



Council Communication

Office of the City Manager

Date February 11, 2008

Agenda Item No. 42
Roll Call No. 08-
Communication No. 08-075
Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Actions relating to Creation of an Urban Renewal/Tax Increment Finance Plan for Merle Hay Mall Area.

SYNOPSIS:

Recommend receiving and filing of letter from William Lillis (Connolly O'Malley Lillis Hansen Olson LP 317 6th Ave, Des Moines, IA 50309) on behalf of the owners of Merle Hay Mall (Elizabeth Holland, general counsel for Abell Credit Corporation, 30 Michigan Ave. Suite 1008, Chicago, IL) on proposed agreement parameters for use of tax increment financing; directing staff to prepare an urban renewal and tax increment financing (TIF) plan for the Merle Hay area; and authorizing the City Manager to negotiate a development agreement with the owners of Merle Hay Mall property for future City Council action.

The economic health of the Merle Hay Mall affects Des Moines. It is the largest mall in Polk County (totaling about 1.2 million square feet in Des Moines and Urbandale) and serves as the major retail center for NW Des Moines and surrounding areas. Due to its age and changing market and shopping patterns, the assessed value of the Merle Hay Mall in Des Moines has decreased significantly in the past several years from about \$29 million in 2005 to about \$16.5 million in 2008. The City has received a proposal to improve the mall property; the creation of an urban renewal/tax increment finance plan is recommended to assist in improving this area.

FISCAL IMPACT:

The creation of an urban renewal area and TIF plan for commercial development in and around Merle Hay Mall can provide a source of funding for public and private improvements. Public improvements typically include street and sidewalk areas. Financial assistance to commercial properties will be based on improvements that increase the taxable value of the properties.

The owners of Merle Hay Mall have requested a \$6.3 million TIF assistance grant, which is equivalent to using 100% of the increment generated by the mall properties for a 15 year period (or about \$400,000/year for 15 years) based on an additional increase of \$10 million or more in the property assessment. As part of negotiation of the development agreement, additional financial information will be received from the mall owners to identify the "gap" that will be considered in setting the amount of financial assistance that may be available on a cash-available basis.

Based on 2007 assessments, the base (the "frozen") value of the proposed TIF area will be about \$82 million. Merle Hay Mall properties comprise about 20% of the assessed value in the proposed TIF district with another 3 properties totaling an additional 30% of the district's assessed value. Using some very general estimates, the annual tax increment revenues for this area will be about \$100,000/year using an increase in value of about 3% every two years. However, if one or more of the larger properties in this TIF area experiences a significant assessment decrease, this area has the potential to go "negative,"

