


# COUNCIL COMMUNICATION

	Number:	<b>20-285</b>	Meeting:	<b>June 22, 2020</b>
	Agenda Item:	<b>52</b>	Roll Call:	<b>20-1034</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

**AGENDA HEADING:**

Approving amendment to the Conceptual Development Plan for Southridge Mall to include the proposed Johnson Healthcare Real Estate VA Clinic at 1211 East Army Post Road.

**SYNOPSIS:**

Johnson Healthcare Real Estate (Derek Weaver, Senior Vice President, 2204 Lakeshore Drive, Suite 215, Birmingham, AL 35209) is proposing to repurpose the former Toys-R-Us building at Southridge Mall into a state-of-the-art, multi-specialty veterans’ outpatient clinic. Johnson Healthcare Real Estate is working with Macerich Southridge Mall, LLC to contribute investment in the overall vision and Master Conceptual Development Plan for Southridge. The addition of a veterans’ outpatient clinic will provide an important service to residents in the area, adding to the variety of services and amenities located here, as well as the services and amenities planned as part of the continued redevelopment and repurposing effort at Southridge.

Each individual project in the plan area is required to be acknowledged through an update of the Southridge Master Conceptual Development Plan and to undergo review by the Urban Design Review Board, per the Amended and Restated Urban Renewal Development Agreement between the City and Macerich Southridge Mall, LLC and Southridge Adjacent, LLC.

**FISCAL IMPACT:**

Amount: The existing Development Agreement with Macerich Southridge Mall, LLC and Southridge Adjacent, LLC, provides for a declining percentage of the tax increment generated from the project schedule as follows: 100% in years 1-10, and 75% in years 11-15, with no installments to be paid after May 10, 2036. An assignment of the tax increment is not anticipated for this project and will flow through to Macerich.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 888,157	\$ 3,021,853	\$1,638,251	\$ 1,383,602
Sum 20 Years	\$1,865,129	\$ 7,639,966	\$2,242,355	\$ 5,397,611
Sum 30 Years	\$2,939,799	\$12,987,747	\$2,242,355	\$10,745,392

\*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:

\$7,350,000 commercial building assessment

\$806,000 land assessment

\*Assumes the building renovations qualify for the 3-year, 100% commercial tax abatement.

Funding Source: Southside Urban Renewal Tax Increment Financing District

### **ADDITIONAL INFORMATION:**

- Urban Design Review Board and City Council approved a development agreement and Master Conceptual Plan with Macerich Southridge, LLC in 2012 for the redevelopment and repurposing of Southridge Mall, which had become largely vacant and was in need of significant new investment.
- Hy-Vee and Target are anchor retail tenants, and a number of new retail services were added as part of the first phase of the Southridge work. Des Moines Area Community College has repurposed the former JC Penney's building and has welcomed students to the area in higher numbers each year. Recent housing proposals include Southridge Senior Lofts and Southridge Apartments that will bring a total of 334 residential units to the district. Most recently, a Unity Point medical clinic was completed as an in-fill project within the project area.
- Developer – Johnson Healthcare Real Estate - with offices in Birmingham, Alabama; Dallas, Texas; and Indianapolis, Indiana, is a nationwide leader in the development, acquisition, management and ownership of technically sophisticated, state-of-the-art healthcare facilities. Their development experience reaches from Florida to Oregon. Johnson has consistently been recognized as one (1) of the leading healthcare real estate development firms in the United States by Modern Healthcare. To date, Johnson has completed 79 healthcare developments nationwide, with a total investment of more than \$1.3 billion. Additionally, Johnson has won 12 build-to-suit lease awards from the US Department of Veterans Affairs (VA), including the Des Moines project.
- Johnson Healthcare Real Estate will redevelop and own the property and the VA will be a lease tenant in the property for the clinic use.
- The VA clinic will include the following operations and services:
  - primary care
  - physical medicine
  - physical rehabilitation
  - prosthetic services
  - a pathology laboratory
  - radiological services
  - behavioral healthcare

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: June 2, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the amendment as presented by Hielkema. Seconded by Rypma. Motion carried. Yes = 9, No = 0, Abstain = 0, Absent = 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – Design Review

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