

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 12, 2012
	Agenda Item No. 40 Roll Call No. <u>12-0423</u> Communication No. <u>12-127</u> Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Approving Preliminary Terms of Agreement with Macerich Southridge Mall, L.L.C. for the Redevelopment and Repurposing of Southridge Mall at SE 14th Street and Army Post Road and directing City staff to initiate amendment actions to the Southside Economic Development Urban Renewal Plan.

SYNOPSIS:

Macerich Southridge Mall, L.L.C. (Eric Salo, Executive Vice President, 401 Wilshire Blvd, Suite 700, Santa Monica, CA 90401) (hereinafter referred to as “Developer”) has presented a conceptual plan for redevelopment and repurposing of the Southridge Mall that focuses on converting the indoor mall to an open-air retail, commercial, educational and recreational mixed-use development. The Developer proposes to invest at least \$27 million in the initial redevelopment efforts focused on demolition of a portion of the mall between the existing Sears and Target stores providing new outside, open-air store fronts to the existing major tenants (Younkers and Sears) and approx. 133,700 square feet of currently internal retail space, redevelopment of a portion of the parking lot, new signage and access drives to provide convenient vehicular access.

The conceptual redevelopment plan identifies Developer-owned, undeveloped commercial outlots and vacant land in the project area that the Developer proposes to actively market for new retail, commercial and residential development. The new retail, commercial and residential development will occur over a longer period of time, and the Developer will likely need to make additional investments over the \$27 million to recruit new development to the project area. As new project development plans come forward, each project will require review by the Urban Design Review Board and approval by City Council to ensure that the uses and quality of the development will continue to support the overall redevelopment of the project area and receipt of the City’s economic development assistance.

Since 1999, the project area has experienced a decline in assessed valuations of approximately \$40 million to a current assessment of \$23.8 million. The proposed improvements to the Project Area by the Developer are a speculative venture and will not occur without economic incentives. The City’s Office of Economic Development is recommending an economic development grant funded by new tax increment revenues paid on the new assessed valuations over the current assessment base of \$23.8 million for the Project Area.

The Developer's obligations to construct the initial improvements, pursue additional investments to the project area, and to redevelop and use the project area as proposed will advance the improvement and redevelopment of the Urban Renewal Area in accordance with the Urban Renewal Plan; it will encourage further private investment and will attract and retain businesses and residents in the Urban

Renewal Area and the surrounding neighborhoods to reverse the pattern of disinvestments and declining commercial occupancy; and it will further the City's efforts to create and retain job opportunities within the Urban Renewal Area which might otherwise be lost.

FISCAL IMPACT:

Amount: The proposed economic development grant is to be paid in semi-annual installments over 15 years solely from the new incremental property taxes paid on the increase over the assessed valuations of \$23.8 million within the Project Area.

The first 20 semi-annual installments (10-years) will be equal to 100% of the new property tax increment revenues paid within the project area on the new incremental increase in assessed valuations on the improvements; the next 10 semi-annual installments (5-years) will be equal to 75% of the new property tax increment revenues paid within the project area on the new incremental increase in assessed valuations on the improvements.

Funding Source: Southside Economic Development District Tax increment revenues paid on the new incremental taxable valuations resulting from the improvements within the project area, as cash is available within the overall increment district.

ADDITIONAL INFORMATION:

Macerich Southridge Mall, L.L.C. (hereinafter referred to as "Developer") owns Southridge Mall and parts of the surrounding area. Over the past several years the once regional mall has fallen in to a situation characterized by underutilized and vacant land and buildings, in obsolete and deteriorating condition, with declining values. The Developer has proposed a conceptual development plan to redevelop and repurpose the mall and adjacent areas into a mixed-use district with new investment, new populations, and new energy in support of the revitalization of retail and commercial activity at this location.

The Developer owns or controls real estate generally described as south of Army Post Road and west of SE 14th Street. For explanation purposes the real estate containing the Southridge Mall is hereinafter referred to as the "Central Property"; the real estate lying north and east of the Central Property is hereinafter referred to as "Outlots"; and an additional parcel assessed as a tax exempt forest preserve lying south of the Central Property and containing approximately 18 acres is hereinafter referred to as "Lot 14". The combined area of the Central Property, Outlots and Lot 14 are collectively referred to as the "Project Area."

