


COUNCIL COMMUNICATION

	Number:	21-284	Meeting:	June 28, 2021
	Agenda Item:	34	Roll Call:	21-0984
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving First Amendment to Urban Renewal Development Agreement with Merle Hay Investors, LLC and Merle Hay Anchors, LLC (Elizabeth Holland, Officer) for Redevelopment of a portion of the Merle Hay Mall (Phase 2).

SYNOPSIS:

In reaction to the closing of two (2) anchors (Sears and Younkers) at Merle Hay Mall, mall ownership (Elizabeth Holland, CEO/General Counsel, Abbell Credit Corporation, LLC, 30 North LaSalle Street, Suite 2120, Chicago, IL, 60602-2509) has endeavored to purchase the two (2) anchor lots and redevelop those properties. As part of this effort, mall ownership has been working closely with Bankers Trust to finance the construction of a Kohl's building on the former Sears site. In addition to construction of the Kohl's building, mall ownership intends to either sell or lease five (5) newly-created outlots on the former Sears parcel. These five (5) outlots, as well as the existing tower within the mall will be used as collateral for the construction loan; however, additional collateral is needed in the event that the outlots and/or towers don't sell. Mall ownership has requested that the existing agreement from 2013 for Phase 2 of Merle Hay Mall improvements be amended such that two (2) additional payments of \$200,000 each be approved. These payments would come due on November 1, 2030 and May 1, 2031. Should the Developer receive \$400,000 through the sale or lease of any of the described property before October 1, 2030, the additional payments would not be needed. There has already been interest in the outlots from potential buyers.

FISCAL IMPACT:

Amount: \$400,000

Funding Source: Merle Hay TIF District

ADDITIONAL INFORMATION:

- Merle Hay Mall is an approximately 975,000-square-foot enclosed mall, sitting on 75-acres in the northwest area of Des Moines. A portion of the mall (former Younkers and existing Kohl's) is located in Urbandale. The mall is located at the intersection of Merle Hay Road and Douglas Avenue, which is one of the busiest intersections in Iowa at 47,000 vehicles per day. It is a regional asset and is one (1) of two (2) designated regional nodes in Plan DSM, the City's Comprehensive Plan.

- Current Development Agreements – The mall receives up to a maximum of \$400,000 per year in TIF dollars for improvements made to the streetscape facing Merle Hay Road (Phase 1) and for the improvements associated with Flix (Phase 2).
 - July 14, 2008, Roll Call No. 08-1243: Merle Hay Mall – streetscape improvements – up to a maximum of \$400,000 for 15 years
 - June 24, 2013, Roll Call No. 13-1030: Merle Hay Mall Phase 2 – demolition of southern parking garage, renovation of 2-level portion of western concourse (Flix) – up to a maximum of \$400,000 for four (4) years, beginning in 2026 (after Phase 1 payments conclude). Current proposal is to add two (2) payments to this schedule.
- Status of TIF District – The Merle Hay Mall Urban Renewal Area has generated \$25.9 million in tax increment valuations since its inception in 2010. Approximately \$24.1 million of the existing increment (or 93%) is needed to pay existing urban renewal obligations within the area. Outstanding obligations of the urban renewal area include: Merle Hay Mall Phase 1 (up to a maximum of \$2 million remaining over the next 7.5-years), 3801 LLC (approximately \$250,000 remaining over the next 7-years), and Merle Hay Mall Phase 2 (up to \$1.6 million – adding an additional four {4} years of payments after the conclusion of payments on Merle Hay Mall Phase 1 agreement) and Merle Hay Mall Phase 3 (\$3.9 million remaining over the next 10-years). Any proposed semi-annual installment would be subject to the availability of tax increment in that fiscal year from the TIF District, after payment of the installments due on the three (3) prior agreements.

PREVIOUS COUNCIL ACTION(S):

Date: June 24, 2013

Roll Call Number: [13-1029](#) and [13-1030](#)

Action: [On](#) proposed First Amendment to the Urban Renewal Plan for the Merle Hay Commercial Urban Renewal Area. (Council Communication No. 13-326) Moved by Griess to adopt. Motion Carried 7-0.

- (A) [Approving](#) Urban Renewal Development Agreement for redevelopment of a portion of Merle Hay Mall. ([Council Communication No. 13-318](#)) Moved by Griess to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Amendment to Merle Hay Commercial Area Urban Renewal Plan

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