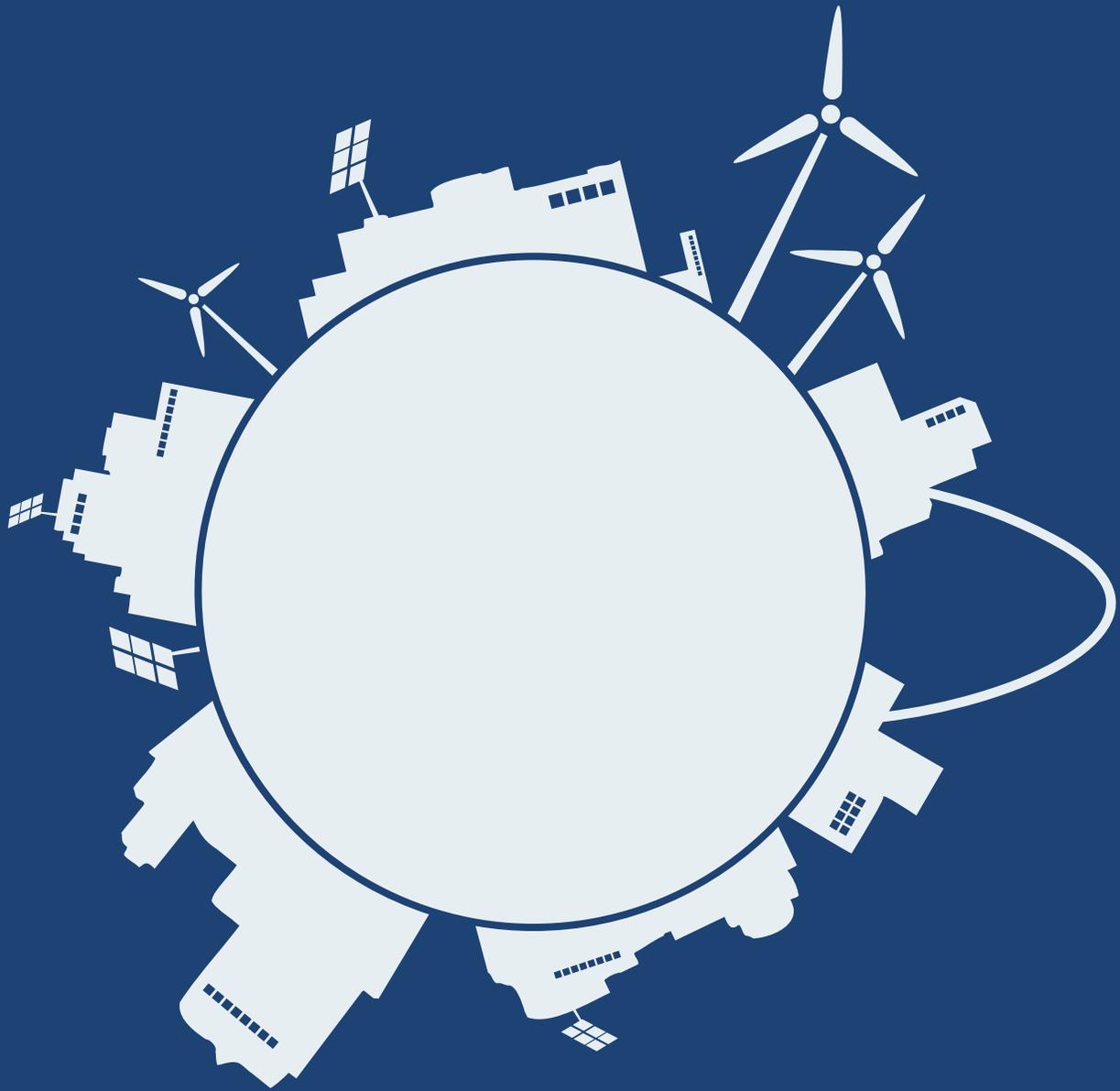


# SUSTAINABLE ST. LOUISIS

## An Economic Development Policy Framework

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# I. Introduction

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In the wake of the deindustrialization and population loss of the 20th century, St. Louis, once the fourth largest city in the nation, is now 58th, with a growth rate trailing Kansas City and Indianapolis.<sup>1</sup> Amidst this rustbelt backdrop, subsidy and incentive spending, notably in the form of Tax Increment Financing (TIF)<sup>2</sup>, have become the guiding logic for St. Louis' economic development policy. In 2013 St. Louis issued over \$45 million of TIF bonds<sup>3</sup>, adding to the existing \$296 million outstanding in long-term TIF obligations.<sup>4</sup> Up 50 percent since 2009, this increased reliance on debt-financed economic development is consuming a large portion of St. Louis' wealth<sup>5</sup> and has serious long-term implications for not only growth, but also the ability to maintain basic public service provisions. These TIF obligations rest on top of the city's high general debt. Mainstream public finance indicators consider a debt-to-income ratio of more than 6 percent to be high<sup>6</sup>; St. Louis' total outstanding debt in 2013 represented about 16 percent of personal income.<sup>7</sup> To put this in perspective, at \$6,066 per resident in 2011, St. Louis debt per capita was 31 percent greater than average, trailing only New York City among a sample of U.S. cities.<sup>8</sup>

**With one retail job created for every \$370,000 in taxpayer subsidies, it is clear the current economic development approach of chasing corporations with public money is not working."**

However, many St. Louis residents are not seeing the benefits from this diversion of public resources to private investment. Only 25 percent of the 216,000 jobs in St. Louis are held by city residents,<sup>9</sup> while 24 percent of resident African Americans are unemployed, despite constituting over half of the population.<sup>10</sup> With one retail job created for every \$370,000 in taxpayer subsidies, it is clear the current economic development approach of chasing corporations with public money is not working.<sup>11</sup>

The St. Louis economy will be more equitable, resilient, and sustainable only when we approach our economic, social, and environmental challenges as interconnected. This new model is rooted in four guiding principles for a Sustainable St. Louis:

**Shared prosperity:** direct economic opportunities to residents and communities experiencing long term unemployment and concentrated poverty

**Localized growth:** keep resources circulating locally by supporting community-based entrepreneurship

**Democratizing wealth:** bring stability to residents and communities through employee-ownership opportunities

**Community Health and Sustainability:** confront existing health challenges while working towards new energy production

These principles provide a basis for restructuring our economic development policy, practices, and metrics for judging success. Rather than evaluating initiatives through the narrow lens of job and tax-base growth, this model measures development against long-term economic and environmental outcomes in our communities.

