



Date May 19, 2008

**RESOLUTION SETTING DATE OF PUBLIC HEARING
ON THE PROPOSED URBAN RENEWAL PLAN FOR THE
MERLE HAY COMMERCIAL AREA URBAN RENEWAL AREA
AND SUBMISSION TO PLAN AND ZONING COMMISSION AND
URBAN DESIGN REVIEW BOARD FOR REVIEW AND RECOMMENDATIONS**

WHEREAS, pursuant to Code of Iowa Chapter 403, the City Council desires to consider the use of its urban renewal powers to assist in the development of the approximately one hundred-ten acre area that is currently used or zoned largely for commercial purposes that is generally located along Douglas Avenue from about 54th St. westward to the municipal boundary with Urbandale, and along Merle Hay Road from a point slightly north of Ovid Avenue to Aurora Avenue;

WHEREAS, the City Manager has prepared an urban renewal plan which seeks to enhance private development of this commercial urban renewal area by providing economic development financial assistance through the use of tax increment financing revenues to be generated in the proposed urban renewal area;

WHEREAS, the proposed plan is titled "Merle Hay Commercial Area Urban Renewal Plan" and is on file and available for public inspection in the office of the City Clerk;

WHEREAS, the Urban Design Review Board shall review the proposed urban renewal plan at its regular meeting on June 17, 2008, and should be prepared to submit its report and recommendation to the City Council before the date proposed for public hearing by the City Council;

WHEREAS, the City Plan and Zoning Commission shall review the proposed urban renewal plan at its regular meeting on June 19, 2008, and should be prepared to submit its report and recommendation to the City Council before the date proposed for public hearing by the City Council;

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, as follows:

1. A public hearing shall be held before the City Council to consider the proposed Urban Renewal Plan for the Merle Hay Commercial Area Urban Renewal Area at 5:00 p.m. on June 23, 2008, in the City Council Chamber, City Hall, 400 Robert D. Ray Drive, Des Moines, Iowa.
2. The City Clerk is authorized and directed to publish notice of said public hearing in the form attached hereto as Exhibit "B" in the Des Moines Register not less than four nor more than twenty days before the date of hearing in accordance with Iowa Code Sections 362.3 and 403.5(3).



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3. The proposed urban renewal plan is hereby submitted to the City Plan and Zoning Commission for its review and recommendation as to the plan's conformity with the Des Moines 2020 Community Character Land Use Plan, as revised to date, with said written recommendation requested to be received by the City Council prior to the date of public hearing.
4. The proposed urban renewal plan is hereby submitted to the Urban Design Review Board for its review and recommendation, with said written recommendation requested to be received by the City Council prior to the date of public hearing.
5. The City Manager or his designee is hereby designated as the City's representative to the consultation proceedings with the Des Moines Independent School District, Polk County and the Des Moines Area Community College. The consultation meeting shall be held prior to the date of public hearing at a time and location to be determined by the City Manager in accordance with Iowa Code Section 403.5(2). The City Manager shall cause notice of the consultation meeting, a copy of the Notice of Public Hearing (Exhibit "B"), and a copy of the proposed urban renewal plan to be mailed to each such affected taxing entity.

Exhibits:


A - Urban Renewal Plan

B - Notice of Public Hearing

(Council Communication No. 08-297)

APPROVED AS TO FORM:

Moved by _____ to adopt.


 Michael F. Kelley
 Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				
MOTION CARRIED	APPROVED			

