

COUNCIL COMMUNICATION

	Number:	20-353	Meeting:	August 17, 2020
	Agenda Item:	29	Roll Call:	20-1334
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving final terms of a first amendment to the Amended and Restated Urban Renewal Development Agreement with Macerich Southridge Mall, LLC, Southridge Adjacent, LLC, for the redevelopment and repurposing of the 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 \$16.5 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 will include a swimming pool and multipurpose rooms.

The Office of Economic Development has negotiated 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 20-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. Updated terms also provide for an economic development grant to Macerich Southridge Mall, LLC for needed repairs to the Southridge Mall buildings. Additional details are provided in the fiscal impact section below.

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 20 annual payments of \$337,409 in years one (1) through 20 after project completion at a value of \$4.2 million (NPV at a 4.5% discount rate). The total \$9.6 million {NPV} in estimated tax increment financing assistance is approximately 58% 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	\$ 7,586,988	(\$2,729,650)
Sum 20 Years	\$ 867,118	\$10,728,620	\$15,499,986	(\$4,771,366)

Sum 30 Years	\$1,366,744	\$17,485,616	\$15,499,986	\$1,985,630
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*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, the amendment the amended and restated agreement with Macerich Southridge Mall, LLC, and Southridge Adjacent, LLC, provides 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 57 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.
- The development agreement requires the sports complex to provide minimum annual scholarships and subsidies for children of families at or below the 50% area median income (capped at the 4-person household income levels) for participation in the following activities at a minimum: leagues, clinics and lessons for Basketball, Volleyball, Swim lessons and leagues, Gymnastics, Self-defense and Futsal. The minimum total subsidies/scholarships over the 20-year duration of the agreement is \$2.95 million.

- The 36,000-square-foot basketball portion of the project will include increasing the roof/ceiling heights by a minimum of six (6) feet. To accomplish this, 37,070 square feet of roof deck and structure will be removed in its entirety and 27 steel columns removed from the space. The basketball component will include a minimum of five (5) basketball courts.
- Construction commencement is anticipated for December 2020 with a completion date estimated by December 2021.

PREVIOUS COUNCIL ACTION(S):

Date: June 8, 2020

Roll Call Number: [20-0916](#)

Action: [Communication](#) regarding development proposal and directing the 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 at 1111 E. Army Post Road. ([Council Communication No. 20-247](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – Genesis project design review.
- Urban Design Review Board – Southridge Master Conceptual Development Plan Amendment.
- City Council – Assignment and Assumption Agreement to Genesis Health Club Sports Complex S.E. LLC.
- City Council – Southridge Master Conceptual Development Plan Amendment.

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