

Chapter IV

Economic Growth

Economic growth lies at the heart of virtually every strategy the City of St. Louis has employed to revitalize itself.



Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES



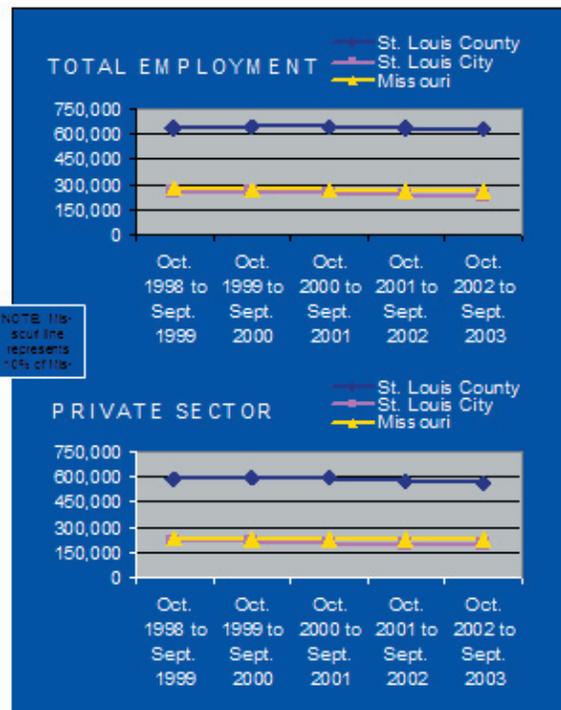
Job creation throughout the country has been relatively stagnant for the past two years—Missouri was one state that showed modest growth. The City of St. Louis, located in the region that provides approximately 40% of the jobs in the State of Missouri, has held ground in several sectors during that time—even with its limited geographic area of only 61 square miles, the City remains home to nearly 9% of all of the jobs in the state. Under Mayor Slay, the City has taken a coordinated approach to job creation and retention, and this approach has begun to bear fruit, focusing on three broad economic development goals:

- Business/job retention
- Business/job attraction
- New/business/job creation from the ground up

In addition, SLDC staff visit approximately ten (10) City businesses monthly, to get to know the businesses and emphasize that the City wants to help. Mayor Slay himself visits with businesses which are at location crossroads to let them know that he appreciates their presence and to let them know what the City is doing to make it a great place to live, work and play.

In many instances job retention also provides opportunities for job attraction and creation. For example, in 2003 the City successfully competed for consolidation of Solae’s headquarters—in addition to moving workers from Fort Worth to St. Louis City, the company is expected to add workers over the next several years. The City also worked closely with Clearchannel to consolidate all of its regional operations in the City. Had Clearchannel chosen a suburban location for this consolidation, City jobs would have been lost. SLDC is currently working with a number of downtown and other businesses whose leases in their current City locations will soon expire. By convincing these businesses that the City is the best place to be and by providing the necessary incentives for their expansion in the City, the City will not only retain these jobs but set the state for continued growth. The new ballpark now under construction represents not only a major business retention but a major infusion of hope for the City and downtown. Ballpark Village, to be constructed on northern half of the old Busch Stadium site, is well along in predevelopment.

In the past five years, SLDC added a site selection position to its staff. In many cases, companies have outgrown current City locations or need facilities better tailored to modern ways of doing business. SLDC identifies locations



St. Louis Development Corporation (“SLDC”) is the City agency responsible for business and other economic development, and for managing the real estate owned by the agencies SLDC serves. A portion of the SLDC budget is funded from the Community Development Block Grant; the remainder of the budget is funded by service fees and asset management.

Business and job retention: Working with the Mayor, SLDC staff have taken a number of steps to address the goal of job retention. These steps focus primarily on letting businesses know that the City appreciates the fact that they and their workers are located in the City. SLDC now hosts an annual “business celebration luncheon” where businesses renewing their commitments and making new commitments to the City are recognized and awarded. The bi-monthly “Spirit of St. Louis” awards serve a similar function.

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

suiting to business needs or assists the business in acquiring property to expand at its current location. Sensient, a company located northwest of Cass and Jefferson Avenues in the process of a \$4 million expansion—its fourth—is very happy at its City location. Procter & Gamble, Dial and other City manufacturers are also expanding.

SLDC is also active in retaining small business—Commercial District Managers work closely with neighborhood-based businesses, using City façade loans/grants to make individual business/district improvements that solve problems and make districts more appealing places to work and shop. The Mayor regularly holds business association breakfasts and lunches. As is the case throughout the City, attitudes among these businesses have significantly improved—they now believe that the City is improving and that City government is committed to success.

In addition to the CORTEX initiative, SLDC has initiated a retail franchise program to grow new businesses—the purpose of this initiative is to grow new retail in the City’s distressed neighborhoods by capitalizing on the entrepreneurial spirit of neighborhood residents and linking them with retail franchise opportunities. This initiative is primarily directed towards minority entrepreneurs and the City’s north side, historically underserved by retail.

SLDC also manages the City’s minority business development program. Historically, the City’s minority businesses have developed in construction—a risky but potentially rewarding endeavor. The Minority Business Resource Council explores ways to assist in the success of

minority-owned construction businesses as well as explores other business opportunities for minority entrepreneurs.

SLDC also supports business development and expansion among “New Americans” in the City, these New Americans are primarily Bosnian, Hispanic and Asian offering a variety of incentives to these businesses as well as other businesses served by SLDC.

The City, SLDC staff, and SLDC agencies provide a variety of business assistance types, as follows:

FINANCIAL INCENTIVES

While businesses now have a significantly improved attitude about the City and recognize its advantages of unique business space, central location and high density, incentives are often necessary to close the deal on a relocation or expansion in the City and/or to overcome the inherent disadvantages of a locating in a previously developed and now obsolete urban location. These disadvantages include environmental contamination and the common problem of assembling a number of small, privately owned parcels in order to create a developable site.

In addition to administering currently available incentives, SLDC spends a significant amount of time in securing new incentives and preserving the incentives that already exist.

Business and job attraction: For most of the past five (5) years, the City has worked hard to stem business and

job exodus from the City. During the past year, thanks in large part to a new and optimistic attitude about the City in general, businesses currently located in the suburbs are now actively seeking City locations. At the present time, most of these businesses fall into creative, technology and retail/entertainment categories—advertising agencies, information services, software, and a variety of retail and entertainment—but the City is setting the stage for more of these businesses and a wider variety of businesses to find City locations that meet their needs.

In particular, the City is identifying sites suitable for new manufacturing and major retail businesses, and is taking the steps necessary to ready these sites for development. Locations include the North Riverfront Industrial Area and the long-abandoned Carondelet Coke site for new manufacturing uses, and the St. Louis Army Ammunition Plant at Goodfellow and I-70, the MSD/Street Department site at I-44 and Hampton, the former Nordyne plant at I-55 and Loughborough, and an expansion of the Schnucks site at Goodfellow and Natural Bridge with other retail.

