



PACIFICA SQUARE

PROPOSED AMENDMENT TO A SALES TAX SHARING AGREEMENT

COW Presentation

October 6, 2020



Context

- This resolution will recalibrate specific elements of the sales tax sharing agreement portion of the overall incentive package originally approved in February 2018 that coincided with the purchase by Windfall of the 60% vacant shopping center now known as Pacifica Square.
- The incentive package was and remains 100% performance based.
 - All dollars received by Windfall are incremental dollars that will be created by the repositioning and redevelopment of the shopping center.

Reason for the Amendment

- The amendment to the existing Sales Tax Sharing Agreement adds additional time for sharing sales tax revenues from 10 years to 17 years, and raises the revenue cap from \$4 Million to \$6 Million.
- Amending the sales tax agreement will provide a greater opportunity for Windfall, to earn more of their total incentives from sales taxes and commensurably less from more challenging incentive options such as TIF.
- Sales Tax sharing was part of a potential three tiered incentive package (approved by City Council on February 27, 2018, R18-048 to include Sales Tax Sharing, a Business District and a TIF)).
- The sales tax agreement was originally documented and approved on March 12, 2019.

Background

- With the retail market nationally in rapid decline and vacancies at (the former) Yorkshire Shopping Plaza chronically in the 40-50% range, the City entered into agreements with the Windfall Group, the new owners of the center that has since been rebranded as Pacific Square.
- Based on a potential \$100 million dollar investment, the City Council authorized the review and creation of redevelopment agreements to include incentives up to 15% of eligible developer costs incurred by Pacific Square. The City's commitment of up to 15% was based on the final costs of three potential phases of development and could involve hotel tax, food and beverage tax, sales tax, TIF, etc...
- Since this initial approval the City has approved a Business District with a tax rate set at 0.25% of sales, giving Pacifica the right to self imposed this tax at no cost to the City. Separately the City agreed to the extension of a sales tax sharing agreement with Best Buy that facilitated their remaining in the center.
- The developer originally proposed a future stand-alone office tower, and a mixed-use (ground floor retail with residential above) in addition to the complete rehabilitation, rebranding and repositioning the existing "L" shaped center
- Over the last year, Windfall Group has made tremendous progress in renovating the center. The next phase of development is being reviewed for feasibility based on the changing market conditions.

Project Costs

- Staff anticipates that this project will increase the City's overall tax base, and executing the amendment to the sale tax sharing agreement will continue to move things forward and is consistent with the City's original target incentive of 15% for the total project.

	Original Estimates	Phase 1 Estimated Costs	Potential Future Phase
Plaza Purchase	\$ 18,000,000.00	\$ 18,000,000.00	\$ 18,000,000.00
Plaza Rehab	\$ 14,600,000.00	\$ 20,000,000.00	\$ 20,000,000.00
Parking Deck	\$ 8,000,000.00		
Detention	\$ 2,000,000.00		
Office Building	\$ 8,800,000.00		
Residential	\$ 39,200,000.00		\$ 40,000,000.00
Retail (ground)	\$ 6,000,000.00		\$ 6,000,000.00
TOTAL	\$ 96,600,000.00	\$ 38,000,000.00	\$ 84,000,000.00
Incentives	\$ 15,000,000.00	\$ 9,300,000.00	\$ 9,300,000.00
Percentage	16%	24%	11%

Discussion

- While the exact nature of the future phases are being studied in depth by Windfall, certain realities have presented themselves that have enabled us to make this recommendation. Of the three tiers of incentives originally outlined:
 1. The **Business District** is in place that enables Pacific Square to charge additional sales taxes of up to 1% that can be used to defray the cost of development. However, competitive forces have limited this tax to only 0.25% which will limit the incentive dollars available to Pacific Square.
 2. The City originally committed to a **Micro TIF** that excluded the “L” shaped retail center. A TIF is not seen as viable at this time. Staff may continue discussions with District 204 regarding a property tax rebate at a later date.
 3. This leaves the **Sales Tax** sharing option as the best and more certain way to get these incentives to the developer. All dollars that are shared will be created from revenues at Pacific and will not come from other sources. The amended sharing agreement is structured to preserve the City’s existing sales tax collections and allow Pacific Square to collect the increment above this amount for a period (with 2018 unchanged as being the base year) of seventeen years (up from ten years) to a maximum of \$6 million (up from \$4 million) whichever comes first.

