

**JOINT STUDY SESSION
OF THE UNIVERSITY CITY COUNCIL
AND ECONOMIC RETAIL SALES TAX BOARD**

5th Floor of City Hall

6801 Delmar

February 25, 2019

AGENDA

Requested by the City Manager

1. MEETING CALLED TO ORDER

The City Council Joint Study Session was held in the Council Chambers on the fifth floor of City Hall, on Monday, February 25, 2019. Mayor Crow called the Study Session to order at 5:30 p.m.

In addition to the Mayor, the following members of Council and the EDRST Board were present:

- Councilmember Steven McMahon
- Councilmember Paulette Carr; (*arrived at 5:35 p.m.*)
- Councilmember Jeffrey Hales
- Councilmember Tim Cusick
- Councilmember Stacy Clay
- Councilmember Bwayne Smotherson

- Board Member Kristine Hendrix
- Board Member George Lenard; (*excused*)
- Board Member Robert Kuhlman, Jr.
- Board Member Kathleen Sorkin
- Board Member Matthew Erker
- Board Member Brendan O'Brien
- Board Member Robyn Williams
- Board Member Byron Price; (*absent, excused due to working late*)
- Board Member Traci Moore

Also in attendance were City Manager, Gregory Rose; City Attorney, John F. Mulligan Jr., Economic Development Director, Libbey Tucker, and Joe Edwards.

2. CHANGES TO REGULAR COUNCIL AGENDA

Mr. Rose informed Council that Project No. 1421 on the Consent Agenda **is a** proposal to perform engineering services for the design of ADA compliant curb ramps at various locations in University City. Staff will maintain proper oversight of this project to ensure that all areas where this work is performed are left in a sanitary and hazard-free condition.

Mayor Crow welcomed and introduced all members of the EDRST Board in attendance at tonight's meeting. He noted that all members of Council were present, with the exception of Councilmember Carr.

Hearing no changes to the regular Council Agenda, Mayor Crow turned the meeting over to Mr. Rose.

3. Overview of EDRST Board Duties & Responsibilities

Mr. Rose thanked everyone for the opportunity to present this overview and introduced Libbey Tucker, the City's new Economic Development Director/Assistant to the City Manager. As the Board's liaison, Ms. Tucker will work with members on the execution of various projects.

Mr. Rose stated Council and the Board have been provided with all of the information staff was able to locate, with the exception of an old set of EDRST Bylaws which are not consistent with the prevailing Statute.

- City Codes
- State Statutes
- Ordinance Number 7005

Mr. Rose noted that this presentation was previously viewed by the Mayor and Council, wherein a question posed by a resident and Council's discussions thereafter will be highlighted for the Board's edification.

Board Composition

- 5 members appointed by the Mayor with approval of Council
- 2 members appointed by the School District
- 2 members appointed by St. Louis County Council

Board Responsibilities

Subject to approval by City Council, the Board 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.
- The use of funds outside of City boundaries.
 - *City receives significant Economic Benefit*
 - *Board establishes agreement with all parties establishing responsibilities*

Use of Revenue

While the Mayor and Council have concluded that the use of EDRST funds encompasses a broad spectrum, there are some limitations:

- Must be used in Downtown Area and Historic Districts
- Maximum of 25 percent available for administrative purposes; including staffing and facility cost
- 20 percent shall go to projects related to long-term economic development projects
- 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

Four areas the City Manager has proposed that funds be used for are:

- Infrastructure related to the Cunningham Business Park
- Development along Delmar, Olive Boulevard, and The Loop

QUESTION: What are the exact locations of the City's Downtown Area and Historic Districts?

ANSWER: Mr. Rose stated when staff determined that the City's Downtown Area had not been clearly defined; Mr. Mulligan suggested that the best legal terminology used to describe a downtown area was, "*Core Commercial Areas*". Utilizing that terminology staff concluded that the only real core commercial area within U City was The Loop. So for all practical purposes or until the Mayor and Council decide otherwise, The Loop has been designated as the City's "*Downtown Area*". With respect to Historic Districts, there is only one he is aware of and that is the entire leg of Olive Boulevard.