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

Mayor

City Clerk

Date _____ ✓

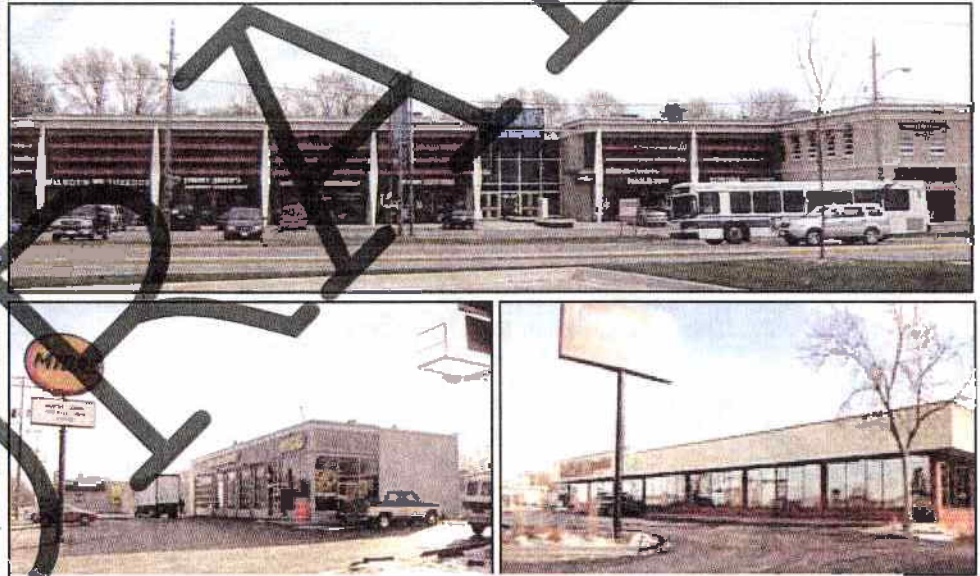
Agenda Item _____

Roll Call # _____

Prepared by: Andrea Hauer, 400 Robert D. Ray Drive, Des Moines, IA 50309, 515/237-3500
Return Address: City Clerk, City Hall, 400 Robert D. Ray Drive, Des Moines, IA 50309
Taxpayer: NA
Title of Document: Merle Hay Commercial Area
Urban Renewal Grantor's Name: N/A
Grantee's Name: N/A
Legal Description: See Exhibit "A", Page 14



Merle Hay Mall logo



Commercial developments on Merle Hay Road and Douglas Avenue

Merle Hay Commercial Area Urban Renewal Plan Des Moines, Iowa

Adopted: , 2008
Roll Call No. 08-

Urban Design Review:	
Plan & Zoning Commission Review:	
Tax Increment Consultation Meeting:	

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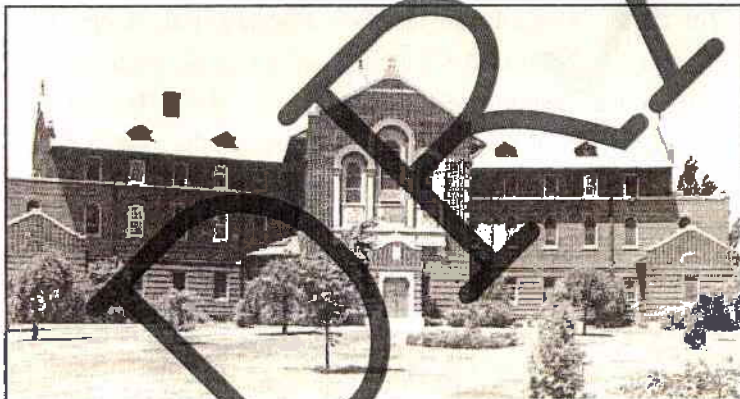
I. PROJECT DESCRIPTION

The purpose of the Merle Hay Commercial Area Urban Renewal Plan is to enhance private development within this urban renewal area through provision of infrastructure improvements and economic development financial assistance that is provided, in part, with the tax increment revenues generated in the urban renewal area.

A. Background

In 1890, when the area around Merle Hay Road and Douglas Avenue was incorporated into the City of Des Moines, it was located on the far northwest edge of the City of Des Moines. People visited this area as a rural retreat, accessible from the nearby Douglas Ave. or Urbandale streetcar lines, for those escaping to the country for the day. In 2008, this area still represents the far northwest edge of Des Moines. It has been thoroughly developed for commercial uses in the previous decades and now no longer represents the pre-eminent shopping area in the metro area; people now bypass this area to go to other newer shopping centers.

In 1917, an adjacent city – Urbandale (population 300) – was incorporated. Part of its eastern boundary was decided by a court-decree that included land west of 62nd St., fronting the north side of Douglas Ave., in Urbandale; this land had previously been part of the City of Des Moines.



*St. Gabriel Monastery at NW corner of Merle Hay Rd. and Douglas Ave.
(undated photo)*

With the increased use of the automobile to travel between cities and residential growth along the streetcar lines, the two major roadways in the area – Douglas Ave. and Merle Hay Road – were designated highways in the 1920s by the Iowa Highway Commission.

The largest building in the area was St. Gabriel Monastery, built in 1921 on the NW corner of Merle Hay Road and Douglas Avenue

Residential Growth

After the end of World War II, major changes began in the area with residential subdivisions of “starter” (affordable) homes with mortgages financed by the GI Bill. A typical house in the new subdivision was a single floor home, under 1,000 square feet, with no garage but a paved driveway, placed on a larger lot to allow for expansion of the home at a later date.

The new residents depended on cars to get to work, shopping and other activities which led to widening of trafficways such as Merle Hay Road and Douglas Ave. Some homes were built fronting on Merle Hay Road; today, with these roadways widened and commercial areas expanding, those homes have disappeared, with small commercial developments occurring on these shallow-depth lots for commercial redevelopment. Homes continue to abut commercial development on the “back sides” of the commercial developments today.

