CITY OF FAIRVIEW HEIGHTS
BUSINESS ALLIANCE COMMISSION
TUESDAY, AUGUST 20, 2019 – 1:30 P.M.
MEETING ROOM A
FAIRVIEW HEIGHTS CITY HALL
10025 BUNKUM ROAD

AGENDA

1. CALL TO ORDER

2. APPROVAL OF JULY 16, 2019 MINUTES

3. CITIZENS’ COMMENTS

4. DIRECTOR’S REPORT
   a. Feature - Study: Five retailers opening stores for every retailer closing stores
   b. Feature - Economic Developers, retailers to convene again in Metro East
   c. Feature - Understanding the Challenges to a Successful Cannabis Economy

5. MONTHLY REVENUE REPORTS
   a. 1% MUNICIPAL

6. NEXT MEETING – SEPTEMBER 17, 2019 AT 1:30 P.M.

7. ADJOURN
THE CITY OF FAIRVIEW HEIGHTS  
BUSINESS ALLIANCE COMMISSION (BAC)  
Tuesday, July 16, 2019 – 1:30 p.m. 
Meeting Room A 
10025 Bunkum Road, Fairview Heights, IL

Committee Members in attendance – Charles Daily, Richard Avdoian, Don Barkley, Robert Triplett, Samantha Carter, Michael Hagen, Van Johnson

Committee Members absent – Bill Poletti, Charles Kassly

Other Aldermen and Elected Officials in attendance – Pat Peck

Staff in attendance – Paul Ellis, Andrea Riganti

Recorder – Wendi Gorney

Call to Order  
Charles Daily called the meeting to order at 1:32 p.m.

Public Participation  
Amy Kempfer

Approval of Minutes  
Richard Avdoian made a motion to approve the June 18, 2019 minutes. Seconded by Don Barkley. Motion passed on voice vote.

TIF Districts – Presented by Andrea Riganti, TIF Administrator

The City has five TIF districts:

1. Bunkum Road, Residential -  
   a. Summit Springs area is completed  
   b. Fairview Hills, 39 platted, 13 developed.  
      $407,000 remains in this TIF – working with developer to encourage additional development.

2. The Shoppes at St Clair, Commercial -  
   a. Purpose was to spur economic development  
   b. Property acquisition  
   c. Infrastructure improvements  
      Still $1.3 million. Researching how to close this out because it is not needed.

3. Lincoln Trail, Commercial –  
   a. Redevelop the area (infrastructure, property acquisition, marketing)  
   b. Examples – Lincoln Trail sidewalks, Trailways restaurant, Marketplace streetscape project, business assistance program  
      $1.7 million in budget, still active for ongoing projects

4. Fairview Heights West, Mixed use around the Metro Station -  
   a. TIF has never collected money because there has never been a project.  
   b. Established in 2015 but should be closed out because of lack of interest.

5. Ludwig, Commercial –  
   a. Purpose was to spur redevelopment

Page 1
b. No projects have been applied for, may need to close TIF because of lack of interest.

Much discussion followed on how these TIFs are paid to school districts and how the TIFs are formed.

**Economic Development Director’s Report**

- **PACE** (Draft Ordinance for financing included in agenda). This will be presented to the Community Committee and, if approved, will go to council for full approval.
  
  Program will provide funding for HVAC, geothermal, solar panels and other like projects for businesses. Tom Appelbaum of Sustainable Solutions Funding will be the program administrator so the city is removed from the money aspect.

- **ED Strategy** – Ready for the next phase, which is recommendations for what we need to implement to improve business. Next Open House will be the end of August or early September.

- **St. Clair Square** – Aerie is opening in July

- **Osh Gosh B’Gosh** is opening a store in Lincoln Place II.

- **Bobcat** has been acquired by Brightstar Capital Partners. Would like to stay in Fairview Heights, but waiting to see what their new owners want them to do.

- **Scott Winter**, of the World Wide Technology Raceway, met with the Hotel group
  
  - It was suggested that there should be a shuttle, much like the Redbird Express, for people to get to the Raceway from our area.
  
