CITY OF FAIRVIEW HEIGHTS
BUSINESS ALLIANCE COMMISSION
TUESDAY, FEBRUARY 19, 2019 – 1:30 P.M.
MEETING ROOM A
FAIRVIEW HEIGHTS CITY HALL
10025 BUNKUM ROAD

AGENDA

1. CALL TO ORDER

2. CITIZENS’ COMMENTS

3. APPROVAL OF JANUARY 15, 2019 MINUTES

4. ECONOMIC DEVELOPMENT DIRECTOR’S REPORT
   a. Overview Brochure - Economic Development Strategy
   b. Feature – Aging U.S. Population Expected to Drive Demand for Medical Office Space [CoStar News]
   c. Feature – How malls are creating selfie-worthy attractions to keep you coming back [South Florida Sun Sentinel]
   d. Guest Column – Tapping the best [St. Louis Post Dispatch]

5. MONTHLY REVENUE REPORTS
   a. 1% MUNICIPAL

6. NEXT MEETING – MARCH 19, 2019 AT 1:30 P.M.

7. ADJOURN
Committee Members in attendance – Chuck Daily, Bill Poletti, Robert Triplett, Michael Hagen, Richard Avdoian, Don Barkley & Van Johnson

Committee Members absent – Robert Triplett, Charles Kassly & Samantha Carter

Other Aldermen and Elected Officials in attendance – Pat Baeske

Staff in attendance – Paul Ellis

Recorder – Becky Thompson, Wendi Gorney

Public Participation
None

Approval of Minutes
Michael Hagen made a motion to approve the November 20, 2018 minutes. Seconded by Richard Avdoian. Motion passed on voice vote.

Economic Development Director’s Report
Director Ellis presented his report. The Commission discussed the following:

• Approved Economic Development Strategy (i5 Group) at City Council
• Michael Hagen announced Sears will be closed by the end of March. Discounts of 10%-40% have already started.
• Sears still owns the building, mall will try to purchase the building to implement their plan that is already in place for the building. They plan to add venues, other than retail, that will draw more people and encourage shopping at the mall and in the area.
• H&M should start remodel February 15, 2019 and are hoping to be complete by August/September 2019. Forever 21 will be moving, because of the H&M, and are hoping remodel should be complete in August 2019.
• Announcement regarding tenancy of Sears is anticipated to be the mid-end of 2019
• City currently has 400,000 sq. ft. in transition:
  o Aldi – opens January 24, 2019
  o Urban Air will be opening
  o Vatterott College has closed
  o US Bank building – under contract. New owner will tear down existing building and replace with retail space.
  o Paul Ellis announced the need and opportunity to straighten out the frontage road by Toys R Us/Babies R Us/US Bank for easier access
• Four Points – new owner will be updating the facility
• Richard Avdoian expressed the need for small businesses to have access to small offices for them to use/rent for small or graduating fees. He would like to promote any such spaces at the Small Business Conference in May 2019.
• Paul Ellis introduced Wendi Gorney as new Administrative Support person
• Metro East Business Incubator has received $260,000 in support from State/Grants/Contractors
• Paul will be attending ICSC on January 20, 2019

**Monthly Revenue Reports**
Director Ellis presented the sales tax report. The City is down for December 0.7%, or $3,796.65 and year to date is up 0.30%, or $8,756.12.

The next meeting is scheduled for February 19, 2019 at 1:30 p.m.

**Adjournment 2:51 p.m.**

Submitted By:

___________________________

Recorder
MEMORANDUM

TO: Elected Officials
FROM: Paul A. Ellis, Director of Economic Development
DATE: February 15, 2019
SUBJECT: Economic Dev. Dept. - Director's Report

1. The Steering Group for the Economic Development Strategy held their first meeting today; the consulting team has prepared the attached Overview Brochure to answer initial questions about the effort.

2. As stated in the Brochure, the consultant team will be completing an economic and market analysis, including interviews with key stakeholders both inside and outside of Fairview Heights, which will be released at Community Open House #1 in late April.

3. CBL Properties, Inc. has secured a Letter of Intent from a national retailer to purchase and redevelop the space being vacated by Sears; the project can be expected to progress once the retailer’s holding company puts the building on the market.

