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Indio land deal wise?

City defends purchase, says revenue covers possible loss

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INDIO - After spending more than \$14.5 million to buy land near the Indio Fashion Mall and transform the area into a hip, outdoor shopping and entertainment center, city officials are poised to abandon their plan and sell the property - even at a loss.

The city used eminent domain and negotiated tirelessly to secure 20 acres of land behind the mall - paying 370 percent more than the appraised value for 11 pieces of property alone since July 2005, a Desert Sun analysis of city records found.

However, unless a deal is reached with the mall's owner, City Manager Glenn Southard is under instructions from the City Council to put the property - about the size of six La Quinta Costco stores - up for sale. The city is working on an appraisal, but Southard estimates the land the city bought for \$14.5 million could fetch \$10 million to \$15 million.

Regardless of what happens in negotiations, Southard said Indio is better off having bought the land and converted it to retail use. And even if the city sells the land at a loss, Southard said the difference could be made up easily through sales, property and hotel taxes.

City officials say improvements to the land behind the mall will jump-start development along the city's Highway 111 corridor - one of several priority areas for the city's retail future.

Southard defends the above-market price purchases. He said the city owed businesses and residents behind the mall compensation for razing a neighborhood, relocating people and, in Al Meza's case, 18 years of property taxes.

"They paid me for all the damage, for all the business I lost. They made me bulldoze. They left me hanging for years," said Meza, who received \$1.25 million for his 1-acre property that housed a business. His land was appraised at \$450,000.

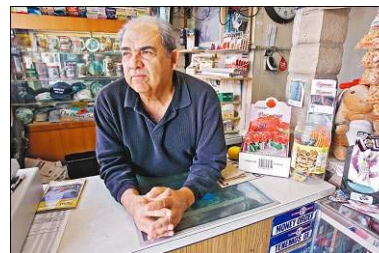
Southard said the city is making the right moves.

"We're required by law to take into consideration things like relocation expense, goodwill, the pain and suffering of some of the actions," he said.

While Southard thinks it would be great if the two properties could combine for one development, he added, "I don't think there's anything magical about it being together."

But some residents and mall owner and developer Richard Weintraub say the city failed to protect taxpayers' interests.

"I know they paid many, many times too much for (that land). There's no question," Weintraub said.



Jay Calderon, The Desert Sun

Al Meza has sold land near the Indio Fashion Mall to the city of Indio.

MULTIMEDIA

[Richard Weintraub's various projects \(3 MB PDF\)](#)

[Price of property purchases \(2.88 MB PDF\)](#)



What do you think of Indio's actions? Should the city sell if a deal cannot be reached?

COMING FRIDAY

See [The Indio Sun](#) on Friday for more coverage of land the city has bought in recent years.

WHAT'S HAPPENING?

THE ISSUE: Indio has spent 20 years and \$14.5 million buying land behind the Indio Fashion Mall. It could be sold to Richard Weintraub, who owns the mall and could combine the two properties for a 40-acre outdoor shopping and entertainment hub along Highway 111.

But if both parties' latest attempt to negotiate a sale fails, the city will consider selling its 20 acres to another developer - possibly at a loss.

WHAT THE CITY HAS DONE:

Beginning in the late 1980s, the city used eminent domain to acquire the property. In recent years, Indio officials have negotiated with private owners to buy the remaining land, sometimes paying above appraised values.

WHAT CITY OFFICIALS SAY:

Paying more than appraised value

Weintraub, Southard and two City Council members have met since February to see if their original plan - to build a large lifestyle center along Highway 111 that would rival The River in Rancho Mirage - can come to fruition. In the past, negotiations haven't gone well, but both sides meet Monday with a mediator to see if a deal can be made.

Not only would the city risk losing money, but it could be forced to rethink plans for one cohesive development.

"At this point, it would take close to a miracle to find a way to make this thing a large single project," said City Councilman Mike Wilson, who has served on the City Council for nearly 12 years.

Sore spot

The Indio Fashion Mall is a touchy subject for longtime residents. They remember watching a neighborhood, comprised mostly by African-Americans and Latinos, leveled for what would wind up being a failed mall expansion in the late 1980s.

The city spent \$8 million back then to acquire most of the property behind the mall through eminent domain to help then-owner David Miller, the founder of Miller's Outpost clothing, double the mall's size.

Cities are able to use eminent domain to acquire private property for public use. In this case, the city approved the process to help with the expansion of the mall. But Miller's financing for the project fell through

Thus, the city never finished total acquisition, leaving 11 properties behind.

The city renewed efforts to buy those remaining parcels after Weintraub bought the mall in November 2003 and announced elaborate plans to transform it into a lifestyle center, with outdoor shopping, water features and places to dine.

"I thought great things would happen," said Indio resident Robbie Sanford, "and nothing's happened."

Weintraub announced earlier this month that he would submit to the city plans for renovating the mall's interior and exterior within 60 days.

But he says he would still like to create a mixed-use lifestyle center for Indio by combining the mall property - about 20 acres itself - with the 20 acres the city owns behind it.

However, the price the city's considering for that land is too much, he said.

"That is way out of the ballpark of what I think it's worth. Not even marginally close," he said.

The land behind the mall is only worth \$2.3 million, according to a 3-year-old appraisal study Weintraub says he has. He has not provided that study to The Desert Sun.

Maggie Montez, senior vice president with Indian Wells commercial brokerage firm CB Richard Ellis, disagrees with Weintraub's assessment. Based on her knowledge of local market trends, she says the price is about right.

"I think it's a good, solid site to take to market. Indio has come a long way in the last decade, and I think Indio has proven itself," she said.

Rudy Herrera, a commercial and home developer with projects in Indio, agreed the asking price is right for a project that would include Highway 111 frontage.