Many original residents remain in their homes which has contributed to the neighborhood dynamic of an older, stable neighborhood that is on the verge of "cycling" to new residents. The successful transition of the neighborhood is dependent on the adjacent commercial area being physically and functionally attractive; equally, retaining the Merle Hay commercial area as a successful retail/commercial services location will assist in making the adjoining neighborhood areas a desirable place to live. This urban renewal plan will contribute in providing guidance and financial assistance to revitalize the adjacent Merle Hay commercial area.

Commercial Growth

In 1954, the federal government proposed the location of the new interstate roadway system in Iowa. This new modern four lane interstate road, which combined I-80 and I-29 for its route on the northern edge of the Des Moines metropolitan area, had an interchange about 1½ miles north of the intersection of Douglas Ave. and Merle Hay Road. By 1959, the Merle Hay Road interchange of I-80/I-29 opened with additional segments of I-80 and I-35 rapidly opening in the following years.

In 1956, the monastery and its extensive grounds were sold to Chicago-based developers Joseph Abbell and Bernard Greenbaum; the monastery was demolished in 1958. Abbell, in a 1994 interview, stated the developers chose Des Moines because of the city's "reputation as a model urban area in middle America."



Memorial on Merle Hay Road in honor of Merle David Hay, the first Iowan killed in World War

With the site's superb auto access, a new large strip mall to be known as the Northland Shopping Center was planned; the center was almost immediately renamed for Merle Hay, the first Iowan killed in World War I and namesake of the road in front of the center.

Before construction began in early 1958, the strip mall was redesigned as an open-air plaza with two department stores and four buildings around an outdoor commons area.

Merle Hay Plaza opened on August 17, 1959. It was one of six malls opening in the United States that year. It had 31 stores including Younkers Department Store (now closed) as the anchor store and a bowling alley (still in operation today).

Sears, a second anchor store, opened in 1959 with a move from its downtown store. Other early



Merle Hay Plaza postcard circa 1960

tenants included a Safeway supermarket, S. S. Kresge department store, Bishop's Buffet and Walgreens drug store. A movie theater and six story office building were added in 1965.

Merle Hay Plaza was the largest shopping center in Iowa and quickly became the major retail destination that attracted state-wide customers. It significantly impacted downtown Des Moines with many stores relocating to this regional shopping center¹.

With its superb auto access, the area soon had some of the highest traffic counts in the state which further attracted auto-oriented retailers to the area. The connection to Interstate 80/35, about 1½ mile north of the center's entrance, solidified the auto accessibility of this mall and its commercial corridor to the metro and region.

The surrounding area also quickly grew with retailers cashing in Merle Hay Plaza's success with the construction of stand-alone stores in the 1960s and strip malls in the 1970s. These buildings were typically single story, larger linear buildings with parking in front of and on the sides of the structure, often without sidewalks.

In the early 1970s, several major changes occurred on the shopping center's property. In 1972/3, Merle Hay Plaza was enclosed and renamed "Merle Hay Mall." In 1974, Merle Hay Mall made a major westward expansion with the purchase of abutting property that crossed into the City of Urbandale; this expansion with two anchor stores -- Montgomery Ward (which moved from downtown) and Younkers Store for Homes -- that doubled the mall to over 1.1 million square feet.

In 1979, a 300+ car parking ramp was constructed between several anchor stores to provide covered spaces. By this time, there were over 6,000 parking spaces surrounding Merle Hay Mall.

The area's commercial success continued into the 1980s. Several "big box" stores developed north of Merle Hay Mall. However, competition from other local commercial areas, including a new metro-area mall -- Valley West Mall with one anchor and 20 smaller stores opened in West Des Moines with direct access from I-235 -- began to diminish the uniqueness of Merle Hay Mall.

By the 1990s, newer Des Moines metro commercial centers and malls in other parts of the state noticeably eroded the trade area of Merle Hay Mall and its surrounding commercial corridor. Merle Hay Mall underwent a number of changes in this time period ranging from tenants leaving or relocating within the mall and numerous interior improvements. The "big box" stores underwent changes with the original tenants moving to newer, more suburban locations.

In the new century, changes in the metro retail landscape have accelerated. With the growth of suburbs, especially on the north and western edges, a considerable amount of new retail space has been added to the overall inventory which has contributed to the shrinkage of the Merle Hay area customer base.