In addition, the City is working closely with the Downtown Partnership to attract new retail to downtown. This is in keeping with the goal of a 24/7 environment, established in the 2001 Downtown Development Action Plan, that includes residential, retail and other business. This effort, initiated in 2002 with the development of a downtown retail strategy, is now showing visible success—several upscale

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

home furnishings businesses have either started from scratch, opened new branches, or relocated entirely from other locations, and a number of new upscale restaurants have recently opened. These businesses provide jobs for city residents in addition to making downtown a more attractive place to visit, work and live. Both the new Bottle District, privately initiated, and the new Pinnacle casino development will be major infusions of life into the convention/tourism/business travel segments of the City's economy in addition to adding jobs and liveliness to downtown.

In 2002, the Mayor and SLDC established a "retail advisory committee" comprised of the region's biggest retail developers—this committee meets regularly to help the City position itself as a place where mainstream retailers can succeed. At the committee's urging, SLDC joined the International Council of Shopping Centers, the major retail organization in the nation, and, working with the Planning and Urban Design Agency, retailored its demographic presentations, and has made significant headway with mainstream retailers—Lowe's is planning its first City location, and both Target and Home Depot are looking for additional City sites.

Creating business and jobs from the ground up: The City and SLDC are pursuing and assisting in a number of initiatives intended to create new businesses in the City—and keep these businesses in the City as they grow.

Notable among these initiatives is The Center of Research Technology and Entrepreneurial Expertise,

("CORTEX"), a joint effort involving City-based educational and medical institutions, the Center for Emerging Technologies, state and City government, to create a biotech corridor on underutilized land in midtown St. Louis between these medical and university campuses. CORTEX is comprised of leaders from Washington University, Saint Louis University, University of Missouri—St. Louis, the Barnes Jewish Medical Center and the Missouri Botanical Garden. These institutions have pledged \$29 million over 5 years to CORTEX, and these commitments have made possible the realization of the Technopolis plan in this area, envisioned over twenty years ago. In addition to the funding pledged by the institutions, CORTEX has secured \$12 million in state tax credits and a \$2 million EDA grant to seed additional private investment.

CORTEX is in the process of developing the first "wet lab" building in the complex, and construction is expected to begin by the end of 2004. The new building will be home to Stereotaxis, a company that grew in the City-owned Center for Emerging Technologies biotech incubator—without the CORTEX initiative, this business and others would be forced to leave the City—and perhaps the state—to find suitable space for growth.

LOAN PROGRAMS: SLDC directly administers the following business loan programs:

Revolving Loan Fund ("RLF"): The RLF was originally established with CDBG and EDA funding and typically receives a new infusion of CDBG funding each year. Loans from the RLF are approved by the Local Development Company Board consisting of a resident, a business owner,

an SLDC staff member, and four bankers. RLF funds can be considered equity in a project and are used for "gap" financing (total cost of initiative less owner equity and private debt). The RLF typically lends up to \$10,000 for each projected new employee and up to 30% of project cost, with a maximum loan of \$150,000.

Small Business Administration ("SBA") Loans: SBA 504 loans are a useful source of primary business financing, but are also extremely time and paperwork intensive. As a result, this program is best suited for loans over \$500,000. Under the 504 program, up to \$50,000 per projected new employee and up to 40% of eligible costs can be borrowed. Loan proceeds can be used for the purchase and/or renovation of major fixed assets—buildings, land, equipment—with at least a 10-year useful life.

Urban Enterprise Loans ("UEL"): The Urban Enterprise Loan fund is operated by the St. Louis Minority Business Council ("MBC"), although SLDC administers the program by packaging and servicing loans. UEL loans are tied to addresses and income levels by census tracts. Like the RFL, the UEL fund provides "gap" financing and requires participation of private financing and/or equity. The UEL will provide up to 45% of project costs or a maximum of \$100,000.

MoKan Loans: MoKan is a source of short-term, working capital or start-up financing for minority construction contractors. The fund, established with CDBG dollars, is managed by MoKan; SLDC handles distribution of funds and accounting. Borrower must be MoKan members. The size of the pool is small at \$75,000 with a maximum loan amount of \$10,000. Loan term is limited to 60 days.

Economic Development Programs and Initiatives at Work in the City...

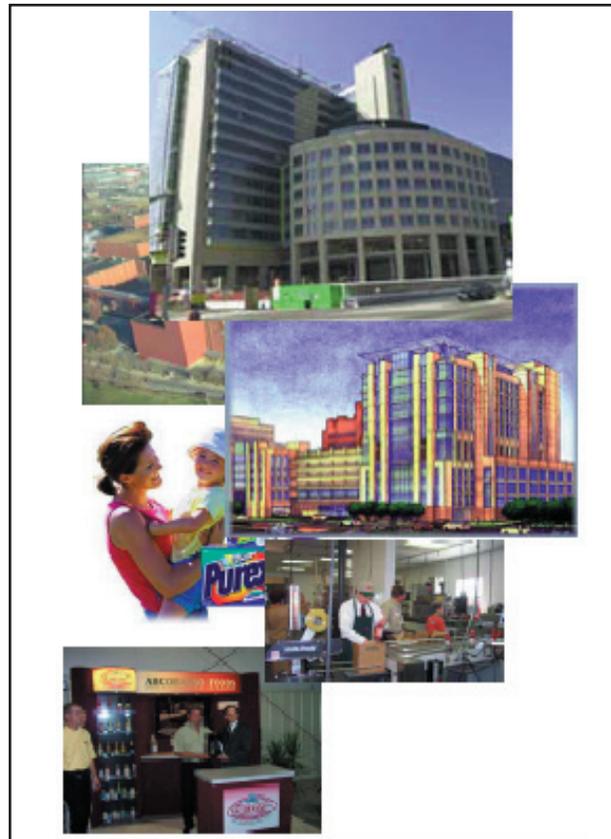
BACKGROUND AND CURRENT SERVICES (continued...)

Business Development Loans: Several years ago, a group of city and county bankers, the St. Louis County Economic Council, and SLDC set up the Business Development Support Fund to create a pool for lending deemed riskier than private lenders would typically finance independently. The fund is often used to finance buyouts and also provides a small number of loans to start ups. Participants are generally familiar with one of the member banks—the bank typically brings the loan to the Fund because lending limits have been reached with the borrower. Interest rates for this program are somewhat volatile, and a success fee of approximately 5% is applied. The Fund is now examining its policies and participants with an eye towards raising its loan limits and adding other private lenders to the consortium, and is now marketing its services to more clients. The Fund has established credit guidelines used to analyze loan requests.

