

# CITY OF SHREWSBURY, MISSOURI

## Tax Increment Financing Commission Meeting

### Kenrick Plaza Redevelopment Project

August 17<sup>th</sup>, 2011

A Tax Increment Financing Commission Meeting was held at 6:30 p.m. this 17<sup>th</sup> day of August, 2011 in the Aldermanic Conference Room of the Shrewsbury City Center.

Commissioners from the County in attendance:

Michael Bardot.....St. Louis Co. Department of Highway & Traffic  
Margaret Hart-Mahon.....St. Louis Co. Counselor's Office  
Glenn Powers.....St. Louis Co. Department of Planning  
Anne Klein.....Director of Energy Sustainability  
Michael W. Jones.....Senior Policy Advisor to the County Executive  
Pam Reitz.....St. Louis Co. Department of Administration

Commissioners appointed by cities in the County that have TIF districts in attendance:

Dan Lowery.....City of Shrewsbury TIF Commissioner  
Tim Geraghty.....City of Shrewsbury TIF Commissioner  
Jim Brady.....City of Shrewsbury TIF Commissioner

Commissioners appointed by school districts in the County in attendance:

Michael McNeil.....Vice President, Affton School District Board of Education  
John Brazeal.....Chief Financial Officer for Affton School District

Commissioners from other affected Taxing Districts in attendance:

Patrick Dougherty..... Metropolitan Zoological Park Museum District

Also present from the City (Shrewsbury) in attendance:

Mayor Felicity Buckley.....Mayor  
Jonathan Greever.....Director of Administration  
Mark Grimm.....City Special Counsel  
Joy Howard.....City Financial Consultant  
John Brancaglione.....PGAV-Vice President (Planning and Land Use consultants)  
Andy Struckhoff..... PGAV-Project Manager  
Andrew Murray.....PGAV- Project Planner

Present from the Developer (G. J. Grewe, Inc) in attendance:

Gary Grewe..... President of G.J. Grewe Inc., Commercial Real Estate  
Bill Appelbaum.....Finance Department, G.J. Grewe  
Rich Obertino.....TRI Architects  
Jim Mello..... Armstrong Teasdale, Developer TIF Counsel

**Roll Call:**

Mayor Buckley opened the meeting and introduced herself and Mr. Mark Grimm, the City's Special Counsel. She further advised that Mr. Grimm will be conducting the meeting until the Commission members elected the Chairman of the Commission. Director Greever commenced with the roll call. The entire Commission was present.

**Introduction of TIF commission members, city staff, city consultants, and developer.**

Mr. Grimm announced that the next item on the agenda was the introduction of TIF Commission members, city staff, and city consultants. Mr. Grimm began by advising that the introduction of the Commission members was completed during roll call. He went on to introduce city staff members Mr. Jonathan Greever, Director of Administration/City Clerk, and city consultants Ms. Joy Howard, of W M Financial Strategies, Inc., and Mr. John Brancaglione, of PGAV. Mr. Grimm went on to introduce Mr. Gary Grewe, of G.J. Grewe, Inc., who would later introduce his staff during the presentation of the Kenrick Plaza Redevelopment Project plan.

**Overview of the project's background.**

Mr. Grimm then advised that the next item on the agenda was the overview of the Kenrick Plaza Redevelopment Project. He then asked Mr. Brancaglione of PGAV to take the floor and give a brief history of the work that had been completed along the Watson Road corridor.

Mr. Brancaglione introduced other PGAV staff members Andy Struckhoff, Associate Director and Project Manager for the Kenrick Plaza Redevelopment Project, and Andrew Murray, Project Planner for the Kenrick Plaza Redevelopment Project. Mr. Brancaglione then advised the Commission members that the City believed it would be beneficial for PGAV to provide a historical overview of how the Kenrick Plaza Redevelopment Project had evolved. He began by advising the Commission that in November 2008, PGAV was selected by the City to conduct an analysis of the commercial properties along the City's Watson Road corridor. He went on to advise that since this was a developed area, the study essentially was directed toward evaluating the potential for redevelopment of existing properties and buildings. He further advised that along with this effort, a market assessment was conducted to determine if any unmapped demands for retail goods and services or other appropriate development components, such as office and housing, might also exist in this area. Mr. Brancaglione then advised that it was the data from the field evaluations of each property and the market assessment data regarding demographics along with the presence of a significant gap in the provision of certain goods and services around the area of Mackenzie and Watson Road that had led PGAV to a series of redevelopment concepts. He noted that with these redevelopment concepts, PGAV had advised the City that the Kenrick Plaza site represented the greatest challenge to redevelop due to high vacancies, rapidly deteriorating building and property conditions, problematic topography and drainage issues, and an overall obsolete site design and layout.

