

COUNCIL COMMUNICATION

	Number:	21-061	Meeting:	February 8, 2021
	Agenda Item:	48I	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution in support of the proposed pre-application for the Merle Hay Mall Campus Reinvestment District.

SYNOPSIS:

In 2013, the Iowa Legislature enacted the Iowa Reinvestment District Act (the "Act"), which establishes a program administered by the IEDA that allows certain state hotel and motel, and sales and use tax revenues to be reinvested in designated reinvestment districts. IEDA requested and received applications for that round. In Des Moines, the Iowa Events Center hotel received funding through this program.

In 2020, the Iowa Legislature amended certain parameters of the Act and budgeted an additional \$100 million to be used to fund additional projects across the state. The Act and the administrative rules adopted by the IEDA require the submission of a pre-application for provisional approval of a proposed reinvestment district. The pre-application is to come from the City or 28E entity in which the district is located.

Major redevelopment efforts at Merle Hay Mall (Mall) include demolition of the vacated Sears store and new retail in Des Moines, reinvestment in the Mall's corridors, new construction on an outlot along Merle Hay Road, and redevelopment of the existing office tower into housing. Additionally, the owner is proposing repurposing the former Younkers store in Urbandale to an ice arena and training center for the Buccaneers hockey team. Any IRA funds awarded would be utilized to support the ice arena and training center.

Since the Mall is located within both Des Moines and Urbandale, a 28E joint board is required to submit the pre-application and perform administrative functions. Such a board was created by the City Council at the January 11, 2021 City Council meeting. The 5-member board is proposed to consist of two (2) members from the City of Des Moines, two (2) members from the City of Urbandale, and one (1) member from Polk County.

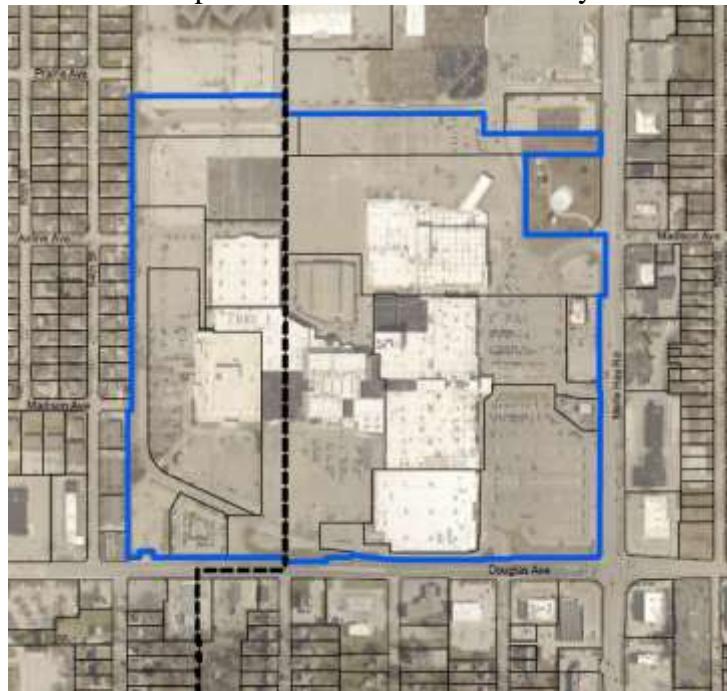
Staff recommends that the 28E joint board submit the pre-application to the IEDA for potential State of Iowa assistance to provide financial support for the activities within the District.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

- Up until recently, the Mall was anchored by four (4) main tenants – Sears (in DSM), Target (in DSM), Younkers (in Urbandale), and Kohl’s (in Urbandale). Within 45 days of each other, Sears and Younkers closed after 59 years of operation. Since then, Mall ownership has been able to purchase both the Sears and Younkers sites and is now proposing a dramatic change to the Mall site. The roof of the Younkers building will be raised to allow for a 3,500-seat multi-use arena, which will serve as the new home for the Des Moines Buccaneers, the popular Urbandale junior hockey franchise. The existing Sears building, which is filled with asbestos, will be torn down and the site will be redeveloped as a new location for Kohl’s, which prefers the more visible Merle Hay Road location. The exiting Kohl’s site will be redeveloped as three (3) additional sheets of ice and a training center. The arena and additional space will be designed for hockey use but will be able to accommodate medium-sized music and performance acts. The District plan also includes a new hotel, improvements to the Mall, new retail opportunities, infrastructure improvements, and potentially two (2) housing projects, which includes the transition of the existing office tower to senior apartments. Apart from the Kohl’s construction on the Sears site, most of the new construction will occur in Urbandale.

