

*After Recording Return To:*  
City of Des Moines  
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**Third Amendment**  
*to the Urban Renewal Plan*  
**for the**  
**Merle Hay Commercial Urban Renewal Area**

Urban Renewal Board Action:	9/13/21
Taxing Entities Consultation:	10/12/21
City Council Approval:	11/1/21

## HISTORY

The Urban Renewal Plan for the Merle Hay Commercial Urban Renewal Project was adopted on July 14, 2008, by Roll Call No. 08-1240. The Merle Hay Commercial Urban Renewal Plan and its subsequent amendments have been recorded in the land records of the Polk County Recorder as follows:

<i>Amendment</i>	<i>Roll Call No.</i>	<i>Adopted Date</i>	<i>Book</i>
Urban Renewal Plan	08-1240	07-14-08	12835-47
1 <sup>st</sup> Amendment	13-1029	06-24-2013	14858-37
2 <sup>nd</sup> Amendment	19-0414	03-11-2019	17309-476

The Merle Hay Commercial Area Urban Renewal Plan as previously amended is hereinafter referred to as the "Plan".

## PURPOSE

The purpose of this Third Amendment to the Plan is to:

- ❑ Update *Appendix C- Financial Condition Report* to reflect the financial impact of the tax increment assisted projects which are detailed in *Appendix D - Approved Economic Development and Redevelopment Activities*.
- ❑ Amend *Appendix D - Approved Economic Development and Redevelopment Activities* which provides a summary of projects receiving or proposed to receive economic development assistance from the tax increment revenues from the Merle Hay Commercial Urban Renewal Area by: (1) updating the description of the Merle Hay Mall Phase I to address an amendment to the Minimum Assessment Agreement; (2) updating the description of the Merle Hay Mall Phase II to add an additional contingent economic development grant to be paid in two semi-annual installments of \$200,000 per installment from tax-increment financing (TIF) if the sale or lease of outlots or Tower on the project property do not receive the minimum cumulative net proceeds of \$400,000 by October 1, 2030; and (3) updating the description of the Merle Hay Mall Phase III to add use of funds toward acquisition costs of the former Sears parcel in addition to the cost of design and construction of improvements to said parcel.

- Add *Appendix E – Approved Public Improvement Projects* to describe updates to the Capital Improvement Plan funded with tax increment revenues from the Merle Hay Commercial Urban Renewal Area. Table of Contents will be amended to include Appendix E.

### **Third Amendment to the Merle Hay Commercial Urban Renewal Plan**

1. Update the Table of Contents to include the newly-added *Appendix E - Approved Public Improvement Projects* as included herein.
2. Replace *Appendix C- Financial Condition Report (Second Amendment)* with the attached *Appendix C – Financial Condition Report (3<sup>rd</sup> Amendment)*.
3. Replace *Appendix D – Approved Economic Development and Redevelopment Activities* with the attached and amended *Appendix D – Approved Economic Development and Redevelopment Activities (3<sup>rd</sup> Amendment)*, to (1) update the description of the Merle Hay Mall Phase I to address an amendment to the Minimum Assessment Agreement; (2) update the description of the Merle Hay Mall Phase II to add an additional contingent economic development grant to be paid in two semi-annual installments of \$200,000 per installment from tax-increment financing (TIF) if the sale or lease of outlots or Tower on the project property do not receive the minimum cumulative net proceeds of \$400,000 by October 1, 2030; and (3) update the description of the Merle Hay May Phase III to add use of funds toward acquisition costs of the former Sears parcel in addition to the cost of design and construction of improvements to said parcel.
4. Add and incorporate a new appendix titled “Appendix E - Approved Public Improvement Projects” as attached herein which includes the Merle Hay Corridor Plan Project.