4. The two properties formerly owned by Toys ‘R’ Us have been purchased by Corbin Holdings of Miami, a real estate investment firm with interests across the nation, and the Director is in communication with the firm to determine the future plans for retail use.

5. The Drury Inn Fairview Heights will be undertaking a complete renovation, inside and out, of the hotel beginning in March; the hotel will remain open with renovation being completed one floor at a time.

6. Hilario Grossi is the new General Manager for the Four Points by Sheraton Hotel; he is an employee of Hotel Equities, which has taken over day-to-day management of the hotel and the adjoining conference center.

7. The Metro East Business Incubator continues to build momentum as the prospectus is circulated and various groups are informed and brought on board through meetings such as the following:

   Feb. 5 – Met with Rick Stubblefield, the new Director of Economic Development for St. Clair County
   Feb. 7 – Met with Darrick Hendricks and Van Johnson to discuss ways to engage more minority entrepreneurs
   Feb. 12 - Met with Scott Raether from the Airman & Family Readiness Center at Scott AFB to discuss how to work with military personnel transitioning into civilian life as entrepreneurs
   Feb. 13 - Met with Ched Wagner from nvsted to explore potential for using their crowdfunding platform to help fund start-up businesses
Feb. 14 - Met with Kathy Wagner, an encore entrepreneur who is establishing a local women’s entrepreneur network

8. A meeting is scheduled with Illinois Rep. Jay Hoffman and, depending upon its outcome, fundraising to establish the MEBI may begin in earnest.

9. The Director is working with St. Clair County to determine how best to move forward with establishing Property Assessed Clean Energy (PACE) as a financing tool; PACE is available in neighboring states and was authorized last year for Illinois. DuPage and Kane counties are currently initiating programs with Chicago and collar counties moving forward.

10. The Director will be out of the office on medical leave beginning Thursday, Feb. 21 with his return anticipated by Mar. 11.

Paul A. Ellis
Director of Economic Development

Attachments:

a. Overview Brochure - Economic Development Strategy
b. Feature – Aging U.S. Population Expected to Drive Aging U.S. Population Expected to Drive Demand for Medical Office Space [CoStar News]
c. Feature – How malls are creating selfie-worthy attractions to keep you coming back [South Florida Sun Sentinel]
d. Guest Column – Tapping the best [St. Louis Post Dispatch]
CITY OF
FAIRVIEW HEIGHTS
Economic Development Strategy
Overview Brochure

www.cofh.org
OVERVIEW
The City of Fairview Heights is the retail and economic hub for Southwestern Illinois. Fairview Heights is also one of the great places to live in St. Louis' Metro East region. Construction of a new $20 million recreation center, phased streetscape improvements and an expanded trail system will complement earlier projects, such as the Miracle League baseball field at Moody Park, that enhance quality of life.

While the economy of Fairview Heights is still strong, national and regional trends in retail and economic development point to the need for Fairview Heights to think strategically about future economic development. Over the next year, Fairview Heights is conducting the development of an Economic Development Strategy. The strategy will position the City on its path toward a resilient economy by creating a vision around which the City with its public, private and institutional partners can coalesce efforts to drive investment and growth for the community.

BENEFITS OF AN ECONOMIC DEVELOPMENT STRATEGY
While the future can never be completely predicted, communities can better position themselves to manage change and leverage their strengths. To create a resilient economy, Fairview Heights needs all its component elements - from agencies to chain stores to local small businesses to industries to neighborhoods to residents - to effectively work together.

PLANNING PROCESS
The planning process began in early 2019 and will be substantially complete by the end of 2019. A steering committee will help guide the process. There will also be opportunities for residents to stay involved in the planning process. There will be a community open house to present the findings of the Assessment and Market Analysis Report. There will be a second community open house to present the draft recommendations of the Economic Development Strategy. There are five major tasks as part of the planning process. They include:

**Task 1. Assessment, Benchmarking & Evaluation**
The planning team will conduct an economic analysis of the City of Fairview Heights and its economic relationship to the surrounding Metropolitan Statistical Area (MSA). The purpose of this analysis will be to help the City of Fairview Heights to better understand its economy in the context of the larger St. Louis metro area.

