the metrics established by Council, and resolve this in a manner favorable to supporting this project. And even though he is uncertain whether it is possible or reasonable, the Board is open to discussing measures to ensure that Ms. Li's students make some type of commitment to U City.

Mr. Adegboye expressed support of his colleagues' position on this issue. He stated he knew nothing about Create Space until watching television several months ago where he saw an advertisement for Create Space in the Washington, D.C. area. This company started in the same manner as Ms. Li's project, but today they have grown so much that they are operating in international markets. So he thinks Council needs to keep an open mind for the benefit of this City. Mr. Adegboye stated one thing the Board tries not to do is base their recommendations on individual thinking or personal opinions. And when reviewing this project the Board looked at it from the viewpoint of ten or fifteen years from now Create Space in U City will be known all over the United States of America.

Councilmember Jennings stated it appears as though some are trapped in what young people call Old School versus New School; kind of between a rock and a hard place. So, while he understands Councilmember Carr's traditional point of view of seeing a return on investment, one thing he has discovered about young entrepreneurs is they are not the same brick and mortar business men and women of the past. Councilmember Jennings stated traveling to different cities he has seen these types of city-funded business incubators springing up, many of which have really exploded. But in each case it took some time to get off the ground.

During his recent trip to Washington, he stated that he obtained information about a grant sponsored by a group called Etsy, which he has shared with staff to possibly attract some additional funding to take some of the pressure off of the City. As Mr. Edwards said, it took 44 years for The Loop to reach the point where it is today. At the time of its conception it was also a risk, but the City invested, waited and has prospered as a result of that undertaking. And if you look at Cor-Tex and other areas around the city with incubators, what you'll learn is that they don't necessarily do business the way we are accustomed to doing business. Yet here again, there's no doubt, that the risks those cities took have certainly been worth the return on their investment. So perhaps there does need to be some additional measures added, but to simply defund this project, in his opinion, would be like shooting ourselves in the foot. Because he would certainly hate to see Create Space go somewhere else and this City miss out on the next Microsoft or Apple.

Mr. Kuhlman thanked Councilmember Jennings for his comments, which he labeled as spot-on. Create Space and Kitchen Space has been unsuccessful with making it through the budget approval process, and quite honestly, this is the very reason why the Board asked for this Study Session.

Out of all the applications the Board receives Create Space is the project that every member feels will provide economic development and a futuristic look to U City. And in comparison to the amount of money the Board has allocated to some of the other projects, the funds requested by Create Space, just to get started, are substantially less. None of the other applications gave members the warm and fuzzy feeling of an actual hardcore return on investment, like the application received by Create Space. The Board has confidence in the sponsor of this proposal and believes she is earnest, diligent and determined to make a success of this entrepreneurial venture for the benefit of the folks participating in her organization, as well as the greater good of this City. But as Councilmember Jennings mentioned, these types of incubators do not grow overnight, they take time. And of course, no one can guarantee that several businesses will evolve because of this training, but if only one business is developed, that's a measure of success. That one business, if nurtured and supported by all of the assets this City has to offer, ultimately leads to better sidewalks and roads. Mr. Kuhlman stated at the end of the day, all the Board can do is make recommendations. Council is left to make the final judgment call, which everyone understands is based on the acceptance of your constituents. But this Board believes that U City is not going anywhere until it becomes open minded enough to roll the dice and take steps like the one being proposed to get it going in the right direction.

Councilmember Glickert stated he was going to ask why Create Space was such a top priority for this Board, but everyone has satisfactorily and very compassionately answered that question. He stated that he has been in support of this project since its inception and apologizes for not doing a good job of selling it to his colleagues. Although tonight, he does believe this Board has presented a very lively and supportive discussion that has done much to enlighten Council about this project. Councilmember Glickert directed his comment to staff and stated that in the future, as these applications come forward to Council, he would like to see bullet points illustrating the project's alignment with the Comprehensive Plan.

Mr. O'Brien stated that his take with respect to oversight, is based on the following: Julia Li is a resident of U City; her parents have invested in U City through their own business, and Create Space is required to file quarterly reports to City staff, to ensure that monies have been invoiced and accounted for. So given that, he believes there is oversight, and as a result of that supervision, Ms. Li listened and modified her plans.