In this report, we explore sustainable development policies that can work for all of St. Louis. We identify key industrial sectors that present specific opportunities for the city based on existing community assets; ground proposals in the innovative work already underway in St. Louis and other cities; and present specific recommendations that range in scope and implementation timeframe. Initiatives include subsidy reform; sustainability policies that create green collar jobs; a dynamic urban-agricultural industry through focused deployment of vacant land and city financing; and promotion of local procurement by large institutions. Combined, these efforts represent a shift away from our current subsidy-based model to one that leverages St. Louis' assets to create an inclusive economy. The success and implementation of these proposals will be measured against a new backdrop of shared economic and environmental outcomes aimed at stabilizing historically distressed communities.

**St. Louis faces a critical yet exciting juncture: continue down the familiar path of channeling tax money to private companies without insisting upon benefits for the entire community; or, join the growing number of cities across the country that are developing new economic formations to create healthy communities and quality, sustainable jobs for all residents.**



## II. Rethinking Subsidies

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In 2013, St. Louis development agencies issued over \$670 million of public subsidies to companies under the pretense of growing the municipal tax base and stimulating job creation.<sup>12</sup> These subsidies, in the form of tax increment financing, tax-exempt bonds, and property tax abatements, are the foundation for an economic development policy betting that diverting public resources to private companies will yield long-term benefits. Yet often these benefit projections are ambitious and overvalued, passing on the financial burden to St. Louis residents in the form of strained budgets, cut services, and higher tax rates.<sup>13</sup> Tightly linking subsidies to economic and environmental metrics embedded within the new Sustainable St. Louis model ensures that taxpayer resources are used to benefit all residents.

The logic behind the prevailing model assumes that tax breaks and incentives are central determinants in companies' location decisions. According to this economic rationale, without incentives, companies will relocate to the jurisdiction with more generous abatements and lowest tax rates, bringing jobs and local investment with them. However, a growing body of research finds that this low-tax approach is not the key factor in where companies decide to locate.<sup>14,15</sup> Recently, Endeavor Insight, a non-profit focusing on fostering high-impact entrepreneurs, surveyed some of the country's fastest growing companies in order to identify the driving forces behind location decisions. Overwhelmingly, respondents identified an educated workforce, cultural amenities, and sound infrastructure investment as leading locational factors. **Just 5 percent of respondents cited business-friendly policies and low taxes as being important, despite the heavy investment of public resources into these tactics under the prevailing economic development model.**<sup>16</sup> St. Louis can decide whether to use subsidies and gamble for short-term growth at the expense of long-term investment or focus on investing in the aspects of a sustainable economy that attract and nurture new businesses.