**Task 2. Market & Industry Cluster Analysis**
The Industry Cluster Analysis portion of the Economic Development Strategy will identify economic sectors in which the City of Fairview Heights currently is or is capable of becoming competitive at the regional level.

**Task 3. Neighborhood Economic Nodes (Place-Based Growth Strategy)**
There has been successful growth and revitalization of St. Clair Square, other regional shopping centers and the Lincoln Trail District. There is an opportunity to lay the groundwork for the revitalization of neighborhoods which have not yet shared in this growth. One of the keys to successful neighborhoods in other cities in the region has been growth around main corridors, parks, and transit hubs. The planning team will identify prospects throughout the City for building further economic nodes that can serve as the economic engines for their surrounding neighborhoods.

**Task 4. Recommendations & Best Practices**
A strong and resilient local economy requires myriad elements, ranging from a vibrant entrepreneurial culture to dynamic small business growth to ongoing, targeted business recruitment. The planning team will identify best practices in these and many other areas that are critical to the City’s continued economic success. The planning team will provide recommendations based on best practices appropriate to Fairview Heights’ demographic profile, market and cluster analysis, and opportunities for place-based economic growth.

**Task 5. Implementation**
This task of the Economic Development Strategy will tie together all of the previous elements into a clear set of strategic actions and tasks that the City, in collaboration with partners, can implement in order to reach defined goals supporting a resilient and equitable economy in the City of Fairview Heights. This strategy will become a “tool kit” adopted by the City as a living/breathing “manifesto” that can be implemented in real time to achieve real, long-term population, business and tax base growth and stability for Fairview Heights.
COMMON QUESTIONS REGARDING THE DEVELOPMENT OF AN ECONOMIC DEVELOPMENT STRATEGY FOR FAIRVIEW HEIGHTS

Q: What is an Economic Development Strategy?
   An economic development strategy will position the City on a path toward a resilient economy by creating a vision around which the City with its public, private and institutional partners can coalesce efforts to drive investment and growth for the community. The first part of the plan will include a robust analysis of existing conditions to help the City to better understand its economy in the context of the larger St. Louis metro area. The second part of the plan will focus on recommendations and best practices for economic development, place-based growth, and implementation.

Q: Why is an Economic Development Strategy needed?
   While the economy of Fairview Heights is still strong, national and regional trends in retail and economic development point to the need for Fairview Heights to think strategically about future economic development. An adopted Economic Development Strategy will allow the City to have a competitive advantage compared to other communities, will create a shared vision for economic development, and provide confidence to existing and potential businesses to invest in Fairview Heights.

Q: Who is leading the Economic Development Strategy process?
   The City has appointed a Steering Committee to help guide the process. The Steering Committee has representatives from the City Council, Economic Development Commission, and business leaders from across the City. The planning team is led by the i5Group, along with Community and Economic Development Solutions, Colliers International, and the Lochmueller Group. The i5Group is a community planning firm that has worked throughout the St. Louis region. Community and Economic Development Solutions is an economic and community development consulting firm that helps communities understand their markets and develop strategies around job creation, enhancing innovation and attracting and retaining business. Colliers International is an industry leading global real estate company that operates in 68 countries with over 15,000 skilled professionals. The Lochmueller Group is a leading transportation planning and engineering firm with ten offices across the Midwest.

Q: How long will the process last?
   The planning process started in early 2019 and will be substantially complete by the end of 2019. The final plan will be reviewed by the City Council prior to adoption.

Q: Will the public be part of the process?
   Yes. There will be two community open houses for the public to attend in 2019. There will be a community open house to present the findings of the Assessment and Market Analysis Report. There will be a second community open house to present the draft recommendations of the Economic Development Strategy.

Q: What topics will the Economic Development Strategy cover?
   The Economic Development Strategy is expected to include recommendations and strategies for cluster industries (industries with the greatest growth potential), small business and entrepreneurship, business and talent retention and expansion, place-based growth, incentive programs, equitable growth, financial resiliency, tourism, and marketing.

Q: How will the Economic Development Strategy be implemented?
   The Economic Development Strategy will become a “tool kit” adopted by the City that can be implemented in real time to achieve real, long-term population, business and tax base growth and stability for Fairview Heights. Implementation is expected to include: recommendations on policy changes for the City to achieve economic growth; recommendations for any structural changes needed within the City’s Economic Development Department; increased collaboration between the City’s Economic Development Department and other economic development network partners that could bring greater economies of scale and help achieve strategic objectives; and identifying metrics for the City to track progress.

