

Competing hotel/water parks planned near Mall of America

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Let the water park wars begin.

When "Famous Dave" Anderson spoke at a news conference a couple of weeks ago about a hotel and water park he was planning near the Mall of America, he made a few not-so-subtle digs at Jeffrey Wirth's competing proposal for a hotel-water park near the mall.

Wirth declined to comment when the McGough Companies project was announced, but it was only a matter of time before the loquacious owner of the Grand Hotel in Minneapolis weighed in.

"We've already defined ourselves as the Water Park of America," he said in a recent interview. "If they want to be the Water Park Down the Road, that's fine."

Wirth added that he had "heard rumblings of the McGough project but didn't know all of the details" before seeing news reports. Plans call for a hotel of up to 700 rooms and an attached water park that would be developed by Anderson as part of the \$600 million mixed-use development with Roseville-based McGough Companies. McGough owns the roughly 45-acre site and will handle the construction. The proposed project, which would include 1,000 condominiums and more than 1 million square feet of office space, would be built around a light-rail station.

Wirth controls the 9-acre Decathlon Club site at Cedar Avenue and Interstate Hwy. 494, just west of the mall -- the fire-damaged club facility has been vacant for some time -- where he plans his Water Park of America at an estimated cost of more than \$80 million. Famous Dave's hotel and park would be called "Majestic Springs" and would sit about a block and a half east of the mall. The city of Bloomington isn't choosing sides on the water parks at this point, but officials have indicated that they think there's no reason to provide tax-increment financing for a project with valuable I-494 frontage, as Wirth's site has.

Wirth, of course, begs to differ. He's seeking city-backed tax-increment financing of up to \$20 million spread over as many as 15 years. "Without [tax-increment] financing, you are basically looking at big-box retailers" on the Decathlon site, Wirth said. "That's maybe a \$25 million project that would generate \$1 million in tax revenue."

With city help, he said, a \$125 million, 700-room hotel project could be built that would generate \$5 million a year in property taxes. Even subtracting the \$1 million or \$1.5 million a year in tax proceeds that would go to paying down the bonds for the tax-increment financing, Wirth said, the city would net \$2.5 million to \$3 million more per year in property taxes than it would get from a retail store. The city would capture the full amount in annual taxes 10 or 15 years down the road.

To qualify for tax-increment (TIF) financing, a property also must fit the definition of being "blighted," and Wirth contends that the burned-out, vacant club site qualifies.

Jeff Coy, a Rochester, Minn.-based hotel consultant who specializes in water parks, said that if both projects go forward, it would be a unique situation. The Wisconsin Dells has a number of big indoor water parks, but Coy said that two projects of this magnitude have never been put up side-by-side in a metro area.

He said that it's possible they could co-exist but that they would split the potential business if neither was able to greatly differentiate itself.

Indoor water parks are hot, but the trend is all about hotels, Coy said. Water parks basically serve as loss leaders to fill hotel rooms and justify higher rates for those rooms. The water-park admission fee usually is built into the room rate.