Mr. Brancaglione stated that as a result, PGAV advised the City that in all likelihood it was going to be too costly for any existing property owner or an outside developer to bear those development costs at the current levels of lease rates that retail tenants are willing to pay. He said the City had also been advised that there would probably be some level of public subsidy needed if the City wanted any high end or quality retail development at the Kenrick Plaza site. Mr. Brancaglione advises the Commission that PGAV picked three developers from the St. Louis area upon which to test PGAV's redevelopment plan concepts; input from these developers confirmed PGAV's thoughts that housing wouldn't provide sufficient new revenue to support the anticipated redevelopment costs, and that office combined with retail might work but may be unlikely due to a heavy concentration of offices around Watson Road and I-270 Highway. Mr. Brancaglione also advised that the market assessment had suggested that retail development could be achieved through possibly a combination of several things such as clustering a group of junior anchor stores or a big box store

that would also accommodate a strip development and possibly a junior anchor store. At that time, PGAV advised the City that while there were other properties along the Watson Road corridor that needed redevelopment, the City needed to recognize that Kenrick Plaza was the City's centerpiece site, and the City should only solicit proposals for redevelopment at that site. Mr. Brancaglione went on to state that the City had solicited proposals for a Kenrick Plaza Redevelopment and received submissions from Dierbergs and G. J. Grewe, Inc. He further advised that the proposal from Dierbergs, which followed the cluster of junior anchor stores scenario, was subsequently withdrawn. Mr. Brancaglione added that Wal-Mart was never a specific target in PGAV's redevelopment concepts because PGAV did not initially believe that a Wal-Mart facility could fit within the site specifications. He said it was not surprising to PGAV that Wal-Mart was ultimately interested in the redevelopment site since the market assessment not only showed the presence of favorable demographics, it also illustrated that the retail gap in this area would align with the amenities afforded by many of the departments within a Wal-Mart.

### **Overview of redevelopment plan and project.**

Mr. Grimm stated that the next item on the agenda was the overview of the Kenrick Plaza redevelopment plan and project. He said PGAV was currently working on drafts of the redevelopment plan and the cost benefit analysis. He further advised that these documents would be forwarded to the Commission to give its members the opportunity to review the plans in advance of the next meeting. Mr. Grimm then asked the Kenrick Plaza developer, Mr. Gary Grewe, to take the floor and provide a brief overview of the redevelopment plan and project.

Mr. Grewe introduced G. J. Grewe consultants Jim Mello, the developer's TIF Counsel from Armstrong Teasdale, and Rich Obertino, the developer's architect from TRI Architects, as well as G. J. Grewe partner and Finance Director, Bill Appelbaum, and Mr. Bill Bunte, traffic engineer. Mr. Grewe said they were really excited that in 2011 we were having discussions about a shopping center development project anywhere in St. Louis. He went on to state that the team of G. J. Grewe considered it to be an honor to be at that evening's meeting and thanked everyone for their involvement throughout this process. Mr. Grewe asked Mr. Rich Obertino, of TRI Architects, to go through some of the challenges G. J. Grewe, Inc. faces on the project.

Mr. Obertino said the existing conditions involved some very challenging physical impediments such as irregular elevations, exposed guy wires, an open creek canal, and an existing street dividing the redevelopment site. Mr. Obertino also stated that there were other challenging factors that needed to be considered in redeveloping this site such as the presence of diverse neighboring communities and the presence of unstable retail tenants nearby.

