UNIVERSITY CITY COUNCIL
STUDY SESSION
5th Floor of City Hall
6801 Delmar
September 10, 2018

- **MEETING CALLED TO ORDER**
  The City Council Study Session was held in the Council Chambers on the fifth floor of City Hall, on Monday, September 2018. Pursuant to the excused absence of Mayor Crow, Mayor Pro Tem, Paulette Carr called the Study Session to order at 5:30 p.m.

  In addition to the Mayor Pro Tem, the following members of Council were present:

  Councilmember Steven McMahon
  Councilmember Jeffrey Hales
  Councilmember Tim Cusick
  Councilmember Stacy Clay
  Councilmember Bwayne Smotherson

  Also in attendance was City Manager, Gregory Rose; and City Attorney, John F. Mulligan Jr.

- **CHANGES TO REGULAR COUNCIL AGENDA**
  Councilmember Cusick stated Aren Ginsberg is unable to be in attendance at tonight's meeting and has contacted Ms. Reese to reschedule her swearing into the Library Board.

  Councilmember Smotherson moved to approve the agenda as amended, seconded by Councilmember Clay and the motion carried unanimously.

- **ECONOMIC DEVELOPMENT RETAIL SALES Tax (EDRST)**
  Requested by the City Manager

Mr. Rose stated the next review of the City's Boards and Commissions will be on the EDRST Board.

MEMBERS:

- 5 Members Appointed by Mayor
- 2 Members Appointed by School District
- 2 Members Appointed by St. Louis County Council

DUTIES OF THE BOARD:

- As outlined in the State Statutes and the City's governing Ordinance, the Board, subject to approval of the City Council, shall consider economic development plans, economic development projects, or designations of an economic area, and shall hold public hearings and provide notice of any hearing.

- May consider using funds outside City boundary
  - *City receives significant Economic Benefit*
  - *Board establishes an agreement with all parties establishing responsibilities*
  - *This Board does not have administrative oversight, therefore much of their operation is contingent upon Council's approval*

USE OF REVENUE:

- Must be used in Downtown Area and Historic Districts
  - *What is considered to be the City's Downtown Area? While most people would state the Loop, this area has not been defined in any document.*
- Maximum of 25 percent available for administrative purposes; including staffing and facility cost
  - *As a part of the current operating budget, Mr. Rose proposed to fund; in part, the position of Economic Development Director and other related expenditures.*
- 20 Percent shall go to projects related to long-term economic development preparation
- Uses for Remaining Revenue
  - *Marketing*
  - *Grants and Loans to companies for job training, equipment acquisition, site development, and infrastructure*
  - *Training programs to prepare workers for High Skilled jobs and Advanced Technology*
  - *Legal & Accounting Expenses directly associated with Economic Development Planning and Preparation*
  - *Developing value-added and export opportunities for Missouri Agricultural project*

ANNUAL REPORTS:

- Report to Council
- Report to State of Missouri Joint Committee on Economic Development
  - *Due date March 1st*
  - *Report seeks to determine the use of funds received, and*
  - *How much was spent on infrastructure improvements, land, building, machinery, and job training?*

FY19 EDRST BUDGET:

- Forecasted Revenues = $703, 400
- Allocated Expenses = $133,000
- Unallocated Funds = $570,400
  - *For proposed projects*
  - *Any remaining monies are reallocated back to the EDRST fund balance*

ORDINANCE APPROVAL:

Pursuant to the Ordinance the forecasted Revenues of $703,400 could have been allocated as follows:

- $175,850 - Administrative
- $140,860 or (20%) - Long-Term Economic Development (ED) Preparation
- $386, 870 (ED) - Related Expenditures

RECOMMENDATIONS:

- Direct the City Manager through his staff to work with the EDRST Board on the following recommendations:
  - *Define an economic development project*
  - *Establish criteria for evaluating economic development projects that are more reflective of high wage job creation, advanced technology job training, and significant economic impact*
- Define the downtown area boundaries
  - *Without a clear definition, funds can be used anywhere in U City*
- Placement of the current EDRST Board and Staff recommendation on September 24th agenda
  - *Applicants presented their proposals to the Board in March. Staff has evaluated these proposals and will be recommending that they move forward once Council has determined the future role of the EDRST Board*
- Create contractual agreements with outside agencies for use of loan/grant funds
  - *Currently, no contractual agreement exists that allows staff to compare the intended purpose of the disbursement vs. how it was actually used*
- Confirm Board Membership
  - *Staff is seeking Council's authorization to determine whether the composition of the Board meets the criteria previously described by contacting the School District and St. Louis County to ascertain the names of their appointed members*

Mr. Rose stated a section within the Ordinance suggests that the EDRST Board approval process be contingent upon endorsement by City Council. This is the procedure that exists today. However, the question he would pose, is whether Council would like the process to remain as it currently exists or modified to allow Council to make the first review of proposals which have historically been reviewed by the Board?