  - Richard suggested that we get info of all incoming conventions and events. Paul suggested we could work that out with the convention bureau.

- **Billboards** will go up promoting Salute to the Arts, Wingfest and to promote shopping in Fairview Heights and at the mall.

- **Paul** has been notified that a public agency is looking to lease space here in the city.

- **The MEBI** has secured a $100,000 grant, the organization has been formed, a bank account has been opened and they have submitted another grant proposal for another $150,000. They are hoping to open in October 2019.
  
  - Richard suggested that we look into ways businesses could donate supplies.

- The former Pantera’s building has been sold and will open as a daycare.

**Monthly Revenue Reports**

Director Ellis presented the sales tax report. The City is up 3.0%, or $16,875.13 and year to date is down -1.8%, or -$68,222.56. The finance dept. fixed the blank space for March 2015.

The next meeting is scheduled for August 20, 2019 at 1:30 p.m.

A motion to adjourn was made by Robert Triplett and seconded by Don Barkley. **Adjourned at 2:40 p.m.**

Submitted By:

__________________________
Recorder
MEMORANDUM

TO: Elected Officials
FROM: Paul A. Ellis, Director of Economic Development
DATE: August 16, 2019
SUBJECT: Economic Dev. Dept. - Director’s Report

1. The Steering Group for the Economic Development Strategy is reviewing draft recommendations in preparation for a second Community Open House at The REC on September 12 from 5:00 – 7:30 p.m.

2. New store openings are lining up for this fall, including:
   a. OshKosh B’gosh (a children’s apparel subsidiary of Carter’s) is slated to open soon in Lincoln Place II;
   b. Swedish retailer H&M (a new department store) is scheduled to open in St. Clair Square on Sept. 20;
   c. Urban Air Adventure Park will open in Fairview Heights Plaza on Sept. 28;
   d. Total Wine & More will open in Lincoln Place II in October

3. New retail tenants are also being lined up for the former Toys ‘R’ Us box, the former Babies ‘R’ Us store, and the former Logan’s Restaurant.

4. The City Council is slated to approve the first PACE financing program in Southern Illinois and, in anticipation, the Director has been working with Sustainable Solutions Funding (SSF) of St. Louis and the Illinois Finance Authority to publicize this new incentive and its availability, for now, only in Fairview Heights.

5. The Director and Brian Heil from Oates & Associates have been meeting with commercial property owners around the intersection of Market Place and Commerce Lane to begin negotiations for construction of the proposed roundabout at that intersection.

6. KMOV-TV’s Great Day St. Louis program will be featuring Fairview Heights next week as part of the lead-in to Salute to the Arts, which begins Friday, Aug. 23 and runs through the weekend; on air personality Matt Chambers (a Fairview resident) will host features on local recreational businesses like Urban Air Adventure Park, the Chuck Wagon Restaurant, and new stores opening at St. Clair Square.

7. Midwest Wing Fest will again run in the St. Clair Square parking lot through the Labor Day weekend—Saturday, Aug. 31 and Sunday, Sept. 1.

8. The Intergovernmental Agreement for the Metro East Business Incubator (MEBI) has been approved by the Village of Swansea and the Director is meeting with the Community Development Committee of the City of O’Fallon on Monday evening, Aug. 26 and, after the other jurisdictions have signed, the agreement will be presented to the Fairview Heights City Council for approval; the City of Mascoutah has also expressed interest in supporting this initiative.
Economic Dev. Dept. – Director’s Report (continued)

9. Fairview Heights will again host the Downstate Illinois P3 Luncheon, Southern Illinois’ premier gathering for retail development professionals, for the International Council of Shopping Centers at the Fountains Conference Center on Aug. 29 from 11:00 a.m. to 3:00 p.m.