### Subsidy Disclosure and Conditions

Municipalities and states across the country are realizing this Subsidy Sweepstakes approach fails to guarantee benefits for the community, drains budgets, and forces cuts of basic social programs.<sup>17</sup> Fundamentally, it is not an effective economic development tool. Attaching specific criteria to incentives like TIF and revenue bonds ensure that the community receives a tangible return on investment.

This mandate is modeled on existing frameworks that have already been implemented by municipalities throughout the country. In New York, the County of Monroe's Industrial Development Authority mandates that any project receiving incentives must use local labor for construction and that some projects must use local suppliers.<sup>18</sup> The Philadelphia City Council requires that companies obtaining any type of municipal financial assistance pay their employees a living wage and offer paid sick leave.<sup>19</sup> Connecticut recently emerged as a leader in transparency by launching an open data online portal that aggregates previously unavailable or difficult-to-find economic datasets. The website enables residents to learn about recently issued subsidies and incentives.<sup>20</sup> Saint Louis can easily customize and apply these models.

Promoting transparency would require that all companies using public resources in the form of tax abatements, industrial revenue bonds, and tax increment financing are held accountable to generating a return for the city. This mandate ensures that public money supports industry that promotes environmental stewardship, contributes to the city's economic health, and advances Sustainable St. Louis principles, rather than simply enriching the companies' own coffers.

Not only is it time to rethink the model of asking for unenforceable commitments to create jobs and invest in communities, but also look towards new forms of government-backed financing instruments. St. Louis can follow the lead of a neighboring state. Illinois recently authorized the launch of Social Impact Bonds, a performance-driven investment tool that funds programs that confront urgent community challenges through prevention.<sup>21</sup> These debt instruments target social-innovation and community programs while limiting the risk to taxpayers if a program fails.

 **Not only would recipients of subsidies be required to set local hiring targets, but these targets would be subject to a “money-back guarantee” to recapture subsidies if companies miss their target.”**

## Subsidy Clawbacks

A second component to eliminating abuse of taxpayer resources is introducing a clawback provision. If a company does not meet the metrics outlined when receiving the incentive, those benefits received must be returned with an interest penalty. The Just and Open Business Subsidies (JOBS) Act, new state legislation in New York, offers a model of transparency and accountability.<sup>22</sup> Not only would recipients of subsidies be required to set local hiring targets, but these targets would be subject to a “money-back guarantee” to recapture subsidies if companies miss their target. Implementing penalty provisions will ensure that when subsidies are used, they are accountable to the Sustainable St. Louis metric mandate. This accountability – and the transparency that make it possible – are in stark contrast to current policy where companies that fail to meet their obligations to retain or create jobs keep the original subsidy. Providing taxpayers with a money-back guarantee and funding the enforcement to back it up ensure more accountability and delivery of promised public benefits.



## III. Generating a Green Economy

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The St. Louis Sustainability Plan and Mayor's Sustainability Action Agenda provide useful frameworks for sustainability initiatives, including a pledge to reduce citywide greenhouse gas emission 25% by 2020 and 80% by 2050.<sup>23</sup> Yet these policies do not recognize that creating a truly Sustainable St. Louis requires that environmental and economic challenges be addressed simultaneously. Such a commitment promotes strategic linkages that connect city-led sustainability policies to green-collar job opportunities.

St. Louis can draw from the models of many states and municipalities that have already implemented a host of sustainability policies; however, the city can take the green economy further by connecting policy to community-based economic development. Establishing energy-use disclosure ordinances, sustainable building codes, and scaling up weatherization and retrofit programs and requirements for both commercial and residential buildings – these are short-term steps St. Louis can take to set the stage for a resilient green economy.

### Disclosure Ordinances

From Austin<sup>24</sup> to Minneapolis<sup>25</sup>, from New York City<sup>26</sup> to Seattle<sup>27</sup>, cities across the country have adopted Building Energy and Disclosure Ordinances as part of a broader commitment to energy efficiency. Varying by building use, disclosure ordinances require that an energy audit be conducted and that building owners release annual information about energy and water use. This information better equips current building owners as well as potential buyers with the necessary information to invest in retrofits that will reduce greenhouse gas emissions.

### Building Codes with Energy Performance Standards

In addition to disclosure ordinances updating the building code establishes minimum standards for energy performance of new buildings, further promoting energy efficiency. Seattle's Energy Code regulates certain energy-use features - including lighting, air circulation, and heating - in new and remodeled buildings. Affecting all building permits, the code ensures that buildings are equipped with cost-effective and energy-saving technology.