Mr. Grewe then took the floor and advised the Commission that G. J. Grewe Inc. had not initially come to the Kenrick Plaza Redevelopment site as a potential developer, but instead came in a rescuing capacity to the family that owned the property by providing assistance in leasing the retail space. He went on to advise that it had become very apparent that this would not be a viable option and that the only other option would be to redevelop the existing boxes. He then advised that they had started putting some ideas together and put the Upper Kenrick Plaza and Lower Kenrick Plaza properties under contract and made arrangements with the owners of First Bank. Mr. Grewe further advised that as his development plans took further shape he was able to convince some of the existing anchor tenants to seriously consider relocating their businesses to the redevelopment site. He said excavating this property would be more difficult than what had been previously been accomplished at Gravois Bluffs. He further advised that he had exhausted all options to relocate the guy wires and that any consideration of relocating them was not an option. Mr. Grewe ended by stating that he looked forward to having the opportunity to redefine the Watson Corridor at the Kenrick Plaza location and asked for the Commission's support going forward.

Mr. Mello took the floor for G. J. Grewe and stated that this redevelopment provided the Commission an opportunity to utilize TIF in the manner it was intended to be utilized, by taking an ongoing burden to St.

Louis County as well as the City and developing it into something sustainable and productive. Mr. Mello further advised that the City's finances had shown taxable sales dropping since 1999. It also showed that the City's general sales tax revenues had also dropped as a percentage of the City's budget for the last 12 years, and with an annual decline of 3.3%. He pointed out that the City, with various revenue injections and tightening of the budget, had been able to keep the revenues and expenditures consistent even though revenue had been declining. However, he added that this year's current budget deficit would reduce the City's reserves by \$118,000 due to insufficient revenues and increasing non-discretionary expenditures. Mr. Mello went on to state that the Kenrick Plaza site is the cornerstone for commercial activity in the City and in 2005 had an assessed valuation of \$4.5 million. He further stated that by 2009 the assessed value of Kenrick Plaza had declined 22% and was currently assessed at the same level for 2011. Mr. Mello then continued to advise that if the TIF were approved for the redevelopment of Kenrick Plaza the assessed valuation would significantly increase. He also stated that it was important to fully understand the City's reliance on sales taxes, which totaled 2.5%, and which had generated \$280,000 in sales taxes in 2000.

Commissioner Dan Lowery asked for clarification on the projected 2013 assessed valuation increase of 5.8% for Kenrick Plaza.

Mr. Mello answered that the projected 2013 assessed valuation increase of 5.8% for Kenrick Plaza was based upon the redevelopment project being built as proposed.

Commissioner John Brazeal asked about the level of projected site development investment and its relation to this stated increase in assessed value.

Mr. Mello stated that this would be further answered in his presentation, since at that point he was merely over viewing the situation to portray the usage of TIF as a recovery mechanism as opposed the diversion of revenue from another taxing entity.

Mr. Mello continued by stating that if the project was built and met the projected sales estimate of \$70 to \$75 million, the City, even with the TIF's diversion of revenues, would still recognize a significant increase in tax revenues. He continued by stating that over the next twenty years the City would continue to recognize an increase in taxable sales. Mr. Mello further advised that G.J. Grewe, Inc. was requesting an assistance amount of \$20 million which included a 1% CID/TDD sales tax. He advised that they were estimating that about 35% of the total revenues generated from the site would be attributable to the additional usage of these other economic development mechanisms. He went on to advise that there would also be an increase in revenues generated from other non-captured EAT's, which would be described in greater detail in the cost benefit analysis. Mr. Mello also added that even though the scope of the redevelopment project included Upper and Lower Kenrick Plaza, only Upper Kenrick would comprise the TIF district.

#### **Explanation of tax increment financing and role of the commission.**

Mr. Grimm advised that the next item on the agenda was the explanation of tax increment financing and the role of the commission. He began by stating that the idea behind TIF was to encourage redevelopment of areas that needed some help that otherwise would not be developed without the usage of some incentive. Mr. Grimm said the Commission had previously heard that both G. J. Grewe and PGAV believed that without some public assistance the project would not occur. He further advised that over the next few weeks PGAV would be preparing a redevelopment plan, and that one of the elements of this plan would be include a description of the site characteristics that qualified this area under the TIF statute. Mr. Grimm advised that the site's specific qualifying characteristics would identify it as a blighted or conservation area. Mr. Grimm then stated that there would be numerous statutory requirements that would have to be satisfied in order for the area to be designated as a TIF redevelopment. He went on to state that in his opinion the two most important requirements were that the area qualify as a blighted or conservation area under the TIF statute,

and that the area would not be developed or redeveloped without the adoption of TIF. Mr. Grimm then advised that the statute required the developer to execute an affidavit to support these findings.