Paul A. Ellis
Director of Economic Development

Attachments:

a. Study - Five retailers opening stores for every retailer closing stores [Chain Store Age]
b. Economic developers, retailers to convene again in Metro East [Illinois Business Journal]
c. Understanding the Challenges to a Successful Cannabis Economy [ED Now – IEDC]
Economic developers, retailers to convene again in Metro East

By Editor | August 12, 2019

By DENNIS GRUBAUGH, Illinois Business Journal

Economic development directors wanting to pitch their community to a large retailer have a unique chance with a planned day of activities bringing them all together this month in Metro East.

The annual P3 Luncheon provides a forum for public and private partners to learn the latest in retailing trends and discuss common issues. Events are set for Thursday, Aug. 29, at the Four Points by Sheraton St. Louis, 319 Fountains Parkway, Fairview Heights.

The forum is called the ICSC Downstate Illinois P3 Luncheon Program. ICSC is the trade association of the retail real estate industry. The program annually brings together people to network, share ideas and discuss mutually desired retail projects.

The theme this year is “Retail Re-Thought: Opportunity & Innovation in Southern Illinois.”

Among sponsors of the event are the city of Fairview Heights, Wittenauer Properties of O’Fallon, the village of Swansea, Holland Construction Services and the Illinois Business Journal.

Fairview’s Director of Economic Development Paul Ellis (shown) is in the thick of planning. The daylong session features a keynote speaker and a series of roundtable discussions.

Keynoter is Wade Laufenberg, vice president real estate and construction for Bealls Outlet stores, a big retailer across the South and East. The company is expanding into Illinois.

“He is a decision-maker on siting,” Ellis said, adding that attendees have a rare chance to network with him and, perhaps, make a pitch.

“Some may even be able to convince him to open a store in their community,” he said.

Sponsors are attempting to attract participants from across the southern part of the state, where Bealls may have aspirations.

Laufenberg, in general, will tell the audience what a retailer looks for in a location.

The roundtable breakout discussions offer a variety of timely subjects.

One presentation is planned on PACE financing, which is a hot topic in Southern Illinois. PACE stands for Property Assessed Clean Energy.

“Our council is in the process of authorizing the first program south of Chicago,” Ellis said. “We have Tom Applebaum, the principal of Sustainable Solutions Funding out of St. Louis. I’ve asked him to come to a roundtable and tell people about it.”
The funding mechanism has been used successfully elsewhere and largely applies to gap financing to cover energy efficiency costs. Many have used it for HVAC work on large projects, both restoration and new construction, and includes air conditioning, geothermal, traditional and solar work.

The St. Louis Mills mall conversion project proposed in St. Louis County will use PACE financing to cover some costs, Ellis said.

“It’s integral to a lot of development today and a piece that we’ve been lacking in this state. Now, it’s coming to Southern Illinois,” he said. “It allows you to spread out the financing and bring out a lot of private money.”

Another roundtable topic will be on “facilitating retail” in small communities.

“Dallas Alley, the building and zoning director in Swansea, will oversee that,” Ellis said. “He’s doing some imaginative things in retail.”

Yet another roundtable will be led by Brett Stawar, president and CEO, of the Great Rivers & Routes Tourism Bureau. The subject is “Tourism and Retail,” which will tap the expertise of Stawar, who has studied the subject for many years in the Alton area. In recent years, the tourism bureau has expanded to take in several surrounding communities.

“Dallas Alley, the building and zoning director in Swansea, will oversee that,” Ellis said. “He’s doing some imaginative things in retail.”

Another roundtable is being planned on the topic of legalized cannabis, around which many communities are contemplating ordinances that will comply with newly enacted state law. The specifics of the roundtable were still being determined at press time.

The market for the meeting is retailers, developers and community leaders, and especially economic developers.

“Some of us have been done this for years, and some people are just learning about it,” he said. The day’s presentation will be of benefit to all participants, he said.

A panel discussion will involve “Opportunity and Innovation in Southern Illinois” and focus on unique and unusual retail developments.

Joining the discussion are expected to be Kurt Artinger, CEO, of Artigem in Belleville; Eric Gowin of Contegra, on the new Ironworks development in Edwardsville; Brad Heath of the Urban Air Adventure Park that is opening in Fairview Heights; Derik Reiser from the Old Herald Brewery in Collinsville; and Sue Spargo, community relations and tourism coordinator, about the Old Schoolhouse in Columbia.

“Some of these will appeal to people in bigger markets, and some will appeal to the smaller markets. There’s something for everybody,” Ellis said.
A new report looks to debunk the ongoing retail apocalypse narrative.

More than five retail chains are opening stores for every retailer that is closing stores in 2019, according to research from IHL Group, which is up from 3.7 in 2018. The company also reports that the number of chains adding stores in 2019 has increased 56%, while the number of closing stores has decreased by 66% in the last year.
Fewer retailers make up the bulk of closures in 2019, according to IHL’s Retail Renaissance – True Story of Store Openings/Closings. In 2018, 20 chains represented 52% of all stores closed. In 2019, the 20 announcing the most closures represent 75% of all closures.

According to the research, too much debt and rapid overexpansion driven by historically low-interest rates for the last 10 years are the two main characteristics of chains closing the most stores. Lack of innovation and short-sighted private equity has also played a significant role. Retailers without these characteristics have continued to thrive, the report said, noting that when a retailer closes a lot of stores, it is more of an indictment on the individual retailer rather than an overall retail industry problem as has often been reported.

“U.S. retail has increased $565 billion in sales since January of 2017, fed not just by online sales growth but net store sales growth,” said Lee Holman, VP of research for IHL Group. “Clearly there is significant pressure in apparel and department stores, however, in every single retail segment there are more chains that are expanding their number of stores than closing stores.”

Since 2017, apparel and department store chains have seen the net closure of 9,651 stores. During this same period, all other segments represented 18,226 net new openings. Additional findings include the following:

Sixty-four percent of retailers are increasing the number of stores in 2019, 12% are decreasing and 24% report no change in store counts. This compares to 2018 with 41% increasing store counts, 37% decreasing and 22% with no change.

For every chain closing stores, +5.2 chains are opening stores. Specifically, these ratios by segments include the following:

- Food/drug/convenience/mass merchants: +9.5
- Apparel, hard goods, department stores: +3.7
- Restaurants, fast food, table service: +6.3 chains opening vs closing stores
- 2018 was a peak year in the number of chains closing stores with 37% reducing their store counts. This number has dropped to 12% of total retailers in 2019.

IHL reviewed 1,660 retail chains with 50 or more locations in the United States across nine industry segments. For each retailer, the company measured the total store counts at the end of 2016, 2017, 2018, and plans for 2019 year-end based on company filings and statements. The net total increase or decrease in their store count was noted and that data was tallied across companies.

The research report is available for no cost.
As state governments across the United States continue to legalize both medical and recreational marijuana, the economic benefits have been well documented. Consider these statistics:

- The legal cannabis market is projected to grow to $25 billion by 2025, an increase from $8.3 billion reported in 2017.
- The cannabis industry directly employed 120,000 full-time workers in 2017 and is projected to grow to 330,000 direct jobs by 2022.
- Entry-level jobs at cannabis businesses pay an average of $5,000 a year more than other retail and service jobs.
- States across the country are collecting millions of dollars in additional tax revenue each year from the cannabis market. California brought in just over $345 million in tax revenue from cannabis sales in 2018.

Despite the benefits, however, the industry still faces numerous challenges, particularly in regard to regulation, taxation and societal acceptance.

**Structural challenges**

Marijuana is federally classified as a Schedule 1 drug, which means the U.S. government does not recognize an accepted medical use and presumes a high potential for abuse. The classification poses roadblocks to the successful operation of legal cannabis businesses, particularly around banking regulations and taxation.

