



**Date**

July 14, 2008

**Council  
Communication**  
Office of the City Manager



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Agenda Item No. 61A-C  
Roll Call No. 08-  
Communication No. 08-397  
Submitted by: Matthew A. Anderson  
Office of Economic Development

## **AGENDA HEADING:**

Items regarding the creation of an urban renewal area and tax increment finance plan for the Merle Hay commercial area.

## **SYNOPSIS:**

On the July 14<sup>th</sup> agenda are several roll calls relating to the creation of a new urban renewal area and tax increment district for the Merle Hay commercial area. The boundaries of this proposed urban renewal area generally follow the commercially-zoned land on Douglas Avenue from 54<sup>th</sup> St. westward to the City's boundary at about 62<sup>nd</sup> St. and on Merle Hay Road from about Ovid Ave. northward to Aurora Avenue. The area contains approximately 118 acres, exclusive of streets. A map of the boundaries is included in this communication.

The roll calls are:

- Receive and file communication from the Plan and Zoning Commission finding the Urban Renewal Plan to be in conformance with the Des Moines 2020 Community Character Plan.
- Resolution of Necessity finding the Merle Hay Commercial Area Urban Renewal Area is appropriate for designation as an economic development area.
- Resolution closing hearing on the proposed Merle Hay Commercial Area Urban Renewal Plan and adopting same.
- First reading of tax increment financing ordinance for above.
- Waiver of readings and final passage of ordinance above.

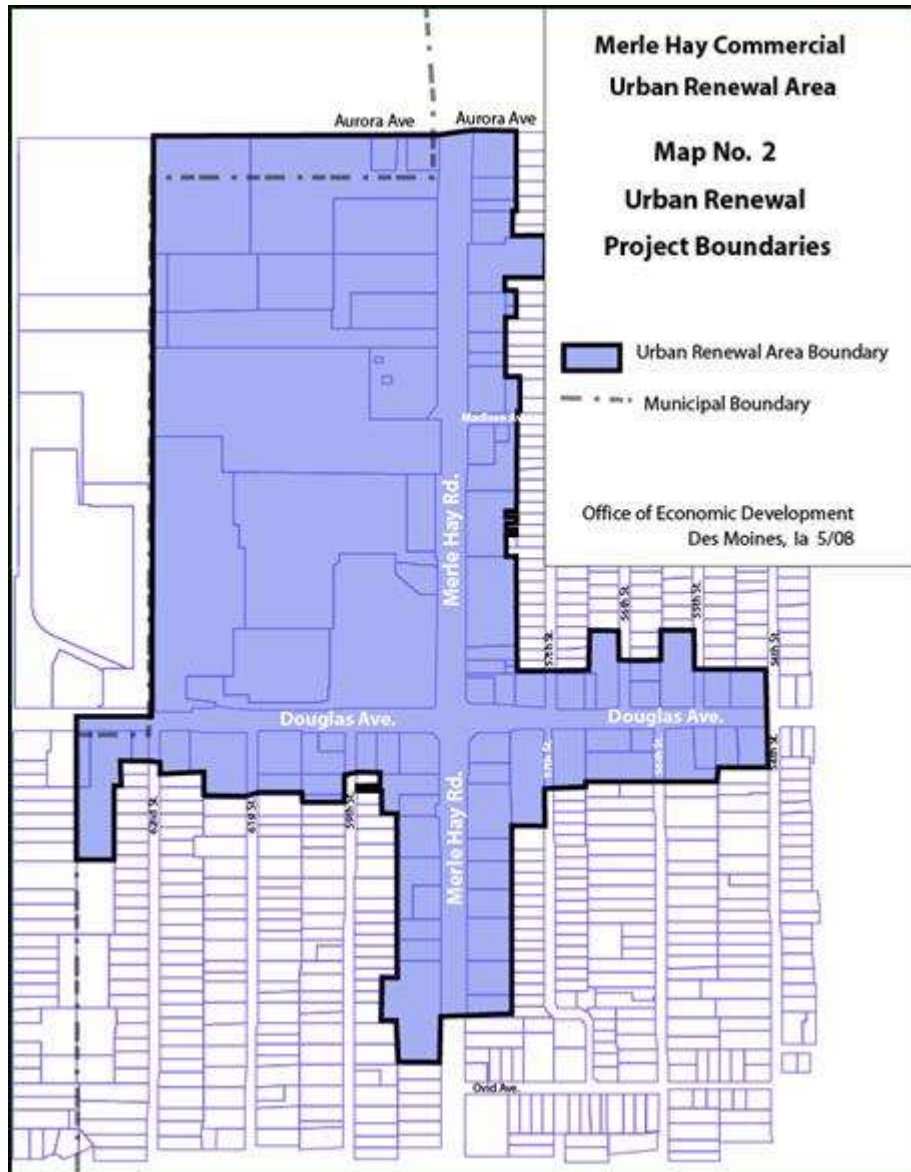
## **FISCAL IMPACT:**

The urban renewal plan and tax increment designation will extend for a period of twenty years following the initial TIF certification. The purpose of designating this retail/commercial corridor as an urban renewal area is to encourage retail and commercial development. The concurrent TIF designation provides a funding source to assist public and private projects.

The estimated net annual cash available to the City ranges from about \$30,000 initially to about \$1,300,000 annually in FY2028/2029 *after* payments for the Merle Hay Mall property developments are made. (The Merle Hay Mall owners have requested a TIF assistance grant which uses the increment generated by the mall properties for a 15 year period for up to \$400,000/year based on an additional \$10 million minimum assessment agreement for the property assessment.)

TIF may also provide funding in the future for general streetscape improvements (replacement of streetlight poles with street, curb and sidewalk improvements) that will help improve the overall appearance. These public improvements will occur over time on a cash-available basis of the area and subject to future amendment of the urban renewal plan. Other funding sources for these public improvements will also be sought.

Based on 2007 assessments, the base (the "frozen") value of the proposed TIF area will be about \$87 million. 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.



The tax increment funding (TIF) will be disbursed on a cash-available basis. All development agreements using TIF assistance will be based on annual payments and the property tax revenues produced by new development. The specific developer agreements must be approved by the City Council.

Five properties comprise about 50% of the area's total assessment. If one or more of the larger properties in the TIF area has a significant assessment decrease, this area could go "negative" in which the overall district drops below its "frozen" assessment base in its early years which could lead to having no increment available for any project.

Funding Sources: The creation of an urban renewal area and TIF plan for the commercial development in and around the Merle Hay Mall can provide a source of funding for private and public improvements.

Financial assistance to commercial properties will be based on improvements that increase the taxable value of the properties. Public improvements typically include street and sidewalk areas.

### **ADDITIONAL INFORMATION:**

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

Clearly, the economic health of Merle Hay impacts 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 2007. 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.

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

*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.

**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):**

Urban Design Review Board reviewed and recommended approval of the proposed urban renewal plan at its June 17, 2008 meeting.

Plan and Zoning Commission reviewed and found the proposed urban renewal plan to be in conformance with the City's Comprehensive Plan at its June 19, 2008 meeting.

Merle Hay Neighborhood Association has reviewed the proposed improvements and indicated their concurrence with the proposed changes.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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