Given their widespread adoption by cities across the country, disclosure ordinances and building-code updates are feasible and cost-effective measures that St. Louis can enact as part of the broader sustainability program. An energy-disclosure mandate and updated building code sets the stage for an emphasis on retrofitting the aging St. Louis building stock.

## Retrofitting

Retrofitting saves home- and business-owners considerable amounts of money by remediating sources of energy leakage and waste. Energy audits help residents insulate their homes, save money on their heating bills, and cut down on carbon emissions. Currently, energy retrofits are happening on a small scale in St. Louis but need to be scaled up in order to meet the demands of climate change and create significant numbers of jobs. These efforts could begin with retrofitting all city-owned buildings or public housing stock, as is recommended in the city's sustainability plan. Retrofitting contractors in San Francisco and New York City, two cities that have passed building code ordinances, have experienced a 30 percent increase in business.<sup>28</sup> This increase in demand for contractors has a broader multiplier effect; by some estimates, 12 direct and indirect jobs are created per every million dollars invested in energy-efficiency upgrades.<sup>29</sup>

**30% INCREASE**

*“Retrofitting contractors in San Francisco and New York City, two cities that have passed building code ordinances, have experienced a 30 percent increase in business.”*

## Clean Energy Generation

While these measures are important steps, a long-term commitment to sustainability relies on both reducing fossil fuel consumption and producing new clean energy. The use of solar panel technology can be part of that broader strategy to create clean energy in urban areas. St. Louis took an important first step by rolling out a PACE (Property Assessed Clean Energy) program, which enables the City to issue bonds that help homeowners to finance solar panel installation and energy-efficiency upgrades. Despite the intent of the program, upfront costs can remain prohibitive, especially in low-income communities where, often, the effects of pollution are worst and the need for energy upgrades are greatest.

Further, PACE does not adequately address the environmental need or economic potential of producing clean energy. St. Louis can turn to Lancaster and Sebastopol to see the power local government can have in advance clean-energy production. Both California municipalities have mandated solar installations on all new housing developments.<sup>30,31</sup> Whether solar power or some other green technology is better suited for the St. Louis environment, the city government can shape a meaningful commitment to alternate energy. Such policies not only promote the transition from fossil fuels to clean energy but also create opportunity for a new, dynamic green economy. Connecting these emerging industries with workforce development programs and preferred contracting creates a range of new economic opportunities for St. Louis residents; indeed, there is already some local precedent for establishing similar measures. In 2005, Metropolitan Congregations United of St. Louis (MCU) won the largest workforce agreement with a Department of Transportation in the U.S. The Missouri Department of Transportation (MODOT) agreed to reserve 30% of the work hours on its largest highway project (I-64) for women, low-income people, and minorities in addition to funneling \$2.5 million dollars into job training and incentives (0.5% of the project budget)<sup>32</sup>. Creating similar agreements with renewable energy producers has the potential to link renewable energy creation with job creation in a meaningful way.

## Municipal Utilities

Recognizing the broad economic and environmental benefits of renewable energy, cities across the country are exploring municipalization, or transferring gas or electric Investor-Owned Utilities (IOU) to city ownership. Not-for-profit utilities that are locally owned and operated by the people they serve provide greater accountability, improved reliability, lower rates, and more renewable energy. While IOUs measure efficiency by profits and are answerable primarily to shareholders, municipal utilities have an incentive to maintain lower rates in order to keep resident energy expenditures low. Municipal utilities also have access to tax-exempt financing and are excused from the federal income tax, a savings that can be passed on to residents. According to the Federal Energy Information Administration, municipal utilities overall provide lower electricity rates than IOUs.<sup>33</sup>

Looking at the St. Louis region's current energy provider, Ameren - one of the nation's largest investor owned gas and electric utilities - highlights the urgency of municipal ownership. There are serious long-term environmental consequences associated with Ameren's current approach to electricity production. **Not only is the Labadie Power Station in Franklin County recognized as the fourth dirtiest power plants in the country,<sup>34</sup> a recently proposed coal-ash landfill is planned to be located in the floodway of the Missouri River.** Hundreds of thousands of people in St. Louis region downriver from the Labadie plant and proposed landfill depend on the river as a central source of water.<sup>35</sup> A flood, similar to what happened in 2011, could have similar results to recent Duke Energy's coal-ash spill, which coated 70 miles of North Carolina's Dan River with the toxic byproduct.

