



Date January 28, 2019

RESOLUTION AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO NEGOTIATE A DEVELOPMENT AGREEMENT BASED ON PRELIMINARY TERMS WITH MERLE HAY INVESTORS, LLC, FOR REHABILITATION OF EXISTING MALL PROPERTY AND REPURPOSING THE SEARS SITE

WHEREAS, Merle Hay Investors, LLC, represented by Elizabeth Holland, CEO/General Counsel, Abbell Associates, LLC, is requesting financial assistance from the City to address the fact that two anchors at Merle Hay Mall, namely Sears and Youngers, have closed within 45 days of each other after 59 years of continuous operation; and,

WHEREAS, Ms. Holland reports that all of the lease agreements with the smaller in-line stores have requirements for: 1.) number of anchors connected to the mall; and 2.) co-tenancy within the mall (70%-80% of in-line stores must be occupied), which now allow many of the remaining tenants to pay less rent, which impacts the financial ability of the mall to make improvements to available space to attract new tenants and ensure that the co-tenancy requirements are met; and,

WHEREAS, the City's Office of Economic Development has negotiated preliminary terms of an agreement with Merle Hay Investors whereby Merle Hay Investors will renovate existing spaces within the mall for new tenants and to renovate or redevelop the existing Sears building to allow for re-tenanting, in consideration of the following financial assistance to be provided by the City:

- An economic development grant to be paid in semi-annual installments of \$200,000 (up to \$400,000 annually) for the remainder of the life of the TIF District (12 years). Total amount is \$4.8 million.
- The first six semi-annual installments would be used for reimbursement of documented project costs paid to third party providers for the renovation of the existing mall.
- The 7th and all subsequent semi-annual installments (in years 4-12) would be disbursed only if Merle Hay Investors, LLC or a related entity has acquired the Sears building and site. \$37,500 of each such semi-annual payment (up to \$75,000/year) must be used for reimbursement of documented project costs paid to third party providers for the renovation of the existing mall. The balance of \$162,500 of each such semi-annual payment (up to \$325,000/year) must be used for reimbursement of documented project costs paid to third party providers for redevelopment of the Sears site.
- Each semi-annual installment is subject to the availability of tax increment in that fiscal year from the Merle Hay Mall Commercial Area Urban Renewal Area, after

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payment of the installments due in that fiscal year on the prior Urban Renewal Development Agreements with Merle Hay Limited Partnership and 3801 LLC.

( Council Communication No. 19- 038 )

MOVED by \_\_\_\_\_ to approve the preliminary terms of agreement as identified above, and to authorize and direct the City Manager or the City Manager's designee to negotiate a final agreement for the renovation of the existing spaces within the mall for new tenants and to redevelop the existing Sears site to allow for re-tenanting, for consideration by the City Council at a later date.

FORM APPROVED:

*Roger K. Brown*

Roger K. Brown  
Assistant City Attorney

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COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
COLEMAN				
GATTO				
GRAY				
MANDELBAUM				
WESTERGAARD				
TOTAL				

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED

APPROVED

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk