

OUTLET MALL MOVING FORWARD

BY TIM JOHNSON | STAFF WRITER

The Council Bluffs City Council approved a letter of intent Monday to form a development agreement with Continental Iowa Outlets LLC, which plans to build an outlet mall next to Horseshoe Casino. A resolution authorizing the mayor to execute the letter passed unanimously with all Council members present.

"I just think it's going to be a great addition to the city and the commercial area we're trying to create," said Councilwoman Lynne Branigan.

"We're really excited about the opportunity we have here in Council Bluffs to develop this center in particular," said Jonathan Kass, president of Continental Real Estate Cos.

The non-binding letter of intent provides a framework for an agreement between the City and the subsidiary of Continental Real Estate Cos.

Initially, Branigan expressed some reluctance, saying much of The Plaza next to the Mid-America Center is still unoccupied.

"What I don't want to see is another shell of a building sitting there empty," she said.

Kass assured her that would not happen.

"There'll be no buildings built unless we have the tenants to go in there on the front end," he said. "We're not going to buy the property and build on it speculatively."

The company could not get financing for the project without having a high percentage of the space already leased to tenants, Kass said.

"That's a moving target; but, right now, it would be at least 60 percent," he said.

So far, marketing of the space has gone well, Kass said.

"We've met with probably 50-plus tenants in person, we've toured the market with tenants, we're working on letters of intent with tenants," he said. "So the marketing of the project to tenants is well under way."

Kass said Continental is not concerned about the possible construction of a casino in Carter Lake.

"We're not here developing that property because it's near the casinos," he said. "The interstates are important and the nature of the location," as well as the population of the area. "There's very good separation between the project and similar developments we expect this to compete with. For this retail niche, this seems to be an excellent site that tenants have demand for."

The proposed development, which would be called Designer Outlets of MidAmerica, would require an amendment to the current urban renewal plan, relevant ordinances and a development agreement.

Under the terms of the letter of intent, Continental would have to complete construction of 370,000 square feet of retail space by no later than Dec. 31, 2012, with the finished development having a taxable valuation of at least \$74 million. The developer would have to submit enough tenant information to show the feasibility and outlet focus of the project.

The City would provide \$14 million in grants, plus up to \$25.8 million in local option sales tax revenue, and widen and improve the adjacent

section of South 24th Street at its own expense.

The City would award 60 percent of the grant money, or \$8.4 million, after 60 percent of the shopping center was in finished condition by Dec. 31, 2011, providing that the 225,000 square feet are assessed at \$35.4 million. Finished condition means the shell retail bays are complete and ready to be turned over to the tenants for finishes and fixtures.

The next 20 percent, or 2.8 million, would be awarded after an additional 20 percent reached finished condition, assuming a minimum assessment of \$47.2 million. The final 20 percent would be granted after the last 20 percent of the project was in finished condition and assessed at \$59 million and subject to 11 acres of out lots being platted and/or subdivided with a minimum assessment of \$15 million by Dec. 31, 2012.

The grants would be paid within 120 days after the City approves the developer's certification that the property is in finished condition and the county assessor confirms the minimum assessments.

The city would also provide a portion of local option sales tax up to a maximum of \$1.3 million per year and an overall maximum of \$25.8 million.

In accordance with Iowa law, the property would be exempt from taxation during construction.

Continental has contracts to purchase two parcels of property totaling 56 acres west of South 24th and north of Interstate 80/29. Before the company's development agreement with the City were executed, the developer would acquire the two parcels, prepare the site for development and build retail space that would focus on high-end retail outlet stores. In addition, the project would create 11 acres of out lots to be sold or leased for restaurants, retail businesses or lodging and accommodations.

The City would purchase part of the Sapp Brothers Travel Center property needed to widen and improve South 24th Street from the developer for \$2 million.

Continental plans to request that the site be classified as a Planned Commercial District. The City would follow the normal procedure to seek an appropriate zoning classification. The developer would submit with the request for a traffic study to meet the requirements of the City's Public Works Department.

Before grading or building permits were issued, the developer would submit a preliminary subdivision plan and a Planned Commercial development plan in accordance with City code.

The City and developer would work together to relocate a Union Pacific Railroad drainage ditch on the property to a below-ground storm sewer in a location that does not interfere with development.

The City will draft a development agreement in cooperation with Continental and aim to present a proposed agreement to the City Council by Oct. 30, the letter states. Also by that date, the City will try to complete the process of selling two parcels west of South 24th totaling 51,712 square feet to the developer. The City is scheduled to demolish structures on the properties but would sell the land in "as is" environmental condition.