Finance Committee Follow-up

- During and after the Finance Committee meeting, the following two items were raised that staff would like to address:
 1. The desire for Best Buy to market itself as being in Aurora.
 - The City is working on this modification.
 2. The current and expected construction costs.
 - This was discussed earlier in the presentation, but the goal is to keep the City's incentives to the agreed upon 15% of the total project cost.



PACIFICA SQUARE

A WINDFALL PROPERTY

2020.10.06





AVAILABLE
41,106SF



BEFORE



DESIGN



AFTER



AFTER



BEFORE



AFTER - PARK TO SHOP



PARK TO SHOP



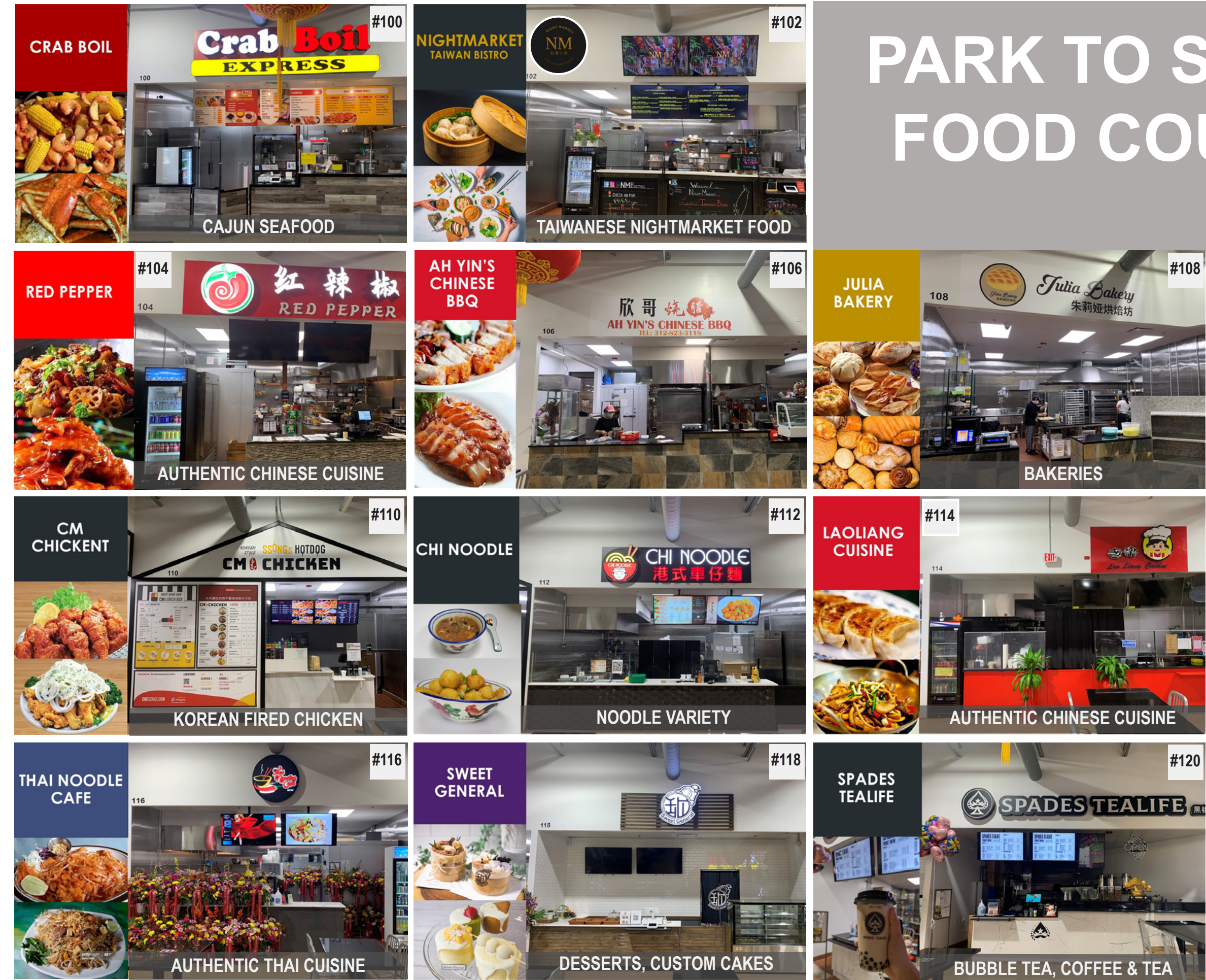
PARK TO SHOP



PARK TO SHOP



PARK TO SHOP FOOD COURT



NEW STORES



LAO SZE CHUAN



NEW STORES



PHO NOODLE STATION



NEW STORES



A TASTY HOT POT



NEW STORES



VIVI BUBBLE TEA



NEW STORES Gemini Foot Massage



GEMINI FOOT MASSAGE



NEW STORES

AQUARIUS

— Gift shop —



AQUARIUS GIFT SHOP



NEW STORES



BELLAVIVA NAIL BAR



NEW STORES



LEVEE KARAOKE & BBQ



NEW STORES



JENNIFER HAIR SALON



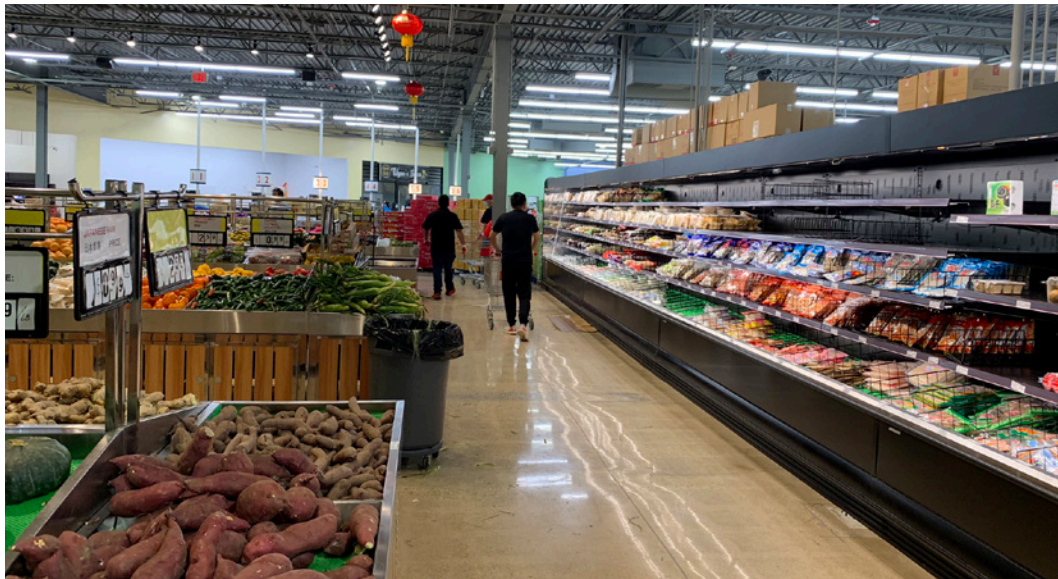
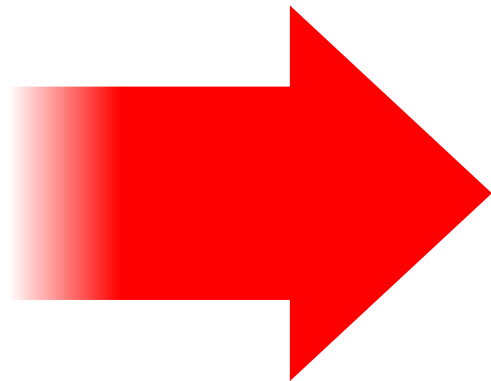
NEW STORES



CHAMPIONS BEAUTY BARBER UNIVERSITY



TRANSFORMATIONS



MORE TO COME!!
THANK YOU!!