¹ Des Moines native Bill Bryson commented that Merle Hay Mall's opening changed Des Moines in his memoir *The Life and Times of the Thunderbolt Kid*: "My father never shopped anywhere else after that [the mall] opened." Neither did many other people; by the late 1960s, it was common to go to the mall to shop and 'hang out' rather than going downtown.

"Big box" retail has jumped to these rapidly growing areas with 2/3 of the 9 million square feet of big box space located in Ankeny and the western suburbs. The Merle Hay area has seen its big box square footage diminish by over 10 % in the past two years to about 420,000 sq. ft. which is less than 5% of the metro total.

Mall square footage stayed stable at about 3 million square feet until 2004 with the opening of Jordan Creek Mall, a 1 million+ sq. ft. mall on the western periphery of the metro area. Jordan Creek is typified as an "upscale" shopping center appealing to a wealthier demographic with numerous national chains making their first showing in the metro. The surrounding area reacted very strongly to the mall with over 600,000 sq. ft. of additional small and medium sized commercial developments being constructed since 2005.

Ankeny, about 5 miles north east of the Merle Hay commercial area, has had significant residential and retail growth in the past 5 years which has further decreased the Merle Hay customer base.

The newness of these developments, "unique" to-the-area tenants, etc., major big box stores and proximity to new residential development have been successful and contributed to the closure of stores in the Merle Hay commercial area. The impact of these new developments can be shown by the change in location and amount of retail space in the metropolitan area.

Based on available data, there was about 14 million sq. ft. of retail space in the metro in 2001; it now totals about 19.5 million square feet. Only 170,000 sq. ft. of new retail space was built in Des Moines in this same time when 5.5 million square feet was built elsewhere in the metro.

Location	Retail Sq. Footage		
	2001	2008	% increase
D. M.	7,120,880	7,291,530	2%
Rest of Metro	6,879,120	12,208,461	43%

As shown in the adjacent table, Des Moines' portion of retail square footage has diminished from about 50% of the metro's retail space to 36% within a 7 year period.

More troubling is the decreased amount of sales tax collected per square foot of retail/commercial space in this same time period. In 2001, the Des Moines retail space collected about \$562/square foot in sales to about \$470/square foot in 2007, indicating a significant loss of sales activity and a diminished sales tax revenue stream for the Des Moines Independent School District which collected a 1¢ sales tax levy in this time period.

Today, the Merle Hay Mall property continues to be managed by descendants of the original developers with some recent changes; several outlots facing Merle Hay Road have been developed for stand-alone food operations (Applebee's restaurant and Starbucks Coffee). The original two story Younkers store was demolished for a new single-level Target store that opened in 2005 which now serves as the south anchor store.

Target's opening represented a new era for Merle Hay Mall that in some ways reverts back to the original "strip" mall concept. Target opens directly to the outside connecting to its adjacent parking lot as well as having an internal connection to the mall.

The adjoining commercial corridor underwent similar changes. Many of these buildings have had several iterations of new tenants and businesses. The overall appearance of the Merle Hay commercial area today reflects some of this tenant turnover with old logos still apparent under the latest coat of paint, exterior sign-boards being reused and a number of vacant properties with 'for sale / for lease' signs. In addition, there has been a lack of site maintenance with deteriorating paving and overgrown landscaping.

Summary of Urban Renewal Plan Purpose

The continued viability of the Merle Hay commercial area is important to the City of Des Moines and its citizens.

As this plan is being written in 2008, the Merle Hay commercial corridor and Merle Hay Mall are facing major challenges with its aging building stock, a changed retail environment and a smaller customer base.

The building stock is obsolete in terms of today's retail demands for larger store space and different layout configurations, higher energy demand/utility needs per square foot of space, front door/ immediate access to parking lots, direct delivery dock connection to the store and prominent roadway visibility. With newer commercial and residential developments having been and continuing to be built on the periphery of the metro area, the return of this area's pre-eminence as the retail leader in square footage and customer base is unlikely. However, retaining a healthy retail and commercial service sector at this location is highly desirable from the economic viewpoint of maintaining and expanding the commercial tax base, convenient provision of desired goods and services necessary to maintain the desirability of the adjacent residential areas.

Merle Hay Mall has recognized the impact of Jordan Creek and the growing Ankeny retail sector; it is working to reposition itself by focusing on a middle income demographic with new food and entertainment options.

The residential areas near Merle Hay Mall will benefit from a renovation of the mall and the surrounding commercial area by having goods and services nearby. Proximity to a modern shopping venue will improve the market perception of these neighborhoods and help home values. Revitalization of the entire commercial corridor will benefit businesses as well as the commercial tax base. The ability of Des Moines to retain and revitalize its regional shopping venue will improve the shopping choices for people living in Des Moines as well as attracting customers from other locations.