 **The investment is also connected to local economic development, with 800 new jobs created to manufacture the solar components, as well as an estimated \$700 million annual revenue stream for the city."**

In thinking about models of and strategies for municipalization, St. Louis can turn to Boulder, Colorado. In 2011, voters there approved two ballot measures that enabled the city to cut ties with then provider Xcel Energy and start a municipal electric utility.<sup>36</sup> The ballot included authorization for the city to not only form the utility, but also issue bonds to buy the distribution system, provided that the new utility's rates would be equal to or less than Xcel's. Municipal control of utilities can also act as a catalyst to renewable energy production. San Antonio's municipal utility recently purchased a 400-megawatt solar array projected to supply electricity for 70,000 households. The investment is also connected to local economic development, with 800 new jobs created to manufacture the solar components, as well as an estimated \$700 million annual revenue stream for the city.<sup>37</sup>

If St. Louis is truly committed to climate change action, municipal ownership of energy production should be seen as a viable and urgent strategy. As a city, St. Louis can lead a regional effort to shift from energy production rooted in shareholder profit and environmental degradation to a system that promotes sustainability and the renewable energy production.

## Linkages between Clean Energy and Green, Local Jobs

Linking these initiatives around energy use and clean energy production to St. Louis communities experiencing high unemployment and concentrated poverty offers powerful possibilities for long-term change. Green jobs generated through retrofit and solar-panel policies are accessible to a variety of education levels and skill sets and can replace some traditional manufacturing jobs that have been lost.

Models are emerging that highlight the connections between environment and economic health such as:

**The Sustainable South Bronx's Bronx Environmental Stewardship Academy**, which trains low-income residents for jobs in the growing green collar sector. The job-training program is offered particularly to unemployed people coming from distressed communities. New York City has awarded the Academy preferred contracts to implement City sustainability initiatives, providing job stability while contributing to healthier communities. The Evergreen Energy Solutions in Cleveland, a small yet bold experiment in connecting the green economy to community wealth building. The firm conducts energy audits as well as solar panel installation for local hospitals, universities, and municipal facilities. Contracts from institutional sponsors combined with a commitment to hiring residents provide the building blocks for a healthy and resilient local economy.

Connecting St. Louis' sustainability initiatives to organizations that emphasize job growth among low-income residents is a fundamental component of nurturing a green economy. By making such organizations preferred contractors for city agencies initiating sustainability programs, the City stabilizes historically distressed communities while addressing St. Louis' environmental health challenges.



## IV. Urban Agriculture

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Viewing the abundance of vacant land in St. Louis as an asset opens up opportunities for innovative land-use initiatives that support environmental and economic health. In addition to addressing environmental and economic resiliency, urban agriculture generates community health benefits by reducing pollution impacts from transportation and waste products while strengthening local food networks in areas currently lacking access to healthy, affordable food.

The economic benefits of urban agriculture are numerous. Redeploying currently vacant land provides sustainable job, employee ownership opportunities, and increased economic activity in traditionally neglected St. Louis communities. The city already has the foundation for a scalable model of urban agriculture in the availability of land and the scores of community-based organizations in and around St. Louis city already engaged in this work, including the St. Louis Urban Growers Association (SLUG), EarthDance Farms, and City Greens Market.

Urban agriculture is not merely a series of backyards growing small amounts of produce, but a dynamic industry generating shared benefits for local residents. Green City Growers Cooperative in Cleveland illustrates the productive, asset-building potential urban agriculture offers communities when the necessary financial and political investments are made. Employees have an ownership stake in the enterprise that is based out of a 3-acre hydroponic greenhouse, producing over 3 million heads of lettuce and 300,000 pounds of fresh herbs.<sup>38</sup> Other organizations that recognize the potential of urban agriculture include The Kansas City Center for Urban Agriculture and Added Value in New York City, both working with low-income community members to start their own business by providing land grants and farmer-training programs.

### Update land-use policies

The first step the city can take is addressing land-use policies that get in the way of more widespread agriculture activity. Vacant land primarily zoned as residential and commercial limits the available reuse of property. Several cities have already led the way in recognizing the need for updated land-use schemes. Detroit's Urban Agriculture Ordinance<sup>39</sup> and Boston's recent zoning amendments<sup>40</sup> both acknowledge the shifting trends in urban land use, allowing urban agriculture to be a legal land use within municipal borders. Amending land-use schemes to incorporate a variety of agricultural uses signals a commitment from city government and sets the stage for further economic and social investment in urban agriculture.