Mayor Welsch asked Ms. Riganti if she would provide Council with responses to some of the questions posed by Councilmember Carr, if not tonight, then in written form at a later time. Ms. Riganti acknowledged the Mayor's request and advised Council that it was challenging to monetize many of these projects. As Mr. Kuhlman indicated, sidewalks, U City in Bloom; how do you quantify their return on investment from the use of sales tax funds? Nevertheless, staff and the Board will do their best to apply universal computations to all of the applications, as they believe are fair and equitable.

Mayor Welsch noted that the Board has tried to align applications with the Comprehensive Plan, as indicated by the second set of bullet points. She stated that she would also like to remind Council that currently Create Space has several entrepreneurs who are already generating sales taxes for the City.

Ms. Riganti concurred with the Mayor's statement and added that her belief is that there are approximately twenty entrepreneurs of that nature.

Councilmember Carr stated that she would be interested in reviewing the actual sales generated by those entrepreneurs rather than the taxes. She stated that as a scientist her definition of scientific method is somewhat different than Mr. Kuhlman's, who looks at it from an investment perspective. But, what she is sure about is that there has been a reduction in the City's revenue. And the most important thing Council can do is make responsible decisions that increase that revenue stream to ensure that the City runs into perpetuity and is financially stable. So, in spite of the fact that she does not view this project in the same manner as others, she does acknowledge each member's passion, which has caused her to look at this project from a more favorable perspective. She also believes that if the students trained at Create Space were required to make a commitment to stay in U City, it would enhance her current perspective.

Councilmember Carr stated U City is finally looking at real development with the issuance of an RFP for the I-170 Interchange, which she believes will spur additional opportunities for the EDRST Board to utilize its funding to enhance Olive Boulevard. Because to date, she has not seen a return on investment in this area; monies the City spent to allow Charter and AT&T to put fiber optics in this area ten years ago produced a report, and little else. She stated she does not expect the EDRST Board to be experts on every project that comes before them, but she does expect its members to be accepting of the fact that the ultimate decision resides with Council, who has a different set of parameters. Councilmember Carr stated hers is but one vote, which may not make a difference, but she does not see where underwriting an individual business is the right way for this money to be spent.

Mr. Kuhlman stated everyone on the Board appreciates the responsibilities of City Council; understands that Council makes the ultimate decision on how monies should be spent, and that the Board's responsibility is to provide Council with information developed during their deliberations to assist Council in making valid decisions. However, everyone should also understand that the EDRST Board is very committed to looking out for U City. That's why each request is analyzed to ensure that they are viable and developmentally responsible. Mr. Kuhlman stated he is actually from the camp that says don't spend any money unless there is something valid to spend it on. But if that was the Board's practice, they would end up hoarding the money. So they look for the best opportunities to use this revenue and apply it in a meaningful way to businesses, marketing and infrastructure beneficial to U City. The Board strongly believes Create Space will be a benefit and that it represents a valid outlay of money.

Mr. Lenard stated he wished to clarify his earlier comments regarding his conversation with Ms. Li, because she also informed him that they were going to use private funds to finish the build-out which was in the middle of completion. So be clear, this project is being funded outside of the EDRST funds.

The second thing is Councilmember Carr's comment about underwriting an individual business is very unfair. Create Space is a non-profit intended to benefit the entire community, as well as individuals, in an educational manner. So it is not an individual business any way you slice it. And he thinks that when Council receives those sales numbers what they are going to find out is that it's not an individual business, it's a bunch of businesses that all have a desire to grow.

Finally, as a School Board representative, Mr. Lenard stated the District has its own interest in this project. One of those interests involves tax revenue provided to the District, which is directly connected to the City's development. The second interest is the opportunity to establish a partnership with this entity in such a way that some of the District's students will benefit directly from the scholarships now being offered by Create Space; a revision that was made in an effort to appeal to this Council. He stated that the District is already behind the curve with respect to students being college and career ready, because it's not just college and career ready, its college, career and start your own business ready.

Ms. Hendrix thanked George for stealing her line, *"College, career and entrepreneurial ready,"* which is very important for the students in this District. She stated that with all due respect, she finds it somewhat ironic that TIF(s); which is money that is not realized by the City, can be viewed as and investment, and yet, the same investment concept is not applied to Create Space which offers the same or even greater implications for this City's future.

