

THE CITY OF CLAYTON

Economic Development Advisory Committee Meeting
Center of Clayton
August 8, 2007
5:00 p.m.

Minutes

The members of the Plan Commission and Board of Aldermen were also invited to attend this meeting. By way of overview, Mayor Linda Goldstein began by explaining to the audience the public engagement plan the Board of Aldermen would be following for the Carondelet Village project.

Chairman Gary Krosch then requested a roll call of the EDAC members present. The following members were in attendance: Chairman Gary Krosch, Don Estell, Vic Frankel, Claire Halpern, Rick Hummell, Fran Jackson, Steve Singer, Alderman Alex Berger, and Julia Muller. Those members absent included: Louis Copilevitz, Thom Schwetye, Ellen Gale, and Jane Klamer.

Chairman Krosch asked for any questions or comments related to the June 11, 2007 meeting minutes, which were previously provided to the Committee. There being none, Mr. Hummell moved to approve the June 11, 2007 meeting minutes. Claire Halpern seconded the motion. The motion passed unanimously.

Mark Mehlman, Carondelet Village Presentation:

City Manager Mike Schoedel stated that the agenda format would consist of a presentation by Mark Mehlman's team, followed by a questions and answers section, and concluding with a Committee/audience open dialogue about the project.

Mr. Mehlman (project developer), Mr. Tyler Stephens (project architect) and Mr. Jim Mello (attorney representing Mehlman Realty) addressed the audience regarding the proposed Carondelet Village project. Mr. Mehlman stated that on December 12, 2006 and on July 10, 2007, the development team presented to the Board of Aldermen an initial proposal for Carondelet Village. The project was envisioned to consist of mixed-use development and supporting parking infrastructure. The projected costs were approximately \$110 million; the developer originally anticipated the use of tax increment financing (TIF) to address approximately \$15 million in extraordinary development costs. The initial proposal anticipated approximately \$5 million in public participation, including the creation of a special taxing district and the appropriation of municipal revenues.

Since last year, the developer and staff members of the City of Clayton have worked diligently to refine the project, by conducting a detailed cost verification and restructure of the public incentive program to avoid redevelopment tools that require a blighting determination or otherwise impact the affected taxing districts.

Mr. Mehlman also indicated that his company had sought out Joseph Freed to be their retail assistance partner. He stated Joseph Freed was experienced in projects similar to this one, with other projects in Denver and Aspen, Colorado; Madison, Wisconsin; and Chicago, Illinois.

Mr. Mehlman stated that the project would consist of two components: a mix of retail, entertainment, hospitality and office space that would be owned by the developer and a structured parking facility in conjunction with the City that would accommodate patrons and business users. The project would be located south of Forsyth Boulevard between Carondelet Place and Lyle Avenue. He anticipated that the project would enable the City to offer additional shopping, hotel and office alternatives to its residents and for the greater St. Louis community, which would result in increased municipal revenues and other economic development opportunities within the Central Business District (CBD) and the City as a whole.

Mr. Mehlman indicated that Carondelet Village was expected to consist of two towers that would include a 150-room luxury hotel (72,100 sq. ft.), approximately 110,000 sq. ft. of retail space, a 13,600 sq. ft. theater and approximately 109,000 sq. ft. of office space. The project will be constructed on property owned in fee by the developer and/or leased to the developer from the City.

Adjacent to Carondelet Village will be two complementary mixed-use centers: The Crescent, which adds about 23,500 sq. ft. of retail space; and The Orchard, which is expected to generate approximately \$8 million in gross sales annually. In order to meet the increased demand from public parking that will result from the opening of these three retail developments, it was felt that it was necessary that the parking garage be constructed within the project site. The developer indicated he would be unable to proceed with the Carondelet Village development without the parking garage. The parking garage would consist of approximately 663 parking spaces, approximately 305 of which would be above grade spaces, and approximately 358 of which would be below grade spaces. The 305 parking spaces were expected to be allocated to the retail tenants and would be made available to the general public on a full-time basis weekdays, evenings and weekends. The 358 spaces were expected to be leased to the office tenants and hotel tenet on a restricted basis. The spaces dedicated to the office component would be available to the general public during non-business hours. The hotel parking spaces were subject to negotiation with the hotel tenant.