### City investment in urban agriculture

Implementing a meaningful urban agriculture program that meets the economic and environmental needs of distressed St. Louis neighborhoods requires a broad set of community- and city-led initiatives. Despite the inspiring work of organizations like the Sweet Potato Project, in order for urban agriculture to make a significant environmental and economic municipal impact, the City must play a key role. City investment policy can take urban agriculture from a fragmented localized economy to a scalable industry.

The Gardening for Greenbacks initiative in Cleveland is one model of the important role the City can take in. The program aims to enhance the production of local food by providing financial assistance to local entrepreneurs for the development of for-profit urban food gardens. Grant recipients receive a variety of tools to facilitate their operation, complete a market gardener training course at Ohio State University, and are required to sell produce locally.

**With an abundance of vacant land and existing community expertise, St. Louis already possesses the foundation needed for a dynamic urban agricultural industry that can be a main driver of the green economy.** Yet in order to reach such impact and scalability, the City must take an active role in developing financial and management capacity.

## Rethinking Brownfield Redevelopment

Of the estimated 10,000 parcels under public ownership, many are considered brownfield sites - land that previously had been used for industrial purposes, is currently vacant, and is potentially contaminated. Centering the redevelopment of these brownfield sites presents tremendous opportunity to assert an economic development policy based on the principles of the Sustainable St. Louis model. The City has already recognized the need and value of returning these sites to productive use with the formation of the Brownfields Program. Several measures can broaden the scope of the program to ensure benefits are centered in communities experiencing the highest concentration of brownfields.

The landscape of brownfield concentration with respect to racial and socioeconomic distribution is critical to framing brownfield development policy. Of the areas that are confronting the highest levels of blight, which encompasses lots with vacant buildings and brownfields, 93% of the population is African American and 42% in poverty.<sup>41</sup> Despite disproportionate concentration of brownfields in impoverished African-American communities, the City's Program has largely ignored redevelopment in these areas, focusing instead on commercial and industrial sites. While these industrial areas should not be ignored, they address only one dimension of redevelopment - job and industry growth - and ultimately fall short of addressing the intersecting health and economic disparities in communities with brownfield prevalence.



**That city worked in partnership with a Massachusetts-based renewable energy company to transform a 220-acre brownfield site into one of the Midwest's largest solar power projects, providing energy to power 4,000 nearby homes.**

The redevelopment of brownfield sites requires incentives and subsidies because of the real or perceived presence of contamination. The current model of brownfield tax-credit allotment is consistent with St. Louis' broader incentive policies where the prospect of short-term growth trumps accountability and transparency. Currently, tax benefits are not provided to private developers until the project expects to create at least 10 new jobs or 25 retained jobs or combination thereof. Like St. Louis' other incentives, there is no long-term enforcement of these requirements, meaning that public resources in the form of tax credits can be given with no assurance of economic return to the city. Enhancing job and sustainability requirements for tax credit allotment is a key piece in ensuring brownfield redevelopment creates meaningful local economic and environmental outcomes.

Across the river, East St. Louis shows the potential of brownfield development to create widespread benefits rooted in economic and sustainable growth. That city worked in partnership with a Massachusetts-based renewable energy company to transform a 220-acre brownfield site into one of the Midwest's largest solar power projects, providing energy to power 4,000 nearby homes.<sup>42</sup>

Although current brownfield development spearheaded by the City is welcomed, it should be seen as an entry point into realizing the wide-ranging benefits that such a program can have. Ensuring that projects are focused in communities facing disproportionate poverty and brownfield-site concentration, and that tax-credit allocation is strictly attached to metrics of local job creation and sustainability are critical first steps.

The North Riverfront Business Corridor, a project already outlined by SLDC, presents a timely opportunity to realize the full potential of brownfield redevelopment. As the Mayor sets a goal for redeveloping 40 vacant properties by 2018 as part of the Sustainability Plan Action Agenda, the time to seriously reexamine the existing framework and center the broad possibilities of development based in community wealth-building and sustainability is now.



## V. Supporting the St. Louis Sharing Economy

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Another key component to Sustainable St. Louis' vision centers on alternative non-monetized forms of economic development rooted in human capital and cooperation.

Exchanging services, goods, and production outside of prevailing capitalist frameworks through new institutions like time banks and skill shares, creates space for sustaining the local economy while strengthening communities. Intensified by the 2008 recession, rethinking economic transactions through alternate currencies, time banks, and skill shares has become a growing movement around the country. Time banking operates outside of the monetary system of the public- and private-sector economies, shifting the focus to community assets and skills. Such models can be especially vibrant in communities currently facing unemployment or with large elderly populations.