Q: How do I learn more about the Economic Development Strategy or review materials?
   Visit the City of Fairview Heights’ website at www.cofh.org to stay up to date on the plan. The website will include updates about the process and materials to download as they become available. You can also contact Director of Economic Development, Paul Ellis, at 618-489-2033.
Thank you for your interest! For more information about the Fairview Heights Economic Development Strategy, visit: www.cofh.org
How malls are creating selfie-worthy attractions to keep you coming back

Will you have a fun time at the mall? Is it even worth taking a selfie there?

As malls compete with Amazon and other online retailers, one of their biggest advantages is showcasing what shoppers simply can’t find online.

Now, customers want a fun, gee-whiz experience — moments they can share on social media. That’s a big consideration for success as South Florida sees a host of new malls underway and others undergoing renovation, industry experts say. Malls have the goal of creating a sense of place and destination so powerful that shoppers will frequent it.

CityPlace Doral, which opened in 2017, is a 50-acre center with dining, shopping and entertainment options and 700 luxury rental apartments. And it’s a stage for selfies because there’s so much going on — from light shows to art and car shows, said Steve Patterson, CEO and president of Related Development, the destination’s developer.

It requires “fun” for all of it to succeed, Patterson said. “Amazon is efficient but not fun. Even these people that are married to their smartphones, they got to get out every now and again and need to post those selfies.”

A ‘full experience’

In Coconut Grove, parts of CocoWalk were demolished last year and a five-story office building will replace it. The movie theater will be renovated and new restaurants brought in. The project, where construction is underway, will be complete early next year.
In Coconut Grove, parts of CocoWalk were demolished last year and a five-story office building will replace it. The project, where construction is underway, will be complete early next year. (Juan Ortega / Sun Sentinel)

Development partner Michael Comras, who is responsible for leasing, said he will create “Instagram-able” moments that’ll lead the hundreds who work there daily to stick around and shop. CocoWalk is a place he describes as the region’s “hottest place to go” on Thursday and Friday nights and weekends in the early 1990s. And it’ll again be visible in its splendor.

“It’s about creating an environment where you get people off the couch, these immersive environments so people will come and stay for awhile,” he said. By creating a new town square-type feeling with a landscaped plaza, “the plaza will ultimately become the new living room of Coconut Grove.”

And Plantation Walk celebrated its groundbreaking this past week on its $350 million mixed-use office, retail, residential, and hotel project at the site of the former Fashion Mall in Plantation. There will be restaurants and there is space for concerts, too. When construction is over, there will be 700 rental apartments within three towers that will soar as high as eight stories.

“We are making this a restaurant, retail and entertainment hot spot that will give residents a reason to stay in Plantation, and not have to go east to Fort
Lauderdale and Las Olas,” said developer Art Falcone, of Encore Capital Management. “Once people arrive, whether to work, shop or live, they will have little reason to leave.”

CityPlace Doral could expand with more people living nearby. A rental apartment could be built on the last remaining parcel on the site.

Patterson said he expects his company will pitch a plan to the city of Doral this year for a 14- or 15-story, 300-unit rental apartment tower within walking distance of CityPlace Doral. And having successful retail helps a residential project by providing a “full experience a few steps away.”

“You got to get out there and get your picture and show everyone how much fun you’re having in your life,” Patterson said. “Instagram is creating a fantasy life, but you need some quick background for it.” One selfie hot spot is a backdrop of “huge wings — like an angel,” he said. “How many 14-year-olds want a picture of them looking like an angel? A lot.”

One of the most popular types of mall decades ago was the open-air mall, a shopping venue that offers an outdoors feel, with a scattering of breezeways instead of traditional roofed corridors. A string of them opened across South Florida, including CocoWalk as well as Boca Raton’s Mizner Park.

Mizner Park, which opened in 1991, benefited from incorporating “place-making” — establishing an enticing sense of place — into its design, said Angelo Bianco, the managing partner of Crocker Partners, which developed the attraction. Mizner Park was configured with a public space in the middle that offers “a real outdoor space with fountains and grass — a beautiful backdrop to the mall.”