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**Appendix C: Financial Condition Report**  
**Urban Renewal Plan for the Merle Hay Commercial Urban Renewal Project**  
**(Third Amendment)**

*New or amended text highlighted in gray*

The City has, by Ordinance No. 14,783 passed July 14, 2008, designated the Merle Hay Commercial Urban Renewal Area as an urban renewal area in which "Tax Increment Financing" as defined in Chapter 403, Code of Iowa, may be utilized. The expected financial undertakings and tax increment revenue with regard to this urban renewal area are discussed in this Financial Condition Report.

**Introduction**

Urban renewal is one of the few ways an Iowa municipality can undertake and financially assist community revitalization and economic development. In Des Moines, especially in the older areas with limited redevelopment opportunities, urban renewal is an important way cities can assist the private sector in the creation and retention of jobs and in the development and redevelopment of blighted, vacant and underutilized parcels that would not occur without the City's assistance.

Urban renewal can provide flexibility in phasing development over a long-term period. In Iowa, a city may designate an "urban renewal area" by following the requirements specified in Chapter 403, Code of Iowa, upon finding that the area qualifies for designation as a slum area, a blighted area or an economic development area as those terms are defined in Iowa Code §403.17. The Merle Hay Commercial Urban Renewal Area was designated by the City as an urban renewal area upon a finding by the City Council that the area qualified as an economic development area appropriate for redevelopment for commercial use.

As part of the designation of an urban renewal area, the city council must adopt an urban renewal plan. The plan text includes a legal description and map of the area; a description of existing land uses and conditions; the actions the city proposes to undertake in the area such as public improvements, public services, the sale or purchase of property; and any conditions the city may want to impose on the development projects. On July 14, 2008, the Des Moines City Council adopted the original Urban Renewal Plan for the Merle Hay Commercial Area Urban Renewal Area.

If the city wants to undertake an action not specified in the urban renewal plan, it must adopt the proposed change by an amendment. Before the urban renewal plan or any amendment can be adopted by the city council, notice of a public hearing on the plan or amendment must be published in the newspaper.

In addition, if the urban renewal area uses tax increment financing, a consultation and comment period with other taxing entities is offered prior to the public hearing. This document has been prepared in response to this consultation requirement.

## **Tax Increment Financing**

Tax increment financing ("TIF") is a financing tool that is only available in designated urban renewal areas. It allows the use of a portion of the future property tax revenues of all taxing jurisdictions (the "Tax Increment Revenue") created by an increase in the total assessed value of all the taxable property within the urban renewal area, to be used to fund obligations incurred by the city in implementing the urban renewal plan.

The Tax Increment Revenue can only be used for the activities or items authorized in the urban renewal plan. If the Tax Increment Revenue is not used to pay eligible expenses incurred in the implementation of the urban renewal plan, the revenue is released back to general revenues of the local taxing jurisdictions. On March 24, 1997, the Des Moines City Council adopted a policy that commencing in FY1997/98, the City will use, and has used, no more than 75% of the total annual Tax Increment Revenues generated by all urban renewal areas. This assures that the local taxing entities receive the benefit of at least 25% of any future growth in the valuation of taxable properties in the urban renewal areas utilizing tax increment financing.

## **Current TIF Bonding and Outstanding Indebtedness**

Overall, as of June 30, 2021, the City of Des Moines has about \$589.4 million in general obligation debt. Of this debt, approximately \$120.5 million is being serviced with tax increment revenues for specific urban renewal areas. The Merle Hay Commercial Urban Renewal Area is not funding the repayment of any of the general obligation debt. The State of Iowa Constitutional debt-ceiling limit for general obligations by the City of Des Moines is about \$725.3 million.

## **Property Tax Assessments and Revenues**

The City of Des Moines first certified debt in the fall of 2010 for payment in FY2011-12 from the Merle Hay Commercial Area Urban Renewal Area. That action established January 1, 2009, as the base valuation date for purposes of the TIF District. The assessed base valuation is approximately \$83.7 million. Any future increase in the total assessed value of all taxable property within the urban renewal area above the base value may be "captured" for use in the TIF District by the City. The total assessed value of all taxable property within the urban renewal area on January 1, 2020, was approximately \$106.6 million, producing an incremental assessed value above the base of approximately \$25.9 million.