Mr. Jim Mello provided a summary of project costs and terms for financing the parking garage. Mr. Mello stated that the project is expected to be successful and will draw additional businesses and customers to the City. The development estimates, reviewed by an independent consultant, the City, and the developer, have indicated that some form of public assistance would be required to finance a garage. After consulting with the development team and City staff, the parties have mutually prepared a plan providing that the parking garage be financed with a combination of public incentives: 1) a Community Improvement District (CID); 2) Transportation Development District (TDD); 3) one-half of the City's municipal sales tax; and 4) a portion of the annual revenues generated by the City's Special Business District. Based on adjusting for present value and amortized over 30 years, approximately \$21 million in net project proceeds was estimated to be generated.

Mr. Mello went on to explain these terms, along with the issuance of Municipal Obligation Bonds.

Questions and Answers Section:

Mr. Schoedel then opened the floor to the audience for questions for the development team.

Q: Mr. Hummell asked if the City would build or acquire the garage, and who would bear the construction risk.

A: Mr. Mello explained that particular component has not been worked out yet.

Q: Ms. Halpern indicated that it sounded like the rationale for involving the City financially in the project was to subsidize the high cost of land. As a result, she questioned how the Carondelet Village project was any more unique than any other parcel, thus justifying granting the public assistance that was being requested.

A: Mr. Stephens, architect assisting the Mehlman Team, stated that the plan for the Carondelet Village project must be built in accordance with the City's Master Plan which includes certain height recommendations. The site is limited to 10-12 stories as compared to the high rise developments which reach 25-45 stories. In regards to retail of this nature, this particular project does not allow that to happen and therefore the overall returns are prohibitive to development at the current cost of construction.

Q: A resident questioned the \$9.5 million contribution from the City mentioned in the presentation slides, as it seemed to conflict with a number stated by Mr. Mello.

A: Mr. Mello explained that when he says "public financing," 2/3 comes from a sales tax imposed by the developer and implemented by the tenant/retailers and it doesn't affect City revenue. The amount the City is responsible for is 1/2 of the sales tax on the incremental sales in the redevelopment area in addition to a portion of central business district funds from property tax which totals about \$9.5 million.

Q: Mr. Schoedel asked that Mr. Mello clarify the time period of the City's financing.

A: Mr. Mello stated that the proposed financing at this time is expected to be approximately thirty years.

Q: Mr. Krosch asked who is on the "wish list" for potential moderate size retail tenants. He also asked if any studies had been conducted to determine retailers' concerns about having stores where the sales tax was going to be a full two percentage points over any other community in the surrounding area.

A: Mr. Mello addressed the second half of the question first and explained that there are a number of areas in Saint Louis County that have districts in place and have higher nominal sales tax rate for their cities. He stated that the number will be high in Clayton, but there are other areas that match Clayton's rate. Mr. Mehlman answered the mid-anchor question referring to the newest member of his team, Joseph Freed, who has been great in developing projects of this nature in other areas around the country. Mr. Mehlman referred Mr. Krosch to the Joseph Freed website to see examples of their developments. (www.josephfreed.com)

Q: Mr. Sanger asked why the Trianon project was involved with the CID and what their incentive would be to have an extra percent sales tax. He also wanted to know if they were having any issues with parking.

A: Mr. Mello explained that there have been discussions with the Trianon and nothing is definitive with them. Though, if they use some of the potential retail parking, some of their plans would be changed because of the potential parking concerns that they could be experiencing. Their participation may result in lower construction costs due to the parking benefits.

Q: Mr. Frankel asked if Joseph Freed would be able to list 3 or 4 potential retail tenants in 30 days time.

A: Mr. Mello wanted to clarify that any agreement that is made with the City is not going to be based on the numbers right now because there are predicated circumstances that may influence the issuance of the bonds.

Mr. Mehlman reiterated that they are at the preliminary stages of the project layout. He also stated that his team is confident that Joseph Freed will perform as they have in other cities similar to Clayton.

Susan Conrad, consultant to Mehlman, explained that the project is unique in that part of going forward is securing public support and public assistance. She also explained that any retailer or partner needs to know that the project is a viable one, and, therefore, will wait to commit to the project until that positive public commitment is secured.

Q: A citizen requested the Mehlman team to describe the square footage of the retail spaces, broken down by anchor retail, mid-anchor retail and boutique shops.

