

Legislation Text

File #: 2016-0142, **Version:** 1

Request by Developer of the Summit Fair TIF Project for (1) approval of a lease to Dick's Sporting Goods, a business currently located in the Summit Woods shopping center, (2) a determination by the City Council that Dick's Sporting Goods would not be a direct beneficiary of tax increment financing or other development financing through a lease of property in the Summit Fair TIF redevelopment area and (3) approval of a Relocation Agreement to provide a payment to the City for the vacated store location.

Key Issues:

- Dick's Sporting Goods ("Dick's") is an approximately 30,700 square foot store that is currently open in the Summit Woods Shopping Center.
- RED Development ("Developer") has requested that the City allow the relocation of Dick's into the Summit Fair Shopping Center, for the construction of a new approximately 50,000 square foot store. Dick's desires the new location in order to stay in the City and operate in a larger store.
- Developer's proposed schedule would have the new Dick's store open in Summit Fair in the 1st quarter of 2017 and then close the Summit Woods store immediately thereafter.
- The Summit Fair TIF Contract (Section 19.D) provides that a store which is currently open in the City may not be relocated into the Summit Fair TIF redevelopment area without permission of the City Council.
- Developer requests the Council's permission for the store relocation. Developer proposes a contractual arrangement with the City by which Developer will guarantee a payment to the City in an amount equal to the projected City sales tax revenues from a new store opening in the vacated Summit Woods space over a period of two years from the date that the Dick's store closes. Developer assumes that a new business in the prior Dick's Sporting Goods location would generate \$291,600 in City sales tax revenues over a two year period, which is 80% of the average sales currently being generated by tenants in the Summit Woods Shopping Center. Two years after the current Dick's Sporting Goods store closes, the City will calculate the actual sales tax revenues generated by any business that opens in the Summit Woods space during this two-year period, and if the amount is less than \$291,600 then Developer will cover the shortfall. If no business opens in the vacated Summit Woods space during this two-year period, then Developer's payment to the City would be the full \$291,600.
- The proposed Relocation Agreement is a companion item on the agenda to implement Developer's contract proposal.
- Section 19.D of the TIF contract also provides that, if the Council finds that the retail establishment is a direct beneficiary of tax increment financing or other development financing, then the Economic Activity Taxes (EATs) captured by the Summit Fair TIF plan shall equal the amount by which the EATs generated by the new store exceeds the EATs generated by the old store in the calendar year prior to the year that the relocation occurs. Consequently, if the Council finds that Dick's Sporting Goods relocation is a direct beneficiary of tax increment financing or other development financing, then the sales level at the prior Summit Woods location is imputed as the base sales in Summit Fair and only 50% of the EATs above the base sales will be captured by the TIF plan. In effect, the sales level at the old store becomes the base sales at the new store for the purpose of calculating EATs for the

TIF plan of the Council finds that the store is a direct beneficiary of tax increment financing.

- As a result of this rule, Developer is also requesting that the City Council making a finding that Dick's Sporting Goods relocation into Summit Fair would not be a direct beneficiary of tax increment financing or other development financing. Developer has submitted a letter from Dick's Sporting Goods to substantiate the requested finding. If the Council makes this finding then the Summit Fair TIF plan would capture 50% of all EATs generated at the new Dick's Sporting Goods store in Summit Fair.

Proposed City Council Motion:

Note: There are two separate motions and one ordinance to cover Developer's requested actions.

I move to approve Developer's request under Section 19.D of the Summit Fair TIF Contract for approval of the lease of property to Dick's Sporting Goods and relocation of the store from Summit Woods.

I move to approve Developer's request for a finding that Dick's Sporting Goods would not be a direct beneficiary of tax increment financing or other development financing if it purchases or leases property in the Summit Fair TIF Redevelopment Area.

I move to direct staff to present an ordinance approving the Relocation Agreement for Dick's Sporting Goods to relocate into the Lee's Summit East (Summit Fair) Tax Increment Financing Redevelopment area.

Timeline:

Developer proposes that the new Dick's store would be open in Summit Fair in the 1st quarter of 2017, and the store in Summit Woods would close immediately thereafter.