Mayor Pro Tem Carr asked Mr. Rose if it was correct that the individuals acting as the ex-officio component of this Board were not actually members? Mr. Rose stated that is correct? Mayor Pro Tem Carr noted that the Historic Districts also had not been defined, although she was uncertain whether they fell under the same category as the downtown area? Mr. Mulligan stated the Ordinance specifies the use of these funds for retail development projects limited to downtown areas and Historic Districts. And although there is no definition of the downtown area, the Zoning Code does contain a core Commercial District. In the absence of a definition in the Ordinance or Statute, one would typically look to the dictionary for guidance. In this case, he has used the following definition: *"In or relating to the central part or main business and commercial area of a town or city"*. Mr. Mulligan stated his thoughts are that when you look at the current Zoning Code to determine how the City's land uses have been set out in tandem with the core Commercial District; which the Code refers to as a district intended to accommodate a wide variety of retail commercial uses with an emphasis toward the sale of retail goods, dining, and entertainment, and the definition previously provided, it is clear that the Loop would meet the criteria for a downtown area.

With respect to Historic Districts, here again, he would look to the Zoning Code where Historic Districts have been set out.

And relevant to this discussion, he would specifically look at the Olive Boulevard Historic District contained in Section 400.1915, which states, *"There is hereby established the Olive Boulevard Historic District which includes the full extent of Olive Boulevard located within the City limits"*. So that gives you two areas within the City that he thinks would qualify for purposes of the statutory and Ordinance provisions on retail development projects in downtown areas and Historic Districts.

Mr. Mulligan stated if Council believes other areas should be deemed downtown or Historic Districts, to ensure clarity, he would suggest that such a designation be enacted by law. However, he certainly thinks it is appropriate to look to State and local codes for guidance, in spite of the fact that they do not refer to Historic Districts in the context of zoning specifications. He stated it's also possible that the designation of a downtown area or Historic District could be accomplished outside the context of an amendment. But if Council is inclined to amend the code accordingly, this is an issue that may be appropriate for the Plan Commission to consider.

Councilmember Clay questioned whether these designations would lock the City in or have any implications with respect to areas like funding or statutory restrictions? Mr. Rose stated he was uncertain whether there were any statutory restrictions that would limit the City's flexibility. However, there is a need to know what the boundaries are in order to effectuate the branding process. He stated when you enter downtown areas throughout the country typically you'll see flags symbolizing this process. And after this administration has successfully put an economic development strategy in place, he will be recommending that U City implement its own branding process.

Mr. Mulligan stated although an economic development project may be broader than a retail development project, there is a need; at least administratively, to establish a clear understanding of what the City's downtown and Historic District areas encompass from the standpoint of retail development.

Mr. Rose stated one advantage the City has is the inclusion of an Industrial Park. So, one might ask; should EDRST funds realistically be used to make improvements in an Industrial Park to attract businesses to that area? He thinks that they should be. Therefore, he would recommend that Council look at this designation from abroad rather than restrictive *(Loop and/or Olive)* perspective.

Councilmember Clay stated documents he had reviewed on the Olive Facade Program seem to indicate that the funds for this program were not being spent at a pace one would expect. So what is the status of this program in terms of spending and its future? Mr. Rose stated he would have to consult with Mr. Mulligan to determine whether this program qualifies for EDRST funds. However, he does believe this is an important program and within the next 90 days, his hope is to have an Economic Development Director on board who will be responsible for marshaling these types of programs. So, while he does not believe the Facade Program is active today, the first question is where the monies to fund it would come from?

Councilmember Clay questioned whether his interpretation of Section 120.50 which refers to Special Taxing Districts was correct, in that EDRST funds are not to be supplanted by other special taxing districts, such as a TIF, but should be considered in addition to?

Mr. Rose stated that was also his understanding. And if you recall, within the TIF project staff identified several sales taxes that would not be impacted, one of those being the Public Safety Sales Tax.

Councilmember Smotherson asked Mr. Rose if he had an opinion about what the designations should be? Mr. Rose stated more than likely, his recommendation will not be limited to the Loop, but at this point, importance should be placed on identifying what the downtown area is.

