



Council Communication

Office of the City Manager

Date	February 8, 2010
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Agenda Item No.	35
Roll Call No.	<u>10-</u>
Communication No.	<u>10-059</u>
Submitted by: Matt Anderson, Office of Economic Development	

AGENDA HEADING:

Resolution to approve Certificate of Completion for various improvements at Merle Hay Mall and approve First Amendment to development agreement.

SYNOPSIS:

In 2008, the City entered into an urban renewal agreement for the renovation of the Merle Hay Mall, owned by the Merle Hay Mall Limited Partnership, Elizabeth I. Holland, Secretary, 3850 Merle Hay Road, Des Moines, Iowa 50314. As part of the agreement, the Mall must complete certain improvements and execute a minimum assessment agreement to increase the Mall's property tax assessment by at least \$10 million (to \$18 million), as a result of the improvements. The First Amendment to the development agreement provides removal of a conflict within the document concerning the date for the start of payment of the installments on the Economic Development Grant and a subordination requirement on the Declaration of Covenants.

FISCAL IMPACT:

Amount: Up to \$400,000 annually to be paid to the owners of Merle Hay Mall based on the property tax revenue from the Merle Hay Mall assessment and the availability of tax increment revenue in the Merle Hay Commercial Area tax increment finance district.

As noted at the time the agreement was executed, there was potential for the overall district to drop below its "frozen" assessment base due to declining assessments on other properties because of vacancies, demolition and conversion to tax-exempt status, which could lead to an unanticipated reduction in the amount of the payments owed to the owners of the Merle Hay Mall.

The projected "frozen" base value for this TIF area is about \$82 million when the Merle Hay Mall TIF debt is certified in late 2010 by the Council. The first payment to be made for the Mall is scheduled for November 2011. The potential exists that there will be insufficient TIF revenues to make the anticipated payments to Merle Hay Mall.

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. Because the initial TIF cash flow of this urban renewal area will be used almost entirely by 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.

Funding Sources: The Merle Hay Mall owners requested a \$5.6 million TIF assistance grant to update the Mall. This request uses 100% of the increment generated by the Mall properties for a 15-year period based on an additional increase of at least \$10 million in the property assessment. Payments will be made on a cash-available basis semi-annually (May and November of each year) and are capped at \$400,000 annually.

ADDITIONAL INFORMATION: NONE

PREVIOUS COUNCIL ACTION(S):

Date: July 14, 2008

Roll Call Number: 08-1238 – 08-1243

Action: Items regarding Merle Hay Commercial Area Urban Renewal Plan and redevelopment of a portion of Merle Hay Mall:

- (A) Receive and file communication from Plan and Zoning Commission finding the Urban Renewal Plan to be in conformance with the Des Moines 2020 Community Character Plan. Moved by Vlassis to receive and file. Motion Carried 7-0.
- (B) Resolution of Necessity finding the Merle Hay Commercial Area Urban Renewal Area appropriate for designation as an economic development area. Moved by Vlassis to adopt. Motion Carried 7-0.
- (C) Resolution closing hearing on proposed Merle Hay Commercial Area Urban Renewal Plan and adopting same. (Council Communication No. 08-397) Moved by Vlassis to adopt. Motion Carried 7-0.
- (D) First consideration of ordinance above. Moved by Vlassis that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (E) Final consideration of ordinance above, (waiver requested by applicant), requires 6 votes. Moved by Vlassis that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, #14,783. Motion Carried 7-0.
- (F) Resolution approving Urban Renewal Development Agreement with Merle Hay Mall Limited Partnership for redevelopment of a portion of Merle Hay Mall, 3850 Merle Hay Road. (Council Communication No. 08-396) 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.

BOARD/COMMISSION ACTION(S):

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

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The City Council will be required to certify the Merle Hay Mall TIF obligation in late 2010 as part of its annual State law required action on use of TIF revenues.

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