Annual Reporting Requirements

- Annual Report to the Mayor and Council
- Report to the State of Missouri by March 1st of each year

FY-2019 Estimated Revenue

- Revenue = \$703,400
 - Expenses = \$133,000
 - Unallocated = \$570,400
- ❖ *All unallocated funds initially designated for procurement of an Economic Development Director have now been allocated for use on multiple projects.*

QUESTION: Were the multiple projects you referred to presented to the EDRST Board during their application process?

ANSWER: Mr. Rose stated the projects, as well as the administrative funding that was used; was all vetted through the Board prior to approval by the Mayor and Council.

QUESTION: These would have been the 2018 projects reviewed by the Board as they geared up for the new fiscal year's budget?

ANSWER: Mr. Rose stated these would have been the very last recommendations the Board made to Council.

Ordinance Approval

Based on the revenues for fiscal year 2019:

- Maximum used for administrative expenses = \$175,850
- Long-term economic development = \$140,860
- Other related expenditures = \$386,870

Recommendations

Mr. Rose stated he and staff have looked at several areas to explore with the Board:

- Define what an economic development project is
 - *Establish a criterion for evaluating economic development projects that are more reflective of high wage job creation, advanced technology job training, and significant economic impact*
 - *Utilization of the Board's matrix*
- Define the downtown area boundaries

- Create contractual agreements with outside agencies for use of loan/grant funds
- Confirm Board Membership

QUESTION: Are you indicating that if an entity fills out an application and the Board makes a recommendation to Council that they be granted funds that entity would have to enter into some sort of contractual agreement with the City prior to the receipt of those funds?

ANSWER: Mr. Rose stated that is correct.

QUESTION: How will the contractual agreement be different from the application process?

ANSWER: Mr. Rose stated since these are public funds, the City needs to have a record indicating exactly what those funds will be used for. Such an agreement will also provide the City with the ability to audit those funds to ensure they were used in the manner agreed upon.

QUESTION: Have the full nine members already been appointed to the Board?

ANSWER: Mr. Rose stated currently eight members have been appointed and his belief is that the ninth member is scheduled to be appointed at tonight's Council meeting.

Mr. Rose stated an area he would like to gain consensus on is the four areas he and staff believe should be the focus for economic development:

1. Delmar
2. Olive Corridor
3. The Loop
4. Cunningham Industrial Park
 - ❖ *The ability to diversify the City's economy will probably come from activity on Olive and Cunningham Industrial Park.*

Economic Development Projects Included in the 2019/2020 Work Plans

1. Creation of an economic development strategy
 - *What types of businesses should the City pursue*
 - *There is a need to target certain niche markets*
2. Hotel feasibility study
 - *How can we make it easy for a developer to build in U City*
 - *What type of data is needed to demonstrate feasibility*
3. A requirement under the State Statute and City Code is that the City must primarily invest in infrastructure for long-term economic development opportunities; i.e., Cunningham Industrial Park
 - *What are the infrastructure needs*
 - *What improvements will be needed*
4. Marketing plan
5. Remaining Funds
 - *Work with EDRST Board, Mayor, and Council, to determine what the proper allocation should be*

Councilmember Clay asked Mr. Rose if it was correct that Olive Boulevard was the City's only Historic District? Mr. Rose stated as he understands it, the only Historic District for the City is the entire Olive Boulevard Corridor. Councilmember Clay questioned if the fact that the City does not have a clearly defined Downtown Area was detrimental to the utilization of EDRST funds or is the status quo sufficient? Mr. Rose stated he would hesitate to say that it's sufficient since he believes a city should always define its downtown area. Not just for EDRST purposes, but for marketing purposes as well.

U City should have the ability to brand exactly what its Downtown Area is. And for that reason alone, he thinks it would be healthy for U City to establish that designation. As it relates to whether it has an impact on the distribution of EDRST funds, for now, he believes that the definition highlighted by Mr. Mulligan is adequate.