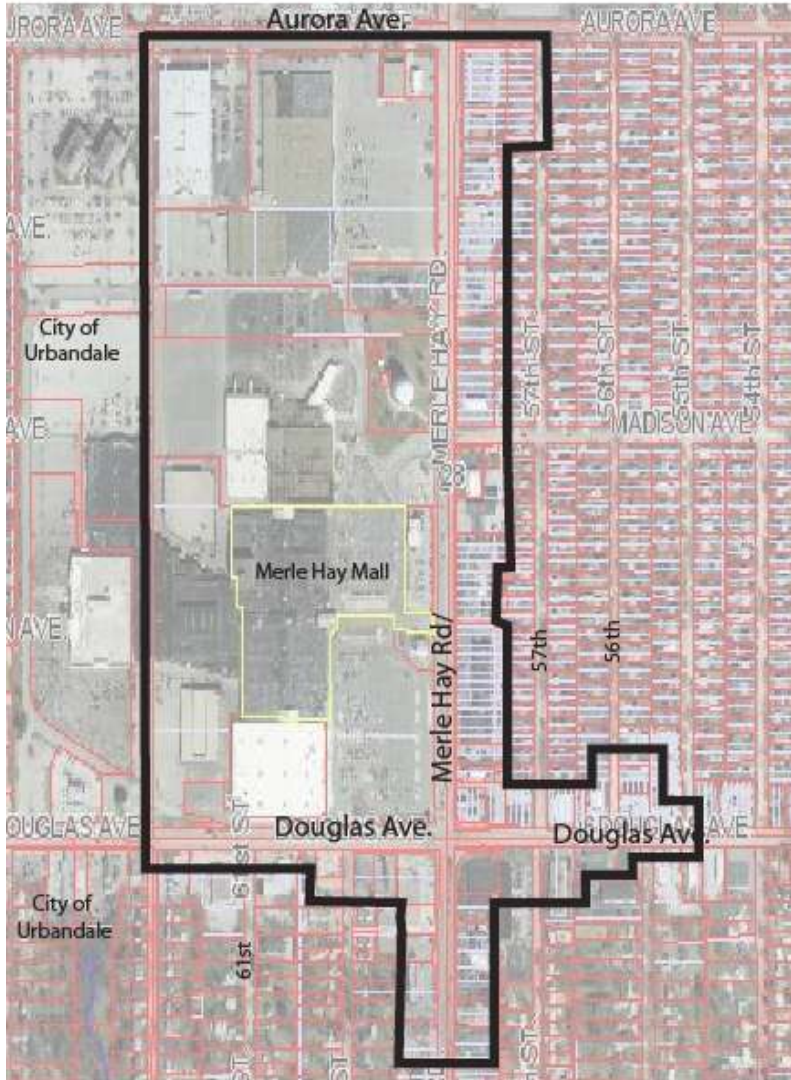
meaning the overall district would drop below its “frozen” assessment base in its early years, which could lead to having no increment available for any public or private project.

ADDITIONAL INFORMATION:

Merle Hay Mall:

In 1959, Merle Hay Plaza (located at the northwest corner of Merle Hay Road and Douglas Avenue extending northward to Madison Avenue) opened as an open air plaza of stores anchored by Younkens Department Store on the south and Sears on the north. In 1973, the plaza was enclosed and expanded westward into Urbandale; the entire development became known as Merle Hay Mall. In 2005, a new Target Store opened in the former Younkens Department Store location with the existing building having been demolished. The most recent mall interior renovation was in 2000; the main east entrance was last renovated in 1990. A letter from Elizabeth Holland has been attached to the roll call; it offers additional background on Merle Hay Mall and the proposed uses of the tax increment revenues at this property.

Proposed Merle Hay Urban Renewal Area



Proposed Urban Renewal Area:

Smaller commercial developments followed as the mall grew in the 1960s and 1970s. Today, many of these adjacent developments are nearing the end of their economic viability, which is reflected in the increasing vacancies and frequent tenant changes.

As part of the strategy to revive the Merle Hay area, the City believes TIF funding of some general streetscape improvements (replacement of streetlight poles with street, curb and sidewalk improvements) will help to improve the overall appearance and benefit the public in accessing the area.

The proposed area for the urban renewal plan and tax increment finance district is shown on this map, with the proposed boundary following the C-2 and C-4 commercial zoning in the area.

PREVIOUS COUNCIL ACTION(S):

Date: January 22, 2007

Roll Call Number: 07- 144

Action: [From](#) William J. Lillis, representing Merle Hay Mall and Bankers Trust, regarding a Tax Increment Financing (TIF) District in the Merle Hay and Douglas Avenue area. Moved by Vlassis to receive and file comments and refer to the City Manager for review and recommendation. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Urban Renewal Plan: Upon Council receipt of the proposed urban renewal plan and tax increment report, which is anticipated to occur in late spring, the Council will direct these documents to the Urban Design Review Board, Plan & Zoning Commission, and to the tax increment consultation, as required by law.

Developer Agreement: The proposed developer agreement, including design, should be reviewed by the Urban Design Review Board as part of its ordinance responsibilities. Staff will work to get the developer agreement to the Council at the earliest possible time.

Informational meetings will be held with the Merle Hay Neighborhood Association.