



RECORD OF PROCEEDING

PUBLIC HEARING OF THE CITY COUNCIL OF THE CITY OF CHESTERFIELD 690 CHESTERFIELD PARKWAY WEST

MAY 7, 2012

Mayor Bruce Geiger called the Public Hearing to order at 6:30 p.m. Mayor Geiger stated that the purpose of the meeting was to allow for public discussion with regard to the Chesterfield Blue Valley Proposed Community Improvement District (CID). Mayor Geiger provided an explanation of the procedures for people wishing to speak at the Public Hearing. There were seventy-five (75) people in attendance.

Mayor Geiger recognized Mrs. Libbey Tucker, Assistant City Administrator for Community Services & Economic Development, who provided a summary of the CID Petition/Process. Mrs. Tucker stated that the Community Improvement District (CID) is a funding mechanism allowed by State statute and the City of Chesterfield created its own policy to ensure the proposed CID project would be good for the community. The City's policy states that the developer has to come in with a pre-application process to allow City Council to review the proposed projects the CID would cover and thoroughly review the proposed request. City Council approved the application on February 6, 2012, which allowed Chesterfield Blue Valley (CBV) to move forward with filing a formal petition for the establishment of the CID with the City. At that time, City Council also approved a preliminary funding agreement, which requested that the developer pay the City \$50,000 up front to cover consultant costs associated with this project, which has been paid. The formal Petition was filed by Chesterfield Blue Valley on March 29, 2012. The CID encompasses the entire Chesterfield Blue Valley development in the very west end of Chesterfield Valley, which is approximately 130 acres, and includes 55 acres for the premium outlet mall proposed by Simon Properties. There is a one percent (1%) sales tax which is effectively a user fee for sales made in their stores for a period of twenty (20) years. This would fund \$30 Million in development costs. Most of these funds are for the outlet mall development itself and some funds are for peripheral projects, such as

street construction, storm water drainage, etc. Since no other property owners listed on the Petition withdrew within seven (7) days after the Petition was filed, City Clerk Judy Naggiar certified the Petition, as required by law. Also as required by law, the Public Hearing Notice was published in *The Countian* on April 23 and also April 30. The Public Hearing Notice was posted on the City's website and on the public meeting notices board as well. Mrs. Tucker said that the City received an amendment to the Petition today and this amendment removed City Administrator Michael G. Herring as a member of the CID Board and added Mr. Arthur Spellmeyer, who is a representative of the JV Mall. City Staff, Mr. James Mello, Special Legal Counsel (Armstrong Teasdale), and Ms. Michelle Bock, Special Financial Counsel (Piper-Jaffrey), have worked with CBV on a Development Agreement between them and the City. Mrs. Tucker stated that the City has no monetary involvement with the CID process. The City is not foregoing any taxes that are in place and the City is not publicly funding any of this process. Mrs. Tucker said that the projected \$150 Million annual sales will have a significant economic impact. She reiterated that the one percent (1%) sales tax, which is a "user fee", would only apply to the outlet mall and the CBV development, and the total sales tax in that area would be 9.3%. She said that Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)] will be read for the first time at tonight's City Council meeting and the final reading will be at the May 21st City Council meeting.