Councilmember Smotherson stated in his opinion, the historic designation given to Olive Boulevard should be changed because he sees nothing historic about Olive. He then questioned whether Council could apply both the Historic District and downtown area designations to the Loop? Mr. Rose stated based on his reading of the statute and the City's Ordinance, neither restricts Council from making these kinds of decisions. And even if there is some type of restrictive language in the Zoning Code, Council has the authority to make any amendments they deem necessary.

Mr. Mulligan stated there is actually a statement of historic significance in the Zoning Code as to why Olive was given that designation. And to the extent there is an interest in amending the Code, Council may want to refer this topic to both the Preservation and Plan Commissions for consideration.

Mr. Mulligan stated he believes Mr. Rose is looking for some guidance from Council as to whether there is going to be an administrative designation. But again, when you talk about a downtown area you are not necessarily limited to the core Commercial Area in the Zoning Code, although that is one area he thinks neatly fits within the definition. Ultimately, any retail development project has to comply with the Ordinance and statute, so he would suggest that each designation be addressed on a case-by-case basis.

Councilmember Cusick asked Mr. Rose if he would elaborate on what happens to the unused portion of EDRST funds? Mr. Rose stated if Council decided it was not going to allocate any funding this year, then at the end of the fiscal year, those monies would revert back into the EDRST fund balance. Councilmember Cusick asked if the EDRST currently has a fund balance? Mr. Rose stated based on his recollection, the fund currently has a reserve of 1.2 million dollars. Councilmember Cusick asked Mr. Rose if there were any plans for how this money should be utilized? Mr. Rose stated there were two projects included in the Work Plan. One is the creation of an economic development strategy. And he suspects that a part of that strategy will focus on the formation of Olive Boulevard Corridor and what that should look like. The second project is to define the Cunningham Industrial Park and determine what improvements could be made to attract new businesses. But in the end, this Council will decide how staff should administer the strategy and what the majority of those funds should be used for. Councilmember Cusick asked Mr. Rose if his intent was to present Council with any recommendations for the utilization of these funds? Mr. Rose stated the Work Plan also includes the creation of a master plan for the Olive Corridor. But he thinks that if you want to make major improvements then the first step should be to identify a plan and strategy for economic development. He stated it will take significant dollars to accomplish these improvements and the reserve EDRST funds simply enable the City to leverage those finances. Councilmember Cusick asked if staff had any thoughts on how to identify a plan and strategy for economic development?

Mr. Rose stated the City's past approaches were very scattershot, in the sense that all businesses were good businesses or aggressively waiting for the phone to ring. But in his opinion, these types of tactics do not yield an effective strategy. So the major project for the person brought on board as Economic Development Director will be to identify the types of businesses that represent a good fit for U City; put a strategic plan in place, and then develop a process that guides the community through the strategy and enables them to have a clear understanding of the intended goals.

Councilmember McMahon stated it sounds like your recommendations to define economic development projects and create a contractual agreement is where we want to go. So am I correct in assuming that both of these concepts will give Council and staff a better view of what the policy decision is, and the ability to measure those decisions and determine whether we are reaching our goals? Mr. Rose stated the idea is to create some sort of performance standard that allows us to evaluate what we are trying to achieve with these dollars. Normally when you talk about economic development you're also talking about a livable wage. And while he is not saying that retail is bad from any perspective, true economic development focuses more on jobs that create livable wages.

Councilmember McMahon stated as this process moves forward, he is curious to know whether staff has given any consideration to a plan that would help those applicants who have become reliant upon the receipt of EDRST funds, but may no longer be eligible under the revised criteria to ensure that we are not just pulling the rug out from underneath them? Mr. Rose stated that's a good point, which really depends on how far Council wants the pendulum to swing? Right now, his main objective is to create a better balance and to start looking at ways to diversify the City's economy by attracting companies that offer a livable wage. However, that does not mean EDRST funds should only go to those types of businesses, especially since the Loop and Olive Boulevard are predominately composed of retail sales establishments. So funding will still be needed to make improvements in this area.

Councilmember Smotherson asked Mr. Rose if he could explain the $133,000 allotment for staffing and how it relates to the Ordinance? Mr. Rose stated the Economic Development Ordinance, as well as the State Statute, allows a maximum of 25% of EDRST funds to go towards staffing and facilities. So, where you as a Council could have redirected $175,000 to the General Fund to cover these expenses, the recommendation and approval was only for $133,000. That amount covers the salary for the Economic Development Director and a vast majority of the funds needed to get this program running more efficiently. But, by no means is he suggesting that $133,000 covers all of the administrative overhead associated with running the EDRST program.