Map of the IRA District Boundary



- The IEDA Board has announced that it will fund projects that are most likely to improve the quality of life, create and enhance unique opportunities, and substantially benefit the municipality, the surrounding region, and the state as a whole.
- Iowa Reinvestment Act Parameters:
 - Up to 75 contiguous acres (streets or other rights-of-way can be used to connect parcels).
 - District is made up of eligible “Projects,” which are vertical improvement constructed or substantially improved within the District.

- Any development to generate tax revenues or utilize tax revenues from the program, must be a “Project” within the District.
- Projects can include new retail establishments, hotels and other economic/community projects.
- Funds do not need to be reinvested in the tax generating projects and they can be used for other community development and quality of life projects.
- At least one (1) project must have a capital investment that reaches a minimum of \$10 million, with maximum benefit capped at 35% of total capital investment in the District.
- District Requirements:
 - Provide a “Project Plan” for each project including:
 - Description, budget, timeline, financing
 - Hotel/motel and sales tax projections (should substantiate the funding request)
 - Feasibility study based on financial statements and clearly articulated assumptions
 - Address economic impact and unique nature
 - Detailed analysis of economic impact of the District including:
 - Analysis of financial benefit of the District to the economy of the state and municipality
 - One (1) or more market areas in which the district can reasonably expect to have substantial impact
 - Assess the fiscal and financial impact of the district on business or other economic development projects in the market area
 - Address “net impact” regionally and statewide
 - Conducted by an independent economist
 - Justify and demonstrate that the District meets the definition of “unique in nature” by:
 - Substantially distinguish the projects from other developments in the state
 - Permanently transform the community
 - Contribute substantially to state’s economy or quality of life more than other similar projects in the state
- The accompanying draft District Plan (on file with the City Clerk’s Office) addresses the above requirements and presents projects that will have a significant impact on the local and state economies. The submittal of the pre-application is the first step in the process, so it is expected that some details may change as the project is reviewed.
- Process:
 - Pre-Application window is open from February 22-26, 2021
 - Application scoring by scoring committee
 - Committee appointed by IEDA director; mix of board members and staff
 - Decision on district approval and determination of amount of maximum funding by IEDA Board
 - Provisional approval announced in spring 2021
 - Provisional approval is designed for practical feedback, but is not binding and designed to allow for changes in projects and districts
 - Final application due within a year of pre-application submittal
 - Re-evaluated and rescored by IEDA
 - Maximum benefit amount awarded
 - Following final approval:
 - District created by resolution from 28E Joint Board

- The Act is a State of Iowa funded economic development program and there is no fiscal impact to the City associated with the approval of the Distract and submission of the Plan to the IEDA Board. The City of Urbandale will be responsible for any needed bonds that are needed to take advantage of a potential IRA award.

PREVIOUS COUNCIL ACTION(S):

Date: January 11, 2021

Roll Call Number: [21-0024](#)

Action: [Chapter](#) 28E agreement with the City of Urbandale regarding establishment of a joint board to support the creation of a Reinvestment District for the Merle Hay Mall campus. ([Council Communication No. 21-012](#)) Moved by Gray to adopt. Motion Carried 7-0.

Date: August 17, 2020

Roll Call Number: [20-1332](#)

Action: [First](#) Amendment to Urban Renewal Development Agreement with Merle Hay Investors, LLC for rehabilitation of existing Merle Hay Mall property and repurposing the Sears site. ([Council Communication No. 20-354](#)) Moved by Gatto to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- The 28E Joint Board will perform any follow-up administrative tasks.

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