Councilmember Clay asked Mr. Rose if he could provide some insight into the market forces driving the belief that a hotel would be feasible? Because while it is true that there is no hotel in U City, slightly to the east you have the Moonrise, and municipal boundary lines are pretty insignificant to a tourist. Mr. Rose stated the question raised by Councilmember Clay is the very question that will be raised by developers, which is, show me the data. That's why he thinks it will be important to have that data available so the City can say here are the numbers; here is the circle we think you will draw from, no matter where you want to locate your hotel. But the genius of this has more to do with the activity going on in Clayton; especially with Centene's expansive development, and the fact that U City has a pretty sizeable market with Wash U, and the St. Louis area. So even though he might think it would be feasible to have a hotel in U City it really needs to be confirmed by the data, and that data can only be determined by conducting a Hotel Feasibility Study.

Comment from a Board Member: I think one of the greatest mistakes made was the City's failure to approve the Kitchen and Homemaker's Incubator; which is now located in the City, on Delmar, across the street from the Glass Factory.

One thought in relation to the concept of a hotel in U City is that Airbnb operates the largest hotel chain, in spite of the fact that they don't own a building. So when this Hotel Feasibility Study is conducted, I think we should have an eye towards the future and start to examine what the current trends are. Because right now; especially with the number of vacant buildings in St. Louis, Airbnb is a really good possibility and there are ways to support these small businesses through EDRST funds.

Comment from a Board Member: I thought this presentation was great. But, I must admit that I came here tonight sort of agitated and concerned about what was going on since we have not had an EDRST Board meeting in quite some time. So, my initial thoughts were that I would have to defend the things that the Board has been doing. However, based on what the City Manager has laid out and his new understanding about the conversations that have taken place in the interim, he is now at ease to learn that this is simply an opportunity to rethink what the Board has been doing in order to make sure that it's right. There's always room for improvement. So, if you will indulge me for a minute, there are a few things that I would like to outline for your consideration.

I have only been on the Board for about three years, but during that timeframe, the Board spent a lot of hours trying to develop a formal structure for this process. With the assistance of City staff, the Board redesigned the application and laid out the rules for applicants, with an impetus on their ability to justify why they needed the funds. Staff designed the grid which Mr. Rose previously referred to, and there was also supposed to be a process for tracking what they did with the money once it was allocated. The Board took their role as stewards of the City's funds seriously and thought they had designed a fairly good litmus test for applications based on a desire to ensure that their actions would really help the economy of U City improve.

But as the City Manager pointed out, there is a need to focus on a marketing strategy. This is something that has been talked about for years, and as it stands today, the City's marketing process is very disjointed.

City Council, through the Economic Development Department, has its own marketing strategies, independent of that, The Loop has its own marketing strategy, and for years, the EDRST Board has recommended that funding be granted to them to enhance their marketing process. So it would be great if the City had a more unified marketing strategy that includes all of U City and not just The Loop.

The Board's biggest challenge has always been how it could assist areas surrounding The Loop. They recognized there were a lot of businesses along Olive that if given a chance to thrive, might actually raise the level of that area. So they were very sensitive to the notion that everything should not flow downhill to The Loop. The challenge, as you know, is that the makeup of Olive Corridor is very complex. And while the Board has contemplated several strategies to address sections of Olive, and would be more than happy to provide these thoughts and recommendations, the onus is on Council and staff to do the things the City Manager is asking to be done. The money is pouring in from revenue, and these are all great ideas, but unless there's an application the Board has nothing to consider and nobody to give these funds to. The Board even tried using the funds for facade improvements, thinking that if businesses improved the aesthetics of their buildings perhaps, more people would shop there.

The bottom line is that he is glad to know that the Board is not under the gun, and in fact, that everyone is in complete agreement. The EDRST Board has made an honest effort to be a watchdog for the City's funds by only making recommendations it believes would truly help the long-term development and growth of this City. So if the next step is to redefine the parameters of this process, the Board is open to doing just that.