OTHER CITY, STATE, FEDERAL FINANCIAL INCENTIVES: SLDC and the City also offer/support the following financial incentives for business development:

Tax Exempt Bond Financing: The Industrial Development Authority (“IDA”), the Land Clearance for Redevelopment Authority (“LCRA”), and the Planned Industrial Expansion Authority (“PIEA”) are all stateenabled City agencies that may issue tax-exempt bonds in accordance with federal law. In 2003, IDA issued tax-exempt bonds totaling \$59.4 million for six (6) projects. To qualify for tax-exempt bond issuance, projects must be for industrial, residential or commercial uses other than retail—activities financed must create jobs and tax revenue per state/IRS rules. Eligible projects include new construction, facility expansion, or building renovations. Due to economic conditions affecting

the commercial and industrial markets most projects using tax-exempt bonds are large, commercial or residential developments. In recent months IDA has expanded its activity by issuing bonds in association with Community Improvement Districts and Tax Increment Financing Districts, including infrastructure in the Gaslight Square district and the Dr. Martin Luther King Shopping Plaza.



Chapter 100 Bond Financing: Although Chapter 100 Bond Financing has been used widely and aggressively by a variety of other political jurisdictions throughout the State of Missouri for some time, the City has only recently begun to entertain requests for this financing. Currently, SLDC will consider providing Chapter 100 financing for new business equipment and other depreciable personal property purchases—this mechanism essentially provides a tax abatement for a portion of the personal property taxes, which cannot be abated with other tax abatement programs. Section 100.010 to 100.200 of the Missouri Revised Statutes authorizes the issuance of revenue bonds by municipalities to finance projects and to exempt the taxes on bond financed property. SLDC now limits this abatement to 50%.

Assets acquired through the financing will be titled in the name of either PIEA or LCRA and leased to the company for an amount sufficient to retire the Chapter 100 bonds. Both organizations are staffed and administered by the St. Louis Development Corporation. Because authorities are tax exempt organizations, personal property owned in the name of the authority is not subject to personal property taxes. As indicated above, this incentive has been widely used by the counties surrounding the City for some time and has been proven to be a valuable tool in business expansion and attraction. Other counties exempt both real and personal property taxes through this mechanism.

Tax Abatement: The City has been very successful in using real property tax abatement as a tool to create opportunity in the City’s more distressed business and

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

residential neighborhoods. While tax abatements thirty years ago typically ran for twenty-five years, success in building the market for City real estate has enabled the City to cut back on the use of this incentive—typical tax abatements are now limited to 10 years, and the City now rejects some requests for abatement outright. Earlier abatements are now expiring, with full tax revenues accruing to taxing jurisdictions.

Tax Increment Financing (“TIF”): TIF financing is gaining in popularity in the City, as the City encourages the use of TIF financing to replace CDBG and other direct incentive funding sources that have significantly decreased or no longer exist. Since TIF relies on tax revenues generated by the development that uses the incentive, the capacity of TIF to induce development is virtually limitless. While most City TIFs are authorized for specific individual projects, the City has also created several district TIF areas to coordinate development over a broader area, and expects to continue to use this incentive in the future to enable the expeditious completion of public improvements in both neighborhoods and business districts—the recent and successful Lafayette Square TIF is an example of this neighborhood incentive in action.

The Comptroller’s Office, the Mayor’s Office, the Board of Aldermen and SLDC work closely together to structure City TIFs so that the minimum amount of TIF necessary to incent the development and make it sufficiently profitable is approved and the remainder of the tax revenue can accrue to the City’s general fund and other taxing jurisdictions. While 100 percent

of the incremental increase in real property taxes and 50 percent of the increase in “economic activity taxes”—earnings, payroll and sales taxes—can be captured by the TIF district and used to finance development costs, the City often approves less than the full amount which could be financed. Developers’ costs to prepare TIF applications and arrange for TIF financing are generally high—this incentive is therefore most useful for larger-scale developments.

State “Super-TIFs” are also possible but rare—in these TIFs, a portion of state income or sales tax can also be used in the financing. A new program, the Missouri Economic Development Stimulus Act, will soon be implemented—this program has features similar to those in a state “Super-TIF”.

In 2003, the City approved fifteen (15) TIFs with a total present incentive value of \$323.2 million. Nearly twenty (20) 2004 TIFs have already been approved.

STATE AND FEDERAL TAX CREDITS: While a variety of federal tax credit programs are available in a variety of locations across the country, the State of Missouri has, over the past decade, authorized a number of progressive tax credit programs that have achieved significant results in distressed community business retention/attraction/growth initiatives. In addition, this past session the legislature an Enhanced Enterprise Zone Program—this new program is will be available in January of 2005. The following state and federal tax credits are now available to incent economic development projects in the City:

Federal and Missouri Historic Tax Credits: These tax credit programs, together with the Missouri Brownfields



program, are among the City’s most valuable assets—these credits provide significant financial incentives for the historic rehabilitation of structures listed on the National Register of Historic Places, either individually or as part of a district. A federal credit of 20 percent of qualified rehabilitation costs is available for commercial

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

rehabilitation only—this definition includes rental residential property but excludes owner-occupied residential structures. The Missouri credit of 25 percent (which unlike the federal credit can be sold or transferred) is available for both commercial and owner-occupied historic rehabilitation, allowing credit use for loft condominiums as well as single-family homes in historic neighborhoods. The credits allow the City to capitalize on its rich supply of historic architecture—one of its most valuable and unique assets.

Brownfield Tax Credit Program: The Brownfield tax credit program addresses the costly issue of environmental remediation prevalent in older industrial areas like the City of St. Louis by Missouri tax credits for both 100% of environmental remediation costs and additional business credits for any company locating at least 10 new jobs or retaining at least 25 jobs at the remediated site. Up to 50% of the company's Missouri tax liability may be offset through the following Missouri Brownfield business tax credits: *New Job Tax Credits*, which are enhanced if the company hires individuals who are "difficult to employ", are available for up to ten years and *New Investment Tax Credits*, which offset business investment in land, buildings, furniture, fixtures, machinery, equipment and other depreciable personal property, and are also available for up to ten years. This program has been essential in fostering

the cleanup of the City's obsolete and contaminated industrial property and the development of new businesses at these sites.

New Markets Tax Credits: In 2003, in partnership with St. Louis County and the eastern portion of the region, the

City applied for an allocation of federal New Markets Tax Credits and was awarded credits sufficient to support new business investment in the amount of \$52 million in early 2004. Although the City's program is not yet operational, interest in the program has already been sparked, and a variety of investments in the City have already been incented by New Markets Tax Credits allocations from other sources. The program provides a total of 39 percent in federal tax credits over a 7-year period for business investments in eligible census tracts. SLDC served as the lead agency for the application, and the City expects to use these credits to foster the establishment of a land assembly fund and a retail development loan pool, as well as provide equity and debt financing with attractive rates and terms to businesses expanding or locating in distressed parts of the City and provide gap financing for major real estate developments.