These types of non-monetary models are deeply rooted in St. Louis and are reemerging in exciting ways today. In the 1980s the Grace Hill Settlement House, a neighborhood advocacy and service organization based in north St. Louis, developed the Member Organized Resource Exchange, or MORE system, in response to cuts in federal grant funding. The MORE model (which was recently re-launched by Grace Hill) allowed for a continuation in service provision to senior citizens by giving community members service credits in exchange for helping others.

This solidarity economy based in reciprocity and service exchange extends to the innovative work undertaken currently by the Cowry Collective. The Collective developed a time bank where services, skills, and goods are exchanged using time as a currency rather than capital. The time bank encompasses a range of services including childcare, home repair, legal services, musical instrument lessons for children, and home weatherization consultation. Situating time as units of currency opens up new potential for community building and reciprocity, encouraging creativity and self-sufficiency while being accessible to people with a range of skill sets, backgrounds, and economic situations.

**Reinforcing values of cooperation, ecological sustainability, and democracy through institutions like time banking offer new possibilities for a more equitable St. Louis economy.** Building off the work of the Cowry Collective, the potential for developing even broader networks of solidarity-based support and exchange is substantial.

Yet while attention and involvement towards these non-monetized models is growing, scalability to broader communities remains a challenge. Other cities have taken steps to address these challenges, such as New York where the Department for the Aging coordinates a citywide time bank with a network of over 3,000 members.<sup>43</sup> Scaling up participation not only allows for increased accessibility but also a more diverse range of available skills and services. St. Louis can learn from New York City by assigning city agencies to facilitate broader access to time banking through the development of an online platform and assistance with implementation and coordination costs.



## VI. Anchor Institutions

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From BJC Hospital to the City Museum to Washington University, St. Louis is home to scores of hospitals, universities, and cultural institutions. These anchor institutions represent enormous potential for building a more resilient and localized St. Louis economy. Anchor institutions are often the last employers left in communities that have been abandoned by increasingly mobile corporations. As such, they can provide a sturdy foundation for long-term revitalization. **Throughout the country, U.S hospitals and universities spend over \$1 trillion a years and employ 8% of the labor force.<sup>44</sup> Leveraging this tremendous amount of economic and human resources can jumpstart community asset and ownership opportunities.**

An array of strategies to leverage anchor institutions' resources exist, including import substitution and preferred procurement policies. Policies that encourage the local production of goods and services (e.g., laundry or food service) that hospitals and universities previously procured from outside the local economy can create new opportunities for community-based industry. As anchor institutions realign their supply chain to source from local entrepreneurs, they promote these emerging industries in the city. Directing even a modest percentage of their millions of dollars of purchasing power to local vendors generates broad, shared benefits.

Cities across the country have already recognized the potential of harnessing anchor institutions to promote community-based entrepreneurship and job opportunities to a wide range of residents. Many of these initiatives are being led in cities that, like St. Louis, experienced massive employment displacement and population loss from 20th century deindustrialization.

In **Detroit**, a coalition of city and community leaders identified Midtown, anchored by Wayne State University and Henry Ford Hospital, as a focal point for strategic investment in housing and commercial development. Local hiring and procurement initiatives have already redirected more than \$400,000 in purchasing to local vendors.<sup>45</sup>

The University of Pennsylvania has injected \$80 million into the **West Philadelphia** economy by committing 10% of its annual expenditures to local purchasing.<sup>46</sup>

In **Cleveland**, the Greater University Circle district emerged from a partnership among several leading institutions to identify procurement streams as sources of new local entrepreneurial opportunities.<sup>47</sup>

In **Kansas City**, Brush Creek Community Partners, an alliance of museums, universities, and neighborhood associations, has channeled more than \$1 billion in investment in housing and infrastructure in its urban district.<sup>48</sup>

Based in the postindustrial city of **Springfield, Massachusetts**, the Wellspring Collaborative leverages the annual \$1.5 billion worth of area hospital and university expenditures to support emerging upholstery and greenhouse cooperatives. To date, 8 anchor institutions have committed to participate in redirecting a portion of their sourcing expenditures.<sup>49</sup>

Just this March, city leaders launched **Chicago** Anchors for a Strong Economy (CASE), a new program that emphasizes building connections between the city's largest institutions and neighborhood-based businesses. Participants already include the City of Chicago, Cook County, ComEd, Illinois Institute of Technology, Rush University Medical Center, University of Chicago, University of Chicago Medical Center, and University of Illinois Chicago.<sup>50</sup>