Mr. James Mello, Special Legal Counsel (Armstrong Teasdale), stated that the petition process is set out in State law and the property owners have the right to submit a petition for a CID for consideration by the City. State law requires a public hearing be scheduled on a CID Petition. The City has a policy that outlines controls for consideration of any CID and Development Agreement. The Development Agreement has additional safeguards to ensure that the CID, if approved by the City, meets its objectives and provides the public benefit it intended. The Development Agreement puts a \$30 Million cap on the project expenditures for the CID: \$20 Million is for the development of the outlet mall component, and \$10 Million is for peripheral development that occurs within the CID. Before the sales tax can be imposed, the developer has to incur \$10 Million in hard construction costs to ensure that the project is feasible, has the financing in place, and is moving forward coming out of the ground. The CID sales tax cannot be imposed without this initial expenditure. They are also required to build an upscale outlet mall that satisfies the criteria of the premium outlet malls built or owned by Simon Properties since 2007 and sets out criteria for satisfying that type of development that the City is anticipating having and wants to ensure that does incur. The Development Agreement also provides that there can be no boundary changes, where the sales tax is imposed, without the City Council's express approval. Before eligible expenses can be reimbursed, they must be approved by the City as part of the Development Agreement. The Development Agreement states that the City will not be the issuer of the CID bonds and the City is not a party to the financing. The CID sales tax is in addition to all of the other taxes that are imposed by the City and other taxing jurisdictions. Unlike tax increment financing (TIF) or tax abatement, a CID does not divert revenue from other taxing jurisdictions. A CID actually enhances those revenues by having additional economic activity. Mr. Mello said that Ms. Michelle Bock, Special Financial Counsel (Piper-Jaffrey), is available to answer any financial questions.

Councilmember Logan stated for clarification for those in attendance that if the CID is passed, the developers do not collect any money until they have spent all of this money and have put the development in place, and it begins generating sales tax revenue. Mr. Mello said that the only source of repayment is the CID sales tax generated within the site. Councilmember Logan said the only Chesterfield residents who are obligated by this debt are people who have bought these bonds. Mr. Mello said the only people who have to pay the CID sales tax, which is effectively a "user fee", are the people who choose to shop in this center. Councilmember Logan said that the City's budget and the residents who are not shopping in the center are not "on the hook" for anything and Mr. Mello said that is correct. Councilmember Segal asked what the average consumer spends at the outlet mall in one shopping experience. Mr. Mello said a petitioner can respond to this question.

Mayor Geiger invited the petitioners to make comments and answer questions from the Councilmembers. Mr. Dean Wolfe, owner of Wolfe Properties LLC, which is the managing member of Chesterfield Blue Valley, LLC, said he began this process in 1986 and is a local developer. Mr. Wolfe said that approval of this CID will enable them to create a quality development. Mr. Wolfe introduced Mr. Steve Dworkin, representing Simon Property Group (Premium Outlets). Mr. Dworkin said they propose to purchase approximately 50 acres of land out of the Chesterfield Blue Valley development and develop one of their premium outlet centers there. He said that Chesterfield is a great community and that the CID option was attractive to them. Developers look for financing structures and the public for assistance with developments that lack infrastructure. This will have a big economic impact on the community: 500 construction jobs will be created, and 800-1000 full and part-time jobs will be created once the center is open. They own about 70 centers throughout the country and these centers are considered super regional shopping destinations. About 90% of all customers who visit the outlet center will be from outside of Chesterfield and these customers will also visit surrounding businesses. Councilmember Segal asked Mr. Dworkin what the average consumer spends at one of their 70 centers in their shopping experience. Mr. Dworkin said their research shows that the average consumer spends about \$200 at one shopping trip. Councilmember Segal stated for the record that 1% equates to \$2 during one \$200 shopping trip at a super regional shopping center. City Administrator Mike Herring asked Mr. Dworkin if most shoppers at their super regional centers visit other retail establishment in the community or do they go home. Mr. Dworkin said they spend a lot of money on promotion and marketing and work closely with the city's economic development and/or tourism department and the Chamber of Commerce. He said their centers have a lot of amenities but they do not offer everything. Mr. Herring asked how many total shoppers he is anticipating on an annual basis and Mr. Dworkin responded that they anticipate over four million shoppers will visit the center in a year. Mr. Herring asked Mr. Wolfe and Mr. Dworkin if they are both in support of the Development Agreement that is attached to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)] and Mr. Wolfe said they are fully in support of the Development Agreement. City Attorney Rob Heggie asked Mr. Dworkin if there is anything like what he is proposing in the metropolitan area and Mr. Dworkin said he is