Skills Development Tax Credit Program: Businesses located or locating in a rebuilding area of Missouri can be reimbursed with tax credits in return for upgrading the occupational skills of employees through education and training—credits are available for up to 50% of actual training costs, but cannot exceed \$1,500 per trainee per year. Credits may be claimed for each of two years for each trainee and may be carried forward for a period up to five years. Credits can also be sold or transferred.

Welfare-to-Work/Work Opportunity Tax Credit Programs: In the Welfare-to-Work program, a certification for a federal income tax credit of up to \$8,500 will be issued for each hire that is certified by the Missouri Division of Workforce Development ("DWD") as a member of the long-term welfare recipient target group. This group is



defined as a member of a family that has either received AFDC/TANF in the last eighteen months or became ineligible for because the sixty-month lifetime limit on these benefits was reached. Credits can be carried back one year or forward twenty years but not be sold or transferred. Work Opportunity Tax Credits of up to \$2,400 can be issued for each new hire that is certified by DWD as a short-term welfare recipient—e.g., an 18-24 year old food stamp recipient, a veteran who is a food stamp recipient, a vocational rehabilitation referral or an 18-24 year old Empowerment Zone resident.

Rebuilding Communities Tax Credit Program: Missouri's Rebuilding Communities program provides tax credits for both existing and new businesses located in distressed parts of the state—the entire City of St. Louis is classified as a distressed area. Businesses already located in distressed areas are eligible for a 25% tax credit on the cost of purchasing "specialized equipment" that exceeds the average of such purchases in the preceding two years. Manufacturing companies

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

with a NAICS code of 31 to 33 qualify for this program, as do other types of businesses listed in the enabling legislation. The maximum tax credit for an existing business is the lesser of \$ 75,000 per year or 25% of the incremental increase of in specialized purchase. Eligible businesses must be located in a distressed areas, engaged in an eligible type of business, and have fewer than 100 employee full-time equivalents at all locations of the business at time of pre-application—other requirements and limitations also apply. This program has been particularly useful in developing small and medium-sized businesses in the City and encouraging investment in such growth.

REAL ESTATE ASSEMBLY AND SALES:

A major business development function is assembly and marketing of business development sites. SLDC, through its Real Estate department, handles the assembly of sites for the City’s residential and business development activities.

Several SLDC agencies—notably the Land Reutilization Authority (“LRA”) and the Land Clearance for Redevelopment Authority (“LCRA”) have major roles in this aspect of business development.

LRA is the repository for all tax-foreclosed property that is not claimed by private parties at foreclosure sales. LRA now holds title to over 10,000 parcels of property. While some of these parcels have improvements that can be made useful again with substantial rehabilitation, many of these parcels are not useful in their current states—much of the City

was originally platted in 25-foot residential parcels that are no longer suitable for the construction of new homes or businesses. In recent years, LRA has also begun to accept more and more property through donations—as the City’s Problem Properties Team “gets tough” with aberrant absentee owners, a number of owners choose to donate their properties—some with buildings and some vacant land—to LRA rather than be hauled into court over their property’s condition. These donated parcels and buildings contribute to land assembly.

To combine LRA parcels with non-LRA parcels and produce assembled sites as well as to assist in privately conducted site assembly activities, LCRA approves blighting and redevelopment plans that sometimes allow property to be acquired with eminent domain for public purposes. SLDC’s Real Estate and Legal Departments acquire property using the authority granted in legislatively approved plans.

With improvement in City market values and increasing desirability of LRA/LCRA properties, prices for property are established based on values in neighborhoods where the property is located. In addition, to prevent speculation and ensure development, property is not sold until the purchaser presents detailed financing and development plan evidence, and each property is sold with a “reverter clause” that enables the agency to reclaim the property if development does not occur within the time frames stated in the deeds or contracts.



Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

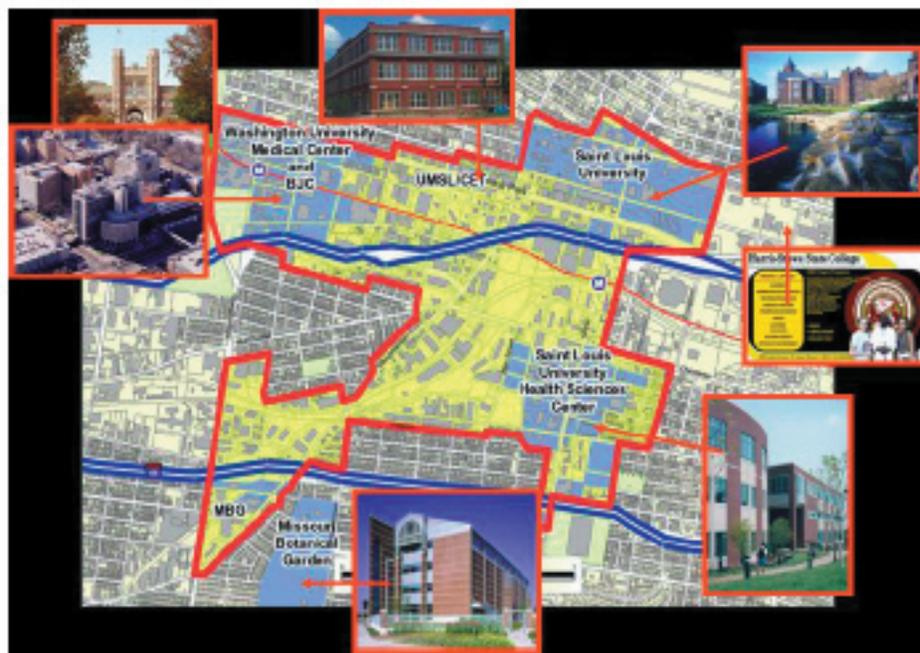
OTHER BUSINESS ASSISTANCE ACTIVITIES:

Regulatory Assistance for Businesses: The Business Assistance Center (“BAC”) is located in City Hall rather than at the SLDC offices. The primary function of the BAC is to help individuals obtain all the licenses and permits necessary to do business in the City of St. Louis. While the City is working to streamline City government in a number of areas, the existence of license and other offices involved in business operations and run by separately elected officials makes the provision of ombudsman services essential to the creation of a user-friendly business environment. In addition to these tasks, BAC staff also offer support to individuals whose business activities require hearings or appeals. Working very closely with the Building Division, the BAC also schedules Preliminary Design Reviews to review building plans for large projects—new construction, major building renovation, adaptive reuse—to ensure that the developers, contractors and architects have ample advance notice of code, zoning and fire safety requirements before they expend the effort to produce full construction and permit drawings. At these meetings, every department with responsibilities related to the project is present. The project is discussed, applicable codes are reviewed, and the client is assured that permits will be issued with hours of presenting their final signed, sealed and dated drawings, as long as those drawings reflect the requirements discussed in the preliminary review. The key to the success of this program is a clear line of communication between design professionals, contractors, owners and plan examiners, who can answer additional questions throughout the design process. As a result of this program 85% of building permits are now issued on the same day as application.