There is no law that specifically states that banks or credit unions cannot work with cannabis businesses, but many choose not to due to costly reporting requirements. Only about one in 30 banks or credit unions does business with a cannabis company. For cannabis businesses that are able to work with a banking institution, many worry that the partnership could be revoked at any time. Without bank collaboration, many businesses deal only in cash, and thus have difficulty obtaining credit.
Another issue is the tax code, specifically 26 U.S. Code, Section 280E, which states that “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business consists of trafficking in controlled substances [i.e., Schedule 1 drugs] which is prohibited by Federal law or the law of any State in which such trade or business is conducted.” What this means for cannabis companies is that although they are operating legally according to the state, the IRS considers their activity illegal. Because of this, cannabis businesses cannot claim even the most basic tax exemptions, such as employee salaries.

“The [tax] rate is hard to calculate, but it’s approximately 80 percent,” says Claudia Matus, owner and operator of Zen Leaf, a medical dispensary in Maryland. “In many cases, it sends cannabis business owners into the red, driving many out of business within the first few years.”

**Stigma persists**

Despite legalization at the state level, cannabis remains controversial in many communities. While a majority of Americans is accepting of medical and recreational marijuana use, less than half support federal legalization. There are misconceptions, limited knowledge, and a general stigma toward cannabis products. A survey also found that half of Americans are uncomfortable in gatherings where cannabis is consumed, and half would not be in a romantic relationship with a cannabis user. In states that have legalized marijuana, resident concerns include odor, secondhand smoke, the location of businesses, aesthetics of dispensary clusters, and easy accessibility of the product to teenagers.

Even with increased public acceptance, bipartisan political support is needed for the industry to grow. Florida Gov. Ron DeSantis recently made public remarks opposing marijuana legalization, even though a recent Quinnipiac University survey showed that over 65 percent of Floridians support recreational marijuana use.

Building a diverse, equitable, and inclusive industry is another area of concern for industry stakeholders. That vast majority of marijuana business owners and founders are white.

“Cannabis is an agricultural commodity, meaning the business relies on economies of scale, which requires a high level of capital,” said Andrew Freedman, former director of cannabis coordination for Colorado and now a legalization consultant. Capital constraints, information gaps, and other factors create barriers to minorities entering the field as owners, employees, patients, and consumers.

Discriminatory enforcement of cannabis laws regarding people of color has exacerbated the situation. “Cannabis laws exclude people who have felony convictions for either selling or using cannabis from owning or working in the cannabis industry,” said Zen Leaf’s Matus.
Finding workers to perform typical business services (e.g., 401(k) administration, payroll processing, legal services) also can be a challenge, Freedman added, as many firms are wary of associating with cannabis-related businesses.

The EDO’s role

EDOs can help find solutions to these issues. Joseph Devlin, former chief of cannabis policy enforcement for the City of Sacramento, spoke during an IEDC webinar in April about pragmatic approaches to cannabis regulation. If your city or region is in the process of figuring out how to approach legal cannabis, Devlin recommends conducting a self-assessment and then developing a plan to best integrate cannabis into the community and economy. In terms of leveraging economic opportunities, Devlin says communities should realize that although cannabis can create opportunities and growth, it’s not a silver bullet for budget shortfalls. He recommends creating a transparent business vetting and approval process and being willing to recruit businesses into the area.

One example of a partnership between a cannabis business and an EDO is the Charles County (Md.) Department of Economic Development and Zen Leaf. The department assisted in finding a location for the business, facilitated a Q&A with the community to increase engagement, and was a resource on a variety of business issues.

“They looked past the stigma of cannabis since they knew our industry would produce jobs and revenue for the county,” Matus said. “It felt good that they sincerely wanted to see me and Zen Leaf succeed.”

IEDC is committed to keeping members informed of opportunities in the cannabis industry. Claudia Matus will be one of the panelists at the Defining Issues Luncheon: Getting Blunt About Cannabis, on October 14 at IEDC’s Annual Conference in Indianapolis.
# CITY OF FAIRVIEW HEIGHTS, IL
## SALES TAX REPORT
### State 1% Municipal Tax Portion

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8/16/2019