## **Future Financial Condition**

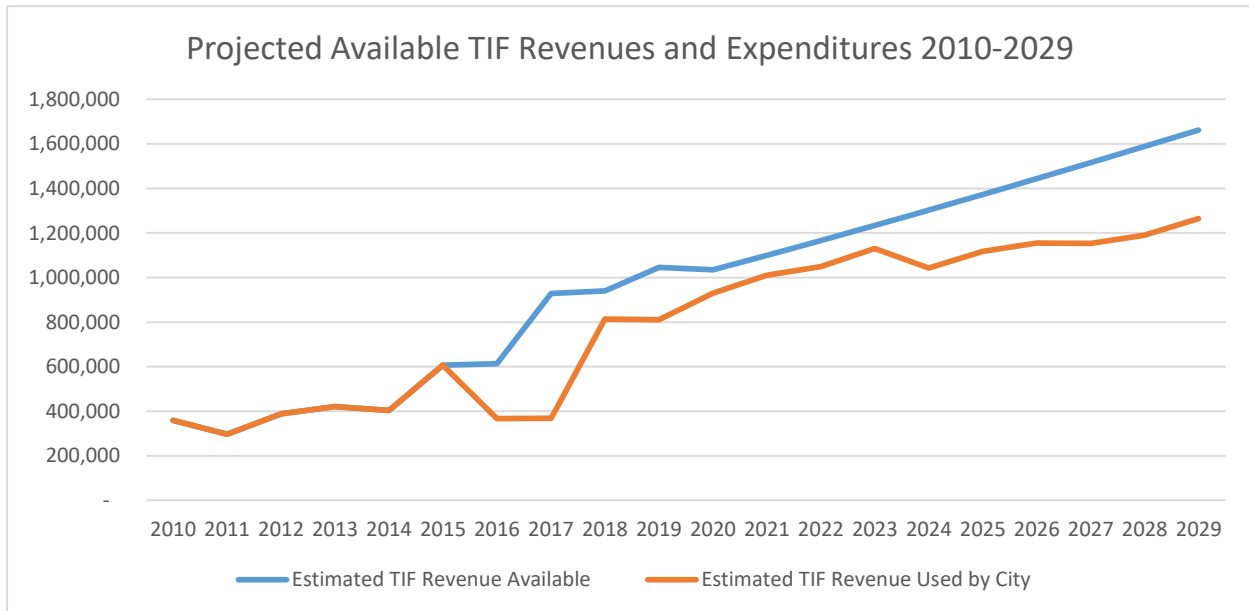
Shown below is a table that projects estimated property tax revenues and expenditures from the Merle Hay Commercial Area Urban Renewal Area. In this Financial Condition Report, the estimated property tax revenues are based on a property tax levy rate of \$40/\$1,000. This levy rate reflects the tax levy rate after subtracting payment of the 'protected debt levy' (various mandated debt expenses collected as part of the property tax levy.) The revenue projections shown are based on increases in property tax revenues conservatively estimated with an annual growth rate of 1.5%.