unaware of an open air outlet center in the metropolitan area. Mayor Geiger asked where the closest comparable center is located and Mr. Dworkin said the closest is in Aurora (Chicago). Mr. Wolfe said that the Premium Outlet Mall at the Lake of the Ozarks, Missouri, is about 170 miles from Chesterfield. Mr. Heggie said that the Development Agreement being negotiated now will create a new prototype for one of the best premium shopping centers in the country. Councilmember Grier asked Mr. Dworkin if they have considered communities comparable to Chesterfield for outlet malls and Mr. Dworkin replied that Chesterfield is competing with other communities. Councilmember Grier asked Mr. Dworkin if incentive programs are included in his analysis of location determination and Mr. Dworkin replied that is one of the components in the decision. Councilmember Nation said he hopes this project goes forward; however, he has a reservation about approving a CID as a financing mechanism. He said Chesterfield has an excellent shopping and business climate, with or without a CID. Mr. Wolfe said that he should keep in mind that the City's Master Plan contemplated an area that was going to be for planned commercial development but the infrastructure is largely not in place and that is why the CID is critical. Mayor Geiger asked Mr. Dworkin to explain the decision process where one outlet mall will succeed and the other proposed outlet mall will not. Mr. Dworkin said he can only speak for the Simon Property Group and their plans and the CID is a critical component for them to move forward. Once the approvals are in place, Mr. Dworkin said they plan on moving forward with their project. He said they feel confident with the approvals and tenant commitments but he cannot address the other developer's project. In response to a question from Mayor Geiger, Mr. Dworkin said that the successful project will need tenants who bring customers to the center, which will make the developer successful. Mr. Dworkin said it comes down to which developer feels more confident about tenant commitments. Councilmember Segal said that Chesterfield is the "poster child" for community, public, and private partnerships, which was demonstrated after the devastation in the Valley after the flood of 1993. He said he feels that the tax rate does not influence the shoppers and where they shop. He also said that a premium mall could generate \$1.5 Million for the Rockwood School District, \$1 Million for City street improvements, and \$1 Million for City parks.

For the purpose of clarification, Mayor Geiger stated that a CID is not a TIF, it is not a one percent (1%) sales tax on all retail sales in Chesterfield, it is not a transfer of risk from the developer to the City or the taxpayers, it is not a use of the City's public tax dollars, and it is not depriving the City or any other governmental unit of the necessary funds to provide quality services. Mayor Geiger stated that a CID is a financing tool for the developers and is, in this case, a one percent (1%) user fee in the form of a sales tax that you pay only if you shop at the outlet mall. The CID will permit the developer to bond out up to \$30 Million of the projected \$275 Million that will be spent when the Chesterfield Blue Valley development is fully built out. The CID is a tool that the developer can only use if they build this premium outlet mall. The CID is an incentive to provide needed infrastructure costs: streets, utilities, water, and architectural features that benefit the City and the development. He said every one dollar (\$1) that is collected on the user fee returns ten dollars (\$10) to the taxpayer. Based upon the projections the developer provided, this will generate about \$15 Million annually in sales tax and property tax benefits. Mayor Geiger said that the State of Missouri would get \$6.7

Million, St. Louis County government would get \$3.7 Million, City of Chesterfield would get \$2.2 Million, the Rockwood School District would get \$1.5 Million, the other pool cities would get \$800,000, and the Monarch Fire Protection District would get \$300,000. This requires no funding from the City of Chesterfield and it is risk free for the City and its taxpayers. He said if you shop at the outlet mall, you will pay the one percent (1%) user fee; if you don't shop at the outlet mall, you will be totally unaffected. He said there is no immediate impact on the City from a financial perspective. Once the outlet mall is operational, there will be additional revenues for the City of approximately \$2.2 annually based on sales projections. In summary, Mayor Geiger said he supports the CID.