“Even today 27 years after it was built, it’s still a center for photo shoots and wedding pictures,” Bianco said of the downtown complex that includes a mix of dwellings, shops and restaurants. “When people ask where they are going, they respond ‘to Mizner.’ You don’t say, ‘I’m going to a store.’ That’s what place-making is.”
Keeping up with the times

Bianco said he thinks open-air malls won’t be built with the same frequency as yesteryear. The “open-air mall is antiquated,” he said.

“To be most successful today, retail needs to be part of a larger experience and an open-air mall is taking a traditional mall and ripping off the top,” he said. “I don’t think we’re getting that anymore. People are only going shopping in stores for experiences. They can buy whatever they need online.”

“I don’t think if you start out with that premise, you’d be successful,” he said. “An environment that has place-making — that’s where you’d be successful.”

Experts say revitalization is necessary to keep the centers from closing entirely. One of the open-air malls that closed was Fort Lauderdale’s Las Olas Riverfront, a movie theater and restaurant destination.

Las Olas Riverfront was built in 1998 with $3 million from taxpayers. After early success, the 254,000-square-foot retail complex fell into disrepair and foreclosure and was largely vacant for a decade. A residential project, X Las Olas, is under construction in its spot.

Among the reasons attributed to Riverfront’s demise by the experts at the time: Its lack of parking and its need for a concentrated residential population that had not yet emerged downtown. At its peak, Riverfront had 18 restaurants, more than a dozen retail shops and a 23-screen cinema.

The average open-air mall has a 10 percent vacancy throughout the country at the end of 2018, according to Reis, a real estate research firm. The kinds of “stores that tend to do well are non-traditional retailers like trampoline parks or service-based tenants such as tutoring centers,” said Cody Bond, a Reis economic analyst.

An example would be Rolex, whose customers may prefer buying their watches in person. “People who shop for that kind of thing want the whole experience — drink champagne and walk out with the Rolex bag,” he said.
Kim Briesemeister, principal of RMA, a redevelopment management company, said “place-making” determines if someone will show up to shop, and how long they’ll stay.

“As the old-style retailers and big-box users, and all of those older forms of retail businesses, start to rethink where they’re going to go in the next five to 10 years, they must consider place-making — it is a very wise strategy. It’s what will make them relevant.”

Beth Azor, the owner of six strip shopping centers in Broward, said the need to stay relevant is constantly on the mind of retailers.

Traditional malls have suffered because “if you go to a mall in Cincinnati or Syracuse, you couldn’t really tell what city you’re in because the mall looks exactly alike, which has caused the demise,” she said. And with the success of Amazon, some retailers have gone out of business.

Now, Azor said plazas need that special hook — something that “provides an experience or something unique like that one boutique that sells something you can’t get anywhere else, [then] people will drive.”

One of her centers in Davie has a Laspadas Original Hoagies, which drives traffic. “The guys throw the meat so it’s entertaining. ... And there aren’t 500 of them,” she said. “Landlords have to find unique retailers. Landlords have to go recruit actively and offensively.”

Also popular at CityPlace Doral: the lure of well-made food, which is then photographed and posted on social media. That surprised the developer, who had invested big money on other selfie-worthy amenities.

“We get more photographs of hamburgers,” Patterson said. “I built a $5 million fountain that dances to music.”

“I don’t get it,” he joked.
Aging U.S. Population Expected to Drive Demand for Medical Office Space

CoStar Analysis: More than 200 Million Square Feet of Medical Office Space May Be Needed in U.S. Over Next Decade

Driven by an aging U.S. population, within 10 years the amount of medical office space needed is projected to be 16 percent more than today, based on current trends.

In June of this year, the current economic expansion will become the longest in U.S. history. As economists speculate over how much longer the current cycle may last, real estate investors are likely busy hedging their bets by searching for defensive investments that offer higher yields, and medical office space could be just what the doctor ordered.

Driven by an aging U.S. population, within 10 years the amount of medical office space needed is projected to be 16 percent more than today, based on current trends. That’s greater than the combined medical office space in New York, Los Angeles, Chicago, and Dallas–Fort Worth, the nation’s four largest medical office markets.
This undeniable demographic trend in the U.S. is both a headwind for traditional office demand and an incredible tailwind for medical office demand in the coming years.

