



City of La Quinta

CITY / SA / HA / FA MEETING DATE: June 3, 2014

ITEM TITLE: DISCUSS A SALES TAX SHARING AGREEMENT WITH MICHAEL SHOVLIN FOR CERTAIN IMPROVEMENTS ASSOCIATED WITH 111 LA QUINTA CENTER

AGENDA CATEGORY:

BUSINESS SESSION:

CONSENT CALENDAR:

STUDY SESSION: 2

PUBLIC HEARING:

RECOMMENDED ACTION:

Discuss terms of a sales tax sharing agreement with Michael Shovlin for certain improvements associated with 111 La Quinta Center.

EXECUTIVE SUMMARY:

- The 111 La Quinta Center is one of the first and largest shopping centers in La Quinta. Numerous anchor stores and businesses are located within this center.
- Due to the latest economic recession, approximately 37 percent of the ancillary tenant space within 111 La Quinta Center is currently vacant. A limited amount of pad spaces also remain undeveloped within the Center.
- A new anchor store, Hobby Lobby, is under construction and slated to open in early 2015. This store is anticipated to stimulate strong customer interest and lead to new tenant interest within 111 La Quinta Center and the Highway 111 business district.
- The developer, Michael Shovlin, has made certain recent improvements and is planning future improvements in an effort to attract additional shopping interest within the 111 La Quinta Center.
- A new traffic signal is proposed to be established in 2015 for the intersection of Adams Street and Corporate Center Drive. Though not a part of the initial design, the improvement is proposed to include a new signalized access point for the 111 La Quinta Center.

FISCAL IMPACT:

The proposed agreement with Michael Shovlin would result in the City providing a

sales tax reimbursement of \$400,000 in sales tax generated from Hobby Lobby.

BACKGROUND/ANALYSIS:

The 111 La Quinta Center consists of approximately 60 acres bounded by Washington Street, Highway 111, Adams Street and the Whitewater Channel. The project Specific Plan represents that there will be approximately 617,000 square feet of retail space within the Center when built out. Approximately 485,000 square feet of retail space currently exists. Several prominent businesses are located at the Center, such as Stater Bros., Staples, Big 5, AAA, Petco, Ross and Kohl's.

Though the majority of the Center is built out a few building pad locations remain undeveloped. One of those pads is slated to be the future location of Hobby Lobby, which is scheduled to commence construction this summer. Hobby Lobby is an arts and craft supply retailer with a strong customer following. It is anticipated that the addition of this store will bring a sizeable amount of new retail business to the 111 La Quinta Center and the Highway 111 retail corridor.

The property developer and owner of a majority of the 111 La Quinta Center, including the Hobby Lobby site, is Michael Shovlin. Mr. Shovlin has requested \$400,000 in economic development assistance from the City via a sales tax reimbursement agreement. This funding would be used to make certain improvements to the Center that will assist in the ability to attract new and maintain existing retail businesses. Though Hobby Lobby is expected to be a positive addition to the Center, Mr. Shovlin desires to see the remaining undeveloped pads and vacant commercial space occupied by other quality retail businesses.

The proposed \$400,000 sales tax reimbursement would be used toward the following improvements:

- \$ 25,000 Miscellaneous Center landscaping improvements (majority completed).
- \$150,000 Future pedestrian walkway improvements associated with development of Hobby Lobby and adjacent pad sites to improve pedestrian connectivity and flow of Shopping Center.
- \$120,000 Property necessary for future Adams Street and Corporate Center Drive signal access (includes inability to utilize remainder property in northeast corner of signal).
- \$ 50,000 On-site improvements associated with future Adams Street and Corporate Way signal.
- \$ 55,000 Miscellaneous future signage and aesthetic improvements to benefit economic development of center.
- \$400,000 TOTAL REQUESTED

The reimbursement proposes a 50/50 sharing of sales tax generated from Hobby Lobby. Mr. Shovlin provided staff with gross sales figure estimates for the proposed store. Based upon this information, it is estimated that Mr. Shovlin would receive the \$400,000 reimbursement in approximately 5½ years.

The largest improvement item listed involves the Adams Street and Corporate Center Drive signal (total cost of \$170,000). This signal was originally represented without a connection serving 111 La Quinta Center. However, conversation with Mr. Shovlin has resulted in strong consideration given to providing such, which includes the need to establish an easement for the future access. Staff believes this would provide a much safer access for the Center as well as improving general circulation. The addition of this access and associated improvements adds approximately \$150,000 to the project cost. In an effort to address this expense, recent discussion has represented a cost share of \$50,000 each from Mr. Shovlin, Kohl's (yet to commit to provide funding) and the City.

Following study session discussion, staff is prepared to proceed with preparing a sales tax sharing agreement and subsequently scheduling this item for a public hearing and further consideration by City Council.

