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St. Louis economy: Will the region suffer for Ferguson?

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A protester gets down on his hands and knees in the "Hand up, don't shoot " position used by protesters as his friend takes his picture in front of the burning Juanita's Fashions R Boutique on West Florissant Avenue early on Tuesday, Nov. 25, 2014. Photo by Laurie Skrivan, lskrivan@post-dispatch.com

(1) More Photos

After the August protests and riot, St. Louis development consultant [Ken Nuernberger](#) was visited by a New York real estate investor.

He'd watched the news about Ferguson, and wanted to see all the damage. "He thought that it was like half of Brooklyn had burned down," Nuernberger said.

So Nuernberger drove him up West Florissant Avenue, past a mile and a half of [boarded-up storefronts](#) and the burned-out QuikTrip.

"This is it?" he asked.

Yes, Nuernberger said. That's all.

The first round of protests, looting and burning — televised worldwide — left outsiders with an exaggerated image of St. Louis as a scene of turmoil and destruction.

Then came the Thanksgiving week eruption, which spread to South Florissant Road in Ferguson and South Grand Boulevard in St. Louis, and the world again viewed the region through tear gas and flames. Images of angry protesters, looters, riot police, soldiers, burning buildings and police cars in flames hit [front pages](#) and led newscasts around the world.

What must they think of us now?

That question is troubling St. Louis business leaders and economic development officials. Will outsiders understand that the riot zones were small corners of a big metro area? Could the region's damaged image scare away business and cost jobs?

Local experts think it might, spreading the economic pain beyond Ferguson and Dellwood to the broader metro area.

"The image goes way beyond the reality," said Denny Coleman, CEO of the St. Louis Economic Development Partnership, the business promotion arm of St. Louis and St. Louis County.

But image counts. [Ed Bryant](#), CEO of the St. Louis Minority Business Council, says he's trying to sell his sister in New York on the idea of moving to St. Louis. Clashes between

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police and protesters spoil the sale.

“She says the city is not as progressive as I’ve been telling her,” he said.

It also makes it tougher to drum up business for minority employers here. “It’s depressing,” Bryant said.

The early economic statistics, from before the latest violence, paint a mixed picture.

The metro area [job count](#) fell by 1,600 in August, the month of the first protests and looting, and another 1,600 in September before gaining back 700 in October, the last month available through the Bureau of Labor Statistics. By contrast, [the nation](#) gained jobs through all that period.

But the local job decline is barely noticeable in a metro area with 1.336 million jobs, and the statistics don’t tell the cause. The region still had 19,000 more jobs than in October of last year.

Surprisingly, the turmoil didn’t seem to scare many businesspeople or conventioners away. Hotel occupancy in the metro area actually improved when compared to the same months a year ago. Hotel stays rose by 2.4 percent in September and 5.8 percent in October, according to the St. Louis Convention and Visitors Commission.

The numbers may have been boosted somewhat by the “Ferguson October” protests which drew demonstrators from elsewhere, and the international media swarm that covered it.

Home sales in St. Louis County are down 7 percent from August through November, compared to the same period last year, according to figures from [MORE Realtors](#).

But it’s hard to pin that decline on the unrest, because the sales slide began a year ago. The drop has been deeper in north St. Louis County, down 19 percent, and in Ferguson, down 31 percent since August.

‘CONCERN FOR THE UNKNOWN’

No big employer has canceled a project because of the riots and protests, economic development officials say. “So far, all the projects that were in the pipeline, and scheduled to close, have done so,” said Coleman.

In October, Boeing announced plans to make parts for its 777X airliner at its North County plant, leading to 700 new jobs. SKF, maker of industrial lubricants, announced plans to move from St. Louis to a new plant at the NorthPark industrial area, part of which is in Ferguson, adding 73 jobs.

Centene said it would put an application processing center in Ferguson, providing up to 200 jobs. The company said it deliberately picked Ferguson after the first protests and looting.

Kaiima Bio-Agritech, an Israeli agriculture company, said it would open an office in St. Louis, drawn by the region’s farms and agriculture science resources.

But Coleman worries about the future.

“What are the projects that we won’t even hear of? Will site selectors avoid putting St. Louis on their finalist list because of the turmoil?” Coleman asked. “It’s more a concern for the unknown.”

James Renzas looks for new sites for technology businesses. “I try to push St. Louis for technology companies,” he said. “Your location is affordable, and you have access to university grads,” he said.

But racial tension is a black eye. Tech companies draw employees from around the world, and “tolerance for diversity is a high priority,” said Renzas, a principal with RSH Group in California.

“Perception is holding you back,” he said. “It’s hard to get companies over that hump.”

The reaction depends on the type of company. “For manufacturing, the benefits of St. Louis are undeniable. I wouldn’t see (rioting) as much of a factor,” said Dennis McAndrew, a site consultant at [Silverlode Consulting](#) in Cleveland.

The turmoil would be more troubling for a corporate headquarters or a research lab. Their location is part of their brand identity, which makes the image of the town important.

They also don't like to be seen as taking chances by living near unrest. "They react very strongly to risk," he said.

McAndrew thinks reaction to the trouble should be short-lived. "We have clients that are looking at New Orleans. There was a lot of crime and looting after (Hurricane Katrina), and it's been forgotten," he said.

The St. Louis convention and tourist business might be the most vulnerable, because visitors can easily pick somewhere else to go. But that business hasn't suffered.

Hotels saw revenue per room rise by 9 percent in September and 10 percent in October, compared to last year, due to more occupancy and higher prices. Hospitality is a seasonal business, so results from one month are best compared to the same month last year.