## Merle Hay Commercial Projected Tax Increment Revenues and Expenditure

Shading indicates projected estimate

Assessment Year	Base Valuation	Total Assessed Valuation	New Increment Valuation	TIF Valuation Used	Estimated TIF Revenue Available	Estimated TIF Revenue Used by City	Percent Valuation Used
2010	83,651,600	92,501,150	8,849,550	8,849,550	358,390	358,390	100%
2011	83,652,400	90,930,450	7,278,050	7,278,050	296,493	296,493	100%
2012	83,652,400	93,506,650	9,854,250	9,854,250	388,126	388,126	100%
2013	83,652,400	94,315,450	10,663,050	10,663,050	421,026	421,026	100%
2014	83,652,400	93,731,250	10,078,850	10,078,850	403,696	403,696	100%
2015	83,652,400	98,894,040	15,241,640	15,241,640	606,396	606,396	100%
2016	83,652,400	98,950,840	15,298,440	9,161,354	613,187	367,202	60%
2017	83,652,400	106,350,800	22,698,400	8,999,997	928,377	368,105	40%
2018	83,652,400	106,591,300	22,938,900	19,858,988	939,411	813,280	87%
2019	83,652,400	109,240,160	25,587,760	19,851,392	1,046,027	811,524	78%
2020	83,652,400	109,508,240	25,855,840	23,270,256	1,034,234	930,810	90%
2021	83,652,400	111,150,864	27,498,464	25,241,404	1,099,939	1,009,656	92%
2022	83,652,400	112,818,127	29,165,727	26,246,690	1,166,629	1,049,868	90%
2023	83,652,400	114,510,398	30,857,998	28,277,367	1,234,320	1,131,095	92%
2024	83,652,400	116,228,054	32,575,654	26,056,011	1,303,026	1,042,240	80%
2025	83,652,400	117,971,475	34,319,075	27,915,569	1,372,763	1,116,623	81%
2026	83,652,400	119,741,047	36,088,647	28,863,944	1,443,546	1,154,558	80%
2027	83,652,400	121,537,163	37,884,763	28,855,933	1,515,391	1,154,237	76%
2028	83,652,400	123,360,221	39,707,821	29,771,885	1,588,313	1,190,875	75%
2029	83,652,400	125,210,624	41,558,224	31,622,109	1,662,329	1,264,884	76%





This graph shows the projected property tax revenues and expenditures detailed in the table above.

**Note:** The taxes levied on, and the TIF revenue generated by the New Increment Value existing on January 1st of each assessment year shown in the table above is not actually collected or available until the fiscal year commencing 18 months later. For example, TIF revenue from the New Increment Valuation of about \$25.9 million existing on January 1st of assessment year 2020, but will not be collected or available for use by the City until the fiscal year commencing July 1, 2021.

This information will change as future projects, subject to the urban renewal amendment process with the individual review of each amendment and projects by the City Council and other authorities as directed by the Code of Iowa, are approved.

## **Appendix D: Approved Economic Development and Redevelopment Activities**

*New or amended text highlighted in gray*

The following chronological listing provides a summary of projects approved by the Des Moines City Council for receipt of tax increment funding in accordance with the terms and conditions contained in the specific project development agreement.

### **Merle Hay Mall – Phase I at 3850 Merle Hay Road (First Project)**

Extensive interior and exterior renovation of the portion of the Merle Hay Mall facing Merle Hall Road at 3850 Merle Hay Road pursuant to a Development Agreement with Merle Hay Mall Limited Partnership approved on July 14, 2008, by Roll Call No. 08-1243 and amended on February 8, 2010, by Roll Call 10-206. This agreement provides for a Minimum Assessment Agreement which, combined with the Merle Hay May Phase II and Phase III project property, establishes the minimum assessed value of the affected tax parcel at \$29,215,000 on and after January 1, 2021. The City will pay an Economic Development Grant to the developer in 30 semi-annual installments of up to \$200,000 (or \$400,000 annually), with the first payments commencing in FY2011/12 and the last payments to be made in FY2025/26.

### **3801 Merle Hay Road (Second Project)**

Construction of a multi-tenant in-line commercial shell building of at least 15,300 square feet with a finished exterior and ready for installation of leasehold improvements with the associated stormwater, landscaping and parking facilities pursuant to a Development Agreement with 3801 LLC approved by the City Council on July 25, 2011, by Roll Call No. 11-1326. This agreement provides for a Minimum Assessment Agreement which establishes the minimum assessed value of the affected tax parcels, exclusive of land, at \$2,000,000. The City will pay an Economic Development Grant to the developer in 30 semi-annual installments equal to 50% of the new tax increment revenues generated by the project commencing in FY2013/14 and with the last payments to be made in FY2027/28. It is estimated the total amount to be paid over the 15 year term will total approximately \$510,000 (or about \$30,000/year initially) Any portion of an installment which cannot be paid from the tax increment revenue generated by the Merle Hay Commercial Urban Renewal Area remaining after payment of the installment due for the First Project identified above, is deferred and added to the next installment. Any portion of the Economic Development Grant which cannot be paid prior to termination of the division of revenues for the Merle Hay Commercial Urban Renewal Area shall be forgiven.