Councilmember Smotherson questioned whether the language contained in the Ordinance regarding the Board's consideration of economic development projects meant that the initial recommendations should be made by Council, submitted to the Board for their recommendations, and then resubmitted to Council for final approval? Mr. Rose stated there are two issues associated with that scenario. One is the economic development strategy which he would recommend that Council develop, and the other is the need to identify the characteristics of an economic development project. And while the Mayor and Council will make the ultimate decision on both the plan and the projects, the strategic plan might be different than the projects being reviewed.

So once these two tasks are completed, the question then becomes;

1. Whether Council's preference is to take a hands-on approach, engage the EDRST Board, or form a committee/task force to work with staff on the creation of an Economic Development Plan; (which involves a significant amount of work), and
2. Whether Council wants staff to work initially with the EDRST Board or Council to vet applications and make recommendations.

Mr. Rose stated Council has a great deal of flexibility in how they would like to structure both of these undertakings.

Councilmember Smotherson stated he is having a difficult time conceptualizing how anyone could put an Economic Development Plan together without first having a strategic plan for Olive? Mr. Rose stated his thinking is that you could proceed with both plans simultaneously, in that you could create an economic development strategy while pursuing a master plan for the Olive Street Corridor. One focuses primarily on traffic flow and zoning type issues, while the other is more strategic; what type of businesses should the City pursue; what type of incentive programs should the City have, and what are the target markets.

Mayor Pro Tem Carr stated although it may not be as comprehensive or address the strategy of economic development, the City already has a preliminary plan for Olive.

Councilmember Clay asked whether CALOP was a Commission that also drew its funds from a designated funding source? Mr. Mulligan stated that it used to draw funds in that manner. Councilmember Clay stated it seems as though the City already have an exemplar in place. So why can't CALOP's process of recommending projects and submitting them to Council for approval be overlaid on how the EDRST functions? Mr. Rose stated based on the current Ordinance and statute, CALOP and the EDRST Board are structured to operate in a different manner. CALOP has the ability to create their own budget, but the EDRST Board does not. In fact, they have no responsibility for administrative oversight and are designed to be an advisory faction to the Council. Another example might be the Library District. Even though they are a subsidiary of the Council, they have broad oversight of their funds, can create their own budget and have the ability to hire staff.

Councilmember Clay asked what role the Chamber of Commerce played with respect to attracting businesses to the City? Mr. Rose stated while he could not speak to what their role has been here, traditionally, the Chamber of Commerce's focus is on retention; working to ensure that businesses don't leave their City.

Councilmember Hales thanked Councilmember Smotherson for raising the point about Section 120.540(a), of the Code because in recent years the problems seem to stem from the fact that we have not all been rowing the boat in the same direction. In fact, while listening to the audio from the last EDRST Board meeting he believes it was the Chairman who referenced the need for everyone to get on the same page. So he thinks having this conversation and looking at what the Code actually states is incredibly important, and equally as important is the process to make sure this City's Boards and Commissions are following the accepted procedures.

Councilmember Hales stated while he personally does not think Council should micromanage specific projects or plans, the key is really to define what an economic development project should look like so that the Board understands the types of things Council would like them to consider.

Councilmember Smotherson asked Mr. Rose if there were any pending economic projects for Council to consider, and if so, what they were? Mr. Rose stated there are several pending projects for Council's consideration and his intent is to bring those projects forward at the next Council meeting. However, should Council establish a new process before the next meeting his recommendation would be that any application already in the pipeline be resolved prior to making a fresh start. Mr. Rose stated that the agenda will include one recommendation from the EDRST Board and one recommendation from staff.

Mayor Pro Tem Carr asked what happens to the funding when an approved project is either never initiated or completed? Mr. Rose stated if a project proposed in FY17, was not fully executed, that money would simply go back to the EDRST fund balance. Mayor Pro Tem Carr asked whether that specific applicant would have to reapply for funds the following year? Mr. Rose stated while the ultimate decision would be left up to the Mayor and Council, he would recommend that the applicant send him a letter advising him of their intent to execute the project which with then trigger a discussion at the Council level to determine how far they would like to see the project advanced.

Councilmember McMahon moved to close the Study Session, it was seconded by Councilmember Smotherson and the motion carried unanimously.

- **ADJOURNMENT**
  Mayor Pro Tem Carr thanked everyone and closed the Study Session at 6:21 p.m.