

****CONFIDENTIAL – CLOSED SESSION ITEM****

Excerpt from Closed Session Held February 15, 2011 regarding Conference with Real Property Negotiators: Macerich Corporation and the City of Victorville

PRESENT: Mayor McEachron
Mayor Pro Tem Cabriales
Councilmember Kennedy
Councilmember Rothschild
Councilmember Valles
City Manager Cox
Deputy City Manager Robertson
City Attorney de Bortnowsky
Director of Economic Development Metzler
City Clerk Bates

METZLER: I had been exploring with the Mall dating back to 2007 opportunities that included the acquisition of easements and real estate to help allow for the Mall to expand and address parking constraints. The Mall of Victor Valley wants to expand and we are encouraging that. If nothing else, the City has communicated that we want the Mall to be repositioned to accommodate a more mature crowd. The Mall is catering to a younger demographic that does not help the City maximize from a gross sales tax perspective. It does not create an environment for the higher end or theme oriented venues that all of us would prefer--higher end shopping. We have been talking with the owners and they agree. We believe we are at a crossroads with the Mall. It is over 26 years old and past its maturity stage. Now it is in a decline stage. It is likely that the Mall can continue to cater to the present demographic and potentially die a slow death. A lot of people are familiar with once thriving Malls that are now dead. (Director of Economic Development Metzler walked the Council through a handout that had been provided to them for this meeting.) In many stores in the marketplace right now you have competition. The Mall approached us believing that if there is an opportunity to get any agreements it probably is now. We indicated that beyond repositioning the Mall and making it a destination we would be specific as to what we want and said we would not settle for less than a Macy's. Page 9 of the site plan gives a concept as to what the reconfiguration will look like. It's hard to tell from the site plan but it will add ___ square feet at the old Gottschalks. Anchor 1 and 2 would expand. JC Penney has a need to expand. Their sales are good. The opportunity exists for expansion. I believe there is a deal...they have asked for a sales tax sharing arrangement and that is because it is not located in a redevelopment project area, so we cannot use tax increment assistance. This is an example of how redevelopment agencies are. An agreement has to be crafted very carefully. They have asked for a level of sales tax sharing I am not supportive of. What they asked for is to help offset their costs. They want the City to establish a baseline of \$400,000 and they would share in everything above \$400,000. They put together a \$400,000 plus 2 percent growth rate. They suggested to make a prudent

investment decision they need that kind of sharing in place. They have asked for too much for the City to consider today. The downside is a decline in sales over the years. Roughly, it is a five percent decline over 10 years. The Mall could go into decay, causing the City to lose the opportunity to get a Macy's.

KENNEDY: Asked for an example/explanation of financial information.

METZLER: Explained the baseline that was established. They don't expect Macy's until 2013.

ROBERTSON: Sharing is 2013-2022.

VALLES: They want us to rehab the Mall?

METZLER: They want financial assistance.

VALLES: What do we make out of that?

METZLER: A new Mall; Macy's; additional sales tax.

ROBERTSON: We don't have access to verify this sales tax number, right?

VALLES: We give \$25 million over time. What we will get back?

KENNEDY: We will get about \$10 million.

DEBORTNOWSKY: Compare with Gottschalks. We might get less if don't do anything.

METZLER: I am not recommending that you accept the proposal. I would like the authorization to continue to negotiate. I have had to look at some economic development as well as the City's perspective and comparing their proposal to what happens if we get nothing. It is legal...

DEBORTNOWSKY: You can but it has to be economic development but then you set a precedent. Need to avoid gift of public funds.

MCEACHRON: I have no problem continuing to talk with them but I cannot vote for \$25 million.

CABRIALES: I agree. We have never done that.

MCEACHRON: We sued Hesperia for the same thing.

COX: We did not assist the Mall because it is not in a redevelopment area. There is a Wal Mart coming and they are asking for the same thing. The best way to answer is where you get the fixed amount of money for police, fire, etc., there has to be an incremental increase of sales tax for covering health and safety issues. I indicated it would be highly unlikely for the City Council to give away sales tax. The jobs created at a Macy's are not the high end good paying jobs you want. We still have a lot of big expenses that sales tax pays for. Their suggestion costs us money. If you rebated sales tax at their rate you would have to do a study.

It was the consensus of the Council to give staff direction to continue to negotiate with Macerich.