Business Incubators/Technology Centers: The City currently plays major roles in the ownership and operation of three business incubators—the St. Louis Enterprise Center, the Center for Emerging Technologies, and the Technology Entrepreneur Center (“TEC”). While the city does not provide direct investment in the incubator clients as a result of their location in the incubator, SLDC does assist them with obtaining investors and incentives. The incubators provide belowmarket rent and management counseling as well as the office, receptionist and

warehousing services needed by the typical start-up company.

The St. Louis Enterprise Center: located on Washington Avenue in midtown, is a collaboration between the City and County. This small business incubator provides office/warehouse space with rents ranging from \$6.50 to \$12 per square foot. Currently, the Center is home to eighteen clients employing forty-seven (47) people. In the aftermath of 911 the



Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

Center's occupancy dropped to 50 percent, but has now rebounded to 72 percent. Tenants generally remain in the program for four years before they are expected to graduate from the subsidized space to make room for new ventures. The program has graduated twenty-seven (27) small businesses over the past eleven years. An "affiliate program" is now being developed where home-based businesses could pay an annual fee for a physical mailing address, conference space, a voice mailbox; and a small number of hours each week in a shared office. The Center will also have some of the warehouse space converted into offices to meet rising demand for small office space. Tenancy in the Center has decreased, continuing the trend that is being experienced all over the country. Professional firms and franchises cannot move into the Center, but retail businesses are now being considered to help grow this sector of the City's economy. Current tenants include EnviroHealth Technologies, Inc., which tests for lead, mold, asbestos etc., and a staffing company. One recent graduate was an office supply company that purchased an LRA owned property, renovated the space and is now operating successfully.

The Center for Emerging Technologies ("CET"): The Center for Emerging Technologies focuses on high tech business, primarily biotechnology and telecommunications. CET's location in midtown, adjacent to the hospitals, universities, and other mature technology-driven institutions is a major plus for clients—many clients emerge from the institutions with new business concepts that are developed at CET.



The center was established in 1995 with state and Federal tax credits, private loans, development grants, and private investments. Other supporters include the City of St. Louis, University of Missouri—St. Louis, the U. S. Economic Development Administration and the Regional Chamber and Growth Association. The Center is currently home to fourteen (14) companies employing 150 people and is nearing capacity. Wet lab space produced in the CORTEX development discussed above is intended to allow these businesses to remain in the City as they grow. Current tenants include MicroSense, developing a non-invasive instrument to measure blood sugar in diabetics, and Auxeris Therapeutics, Inc., developing new treatment for fractures and osteoporosis. Businesses in the Center have filed more than 75 patent applications.

The Technology Entrepreneur Center: The Technology Entrepreneur Center is a new, high-tech incubator in downtown St. Louis that focuses on the development of information technology businesses. This center was created

with city, state, and private investment and will house ten to fifteen businesses, providing them with lower-cost access to communications and information technology.

Commercial District Revitalization: One of the difficulties with traditional "main street" business districts is the lack of common management and staff to address district-wide goals. The Commercial District Revitalization team works with neighborhoods businesses and business associations to improve the economic viability and curb appeal of commercial districts. SLDC's seven Commercial District Managers ("CDMs") are responsible for the thirty-three Neighborhood Commercial Districts in the City. CDMs work with business to improve commercial activity. The CDM works to keep local businesses in touch with government by identifying issues/ needs or informing business owners of the services available to them. The primary program administered by the CDMs is the Façade Program, which provides grants and loans for improving the business facades and business district improvements. In 2003, this program assisted 121 businesses in renovation and enhancement projects—\$2,000,000 in CDBG funding leveraged \$5,600,000 in private investment.

In addition to administering the Façade Program, CDMs work to keep local businesses in touch with government by listening to issues and needs and informing business owners of the services available to them. Since SLDC appointed a Retail Business Attraction Manager in 2002, CDMs also work with this staff person to identify locations for mainstream retail locations in their assigned business districts. Also within the last five years, several CDMs

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

been located within the neighborhoods they serve. Field offices are now located in five neighborhoods, including South Kingshighway, North Kingshighway, Baden, South Grand and South Broadway.

In some cases, CDMs have worked themselves out of their jobs—as neighborhood business districts become more sophisticated and successful, CDMs encourage the formation of Community Improvement Districts that become self-sustaining through new and dedicated tax revenues and enable districts to hire their own staffs. Examples of such successes include South Grand, the Central West End and Downtown. The CDM continues to touch base regularly with these “grown up” districts, but are able to spend more time on less advanced districts with greater need.

Many commercial districts have been significantly improved over the past five years, and many new improvements are currently underway. These include the following:

- Baden streetscape improvements where neighborhood residents and businesses, SLDC, and PDA collaborated to development and implant a multiblock plan. Improvements included sidewalks, lighting, street furniture, and acquisition of a prominently located derelict building and construction of unique public space on the site.
- Grand Avenue between I-44 and Arsenal is undergoing an extensive makeover to encourage pedestrian activity, with improvements including bike

paths, landscaping, and new lighting. CDMs worked closely with the business district, the aldermen, and the City’s Planning and Public Works departments to structure the scope of the improvements within the limits of available federal and local funding. These improvements are now under construction and a similar plan is under development for the adjacent street segment that serves the Grand South Grand ethnic business district.

- Southtown Plaza, a long-awaited modern retail center, is now under construction at South Kingshighway and Chippewa. With an \$800,000 federal grant championed by Congressman Gephardt, the Development Agencies and the South Kingshighway Business Association are working as a team to plan streetscape improvements to bring life back to the street segments adjacent to the new retail center.
- Lafayette Square has taken advantage of the Façade Program and technical assistance services to complement TIF District improvements which are focused on creating a pedestrian-friendly, beautifully landscaped commercial district with additional public parking and a landscaped plaza that serve both businesses and residents.

To improve efficiency of staff at site offices, the Planning Agency is preparing extensive internet-based data sets that enable staff to tap into the information sources they need to be more effective in the field.

Port Development: The City of St. Louis Port District

contains 19.3 miles of Mississippi River riverbank. The district primarily serves the general public as a distribution facility but also accommodates private businesses using river transport via lease arrangements. The Municipal Port is a large intermodal facility, where barge, truck and rail modes of transport converge. The port is a major shipper of grain, coal, petroleum products and chemicals. Harbor facilities includes indoor warehousing, barge switching, and fleeting services with barge cleaning and repair.

