



Date August 17, 2020

**APPROVING FIRST AMENDMENT TO AMENDED AND RESTATED AGREEMENT WITH MACERICH SOUTHRIDGE MALL LLC AND SOUTHRIDGE ADJACENT LLC FOR THE REDEVELOPMENT AND REPURPOSING OF SOUTHRIDGE MALL TO INCLUDE A GENESIS HEALTH CLUB AND MULTI-SPORTS FACILITY**

**WHEREAS**, on August 10, 2015, by Roll Call No. 15-1389, the City Council approved an Amended and Restated Urban Renewal Development Agreement (“Agreement”) with Macerich Southridge Mall LLC and Southridge Adjacent, LLC, a related company (collectively "Macerich"), represented by Scott McMurray, whereby Macerich has undertaken to redevelop and improve the Southridge Mall and the adjoining frontage lots in conformance with an approved Conceptual Development Plan and minimum development standards, in consideration of a separate economic development grant for each phase of the improvements to be paid in installments from the project-generated tax-increment financing (TIF) from that phase; and

**WHEREAS**, in August 2016, the Sears department store at Southridge Mall vacated its big-box retail store space and accompanying auto center, which have remained vacant since; and

**WHEREAS**, Genesis Health Club Sports Complex S.E. LLC (“Genesis”), represented by Rodney Steven II, President, proposes to acquire from Macerich approximately 10 acres of the Southridge Mall property and renovate the 105,000 square-foot former Sears Building for an athletic club and multi-sports facility, with an estimated project cost of \$13,500,000.00 and improvements including approximately 38,000 square feet for gym weights and cardio equipment, approximately 36,000 square feet for basketball courts, and approximately 31,000 square feet of additional space that could be used for soccer, athletic training and/or swimming pool space, with potential partnership opportunities with Iowa Elite for basketball programming at the facility (project collectively “Sears Redevelopment”); and

**WHEREAS**, on June 8, 2020, by Roll Call No. 20-0916, the City Council received a development proposal and preliminary terms of agreement relating to the proposed Sears Redevelopment and directed the City Manager to proceed with negotiation of the necessary agreements and amendments to the existing Agreement consistent with said preliminary terms for consideration of approval by the City Council; and

**WHEREAS**, the City Manager has negotiated a First Amendment to the Agreement (“First Amendment”) with Macerich, whereby Macerich has agreed to construct, operate, and maintain the Sears Redevelopment, subject to purchase agreement and approval of assignment to Genesis and further subject to and in accordance with an amendment to the Conceptual Development Plan to be submitted by Macerich and/or Genesis for City review and approval, which proposed First Amendment is on file and available for inspection in the office of the City Clerk and on the City of Des Moines website in relation to Urban Design Review Board review; and



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WHEREAS, the First Amendment provides that in consideration of Macerich’s or assignee’s (Genesis’) commencement and completion, operation, and maintenance of the Sears Redevelopment project, the City will provide economic development assistance including an estimated \$7,400,000.00 tax increment financing assistance to serve as the core mechanism for responding to a financing gap presented by the development team, as follows:

- 38 semi-annual installments of one-hundred percent (100%) of project-generated tax increment financing (TIF) in the amount of approximately \$5,400,000.00 (net present value (NPV) at a 4.5 percent discount rate) to be paid by assignment from the City to Genesis;
- 20 annual payments of non-project generated tax increment financing (TIF) in the amount of \$337,409.00 per year in years 1-20 after project completion, for a total of \$4,200,000.00 (NPV at a 4.5 percent discount rate), to be paid by assignment from the City to Genesis from the Southside Tax Increment Financing District;
- Subsidy requirements for use of the Sears Redevelopment, totaling \$2,950,000.00 (\$1,717,192 NPV total) scheduled over years 2-20 after project completion, to be paid by Genesis as anticipated assignee to subsidize fifty percent (50%) of the cost of sports leagues, clinics, and lessons for basketball, volleyball, swimming, gymnastics, self-defense, and futsal, offered by Genesis pursuant to the Sears Redevelopment, to be provided to any and all children residing in households which earn an annual gross income equal to or lesser than the fifty percent (50%) annual median income threshold for Polk County for a four-person household as determined by the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, the First Amendment further provides that in consideration of Macerich’s commencement and completion of the roof replacement or other agreed-upon improvements at 1111 E. Army Post Road (“1111 E. Army Post Road Maintenance”), completed by September 1, 2021, City will provide economic development assistance to Macerich of up to fifty percent of actual cost, not to exceed \$500,000.00, in the form of a grant.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, as follows:

