

COUNCIL COMMUNICATION

	Number:	20-247	Meeting:	June 8, 2020
	Agenda Item:	35	Roll Call:	20-0916
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution receiving communication regarding development proposal and directing City Manager to negotiate with Macerich Southridge Mall LLC, Southridge Adjacent, LLC, and Genesis Health Club Sports Complex S.E. LLC, for Southridge Mall to include a Genesis Health Club and multi-sports facility.

SYNOPSIS:

Genesis Health Clubs Sports Complex S.E. LLC, (Rodney Steven II, President, 6100 E Central, Wichita, KS 67208) is proposing to acquire and renovate the 105,000-square-foot former Sears Building at Southridge Mall for an athletic club and multi-sports facility. The acquisition is proposed to include approximately 10-acres of the Southridge Mall land in addition to the former Sears building. The estimated \$13.5 million project includes approximately 38,000-square-feet for gym weights and cardio equipment, approximately 36,000-square-feet for basketball courts, and 31,000-square-feet of additional space that could be used for soccer, athletic training and/or swimming pool space.

The Office of Economic Development has negotiated preliminary terms of agreement with Macerich Southridge Mall LLC and Southridge Adjacent, LLC (collectively “Macerich”), and with Genesis Health Clubs Sports Complex S.E. LLC (“Genesis”), which provide for payment to Genesis of a 19-year schedule of tax increment generated by the proposed project and a 10-year schedule of tax increment from the southside tax increment financing district to serve as the core mechanism for responding to a financing gap presented by the development team, and an economic development grant to Macerich for needed repairs to the Southridge Mall buildings. Additional details are provided in the fiscal impact section below. Said preliminary terms are currently anticipated to be accomplished by amendment to the existing Amended and Restated Urban Renewal Development Agreement with Macerich, an Assignment and Assumption Agreement with Macerich and Genesis, and an amendment to the Conceptual Development Plan for Southridge Mall.

FISCAL IMPACT:

Amount: The proposed terms provide for payment to Genesis of a 19-year schedule of 100% of the project generated tax increment from the taxable land and building valuations of approximately \$5.4 million (net present value {NPV} at a 4.5% discount rate). The proposed terms also provide for ten annual payments of \$264,150 in years 1-10 after project completion at a value of \$2 million (NPV at a 4.5% discount rate). The total \$7.4 million in estimated tax increment financing assistance is approximately 55% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$412,913	\$4,857,338	\$6,854,394	(\$1,997,056)
Sum 20 Years	\$867,118	\$10,728,620	\$11,393,298	(\$664,678)
Sum 30 Years	\$1,366,744	\$17,485,616	\$11,393,298	\$6,092,318

*Taxes include all property taxing authorities (not just City property tax dollars).

*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

*Building and land valuation assumptions at completion of construction:

\$9,528,300 commercial building assessment

\$971,700 land assessment

In addition to the financial assistance described above, an amendment to the amended and restated agreement with Macerich Southridge Mall, LLC, and Southridge Adjacent, LLC, is recommended to provide an additional economic development grant to Macerich of 50% of the cost up to a maximum of \$500,000 for roof replacement at 1111 E Army Post Road (specifically the western portion of the mall property) or other agreed upon improvements, if they are completed by September 1, 2021.

Funding Source: Southside Tax Increment Financing District

ADDITIONAL INFORMATION:

- Continued significant investment has occurred or is programmed at Southridge, including the addition of new retail, introduction and expansion of Des Moines Area Community College (DMACC), improvements to Target and Hy-Vee, the Southridge Senior and TWG Apartment projects, the Unity Point medical clinic, a proposed veterans' clinic and this newest proposal for a Genesis Health Club.
- It has been nearly four (4) years since the Sears department store at Southridge Mall vacated their space in August 2016. The big box retail store and accompanying auto center has been vacant ever since.
- Genesis Health Clubs, based out of Wichita, Kansas, acquired four (4) Des Moines area Aspen Athletic Clubs in November 2019. These acquisitions brought Genesis' total club count to 50 locations across the Midwest and Colorado.
- This project increases the potential for future spinoff development, potentially adding uses such as a hotel, restaurants, other retail and/or commercial services.
- The tax increment financing assistance for the project will be provided in lieu of any available tax abatement.
- Construction commencement is anticipated for December 2020 with a completion date estimated by December 2021.

- A minimum assessment agreement of \$10.5 million for the land and buildings is likely to be included with the Assignment and Assumption Agreement.
- Genesis Health Clubs is exploring partnership opportunities with Iowa Elite for basketball programming at the facility.
- The final agreement will propose opportunities for access, benefits and programming for disadvantaged youth in the area.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – design and financial assistance recommendations.
- City Council – amendment to the amended and restated agreement with Macerich Southridge Mall, LLC, and Southridge Adjacent, LLC.
- City Council – consideration for final Assignment and Assumption Agreement with Genesis Health Clubs Sports Complex S.E., LLC.

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