Ms. Hendrix stated Create Space is a business venture that is going to produce something truly amazing for this City, and Council would be remiss if it failed to give this project ample consideration; especially given the fact that this young woman went back changed her proposal and came back with something that would be more palatable.

Councilmember Smotherson stated what he finds interesting about this meeting is that while the Board advocates its understanding of Council's responsibilities, it does not appear to be accommodating of those responsibilities. He stated that he went through the process of talking with his constituents who asked for specific items from Ms. Li, which were never received. So, if his constituents are not satisfied, then he does not have an answer for the Board. Councilmember Smotherson stated that he is not in agreement with the concept of Create Space being the future of U City, which in his opinion, does not represent the type of real development he was interested in working to create when he ran for office.

Councilmember Crow stated he respects each Board member for taking the time to come to tonight's meetings. However, he is not certain that Create Space necessarily serves their purpose well, with respect to their lack of independent communication with Council. Number two, he has consistently expressed his desire to see The Chamber, at some point in time, be weaned from the City and stand on its own. And as Councilmember Carr mentioned, it has been a little frustrating to have not received the quarterly reviews as promised. Councilmember Crow stated that while he is intrigued by the revised proposal from Create Space and is actually now more open to this concept, he does have several questions about the tuition with respect to no charge versus a sliding scale. Because whether it's a scholarship or EDRST funds, it's still money going into what this Council may define as a business. Councilmember Crow informed staff that he was also looking at the CID analysis at the tune of $40,000, and trying to determine whether the City has ever expended these funds for similar efforts, and if so, when? Coming back to some of the funds previously expended on Olive, he stated that other than the folks who received the funds; particularly with respect to the fiber optic cables, he also does not understand what benefit, if any, was realized by the City or the businesses in that area.

Councilmember Crow stated his belief is that this City has been exceptionally judicious in its use of TIF(s), and thinks that the comment made regarding this issue may have been out of bounds.

However, between the administrative fees and other things going through the Department of Community Development, it does appear as though the City will end up with over a third of the funds being allocated, which is somewhat curious. Councilmember Crow stated he thinks it's safe to say that every member of this Board has clearly put in a lot of time and effort on this project and has demonstrated a lot of passion for the work they do. And that it's also safe to say; based on the questions received today that this project is not going to necessarily go through without some changes. So he is open to speaking with any member of this Board about the changes he would like to see considered, and the changes they believe are reasonable.

Mayor Welsch asked Ms. Riganti if she would provide Council with a comparison of the marketing funds being requested by The Chamber and those requested by The Loop, as well as a comparison of the events sponsored by both entities.

Councilmember Jennings complimented everyone on their efforts to communicate and work together, because in his opinion it has made a difference. He stated that Mr. Kuhlman is correct in stating that this model is in other cities, and not only has he seen it work, he has researched it, and in fact, his son left St. Louis with all of his clothes in two trash bags and started providing meals to business parks down in Atlanta. He grew his business out of a kitchen space and currently is looking to expand. Councilmember Jennings stated his visits to Create Space help to validate his belief that it already generates good foot traffic and attracts customers from all over the City of St. Louis. In fact, Ms. Lichtenstein (phonetic), who was recently featured on Channel 5's News Magazine, acknowledged that Create Space was a vital component in helping launch her lamp business. Council does have an opportunity to develop Olive, which is where Kitchen Space was slated to open, so maybe some incentives could be provided to prompt some of these new entrepreneurs to locate in this area as well. Julie Li's track record outside of U City has been great. Her family just opened their fifth LuLu's Express, and he believes this City should be trying to partner with her to ensure that she remains within U City.

Mr. Adegboye stated with reference to this case, he would like to leave Council with one final statement as food for thought: Good scientists, as well as good business people, do not deal in hypotheticals. And to be thinking about whether these young people we will be helping will decide to move out of U City is a hypothetical.

Mr. O'Brien informed Council that the rationale behind why The Chamber had not received full funding could be found on the last page of the Board's packet. However, if Council is able to provide a better method of analysis for future projects the Board would be open to those suggestions.

Mayor Welsch asked Ms. Riganti if she would make sure that Council starts to receive a copy of all quarterly reports.

**ADJOURNMENT**

Hearing no additional comments, Mayor Welsch adjourned the Study Session at 6:27 p.m.

LaRette Reese

Interim City Clerk