



# SYRACUSE CITY

## Syracuse City Redevelopment Agency

**April 11, 2017 – immediately following the City Council Business Meeting, which begins at 6:00 p.m.**

City Council Conference Room

Municipal Building, 1979 W. 1900 S.

1. Adopt agenda
2. Public Comment: This is an opportunity to address the Council regarding your concerns or ideas. Please limit your comments to three minutes.
3. Consideration of proposal by management of The Rush re: contract termination related to closure of swimming pool space.
4. Adjourn.

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In compliance with the Americans Disabilities Act, persons needing auxiliary communicative aids and services for this meeting should contact the City Offices at 801-825-1477 at least 48 hours in advance of the meeting.

### **CERTIFICATE OF POSTING**

The undersigned, duly appointed City Recorder, does hereby certify that the above notice and agenda was posted within the Syracuse City limits on this 6<sup>th</sup> day of April 2017 at Syracuse City Hall on the City Hall Notice Board and at <http://www.syracuseut.com/>. A copy was also provided to the Standard-Examiner on April 6, 2017.

CASSIE Z. BROWN, MMC  
SYRACUSE CITY RECORDER



# RDA AGENDA

April 11, 2017

## Agenda Item #3                      Rush Funplex Proposal

### *Factual Summation*

Earlier this year the Rush Funplex was found to be in breach of contract with the redevelopment agency after they stopped operating their swimming pool. They would like to present to the council a proposal to continue to receive tax increment and justify a new contract with the Redevelopment Agency to collaborate in funding these operations.

On March 28<sup>th</sup> the City Council heard from the Owners of the Funplex after having toured the facility on the 24<sup>th</sup>. The additions to the facility will cost around 2.5 million dollars in amenities and construction. Over the life of the RDA the improvements add \$150,119.00 in tax increment should they be assessed at the cost the owner has shared with us. For all intents and purposes there has never been PP&E collected on the pool equipment.

We have received from the bank confirmation that the city's TIF "*contribution is a significant element of the bank being interested in pursuing the additional request for funding.*"

We have also analyzed documents that formed the basis of numbers previously provided, and they suggest that the costs of operating the pool far exceed the receipts or sales. Last year, 27% of Cost of Goods and Services was from the pool - while sales from the pool only made up 10% of gross receipts or sales.

Overall losses were 18% of sales in 2016, and this will increase to 24% of sales without 2017 scheduled TIF distribution. Projected losses are hard to predict because the product types associated with the proposed retro fit are different than what they were with the pool. Operating expenses associated with the retro fit will also be different and so will too the attraction of sales.

However, the owner has tried to project how the sales will be impacted by the improvements. While increased sales at the Rush are important to the vitality and intent of the RDA as whole the impact to the agency budget is very little if any at all.

The biggest costs as part of the 2012 expansion agreement were undoubtedly the pool improvements. The money we collect in tax increment will not change – but most of the cost the owner has taken on as part of the original project remains. The burden of these costs was to be offset in part by the RDA.

Even if The Rush goes out of business, the city will still collect tax increment on the property through year 2032 in the RDA and then obviously, property tax distribution at the close of the RDA. The only risk to the city is opportunity costs associated with storing cash for future RDA needs.

**The ask from the owner is to continue the RDA contribution to the project per the 2015 amendment to the agreement.**

2017	\$128,607
2018	\$128,607
2019	\$123,189
2020	\$82,005
2021	\$78,573
2022	\$73,154
2023	\$69,722
2024	\$13,546

Totaling = \$468,796 through year 2024

If the Rush closes, it is likely that a future tenant would approach the RDA for funding of additional amenities. It is also likely if the Rush were to go out of business because of lack of operating cash flow, the cost to the City to bring in a new tenant would exceed \$469K.

The intent of the RDA formation was to spur development and generate property tax revenues. This has occurred to some extent. Continuing to contribute funds to the Rush per the schedule above is in line with the intent and of objectives the RDA. It is not in alignment with the previous agreement, that is obviously why a new contract will need to be drafted.

There are qualitative costs to continuing contribution. Most notably, there is a perception among the Syracuse constituency is that “tax payer money is subsidizing the Rush” – while that is not true - that perception may have real consequences. On the other side, it is reasonable to assume that letting even the pool or the entire Rush go out of business, and the building sit vacant will have real consequences too. There will undoubtedly be perception tied to a very visible vacant building at the center of our community - which no one benefits from – except the RDA because we will keep taxing it.

While on the surface, the city may feel that the community needs a swimming pool more than a ropes course (along with all the other amenities the owner will install) – the reality is because of operational expenses, community demand, and the parity of existing operations to remain – the proposed changes are less risky for the owner than the swimming pool. However, the monetary risk to the RDA and city is virtually nothing and possibly could very well result in a gain (because of new PP&E).

Legal Note: The financial documents provided by The Rush are not public documents. They are designated as protected business information, the public disclosure of which could result in unfair competitive injury to the business. Please do not share those documents with anybody, and please do not disclose specific numbers (beyond what has been publicly released by the business, or what has been included in this staff report) during public meetings.