Councilmember Smotherson asked what relationship if any, City Hall would have with respect to the statutory requirements that funding only be used for economic development within Historic Districts and Downtown Areas? Mr. Rose stated he would argue that City Hall is a part of The Loop/Downtown Area. Councilmember Smotherson stated his belief is that City Hall is the only historic part of Civic Plaza that the City owns. So he was curious to know whether it could be included under the classification of a Historic District? Mr. Rose stated that is certainly something he and staff could take a look at. However, he thinks the nexus for the allocation of EDRST funds is economic development, so in order to get funding for improvements to City Hall, you would somehow have to demonstrate how it would enhance the City's economic development.

Comment from a Board Member: To your point, when the Board was going through its reexamination of this process, the matrix developed by staff generated more points toward funding if the project fell under both the historic and downtown categories. And if it was a not-for-profit organization located downtown on a historic site, it would be given even more credence since it hit those additional categories on the matrix.

Comment from a Board Member: To clarify something that may be self-evident; taking the conservative approach, the question was always whether we were putting money into something that would eventually generate revenue over and above the funding they received? But as he said earlier, anyone can submit an application. Perhaps, there is a great case to be made about how fixing up some of City Hall's infrastructure issues will help to attract people to the area. But unless the publishing house turns back into a publishing house, more than likely, it won't be on the agenda.

Councilmember Carr stated she is a little confused by the concept of a not-for-profit earning extra points. Nevertheless, her assumption is that the City Manager and Ms. Tucker will be establishing the criteria for consideration?

Comment from a Board Member: Speaking only for myself, while I do think that is a conversation that should be had; my hope was that it would be conducted in conjunction with the folks who have already been a part of those discussions.

Councilmember Carr stated to address another concern, unlike a hotel that is required to pay a hotel tax, Airbnb(s) typically do not pay any taxes. In fact, at this point, it's even difficult to get them to obtain Occupancy Permits or inspections to make sure that the facilities are actually safe.

Comment from a Board Member: Let's assume those are some of the barriers for an Airbnb to legally set up and operate within U City, but shouldn't our goal be to make sure they had all of their ducks in a row? Councilmember Carr stated that the City has already established those requirements.

Comment from a Board Member: So, at this point, would an Airbnb be able to approach the EDRST Board as a small business owner and ask them to make an investment in their business? Councilmember Carr stated her expectation is that the matrix might be a little different in terms of the types of investments and how points should be allocated to various projects.

Mr. Rose stated although he will be somewhat involved, the next step is primarily for Ms. Tucker to work with the Board and come up with recommendations for the matrix that will come before the Mayor and Council for approval. He stated his goal is to ensure that in the future, everyone will be in agreement on the projects being recommended.

Comment from a Board Member: That is exactly what this Board was hoping to hear. And now that everyone is in place the Board can resume their discussions on the process with the goal of making it more of an exact science, rather than an art.

With respect to the not-for-profits, there is a slightly higher bar. No money is given to these organizations unless the Board has an idea that it will generate some type of revenue downstream. So again, while the Board welcome's any application, spending money just for the sake of spending money is definitely not the mindset.

The Board did make a conscious effort to reserve funds for Olive in the event that a good meaty project would come along. Unfortunately, the brewery did not work out, but they were all licking their chops to help them out. So he thinks the Board will always continue to look out for opportunities on Olive because there is a lot there, and a little bit of help can make that area so much more robust.

Mayor Crow acknowledged Council's total recognition of the impact made by the brewery's inability to fulfill its obligations. He then asked Mr. Rose whether the Cunningham Industrial Park was already at 100 percent capacity? Mr. Rose stated although he would have to take a closer look to make that determination, a recent perusal of the area revealed that the streets within the park were less than desirable. However, since EDRST funds can also be used for the acquisition of property, another consideration might be to expand the park.

4. ADJOURNMENT

Mayor Crow thanked everyone for coming and adjourned the Joint Study Session at 6:09 p.m.

LaRette Reese
City Clerk

