


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	22-030	Meeting:	January 24, 2022
	Agenda Item:	18	Roll Call:	22-0098
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution in support of the proposed final 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 Iowa Economic Development Authority (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 required the submission of a pre-application for provisional approval of a proposed reinvestment district. The pre-application could come from the City or 28E entity in which the district is located.

In January 2021, the Council approved the creation of a 28E Board since the proposed Reinvestment District was located in both Des Moines and Urbandale. That 28E Board submitted the pre-application for Iowa Reinvestment Act funding for the redevelopment efforts at Merle Hay Mall in February 2021. The pre-application was awarded provisional approval for \$26.5 million in June 2021.

The final application is due February 22-25, 2022. Updates to the pre-application have been made. Most changes to the application reflected progress to-date and updated cost calculations. Most of the application remains unchanged.

Staff recommends that the 28E Board submit the final 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 2018, Merle Hay Mall was anchored by four (4) main tenants – Sears (in Des Moines), Target (in Des Moines), 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, Merle Hay

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 razed to allow for a 3,500-seat multiuse arena, which will serve as the new home for the Des Moines Buccaneers, the popular Urbandale junior hockey franchise. The Sears building has since been 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



- 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.
- Process:
 - Pre-Application window open from February 22-26, 2021 (completed)
 - Application scoring by scoring committee (completed)
 - 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 (completed)
 - 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 (February 22-25, 2022)
 - Re-evaluated and rescored by IEDA
 - 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 District 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 an IRA award.
- The five (5)-member board consists 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. The Board met on February 19, 2021, to approve the preliminary application.

PREVIOUS COUNCIL ACTION(S):

Date: February 8, 2021

Roll Call Number: [21-0218](#)

Action: [Support](#) of the proposed pre-application for the Merle Hay Campus Reinvestment District. ([Council Communication No. 21-061](#)) Moved by Gray to adopt. Motion Carried 7-0.

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.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

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

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