1. The City Council hereby makes the following findings regarding the proposed First Amendment to Amended and Restated Urban Renewal Development Agreement:
  - a) The economic development incentives provided by the City to Macerich and/or anticipated assignee Genesis under the First Amendment are provided pursuant to the authority granted by the Urban Renewal Law and Chapter 15A of the Code of Iowa and are intended to assist in the redevelopment of the Project Area for commercial, office, retail, residential, educational and recreational uses by the construction of the Improvements and the redevelopment and use of the Project

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Area in conformance with the Amended Agreement and the Conceptual Development Plan, as amended by the First Amendment.

- b) The amount of the economic development incentives provided by the City to Macerich and/or anticipated assignee Genesis under the First Amendment is based on the public benefit from the construction of the Sears Redevelopment and 1111 E. Army Post Road Maintenance projects, and the redevelopment and use of the Project Area in conformance the Amended Agreement and the Conceptual Development Plan, as amended by the First Amendment.
  - c) The construction of the Sears Redevelopment and 1111 E. Army Post Road Maintenance projects, and the redevelopment and use of the Project Area in conformance with the Amended Agreement and the Conceptual Development Plan as amended by the First Amendment, will generate the following public gains and benefits: (i) it will advance the improvement and redevelopment of the Urban Renewal Area in accordance with the Urban Renewal Plan; (ii) 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 disinvestment and declining commercial occupancy and resident population; and (iii) it will further the City's efforts to create and retain job opportunities within the Urban Renewal Area which might otherwise be lost.
  - d) The Sears Redevelopment and 1111 E. Army Post Road Maintenance projects planned by Macerich and/or its anticipated assignee Genesis pursuant to the Amended Agreement are a speculative venture and will not occur without the economic incentives provided by the Amended Agreement.
  - e) The construction of the Sears Redevelopment and 1111 E. Army Post Road Maintenance projects, the redevelopment and use of the Project Area in conformance the Amended Agreement and the Conceptual Development Plan as amended by the First Amendment, and the fulfillment generally of the Amended Agreement and First Amendment thereto, are in the vital and best interests of City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which such project has been undertaken, and warrant the provision of the economic assistance set forth in the First Amendment.
2. The First Amendment to Amended and Restated Urban Renewal Development Agreement between the City and Macerich is hereby approved, subject to execution thereof by Macerich.
  3. Upon execution of the First Amendment by Macerich, following and subject to purchase agreement and approval of assignment to Genesis, the Mayor is authorized and directed to execute said documents on behalf of the City of Des Moines and the City Clerk to attest to his signature.



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- 4. The City Manager or his designee(s) are authorized and directed to administer the Amended Agreement and First Amendment thereto.
- 4. Upon requisition by the City Manager or the City Manager's designee, the Finance Department shall advance required installments on the Economic Development Grants for the Sears Redevelopment and 1111 E. Army Post Road Maintenance projects pursuant to Article 5 of the Development Agreement.
- 5. The Development Services Director or her designee are directed to submit a copy of the fully executed First Amendment to the Finance Department to enable the Finance Director to make any appropriate disclosure filings in accordance with the City's adopted revised Disclosure Policy.

( Council Communication No. 20- **353** )

MOVED by *Gatto* to adopt.

**FORM APPROVED:**

/s/ Glenna K. Frank  
Glenna K. Frank  
Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE	✓			
BOESEN	✓			
GATTO	✓			
GRAY	✓			
MANDELBAUM	✓			
VOSS	✓			
WESTERGAARD	✓			
TOTAL	7			

**CERTIFICATE**

I, P. KAY CMELIK, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED APPROVED  
*J. M. Franklin Cownie* Mayor

*P. Kay Cmelik* City Clerk