The aging U.S. population is likely to be the source of unprecedented healthcare spending over the next decade. The average healthcare expenditure per year for the 65-and-older population is $6,620, nearly double the average for the rest of the population ($3,400,) according to the U.S. Bureau of Labor Statistics.

This age group’s need for medical services, and therefore medical space, is also reflected in the average number of visits to office-based physicians per year. With a greater need for treatment of chronic health conditions, the 65-and-older population averages 6.6 visits per year, while the rest of the population averages just 2.5 visits per year, according to a 2015 report by the National Center for Health Statistics, a division of the Centers for Disease Control and Prevention.

The U.S. population is forecast to grow by 22.9 million people over the next decade (7 percent cumulative growth.) Based on the total population and total medical office square feet in CoStar-tracked markets, the average amount of current medical office space per person is 5.3 square feet.

However, this does not reflect the outsized need for medical services -- and by extension, medical office space -- created by the aging population. Over the same 10-year period, the 65-and-older population in the U.S. will increase by more than 17.7 million people (34 percent cumulative growth.)

Based on the ratios observed in the number of visits to office-based physicians, it is estimated this age group will require 11.2 square feet of medical office space per person, more than twice that of the total population.

As such, the additional medical office demand generated by this age group alone is estimated to be 197 million square feet. Using the same methodology for all age groups, the total medical office space that needs to be added over the next decade is just over 208 million square feet.
The medical office sector has always benefited from the stability of its main employment driver, ambulatory healthcare services, which has never experienced negative year-over-year growth, even during economic downturns.

Furthermore, healthcare spending, another driver of medical office demand, has experienced strong growth this cycle. The nation’s health expenditure per year has grown at an average annual rate of 4.3 percent since 2010, according to the Centers for Medicare & Medicaid Services, compared to 1.7 percent inflation.

These compelling trends would appear to ensure strong future demand and make medical office a solid defensive investment to cushion the impact of the next downturn.

Risks to Medical Office Demand

While demographic trends are working in favor of future demand for this property sector, there are several risks investors should consider.

1. Retail Siphoning Medical Office Demand: One risk that CoStar has been tracking is the share of medical tenants that are leasing space in non-medical office buildings. One property type that appears to be gaining favor with medical tenants is retail space, which now houses 14.6 percent of medical office tenants, up from 13.9 percent in 2010.

It is important to note that the population-based projection of 208 million square feet already takes into account a share of demand going to non-medical office properties. However, medical office demand could be at risk if there is a significant increase in the share of medical tenants that lease space in retail or other non-medical office properties.

2. Enough Medical Workers to Go Around: While the U.S. population appears to require more medical office space as it ages, leasing that space requires sufficient healthcare companies and workers available to lease the space as tenants. In CoStar-tracked markets, there is currently 218 square feet of medical office space for every ambulatory healthcare services employee.

Over the next 10 years, this employment sector is projected to add more than 1.3 million jobs, which translates to 288 million square feet, holding the ratio constant. Nearly 40 percent more than the
population-based projection of 208 million square feet, owners of medical office may find lease-up to be even faster than expected.

However, there are two trends that could hold back medical office demand somewhat. First, the U.S. is facing a significant shortage of physicians to keep up with this projected medical care demand. According to the Association of American Medical Colleges, the nation will likely be short between 40,000 and 120,000 physicians by 2030. While the forecast for ambulatory health care services is factoring in this trend, there is a risk that the forecast is overly optimistic. It is also possible that medical practitioners improve efficiencies, out of necessity or innovation, allowing them to serve more patients with the same amount of medical space, thereby lowering overall demand for physical space.

### Projection Of Medical Office Space Needed To Serve Employment Growth

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<th>Medical Office Supply Growth (Millions SF)</th>
<th>Employment-Based Projection Of Supply Growth Needed</th>
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Sources: CoStar Portfolio Strategy, Moody’s Analytics
Note: The employment sector used is ambulatory health care services, at 218 SF per employee
As of 1Q24

3. Changes to Healthcare Policy: Healthcare spending is tied to healthcare policy, and healthcare policy is always exposed to political changes. As such, a repeal or scale back of the Affordable Care Act would likely reduce the number of people insured, and consequently, the average amount of spend per person.