**Rather than continue to rely on the race to the bottom development strategies where taxpayer resources are given away in return for modest short term job commitments, St. Louis has the opportunity to engage with the vast resources of local institutions to create meaningful economic opportunities for all residents.** Connecting these institutions with the emerging urban agriculture and green economy already outlined sets the stage for a St. Louis economy rooted in sustainability and shared growth. St. Louis has taken an important first step in updating the City's procurement policy to allow local bidders to compete with low bids from outside firms. This standard, however, can be amplified to ensure that local businesses are in fact given a meaningful opportunity to compete with outside bids, strengthening community-based industry while keeping money circulating in the St. Louis economy. New York has recognized this importance by enhancing their preference for in state bids by giving preference to local companies that bid within 10% of the lowest bid.<sup>51</sup>



## VI. Conclusions

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Reimagining what is possible for St. Louis feels real and credible only when our vision for a new city is rooted in equitable development, transparency, and sustainability, and is accompanied by a clear blue print to move forward. **This plan aims to provide a point of departure, a living document that brings together community, business, and political stakeholders to realize a new and urgent vision.** Existing city-led sustainability policy, urban farming community groups, to scores of anchor institutions — St. Louis possesses the building blocks needed to usher in a new sustainable economy. Cities across the country are recognizing the failure of conventional models of chasing corporations with public money while requiring little in return. Growing research illuminates that investment in community, education, and infrastructure guide company-location decisions, not so-called “business friendly” policies. St. Louis has an opportunity to emerge as regional leader in crafting an innovative economic model that fosters healthy and resilient communities.



# Notes

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The Center for Popular Democracy wishes to acknowledge the work of intern Ben Fuller-Googins on this report. Ben Fuller-Googins took his Masters of Urban Planning from New York University's Robert F. Wagner Graduate School of Public Service in spring 2014. He now works as a community planner and organizer for the Carroll Gardens Association, an affordable housing and economic development agency in Southwest Brooklyn.

<sup>1</sup>O'Neil, T. (2014). Once a far-flung trading post where the rivers meet, St. Louis still rolling along at 250. *St. Louis Dispatch*.

**<sup>2</sup>Tax Increment Financing:** Although there are nuisances specific to the governance structure and legal precedent of each locality, a typical TIF project begins by establishing a geographic district where development will occur. In which a base property tax rate is identified. This base rate is maintained throughout the span of the project, meaning that until the expiration of the TIF, all taxing jurisdictions (i.e.g., school districts) continue to receive this base rate of property tax. In the interim, any increase in property tax in the TIF district is counted as the increment and goes to offset the project financing. So those increases are not incorporated into the city's general fund or as available revenue for surrounding taxing jurisdictions. That funds are generated from the incremental tax revenue is the basis for proponents' assertion that TIF is a self-financing mechanism.

**Tax-exempt Bond:** Also known as a municipal bond, a debt security issued by a local government in which the lender does not pay federal or local taxes on interest generated from bond repayment.

**Property Tax Abatement:** Government sponsored programs that eliminate or significantly reduce property tax payments.

<sup>3</sup>Office of the Comptroller, (2013). *Comprehensive Annual Financial Report, City of St. Louis*.

<sup>4</sup>Office of the Comptroller, (2013). *Comprehensive Annual Financial Report, City of St. Louis*.

<sup>5</sup>Personal income is used as a relative measure of a locality's wealth. The wealthier a community, the greater its capacity to pay taxes and to sustain local government debt and operations.

<sup>6</sup>Standard & Poor (2000) *Public Finance Criteria*, p. 29.

<sup>7</sup>Office of the Comptroller, (2013). *Comprehensive Annual Financial Report, City of St. Louis*. Table 11, p. 187

<sup>8</sup>NYC Comptroller (2012) *Annual Report on Capital Debt and Obligations*.

<sup>9</sup>Lincoln Institute for Land Policy, 2013

<sup>10</sup>Social Explorer Tables: ACS 2008 to 2012 (5-Year Estimates) Social Explorer; U.S. Census Bureau

<sup>11</sup>East-West Gateway Council of Governments, (2011). *An Assessment of the Effectiveness and Fiscal Impact of the Use of Local Development Incentives in the St. Louis Region.*

<sup>12</sup>St. Louis Development Corporation, (2013). *Annual Report.*

<sup>13</sup>East-West Gateway Council of Governments, (2011). *An Assessment of the Effectiveness and Fiscal Impact of the Use of Local Development Incentives in the St. Louis Region.*

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