Mr. Grimm then described how the TIF mechanism operated by stating that all of the incremental revenues attributable to the increase in equalized assessed valuation (EAV) on real property was captured by TIF and that the revenues generated by the current EAV levels would still be captured by the various taxing districts. He overviewed several exceptions, such as the commercial surcharge and personal property taxes. On the sales tax side, TIF would capture 50 percent of any incremental sales taxes that were not statutorily excluded from capture. The breakdown of these types of capturable sources and their impact on the taxing districts would be demonstrated in the cost benefit analysis.

Mr. Grimm then went on to explain that the role of the Commission was to hold a public hearing regarding this project and then make a recommendation to the Board of Aldermen on whether to approve the usage of tax increment financing. He further explained that the TIF statute required a 45 day notice to be sent to each taxing district prior to the public hearing. Mr. Grimm then requested that the Commission conduct another meeting in two weeks. Mr. Grimm then stated that at the next meeting the Commission would be asked to set the date for the public hearing in order to provide for the appropriate public noticing of the meetings.

#### **Election of Officers (chairman, vice chairman, secretary).**

Mr. Grimm stated that the next item on the agenda was the election of Chairman of the TIF Commission. Mr. Grimm asked the Commission if there were any nominations for Chairman of the TIF Commission. Commissioner Tim Geraghty made a motion to elect Commissioner Dan Lowery to serve as Chairman of the TIF Commission. Commissioner Jim Brady seconded the motion and the Commission unanimously approved it.

Mr. Grimm stated that the next item on the agenda was the election of Vice Chairman of the TIF Commission. Mr. Grimm asked the Commission if there were any nominations for Vice Chairman of the TIF Commission. Commissioner Brady made a motion to elect Commissioner Geraghty to serve as Vice Chairman of the TIF Commission. Chairman Lowery seconded the motion and the Commission unanimously approved it.

Chairman Lowery stated that the next item on the agenda was the election of Secretary of the TIF Commission. Chairman Lowery asked the Commission if there were any nominations for Secretary of the TIF Commission. Commissioner Brazeal made a motion to elect Commissioner Michael McNeil to serve as Secretary of the TIF Commission. Commissioner Anne Klein seconded the motion and the Commission unanimously approved it.

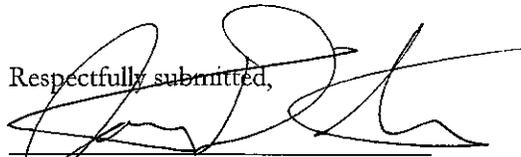
#### **Discuss preliminary schedule of events.**

Mr. Grimm stated that the next step would be to schedule a meeting to review the redevelopment plan and cost benefit analysis, which he said would be issued to the Commission shortly. Commissioner Brazeal stated that he wished to hold the meeting later in September in order to give him time to review the documents with his school board. The Commission discussed the best date and time to hold the meeting and Commissioner Hart-Mahon moved to hold the next meeting on Wednesday, September 14, 2011 at 6:30 p.m. Commissioner Dougherty seconded the motion and the Commission approved it 10 votes for and 2 against, with Commissioners Brady and Brazeal voting against.

#### **Adjournment:**

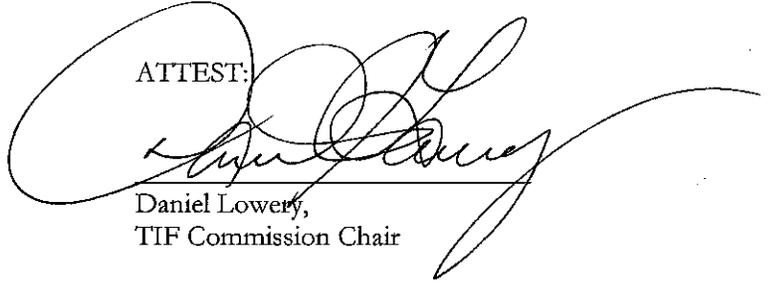
Chairman Lowery made a motion to adjourn the TIF Commission meeting. Commissioner Brady seconded the motion and it was unanimously passed. The TIF Commission meeting adjourned at 7:32 p.m.

Respectfully submitted,



Jonathan D. Greever,  
Director of Administration/City Clerk

ATTEST:



Daniel Lowery,  
TIF Commission Chair