The Developer has proposed to reinvigorate the Central Property through a series of redevelopment activities at an estimated investment by Developer of \$27 million. The redevelopment activities (referred to as Phase I Improvements) include:

- Demolition of a portion of the mall between the existing Sears and Target stores that contains the existing food court thereby providing new outside store fronts to the existing major tenants (Younkers and Sears) and providing new outside store fronts to 133,700 square feet of currently internal retail space;
- Development of a new outside court yard fronting the new outside store fronts;

- Renovation of a portion of the existing parking lot and entrance from E. Army Post Road providing enhanced entry way and signage to the project area;
- The construction of a corridor to provide direct pedestrian access between the proposed recreational and educational facilities and the redeveloped retail space in the eastern half of the mall; and,
- The redevelopment of a portion of the parking lot and access drives to provide convenient vehicular access to, and parking for, the recreational and educational facilities.

The Developer will likely need to make additional investments over the initial \$27 million to spur other private investment for the redevelopment of the Outlots and Parcel 14 (referred to as Phase II Improvements) for mixed-use development that would include additional retail and commercial uses and high-density residential uses. The Phase II Improvements are referenced in the Conceptual Development Plan by proposed general land use, but are as yet undetermined as to specific projects and investments.

The project has incorporated planning for DART transit needs and will provide pedestrian options to connect to the varied uses proposed in the project. The Developer is encouraged to continue to demonstrate sustainable development principles by recycling materials as possible and promoting efficiencies in design. The redevelopment of outlots will encourage best management practices for stormwater management and proactive natural resource inventory.

The Developer has agreed to present the redevelopment in the project area for City review including review by the Urban Design Review Board and City Council, to assure that new development conforms to the Urban Renewal Plan, and is supportive of the planned redevelopment of the Central Property.

The Developer's proposed improvements in the Project Area are speculative in nature and will not occur without the proposed economic incentives to assist in the redevelopment of the Central Property and Outlots. The City's Office of Economic Development is recommending an economic development grant funded solely by new tax increment revenues paid on the new assessed valuations within the Project Area over the current \$23.8 million assessment base.

In 1999, the Project Area was assessed at over \$64 million and has substantially declined to an assessed valuation of about \$23.8 million. The Phase I Improvements (Developer Investment of \$27 million) are estimated to result in a potential incremental increase in assessed valuations of between \$7 and \$10 million. The Phase II Improvements are partially dependent on the successful completion and market acceptance of the Phase I Improvements and proposed repurposing activities. It is anticipated that the Phase II Improvements will occur over a longer period of time and should be able to support new development investments with \$17 million in new assessed valuations.

The Developer is working with local non-profit entities to provide repurposed uses in the project area. The proposed recreational and educational uses will be destination trip generating activities that will assist in bringing additional economic activity to the project area. The proposed repurposing activities to be undertaken by the local non-profits include:

- The construction of a new athletic facility with at least 90,000 square feet of space at the west end of the mall area;
- The redevelopment of at least 35,000 square feet of space within the west end of the mall for locker rooms, offices and athletic facilities supportive of the new athletic facility;

- The redevelopment of approximately 60,000 square feet of the former J.C. Penney's building for educational use by the Des Moines Area Community College, or for other educational, corporate training, or conference uses, or a combination thereof.

The Developer will facilitate these repurposing uses through either the donation or conveyance of land and building at a greatly reduced value. The sites identified for these repurposed uses are currently assessed at a value of \$1.4 million.

Urban Renewal District Amendment

Analysis of the Southridge proposal has included review of existing conditions, including deteriorating structures, vacancies and declining property values. These conditions prompt review of the Southside Economic Development District Urban Renewal Plan for the inclusion of slum and blight as a component of the plan. Staff request Council approval to move forward with this review and bring forward proposed amendments to the urban renewal plan.

PREVIOUS COUNCIL ACTION(S):

Date: January 23, 2012

Roll Call Number: 12-0113

Action: [On](#) request from SDG Macerich Properties, LP for an amendment to "C-4" Preliminary Development Plan for Southridge Mall, 1111 E. Army Post Rd., to redevelop a portion of the mall in the vicinity of the food court as a 133,777 square foot area for retail/office/assembly uses accessed from an outdoor plaza on the north side of the mall and a 94,000 square foot area for athletic/fitness/assembly uses on the west side of the mall, subject to conditions. Moved by Meyer to adopt, and amend the C-4 Southridge Mall Preliminary Development Plan. Motion Carried 7-0.