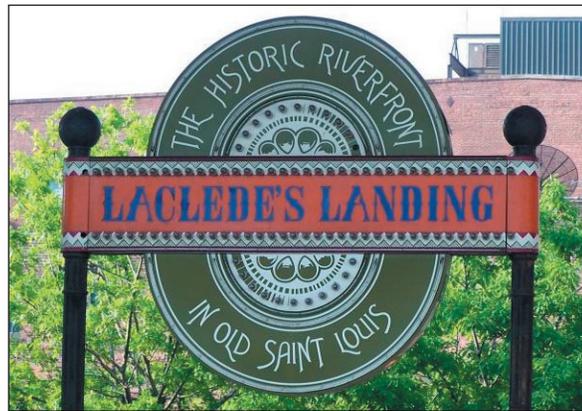
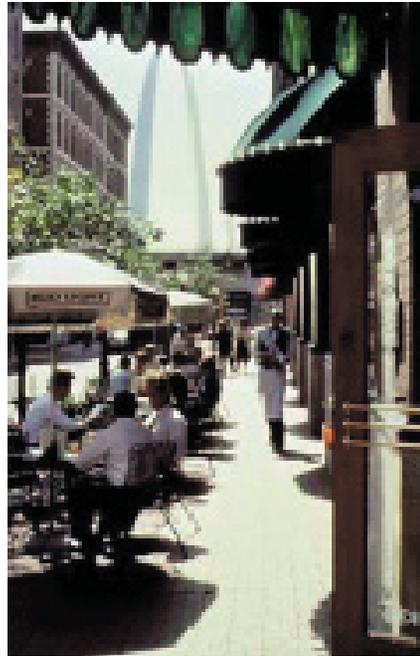
The City Port District is part of the Metropolitan Port of St. Louis, which handles more than 32 million tons of freight each year and is the third largest inland port in the nation is estimated to service an additional 80 to 90 million tons of freight moving through the port area. SLDC staff oversee City Port operations, including mooring leases at City-owned property, riverboat gaming, and interactions with other organizations concerned with the river (Army Corps of Engineers, Coast Guard, etc.). The Port Authority receives \$900,000 a year from forty industrial leases—most of the private moorings are used for specific purposes, with some having privately owned intermodal transport facilities and some serving only particular businesses. The President Casino is now located in the Port and pays 2% of adjusted gross income to the City along with \$2 per admission per state law—because this casino is located on City-owned property it also makes a lease payment of 2% of the AGI. Funds are been used for public safety and infrastructure services and improvements related to the casino and in the general Port area. Pinnacle Entertainment has been selected by the City and the

Economic Development Programs and Initiatives at Work in the City...

BACKGROUND AND CURRENT SERVICES (continued...)

Missouri Gaming Commission for the development of a new casino north of Laclede's Landing pursuant to an SLDC-conducted RFP process involving the Port Authority Commission, LCRA and other City and private members.

The Port Authority's major goals the next five years are to facilitate the completion of the new Pinnacle casino and enhance the Central Riverfront as a vital and appropriately designed place for regional entertainment, exploring infrastructure enhancements, excursion boat moorings, and traffic circulation. The success of this past summer's 2004 "Riversplash" has marshaled civic support for riverfront activities.



Economic Development Programs and Initiatives at Work in the City...

ECONOMIC DEVELOPMENT PARTNERS

The City and SLDC have a number of very important partners in its economic development activities—absent the assistance and teamwork provided by these partners, economic development and business retention in the City would not be possible.

Some of the most important partners are other City departments that belong to the “Operations” section of City government. These include the Department of Public Safety and its Building Division, the Department of Streets, Traffic and Refuse, the Board of Public Service (responsible for public works and infrastructure) as well as the City Police and Fire Departments. The St. Louis Agency for Training and Employment (“SLATE”), discussed in detail in the following section of this chapter, provides job training and recruitment services that complement SLDC’s activities. Teamwork throughout City government is essential to building the City’s economy, as is teamwork with others in the region who are working towards the same goals.

Significant non-City partners in the City’s economic initiatives are the following:

State of Missouri: With the variety of tax credits and other programs offered by state government and described above and with the abundance of cooperative and knowledgeable staff in the Missouri Department of Economic Development (“MoDED”) and the Missouri Development Finance Board (“MDFB”), state government plays a critical role in virtually all of the City’s economic development initiatives. Both MoDED and MDFB are making significant contributions to the development of the new Cardinals Ballpark, CORTEX and the Old Post Office

District, as well as assisting in a variety of other less well-known projects. The Missouri Gaming Commission is critical to the success of economic development initiatives involving casino gaming, and the Missouri Department of Natural Resources is a key player in the administration of the historic tax credit program.

Federal Government: The Community Development Block Grant, other HUD programs, a variety of EDA, EPA and SBA programs have significantly aided in City’s economic development progress over the past five years; these major roles will continue.

Civic Progress: This group of major executives of the region’s major businesses and invests significantly in major civic initiatives, many of which are located in the City—many major businesses represented in this council are also located in the City. Without this investment and the interest of this group in the City’s success, progress would not be possible.

Regional Business Council: This group of mid-cap executives also makes significant contributions to the City’s economic advancement with contributions to and investments in major City initiatives. Many of these businesses are also located in the City.

Downtown Partnership, Downtown Now!, St. Louis 2004, and the Danforth Foundation: For the past five years, all of these organizations have been the City’s vital partners in downtown’s economic advancement and in making the City a great place from a variety of perspectives. Each organization, in partnership with the City, plays a unique and significant role in implementing

the strategies collectively designed to make downtown a 24/7 environment, where people from all over the region are flocking to live, work and play.

Regional Chamber and Growth Association (“RCGA”): This membership organization is the region’s economic advancement engine. The City works in partnership with RCGA to attract new business to the City. The City expects to work with the organization more closely during the next five years to improve attraction of businesses from other parts of the country to the City of St. Louis.

Existing City Businesses: Each and every business now located in the City is a very valued partner in the City’s economic development success. By choosing to locate, remain and expand in the City, these businesses help the City let other businesses know that the City is a viable and attractive option for success.

Developers, architects and contractors: The building boom in the City would not be possible without the multitude of developers and contractors who have



Economic Development Programs and Initiatives at Work in the City...

RECOMMENDATIONS

chosen to build their businesses in the City, taking the time to learn the vagaries of the City's market and the technical aspects of working with historic properties and historic and other incentive programs. The City is extremely pleased that these businesses are succeeding by building their City presences.

Lenders and Equity Investors: Without private financing, none of the economic and real estate development currently taking place in the City would be possible. The City is grateful for lenders and investors with the vision to appreciate the City's potential and the fortitude to act on that vision.

Customers in the City and the Region: Many of our City businesses would not be in a position to succeed without the patronage of customers here in the City and the region. Customers are critical to the success of any business—this particularly true in the City, where some prospective businesses have doubts about the market for their products and services. As customers continue to expand their patronage of City businesses, this market uncertainty will continue to subside.

Existing City Businesses: Each and every business now located in the City is a very valued partner in the City's economic development success. By choosing to locate, remain and expand in the City, these businesses help the City let other businesses know that the City is a viable and attractive option for success.