PUBLIC COMMENT

Mr. Michael S. Kelley, who resides at 2020 Washington Avenue in St. Louis and represents the Mid-America Retail Food Joint Labor Management Committee, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Jordian Johnson, who resides at 815 Foxsprings Drive in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Paul Hartmann, who resides at 16645 Marcross Court in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Ms. Sandra McKeever, who resides at 911 Wellesley Place Drive in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Kyle Keeney, who resides in Chesterfield but did not want to disclose his address, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Larry Lamb, who resides at 259 Cheval Square Drive in Chesterfield, submitted a Petition from the "Citizens of Chesterfield" consisting of 80 pages containing 704 signatures of residents who "...are extremely troubled by and oppose the use of taxpayer dollars to pay for and help underwrite private developments such as outlet malls." Councilmember Fults asked Mr. Lamb if people were hired to get signatures on this petition outside of polling places on April 3rd, and Mr. Lamb said he does not know if people were paid to get signatures on this petition. Councilmember Fults asked Mr. Lamb if he knows who funded this petition drive and Mr. Lamb said he does not know. Councilmember Fults asked Mr. Lamb how he got this petition and Mr. Lamb said he was talking to people in front of City Hall tonight and someone asked him if he would submit this petition. Mr. Lamb asked that the person who gave him the petition would raise his hand, but no one did.

Ms. Ann Morrison, who resides at 47 White Plains Drive in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)]. Ms. Morrison said she would prefer seeing a local company build this mall and Councilmember Segal said that Wolfe Properties is a local company in Clayton, Missouri. He said there is no financial risk for the City with a CID, whether or not the outlet mall is successful. Councilmembers Flachsbart and Grier said that the CID is for infrastructure improvements, which is a positive benefit to the City. Ms. Jan Shelly, who resides at 15339 Country Ridge Drive in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Walter Floyd, who resides at 2333 The Courts Drive in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Larry Kuhlman, who resides at 198 River Bend Circle in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Ms. Laura Guidry, who resides at 14800 Long Branch Court in Chesterfield and is a trustee of Baxter Lakes Addition II subdivision, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)]. Ms. Guidry requested that the City provide more information and a better explanation of the CID.

Ms. Emily Doniff, who resides at 160 Highgrove Court in Chesterfield, spoke in opposition to Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Steve Dworkin, representing Simon Property Group (Premium Outlets), stated, in response to Councilmember Flachsbart's question, that none of the Simon Property Group's premium outlet malls have closed in the last ten (10) years and these malls are about 99% occupied.

Mr. Dean Wolfe, owner of Wolfe Properties LLC, which is the managing member of Chesterfield Blue Valley, LLC, stated he was available to answer questions.

Mr. Dan Hayes, who resides at 19120 Babler Forest in Wildwood, spoke in support of Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Kent Kehr, who resides at 13334 Fairfield Square Drive in Town & Country, spoke in support of Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Tom Smallwood, attorney representing Chesterfield Blue Valley, LLC, stated he was available to answer questions on Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Keith Kramer, who resides at 3 Morganfield Court in Chesterfield, spoke in support of Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Mr. Peter Danna, who resides at 1941 Chermore Court in Chesterfield, spoke in support of Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)].

Ms. Marian Nunn, who resides at 651 Glenridge in St. Louis and representing Wolfe Properties and Simon Woodmont, spoke in support of Bill No. 2879 [Chesterfield Blue Valley: Proposed Community Improvement District (CID)]. Ms. Nunn said that this is creating a super regional center and the peripheral will contain hotels, food, other shopping and entertainment. She emphasized that studies show that 90% of the shoppers at the outlet mall are from a radius of fifteen (15) miles or greater and this will have a very positive impact on Chesterfield Valley. She said that premium outlet malls are a growing asset class and that a CID is a very common development tool. She said that Chesterfield Commons used a TIF when it was developed and is currently using a TDD. West County Mall, which is owned by the same company that owns Chesterfield Mall, is using a CID and has recently filed an amendment to extend the term and increase the CID.

Mayor Geiger reiterated that Bill No. 2879 will be read for the first time at tonight's City Council meeting and the final vote on Bill No. 2879 will be at the May 21st City Council meeting.

ADJOURNMENT

There being no public discussion or comment, Mayor Geiger adjourned the meeting at 8:10 p.m.



Mayor Bruce Geiger

ATTEST:

Judith A. Naggiar, City Clerk