Conventions and big meetings — from the likes of the United Pentecostal Church, Anheuser-Busch InBev and Stifel Financial — went off without trouble.

"We had a pretty strong convention calendar this fall," said Kitty Ratcliffe, president of the Convention and Visitors Commission.

However, she's concerned by a sharp drop in advance bookings negotiated in November — down to 5,100 room nights from the 23,000 booked the same month last year. "It certainly is the first red flag," Ratcliffe said.

Only one group — a convention of writers — cited the unrest as a factor in deciding to pick another city, Ratcliffe said. "I don't think it's had a significant impact to date, but with the sustained media focus, it is beginning to be part of the conversation," she said.

The University of Missouri-St. Louis may be feeling a little of that pain right now. The campus is 1.5 miles from the Ferguson police station.

In August, before the protests, the university was expecting a 4 percent rise in enrollment. Then 300 students who had planned to come changed their minds, said university spokesman Bob Samples.

Most were from out of town, including some athletes, and from other countries. To them, it seemed that all St. Louis was in crisis. "St. Louis just wasn't a safe place — that's what they heard," he said. The university ended up with an enrollment increase of 1.5 percent.

Howard Wall, professor of economics at Lindenwood University, says it's too early for the damage to show up in local statistics. "I'm worried about the longer term," he said.

He thinks the hurt will spread beyond Ferguson but will be concentrated in North County. Many small businesses in North County live on the margin between profit and loss, he said. Even a small loss of customers, "1 or 2 percent" would put them out of business and their employees out of jobs.

Recruiting businesses from out of town is just icing on the cake of regional economic growth, Wall noted. The real power comes from businesses already here or starting here. When they succeed, they create jobs.

"After a while, there will be fewer businesses," he said. "North County is a suburban ghetto in some parts, and it has the same urban problems."

Wall, a former Federal Reserve economist who studies St. Louis, said the recent troubles will quicken the "slow decline" of North County. "Ferguson was actually a bright spot, with a nice little downtown," he said.

Before the August eruption, North County home prices were just beginning to recover following seven years of decline. Wall thinks the Ferguson turmoil will derail that.

His prediction is in line with studies done of earlier riots elsewhere.

'GOING FORWARD'

The economic pain tends to be worse in the riot zone, and fades with distance within the metro area, said [William Collins](#), a Vanderbilt University economic historian who studied the aftermath of the 1960s race riots.

In Cleveland, for instance, Collins and a fellow researcher found a stark and lasting difference in housing prices between Hough, the center of the riot, and neighborhoods just three miles away. "In this case, the areas closest to the riots did not bounce back in the riots' aftermath. Rather, the shock

appears to have had a long-lasting, negative impact,” they concluded.

He found that employment and real estate values suffered at least through 1980 in cities with riots. Male employment also suffered, and the aftermath hit blacks harder than whites.

St. Louis might have been better off if Ferguson were hit by a tornado, again. (The city sustained damage from one in 2011.) That’s because big natural disasters bring an outpouring of charity and government help for rebuilding. Riots don’t, noted Robert Baade, an economist who studied the aftermath of the 1992 Rodney King riots in Los Angeles.

“Things weren’t rebuilt right away,” he said. “It’s just so much more difficult to address man-made disasters where there are so many emotional scars.”

After a tornado, people rush to help. After a riot, they argue over blame and what to do.

“There’s much more confusion, more indecision,” said Baade, a professor at Lake Forest College near Chicago. The result is that rebuilding comes more slowly.

The law governing federal disaster designations has no provision for riots. In Ferguson, help comes from money donated by St. Louis businesses, along with cheap loans from the Small Business Administration and a fund created by St. Louis banks and local and state agencies.

Other observers are more optimistic. “I anticipate things will get back to normal,” said Jeff Eisenberg, a commercial real estate broker in North County.

Normal would be a big relief for Eisenberg. He owned a building that rioters burned in Ferguson. “There are just three walls left,” he said.

He doesn’t know whether his tenant, Family Dollar, will return, but he sees a decent future for
th blue-collar people who need to shop, see doctors

“I’m not going to walk away. It’s too good a market,” he said. “I’m concerned that people who are not familiar with these markets are passing judgment on it.”

Ferguson reignited the issue of police behavior in black communities, and demonstrations have spread nationwide.

“As the Ferguson discussion gets nationalized, that somewhat tempers the negative impact on St. Louis,” said Dennis Lower, president and CEO of Cortex, the high-tech business district in the Central West End. “It won’t be people from outside looking at Ferguson, but at their own communities.”

Companies often respond to a public relations problem with an image advertising campaign. That’s not in the cards for St. Louis — at least not yet.

“It would be a waste of money,” said Joe Reagan, president and CEO of the St. Louis Regional Chamber, the area’s main business group.

St. Louis convention officials have cut back on advertising aimed at tourists and Christmas shoppers, although they’re still aiming ads at the convention business.

First, St. Louis must start solving the problems exposed by the unrest, said Reagan. Then the region will have a story to tell in an image campaign.

That means improving the schools, and a police system “that is not working the way it should in all neighborhoods,” he said. “There are serious reforms needed in municipal courts,” he said, and fragmented local governments are making leadership difficult.

“The world is not condemning St. Louis for what happened. The world will judge us on what we do going forward,” Reagan said.

Jim Gallagher is a reporter at the Post-Dispatch

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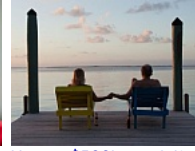
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