The City and SLDC are exploring a number of ways in which to improve and enhance the City's economic development strategies, as follows:

Continue to improve administration of economic development incentive programs and continue the practice of tailoring the size of the incentive offered to the initiative's risks and needs: Recognizing that public incentive investment decisions are more of an art than a science, there are nevertheless steps that can be taken in negotiating with developers to tailor the size of the incentive to the particular proposed transaction. Continuing to exercise this oversight will ensure that over time unincented business investment will occur in more parts of the City and in more types of businesses. As has been the case with the City's housing development programs, business development in some areas of the City is already occurring without the use of incentives. At the same time, SLDC will continue to improve its business procedures with respect to its incentive programs.

Preserve and expand available incentives: As noted in the preceding "Needs and Challenges" section, the City must remain vigilant to protect incentives that now exist. In addition, while a number of incentives exist for real estate development and some incentives exist to assist certain types of businesses, other types of businesses are not eligible for any of the available incentives—it is therefore difficult to attract a wide range of businesses to the City. In particular, the City can readily incent the development of retail real estate, but there are few programs available to actually incent a Target or a Marshall's to locate in a less desirable area of the City. The City has been successful in attracting new retail to downtown by providing forgivable

loans—this program can be expanded to city neighborhoods if funds are available. The City will continue to seek new sources of below-market financing and other incentives to address needs not filled by existing programs. It is expected that some but not all of this need can be addressed with New Markets Tax Credit investment.

Promote non-traditional use of incentive programs to make City environments more attractive: Community Improvement Districts and Transportation Development Districts have been used in the City to benefit specific projects—these financing mechanisms avoid undue drain on the City's general revenue. Much of the City's infrastructure is deteriorated—examples in the City and in other parts of the country have demonstrated that if infrastructure is improved and the environment made attractive, private investment will occur. CIDs and TDDs can be used to make these kinds of improvements, as can TIFs—the new Gaslight Square Development, Lafayette Square's public improvements are prime examples of how these financing mechanisms can be used to benefit an entire area rather than just individual projects.

Make the St. Louis Development Corporation increasingly self-sufficient: At present, roughly ½



Economic Development Programs and Initiatives at Work in the City...

RECOMMENDATIONS (continued...)

of SLDC's administrative budget is funded by the Community Development Block Grant, as is a significant portion of the organization's program budget. SLDC will explore new ways to generate both program and operating revenue, including fee establishments and adjustments for the services the agency provides. As more parts of the City become more attractive for development, fees collected for work in desirable areas can help subsidize initiatives in areas where a great deal of work is needed to establish critical mass.

Use technology to improve marketing, access to useful information, and staff capacity: The City's new technology director is in the process of merging disparate GIS systems and databases across the City. This initiative has already enabled access to site maps in conjunction with assessor's data on the internet, and demographic data useful in marketing to realtors and businesses is now available in GIS form. Over the next five years, photographs can be linked to SLDC's property database as well as databases listing other city initiatives. Creative use of technology can make SLDC's business services and more "user-friendly" and enhance their value to business, while enhancing the value of property in the SLDC inventory.

In addition, while a great deal of technology exists both within the development agencies and throughout the City, many SLDC staff are not well-versed in its use. Small investments in technology-related training can reap major benefits in both efficiency and service, as all staff become better equipped to more efficiently accomplish their work and provide useful information to others. In addition, enhanced staff familiarity with technology will lead to the

creation and maintenance of better databases that can be readily accessed to provide information on progress of economic development efforts and property available in the City.

Enhance ability to assemble development sites: Several initiatives can contribute to addressing this recommendation. First, additional funds are clearly needed for active site assembly—while the New Markets Tax Credit site assembly fund proposed can meet a portion of this need, other resources will also be actively sought and private developers will be encouraged to assemble sites.

On a passive but equally important note, the City continues to suffer from a massive number of property tax delinquencies—many of these remain in limbo for years before a foreclosure sale occurs. In addition to making it difficult to efficiently assemble development sites, many homes are so deteriorated by the time they reach the LRA inventory that the only viable option is demolition. Faster foreclosure on property tax delinquencies could make these properties available to developers while the improvements are still salvageable—and spare neighborhood residents the agony of living with a vacant and increasingly deteriorating property for many years.

Improve physical and strategic planning for economic development: Now that the City's first land use plan since 1947 is nearly complete, the plan can be used as a basis for improved economic development planning. In addition to refining specific plans and zoning regulations for specific business areas, the land use plan can guide land assembly and public improvement initiatives. Now that economic

development momentum has been established in the City, the City can gradually begin to move in some areas to development driven by planning rather than planning driven by development. While such moves are imminently possible in some areas of the City, the process must be carefully carried out so as not to dampen existing momentum.

Improve marketing for SLDC and City business incentives and advantages: While SLDC and the City have achieved significant successes over the past five years, many businesses in the region and throughout the country are not aware of this progress and the incentives and advantages available in the City. The City and SLDC need to better market both the City in general and the availability of economic development programs, including no-cost programs like the Preliminary Design Review and same-day permit process. The City is developing an overall branding initiative in conjunction with other organizations with advertising budgets; once the brand is agreed upon, SLDC marketing efforts can tie into this initiative.

Preserve and expand available incentives: As noted in the preceding "Needs and Challenges" section, the City must remain vigilant to protect incentives that now exist. In addition, while a number of incentives exist for real estate development and some incentives exist to assist certain types of businesses, other types of businesses are not eligible for any of the available incentives—it is therefore difficult to attract a wide range of businesses to the City. In particular, the City

Economic Development Programs and Initiatives at Work in the City...

RECOMMENDATIONS (continued...)

can readily incent the development of retail real estate, but there are few programs available to actually incent a Target or a Marshall's to locate in a less desirable area of the City. The City has been successful in attracting new retail to downtown by providing forgivable loans—this program can be expanded to city neighborhoods if funds are available. The City will continue to seek new sources of below-market financing and other incentives to address needs not filled by existing programs. It is expected that some but not all of this need can be addressed with New Markets Tax Credit investment.

Continue and improve efforts to improve minority business success: In addition to continuing to support the use of minority contractors in city-assisted construction projects, the City should continue to expand the types of minority businesses—accounting, marketing, legal, supply, etc.—whose success it promotes. Fostering the growth of minority-owned businesses is good for the City—these businesses can not only improve economic conditions for their owners but for minority workers as well. Minorities currently comprise more than half of the City's population—success in this community will translate into broad success for the City as a whole, in addition to raising the City's creativity quotient by imparting more diversity into the City's common culture. Perhaps the biggest challenge in this regard is fostering color-blind relationships based on quality of work between these businesses and major contractors and other businesses in the region. While some non-minority businesses actively embrace the concepts of minority

participation and diversity in general, too many work with minority businesses only at the City's insistence—and then only a great deal of complaint. The City can use stories of both success in individual minority businesses—and there are many—as well as stories of successful relationships between minority and nonminority businesses to continue to address this goal. The City's Supply Commissioner is a former Southwestern Bell executive with significant experience in minority procurement—he can also be utilized more effectively in addressing this goal.