### **Merle Hay Mall Phase II (Third Project)**

Renovation of the portion of the Merle Hay Mall at 3850 Merle Hay Road known as the western corridor that connects the Merle Hay Road-facing portion of the mall to the food court and major anchor tenants to the west, and demolition of the southern parking ramp facing Douglas Avenue pursuant to a Development Agreement with Merle Hay Mall Limited Partnership approved

by the City Council on June 24, 2013, by Roll Call No. 13-1030, and as amended on June 28, 2021, by Roll Call No. 21-0984. The Agreement provides for an Economic Development Grant to be paid by the City in 8 semi-annual installments of \$200,000 (or up to \$400,000 annually), commencing in FY2026/27 and with the last payments to be made in FY2029/30, and for an additional two contingent semi-annual installments of \$200,000 (up to \$400,000 total) in FY 2030/31 in the event that the Developer or Owner fail to receive a minimum of \$400,000 cumulative net proceeds from the sale or lease of any or all portion(s) of outlots or the Tower on the project property by October 1, 2030. Any portion of any of the initial 8 semi-annual installments which cannot be paid from the tax increment revenue generated by the Merle Hay Commercial Area Urban Renewal Area remaining after payment of the installments due for the First and Second Projects identified above, is deferred and added to the next installment. Any portion of the Economic Development Grant which cannot be paid prior to termination of the division of revenues for the Merle Hay Commercial Area Urban Renewal Area shall be forgiven.

#### Merle Hay Mall Phase III (Fourth Project)

Renovation of the existing tenant space within the Merle Hay Mall and redevelopment of the former Sears site pursuant to a Development Agreement with Merle Hay Investors, LLC, approved by the City Council on March 25, 2019, by Roll Call No. 19-0479, and as amended by First Amendment thereto on August 17, 2020, by Roll Call No. 20-1332, and as further amended by Second Amendment thereto on October 19, 2020, by Roll Call No. 20-1662. The Agreement provides for 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 this Plan (12 years, for a total of \$4.8 million).

- The first six semi-annual installments shall be used for reimbursement of documented project costs paid to third party providers for the renovation of the existing mall, or for acquisition costs related to the former Sears building and site.
- The 7th and all subsequent semi-annual installments (in years 4-12) would be disbursed only for acquisition costs related to the former Sears building and redevelopment of the site, and thereafter only if Merle Hay Investors, LLC or a related entity has acquired the Sears building and site. Other than reimbursement for said acquisition price, up to the first \$37,500 of each such semi-annual payment may be used for reimbursement of documented project costs paid to third party providers for the renovation of the existing mall, and the balance 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 payment of the installments due in that fiscal year on the First, Second and Third Projects identified above.

This Fourth Project does not include the portions of the Merle Hay Mall located in the City of Urbandale.

**Appendix E: Approved Public Improvement Projects**

The following provides a summary of projects approved by the Des Moines City Council for receipt of tax increment funding.

<u>Source</u>	<u>Project #</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
Merle Hay Corridor Plan	STx21 C038EG	125,000	100,000			1,000,000	1,225,000

**Merle Hay Corridor Plan**

Development of a corridor plan for Merle Hay Road, extending from Urbandale Avenue north to Aurora Avenue. As a first step in corridor planning, a traffic study must be completed by an engineering consultant. The study will evaluate traffic flow, pedestrian connectivity, safety and accessibility - and make recommendations as needed for improved function within the ROW. (Merle Hay is US 6 & State Highway 28 south of Douglas and State Highway 28 north of Douglas). Planning staff will build from the traffic study recommendations and further develop strategies that enhance the appearance of the corridor in both the public and private realms.