Though investors should be aware of ongoing news in the industry, the key driver of future medical office demand, the 65-and-older population, should remain near-fully insured due to its eligibility for health insurance under Medicare. As was observed when the Affordable Care Act was passed, changes to the law should have a minimal impact on healthcare spending for this age group.

The aging U.S. population is expected to be a fundamental driver of medical office demand in the coming years. Vacancies in this sector are relatively low, at just 8.6 percent, and construction has remained in check over the current economic cycle. Average investment yields in this property sector are favorable, at 7.3 percent, compared to 6.6 percent for total office investment, as of 2018.

Investor appetite for medical office seems to be increasing, as sales volume reached an all-time high in 2018 and a number of large medical office portfolios recently traded. At this point in the cycle, the demand prospects and muted supply pipeline in the medical office sector make it an appealing option for most real estate portfolios.

Kevin Cody is a consultant for CoStar Market Analytics.
Interstate 64 at Illinois Highway 159 is the busiest intersection of any road south of Interstate 80 in Illinois with a traffic count of 75,000 cars a day. It also marks the spot of an enigma — the seemingly well-placed but struggling Fairview Heights Plaza shopping center. The retail center fell into receivership following the Great Recession, but this spring it will be re-energized with a family entertainment anchor thanks in part to some of the best minds in real estate provided through the Urban Land Institute St. Louis.
A long-standing public perception is that the St. Louis region tends to struggle with cooperative efforts to strengthen communities. The Urban Land Institute St. Louis is demonstrating otherwise with its technical assistance panels. In spring 2018, the city of Fairview Heights engaged a technical assistance panel to explore how to revitalize Fairview Heights Plaza and 72 acres of undeveloped land to the north. It was an easy sell to the Wall Street owners of the retail center because the institute is the gold standard of smart land use.

The Urban Land Institute’s membership includes some of the most talented people in real estate development. In the case of our panel, that was Richmond Heights City Manager Amy Hamilton, Lawrence Group Senior Associate Angie Eslinger, Green Street Development Group Vice President Brian Pratt, Bi-State Development Associate Project Manager Liza Farr, PGAV Project Manager Adam Stroud and Urban Planning and Economic Development Senior Consultant Robert Lewis.

Members of the technical assistance panel provided a strong public- and private-sector perspective on what the market would support in a revitalized Fairview Heights Plaza. One thing panel members saw was Fairview Heights’ strength as a retail hub. We’re a community of less than 18,000, but we draw shoppers from all over Southern Illinois to Fairview Heights Plaza, St. Clair Square and surrounding retail enclaves. In re-envisioning Fairview Heights Plaza, the panel recommended an energizing catalyst that compliments the surrounding retail. The idea will take shape this spring when Urban Air Adventure Park opens to feature family entertainment with indoor sky diving, go-carts, trampolines and other attractions.

The intensity of the panel’s outside perspective by local experts and its deep dive into what the market would support brings clarity to the potential of smart land use. That, in turn, energizes a sense of urgency to private ownership and a sense of opportunity to public leadership. The momentum has led us to explore a comprehensive new business district that may include the 72 acres and Fairview Heights Plaza as well as other commercial areas north of Interstate 64. We are also considering more pedestrian-oriented development linking the shopping center to other centers across Illinois 159.
Over the years, the Urban Land Institute’s panels have benefited the Cortex district, the University of Missouri-St. Louis, Citizens for Modern Transit and Bi-State Development, the municipalities of Cool Valley, Ferguson, Maryland Heights, Swansea and others. In each case, local Urban Land Institute expertise in responsible land use and planning was tapped to provide unbiased opinions to help revitalize struggling real estate, explore improvements to suburban corridors, or suggest the highest and best use of undeveloped land.

Technical assistance panel members don’t benefit if a piece of land becomes a business district or a lifestyle shopping center or a multifamily development. They simply and effectively explore what the market will support in an underutilized land asset that will attract private investment, spur economic development and energize further development.

Collaboration to create better communities is possible in the St. Louis region, and it can begin by tapping the best that the Urban Land Institute St. Louis has to offer.

*Paul Ellis is director of economic development for the city of Fairview Heights and has more than 30 years of experience in economic development.*