But it would be challenging, he said, for a developer to buy the city's land and

or market value is necessary when it comes to purchasing homes, churches and businesses for redevelopment.

With much retail in the works across the city, a huge expansion of the mall would be nice, but isn't critical.

WHAT CRITICS SAY: The city paid too much for property and didn't look out for taxpayers. Selling the land to another developer will derail efforts and break promises to develop a retail center needed in one of the valley's fastest-growing cities.

WHAT'S NEXT: Weintraub and city officials have been negotiating privately since February. A retired judge will lead both sides through mediation Monday to see if they can work out a deal.

HOW DID INDIO PAY FOR THE PROPERTY?

- Tax Allocation Bond fund. The city floated \$27 million in bonds in 2004. \$6 million if left. Most of the city's recent property acquisitions have come from that fund.
- Miller settlement. In 1998, the city was awarded \$9.35 million from previous mall owner David Miller, who failed to buy the land the city had razed for the mall expansion.

STRATEGIC LOCATIONS

Indio city officials have identified four areas for improvements and retail development. The city has bought land in those areas to help make it happen.

Area 1: Downtown, also known as Old Town Indio. This area is about 65-acres generally located south of Indio Boulevard and north of Highway 111 between Park and Jackson streets.

Area 2: The West Highway 111 Hospitality Corridor, also called the city's entrance corridor. It is about 200 acres along Highway 111 between Jefferson and Madison streets. The city would like to see high-end development with hospitality, regional commercial and entertainment uses.

Area 3: The Central Highway 111 Regional Commercial Corridor. At the intersection of Highway 111 and Monroe Street, where the Indio Fashion Mall is located. The city would like to see a lifestyle center and/or expansion or revitalization of the existing mall.

Area 4: The Interstate 10 Freeway Corridor. This area includes the I-10 Auto Mall, where the city owns more than 16 acres for potential

work with Weintraub - not from a personal standpoint but as a professional with a different vision.

Southard said other developers are showing interest in the land though.

Selling to another developer is shortchanging residents on what they were promised initially, former City Manager Tom Ramirez said.

Ramirez, who was Indio's city manager when Weintraub bought the mall in 2003, said the intent was always to expand the mall to the south.

"There were never any details. We were working on an agreement when I left," said Ramirez, who resigned in July 2004.

"I'd like to see that mall expand. If it doesn't, then the mall will dry up and won't attract good retail."

Decades of effort

The city's acquisition of the 20 acres behind the Indio Fashion Mall is almost complete, ending where it began in the 1980s - with the use of eminent domain.

Since July 2005, the city has negotiated for the 11 remaining properties behind the mall, spending \$6.56 million and paying more than the appraised value for some parcels.

In one extreme case, the city paid 1,228 percent above the appraised value for Mount Zion Church of God in Christ.

City officials say they spared no cost to do right by those residents left in limbo for years.

For Meza, his property was appraised at \$450,000. But the city also ended up paying \$800,000 for attorney fees, 18 years' worth of property taxes and the cost of making him raze his convenience store and car wash.

Indio is close to clinching the final piece of its 20-acre puzzle.

On Wednesday, City Council unanimously approved condemnation on a 14,450-square-foot vacant parcel because of title issues with its owners. Most are in favor of selling the land.

But because some original owners are deceased, the land can't be sold without court intervention via eminent domain.

Meanwhile, the city continues talks with Weintraub behind closed doors.

Whatever happens, an end is in sight for almost 20 years of uncertainty.

expansion. Home Depot, Super Target and other retail plazas are proposed for this area.

MALL HISTORY

1988: City enters into an owner-participation agreement with mall owner David Miller, the founder of the Miller's Outpost clothing chain, to double the mall's size, add a movie theater and 100 stores. Miller was supposed to pay the city for the land to expand but failed to do so.

1991: The city files a lawsuit against Miller for breach of contract for failure to put up the cash to buy the land.

1998: The lawsuit is settled, with Miller agreeing to pay the city \$9.35 million.

January 2001: Denver Holdings, a Colorado-based company that specializes in the purchase and development of shopping centers, announces it is in escrow to buy the property with plans to expand the mall.

October 2001: Denver Holdings announces it cannot buy the land because it failed to get the required finances.

November 2003: Indio Fashion Mall — minus the Sears wing — is purchased by Malibu developer Richard Weintraub for \$16 million.

February 2005: The city puts a moratorium on development of the mall and surrounding area so a specific plan to foster development in that area can be created.

April 2005: During BizNet 2005, Weintraub announces plans to transform the mall into a "lifestyle center" similar to The River in Rancho Mirage. The city continues its efforts to acquire land behind the mall left behind after the 1988 eminent domain proceedings.

July 2005: Weintraub announces plans for Cardenas Market to move into Sears as a mall anchor. Residents and city officials publicly share disapproval of a market inside the mall, and the grocer winds up not moving in.

March 2006: Indio City Council approves the Central Highway 111 Specific Plan, formerly called the Indio Fashion Mall Specific Plan, which provides land-use guidelines for about 100 acres that surround the mall and that are generally bounded by Highway 111, John Nobles Avenue and Arabia Street.

March 21, 2007: City Council approves using eminent domain on last remaining parcel behind the mall. A 14,450-square-foot vacant parcel. The owners do want to sell, but eminent domain proceedings

are necessary because of title issues.

Monday: Weintraub and city officials will meet with a retired judge, who will lead both sides through mediation to try to reach an agreement on the mall and 20 acres the city owns behind it.

MORE ONLINE

- [Competing visions of Indio deal's future](#)
- [Church property costly purchase](#)
- [Experts: No plan cheap](#)

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