A: Mr. Mehlman explained that the overall project is about 110,000 sq. feet referencing the Boulevard project in Richmond Heights as an example. Mr. Mehlman also explained, in regards to the smaller boutique shops, they are targeting similar upscale boutiques that are going into The Crescent. Mr. Mehlman also stated that with the addition of a partner such as Joseph Freed & Associates, it would bring the biggest assistance towards making this a success in terms of the overall vision.

Q: A citizen asked the Mehlman team to provide a simple breakdown of the real benefits the City would receive from the project, including any financial projections attached to these benefits.

A: Mr. Mello explained that there are two different ways to observe the project from an economic perspective and a community perspective. Mr. Mello remarked that the City wants to create more street-level activity and implement the part of the Master Plan focused on maintaining and expanding retail activity within the central business district. Mr. Mello addressed the economic perspective that the City would have the garage as well as the sales taxes to use for other City purposes. Mr. Mello emphasized the potentially significant economic gain for the City, including, but not limited to, approximately \$10.5 million in benefits, as measured in present value, from increased property tax revenue, increased sales taxes and increased personal property taxes.

Community Open Dialogue Section:

Mr. Schoedel again stated that one of the primary purposes of the meeting was to have an open dialogue to engage citizens regarding the Carondelet Village project. He reiterated that the project was in the preliminary stages, although staff and Mehlman's team had been meeting for approximately 7 months. The approach to the public/private partnership was to minimize the possible use of economic tools that required blighting. He indicated that the elected officials felt strongly that the project needed to be carefully assessed because of the importance to the community.

Discussion commenced about special obligation versus general obligation bonds. Ms. Halpern reiterated that the staff and Board needed to understand the impact on the City's funds and use of the various types of bonds. She indicated she did not like the fact that the General Fund would be at risk. She also suggested the City should own the garage.

Mr. Harold Sanger agreed that the City should own the garage, as he did not feel that sharing in a portion of the revenues was adequate. He also questioned the benefit for the CBD.

Ms. Jackson asked about other options for the City, including the use of TIF and tax abatement. She also asked if there had been any conversations with the Ritz or Washington University regarding the garage and the regular usage of their spaces.

Mr. Singer said that another method should be considered to limit the City's financial exposure.

Mr. Frankel voiced concern about the amount of the City's commitment to this project. He questioned if this would limit the City's ability to offer assistance to other developers on their projects.

Mr. Hummell asked when the last retail project of this size was built in Clayton. Mr. Schoedel responded that was probably the Famous Barr in the mid-1950's.

A resident near this area and another citizen stated that they wanted to see the project happen and be a success.

Mr. Ben Uchitelle suggested that the City should not rule out the use of TIF.

Mr. Estell suggested the City should have title to the garage. He indicated the equity was very modest. He also stated that he felt 30 years was too long for the financing, as it increased the economic risk. He said the City should limit the debt and the amount of sources from which the revenue was pledged.

Mr. Rick Bliss said the developer should post more funding and the City should analyze the information carefully to avoid making a mistake. He cautioned against talking about the success of The Crescent, as it had yet to open.

Mr. Frankel suggested that a movie theatre would be more entertaining and appealing to bringing more people to the Village on a regular basis than a performing arts venue.

He went on to ask if the retailers would pay for parking spots. He also asked if the hotel can be designed for condominiums down the road.

Mr. Hummell questioned if the goal was to do the project in phases, and if so, whether the parking ranked in the first phase.

Mr. Schoedel explained the City's other taxes from which revenue was received.

A citizen asked if the developer had demonstrated to the City its financial wherewithal and whether the City had confidence in the financing for the project.

A citizen commented that the Clayton School District would benefit more than the City under the financing proposed.

Mr. Estell asked if the City could service the debt without high volume sales. He also asked how much 110,000 square feet was in reference to the Galleria. Mr. Schoedel responded that the total square footage for the proposed retail was 1/10th of the Galleria.

A citizen commented that the design was extremely important in terms of attraction.

Another citizen mentioned that Kirkwood's new downtown project was a TIF project.

A resident of Chesterfield stated that he found the project so attractive that he was considering buying a condo in the area and relocating his business if this project was approved and moved forward to construction.

In the interest of time, Mr. Schoedel ended the open dialogues session. Chairman Krosch asked if there was a motion to adjourn. Mr. Frankel so moved, which was seconded by Mr. Hummell. The motion passed unanimously and the meeting adjourned at 6:45 p.m.

Respectfully submitted by:

Michael Lofton, Management Analyst