Date: January 9, 2012

Roll Call Number: 12-0034

Action: [On](#) request from SDG Macerich Properties, LP for an amendment to "C-4" Preliminary Development Plan for Southridge Mall, 1111 E. Army Post Rd., to redevelop a portion of the mall in the vicinity of the food court for retail/office/assembly uses accessed from an outdoor plaza on the north side of the mall and a 94,000 square foot area for athletic/fitness/assembly uses on the west side of the mall, subject to conditions, (Hearing Set for 1-23-12). Moved by Hensley to adopt. Motion Carried 7-0.

Date: December 19, 2011

Roll Call Number: 11-2152

Action: [Regarding](#) negotiation of preliminary terms of agreement with SDG Macerich Properties, LP for redevelopment of Southridge Mall. ([Council Communication No. 11-768](#)) Moved by Meyer to authorize and direct the City Manager to negotiate preliminary terms of agreement with SDG Macerich Properties, LP for economic Development financial assistance for the redevelopment of the Southridge

Mall consistent with Council Communication No. 11-768 for consideration by the City Council at the earliest opportunity. Motion Carried 7-0.

Date: December 6, 2010

Roll Call Number: 10-2020

Action: Items regarding proposed Southside Economic Development District Urban Renewal Area: ([Council Communication No. 10-730](#))

- (A) [Communication](#) from the Plan and Zoning Commission. Moved by Meyer to receive and file. Motion Carried 7-0.
- (B) [Resolution](#) of Necessity finding the Urban Renewal Area to be an economic development area appropriate for redevelopment for commercial use. Moved by Meyer to adopt. Motion Carried 7-0.
- (C) [Hearing](#) on the proposed Urban Renewal Plan and adopting the Plan. Moved by Meyer to adopt. Motion Carried 7-0.
- (D) [First](#) consideration of ordinance providing for the division of general property taxes levied and collected each year in the Urban Renewal Area to allow for the use of Tax Increment Financing (TIF). Moved by Meyer that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

Date: November 8, 2010

Roll Call Number: 10-1839

Action: [On](#) proposed Urban Renewal Plan for the Southeast Economic Development District Urban Renewal Area, (12-6-10). ([Council Communication No. 10-673](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 11, 2010

Roll Call Number: 10-1694

Action: [Regarding](#) proposed SE Economic Development District Urban Renewal Area and preparation of an urban renewal plan and creation of tax increment financing (TIF) district. ([Council Communication No. 10-619](#)) Moved by Meyer to receive and file, and to authorize the City Manager to prepare an urban renewal plan and related information and documents in general accordance with the Council Communication. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 7, 2012

Resolution Number: N/A

Action: Informational review of the proposed conceptual redevelopment plan; board input and comments, no formal action taken.

Board: Urban Design Review Board

Date: December 20, 2011

Resolution Number: N/A

Action: Informational review of the proposed conceptual redevelopment plan; board input and comments, no formal action taken.

Board: Urban Design Review Board

Date: November 16, 2010

Resolution Number: N/A

Action: Consider sustainable design principles, opportunities for collective energy and water management, build on unique collective mixed uses in area, explore unique development concepts that will make the area distinct, rely on mix of clear guidelines and UDRB project review through development agreements, and require UDRB review of projects in plan area. Motion to approve Southside Economic Development District Urban Renewal Plan by Todd, seconded by Mormann. Motion carried.

Board: Plan & Zoning Commission

Date: December 15, 2011

Resolution Number: N/A

Action: Greg Jones moved staff recommendation to approve the submitted "C-4" Development Plan amendment subject to the following conditions:

1. Any Site Plan for reconfigured off-street parking areas shall conform to interior lot landscaping requirements.
2. Any Site Plan shall coordinate with DART for incorporation of appropriate transit stations where necessary as part of the design. Motion passed 12-0.

Board: Plan & Zoning Commission

Date: December 2, 2010

Resolution Number: N/A

Action: Greg Jones moved staff recommendation to find the Southside Economic Development District Urban Renewal Plan in conformance with the 2020 Community Character Plan. Motion passed 12-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The proposed design and financial assistance package will be reviewed by the Urban Design Review Board. Final terms of agreement will be presented to City Council at a future meeting date.

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