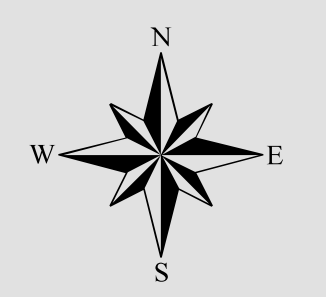
Report prepared by: Les Johnson, Community Development Director
Report approved for submission by: Frank J. Spevacek, City Manager

Attachments: 1. Map of 111 La Quinta Center
 2. Preliminary Design for Adams and Corporate Center
 Signal

One Eleven
La Quinta Center
ATTACHMENT 1



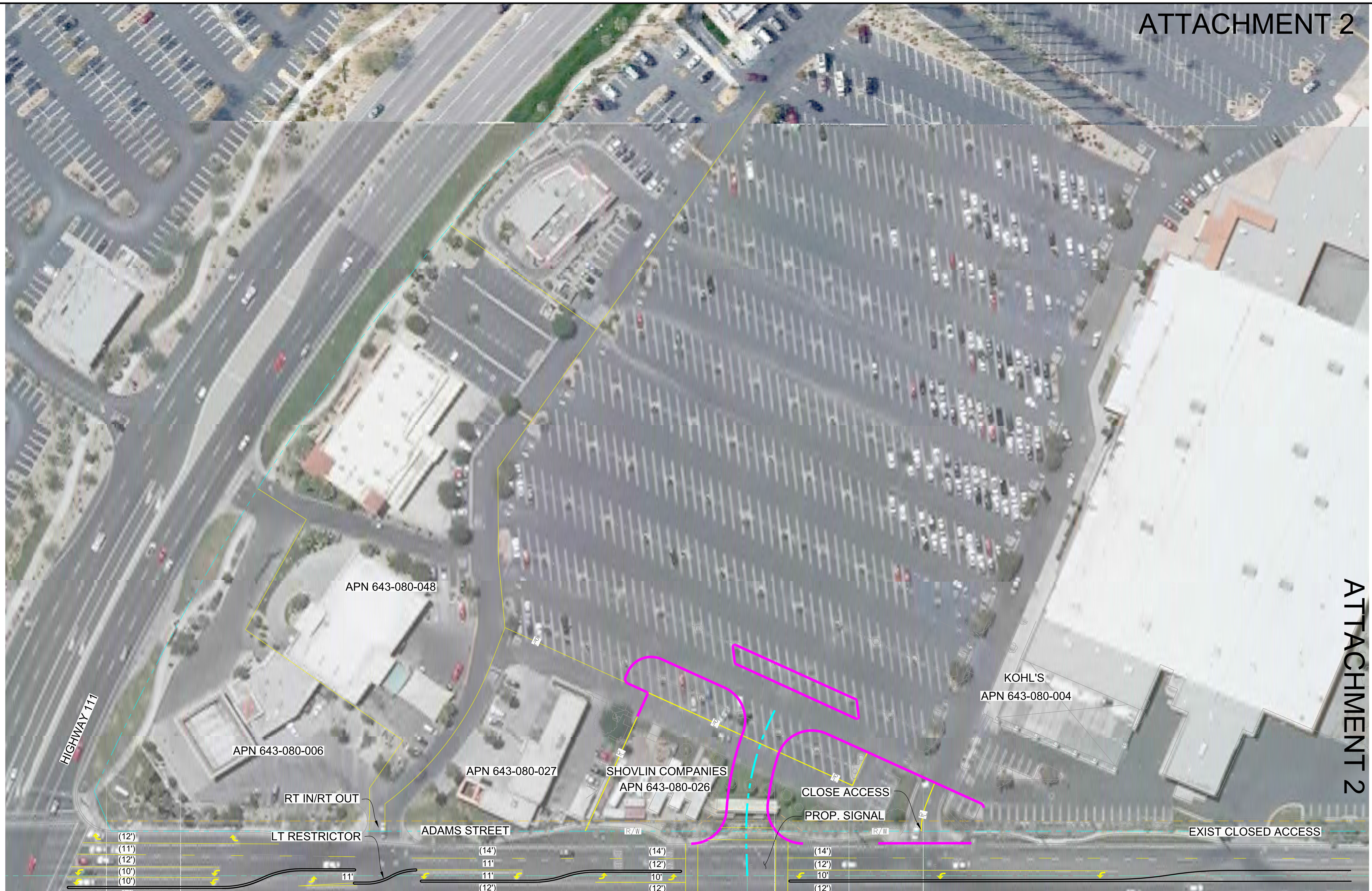
ATTACHMENT 1



May 28, 2014



City of La Quinta
Planning Division
Community Development Department



ADAMS STREET SIGNAL AND STREET IMPROVEMENTS
CITY PROJECT #2012-01

