



Date

July 14, 2008

**Council
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Agenda Item No. 61F
Roll Call No. 08-
Communication No. 08-396
Submitted by: Matthew A. Anderson
Office of Economic Development

AGENDA HEADING:

Approval of economic development agreement with Merle Hay Mall Limited Partnership (Elizabeth I. Holland, Secretary, 3850 Merle Hay Road/Des Moines, IA 50314).

SYNOPSIS:

Recommend approval of a development agreement with the owners of Merle Hay Mall. The agreement provides up to \$400,000 annually as economic development assistance for the renovation and improvement of the main mall building. The assistance is to be funded from the tax increment to be generated by an agreed upon \$10 million increase in the minimum taxable value.

FISCAL IMPACT:

Amount and Funding Sources: The Merle Hay Mall owners have requested a \$5.6 million TIF assistance grant which uses 100% of the increment generated by the mall properties for a 15 year period (or about \$375,000/year for 15 years) based on an additional increase of at least \$10 million in the property assessment. Payments will be made semi-annually (May and November of each year) on a cash-available basis.

The Council has previously adopted a policy that the City may expend up to 75% of the annual aggregated tax increment revenues generated after January 1, 1996. The unexpended increment revenues will be available for distribution to the various property taxing entities. Based upon estimated TIF revenues from the Merle Hay Commercial Urban Renewal Area, an additional \$105,000 for the first year to \$325,000 in the final year would need to be allocated to other taxing entities from the overall TIF revenues derived from all urban renewal areas to meet this 75%/25% policy. Because the initial TIF cash flow of this urban renewal area will be used almost entirely by the semi-annual installments on the financial grant provided to Merle Hay Mall in its first several years, a reduction in TIF use of about \$75,000 annually in other urban renewal areas will be required to maintain compliance with the 75%/25% policy.

The development agreement contains a “non-appropriation clause” which allows the obligation to be excluded from the City's constitutional debt limit. The development agreement also limits the source of funding to the available tax increment in the Merle Hay Commercial Area Urban Renewal Area.

ADDITIONAL INFORMATION:

Development Requirements in the Urban Renewal Plan

The Merle Hay Urban Renewal Plan contains several development requirements that must be met by projects in order to qualify for use of TIF. These conditions are contained in Section II.C (General Development Requirements) of the Plan. In addition, all development projects in this urban renewal area requesting TIF assistance are required to undergo review and recommendation from the Urban Design Review Board. The Board has reviewed and recommended approval of the proposed development and agreement.

PREVIOUS COUNCIL ACTION(S):

Date: June 23, 2008

Roll Call Number: 08-1126

Action: On Proposed Urban Renewal Plan for the Merle Hay Commercial Area Urban Renewal Area. Moved by Kiernan to continue the public hearing until July 14, 2008 at 5:00 P.M. Motion Carried 7-0.

Date: May 19, 2008

Roll Call Number: 08- 874

Action: On creation of an Urban Renewal/Tax Increment Finance Plan for the Merle Hay Commercial Area and submission to Plan and Zoning Commission and Urban Design Review Board for review and recommendation, (6-23-08). (Council Communication No. 08-297) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: March 10, 2008

Roll Call Number: 08- 431

Action: Regarding preliminary terms of agreement with Merle Hay Mall for proposed redevelopment for use of proposed tax increment revenues. (Council Communication No. 08-135) Moved by Vlassis to receive and file the communication and to authorize the City Manager to negotiate a final development agreement with the owners of the Merle Hay Mall in general accordance with the communication. Motion Carried 7-0.

Date: February 11, 2008

Roll Call Number: 08- 245

Action: From William Lillis and Daniel Manning, regarding proposed Merle Hay Mall Redevelopment and Tax Increment Financing (TIF) District. (Council Communication No. 08-075) Moved by Vlassis to receive and file the communication, direct staff to prepare a proposed urban renewal and tax increment financing plan for the Merle Hay area; and authorize the City Manager to negotiate a development agreement with the owners of Merle Hay Mall property for future City Council action. Motion Carried 7-0.

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):

Date: April 29, 2008 and June 17, 2008

Roll Call: N/A

Action: The Urban Design Review Board reviewed and recommended approval of the proposed exterior improvements to Merle Hay Mall (3850 Merle Hay Road) and development agreement general terms at its April 29, 2008 and June 17, 2008 meetings.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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