Continue to refine the structures of the City's business incubators to meet current and changing business needs: As indicated above, steps are now being taken to address some of the changes necessary and the recently formed technology incubator addresses a former void in this sector.

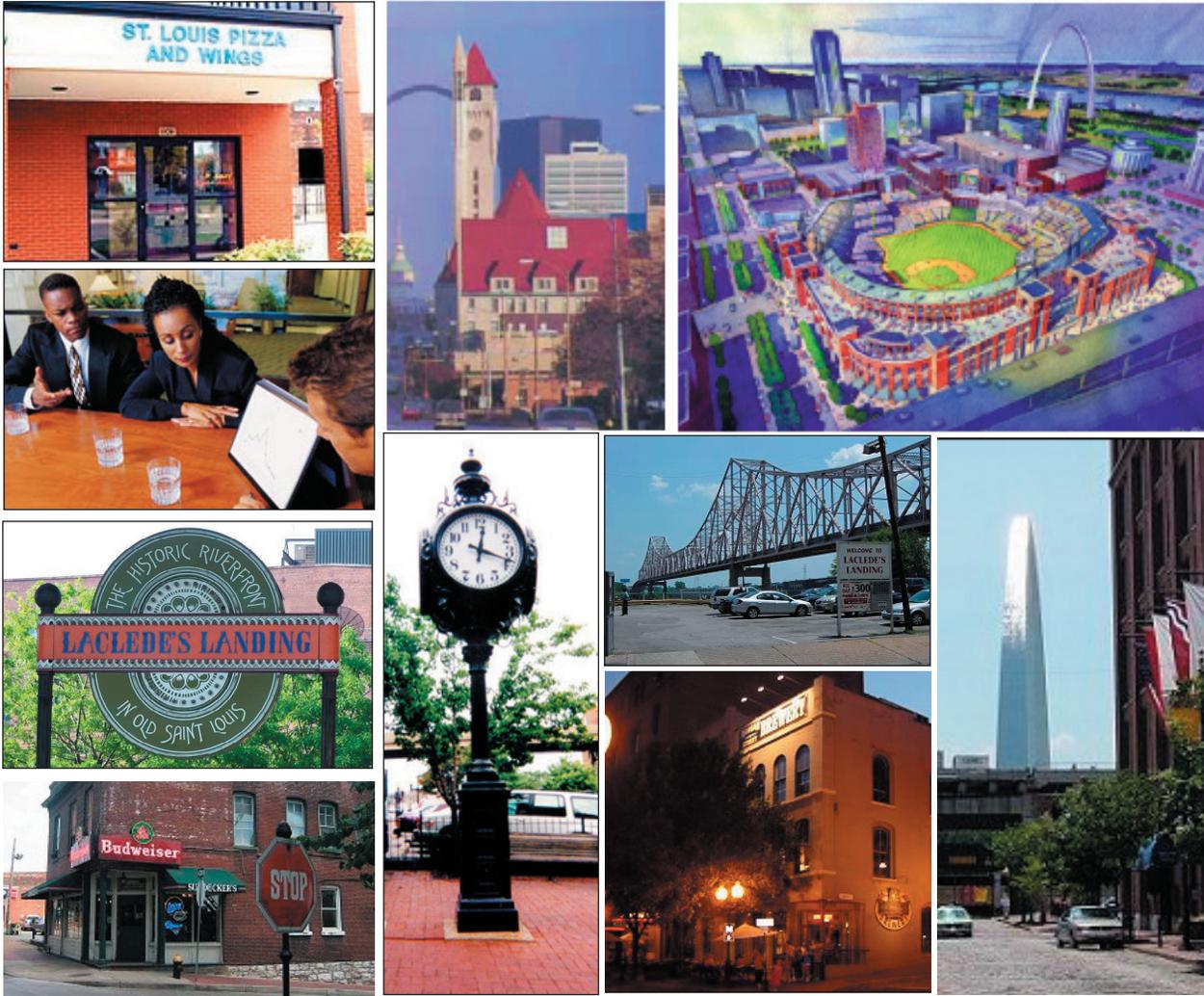
Continue to refine the structures of the City's business incubators to meet current and changing business needs: As indicated above, steps are now being taken to address some of the changes necessary and the recently formed technology incubator addresses a former void in this sector. Additional steps can and should be taken to foster the growth of business in the incubator system. These steps include considering the establishment of a “post-incubator” facility, privately established and run, to provide additional time for business to become established, and an examination of the economics of incubator operations.

Enhance travel and tourism opportunities: As indicated above, Riversplash, presented by St. Louis 2004 with

the assistance of a variety of philanthropic contributors, demonstrated how successfully the riverfront can be as a tourist attraction. Studies conducted by major hoteliers in the region count the river among the top three attractions for visitors. The new riverfront trail and Confluence Greenway initiative have only whetted the appetite for more river exposure. The City will move forward with initiatives already begun to enhance the riverfront as an improved event venue and a place where the river can be experienced “up close”, while at the same time enhancing regular summertime event programming for this area. The City will also continue to provide assistance for both the Bottle District and Pinnacle Casino developments, which will not only be significant attractions in their own rights but will enhance St. Louis as a convention and business travel destination. The City is also at work with the Convention and Tourism Commission on an examination of convention and tourism marketing strategies to improve hotel occupancy and entertainment revenue. Mayor Slay has also established an airport task force comprised primarily of local business experts who are working to improve the airport's efficiency and attractiveness. Since 911 and American Airlines' financial difficulties, both American and Southwest Airlines have added flights at Lambert, and Lambert ranked #1 last quarter among American's hubs in on-time service and a number of other categories. Many experts believe that the “hub and spoke” system of airline management is dead—the airport is grappling with this fact of life and is taking steps to survive and prosper in the new era of airline travel.

Economic Development Programs and Initiatives at Work in the City...

RESOURCES



As is evident on the preceding pages, the City of St. Louis uses a wide variety of federal and state tax incentives to address its economic development goals and needs, and is blessed with a state government that is becoming more and more appreciative of the importance of the St. Louis region and its central city to the overall economy of the state.

Accumulating sufficient resources to continue and expand on existing economic development momentum, however, could become a problem as momentum continues to grow—this is already a problem in areas of the city where deep, direct subsidies are necessary to begin to create markets where there has been no market activity for decades. The City could benefit greatly from additional direct subsidy dollars in the form of larger CDBG allocations and EDA grants that allow anticipatory site preparation as eligible costs.

As federal and state economies recover, it is hoped that additional direct investment dollars can be made available from these sources. In an ideal world, City government itself would provide some of the necessary subsidies, but the City's economy is not sufficiently healthy to contemplate such a possibility at this time.

The City and its partners will continue to work to preserve existing resources and seek new resources to rebuild the City's economy and attract and grow jobs.