B. Boundaries of Urban Renewal Area

The general location of the Merle Hay Commercial Area Urban Renewal Area is shown on Map No. 1: Location within the City of Des Moines.

The boundaries of the Merle Hay Commercial Area Urban Renewal Area are shown on Map No. 2: Project Boundary. These urban renewal area boundaries are based on existing commercial use and zoning. The urban renewal area is generally located along Merle Hay Road, slightly north of Ovid Avenue to Aurora Avenue and on Douglas Avenue from about 54th St to the City's corporate boundary at about 62nd Street with the City of Urbandale. The area encompasses about 118 acres.

The boundaries of the Merle Hay Commercial Urban Renewal Area are more specifically described in the accompanying "Appendix A: Legal Description".

C. Recognized Neighborhood Designation



The urban renewal area is located within the Merle Hay Neighborhood which is a "Recognized Neighborhood" as designated by the Des Moines City Council by approval of a formal resolution finding the neighborhood has met specified minimum standards.

In 2006, the City of Des Moines selected the Merle Hay neighborhood as a "Designated Neighborhood."

Since March 2007, staff has been working with the Merle Hay Neighborhood Association to create a Neighborhood Strategic Plan for the neighborhood that addresses issues and prepares for the future. At the neighborhood meeting, residents identified the revitalization of the housing stock and commercial corridors as the two most pressing issues in the neighborhood. Most of the houses in the neighborhood were built between 1945-1960 and require updating to meet current standards ranging from physical obsolescence of wiring and plumbing to market-driven demands for second bathrooms, third bedrooms, garages and increased square footage. A comparable set of issues, previously described, apply to the commercial areas in the neighborhood's boundaries. Having a unified approach to revitalizing both sectors in a simultaneous basis is a key element to success.

The City is providing about \$1 million that will be used to improve the area's infrastructure, including replacement of curbs on Douglas Avenue within the urban renewal area. These improvements will be undertaken in 2008/09.

D. Eligibility under Iowa Law

Chapter 403 of the Code of Iowa provides that a municipality may formally designate an urban renewal project in an area the City Council has determined, by resolution, to meet certain specified criteria.

In accordance with the Code of Iowa, it is determined the Merle Hay Commercial Urban Renewal Area qualifies as an economic development area due to its appropriateness for development and redevelopment of commercial enterprises.

II. LAND USE AND REDEVELOPMENT

A. Conformance with the City's Comprehensive Land Use Plan

State law requires that a municipal comprehensive land use plan must be adopted prior to adopting an urban renewal plan. On August 7, 2000, by Roll Call No. 00-3381, the City Council of Des Moines adopted the Des Moines 2020 Community Character Plan and map as its comprehensive land use plan. The Des Moines 2020 Community Character Plan ("2020 Plan") has subsequently been amended by the City Council.

The 2020 Plan designates the following land uses, further described on the following chart, which are located within the Merle Hay Commercial Urban Renewal Area and are shown in this plan as Map No. 3: 2020 Land Use Map. No changes to the adopted 2020 Plan Map due to the urban renewal area designation are proposed.

	<i>Use</i>	<i>Function in the Urban Renewal Area</i>	<i>Permitted Uses</i>
<i>Commercial</i>	<i>Small-Scale Strip Development</i>	Small-to-moderate scale commercial development in a linear pattern that primarily serves the passing motorist. A building may be over 35,000 sq. ft. in size with individual modules within the building from 2,000 to 20,000 sq. ft.	Commercial uses as permitted in the C-1 and C-2 zoning districts including retail and office uses.
	<i>Regional Shopping Center</i>	Multi-use building with over one million square feet of retail space.	Commercial uses as permitted in the C-1, C-2 and C-4 zoning districts.

The 2020 Plan shows the property at the NW corner of Merle Hay/Douglas Ave. area as a regional shopping center which is defined as having one major land owner, multiple anchor stores and a variety of specialty stores and services that typically have one million square feet or more of enclosed space. These uses share various facilities such as access/egress, parking, and interior space. The regional shopping center serves a customer base of about 100,000 people. For this land use, the 2020 Plan advocates design guidelines to improve the auto and pedestrian connections and the overall appearance of the property be utilized for any new construction, including outlot development and the construction of structured parking

Adjacent development in the area is shown as small-scale commercial strip development which is defined as linear building(s) totaling up to about 35,000 square feet that serve the passing auto traffic. The 2020 Plan promotes the use of design guidelines to create an integrated, cohesive image while minimizing negative impacts with the adjacent residential areas.

The 2020 Plan shows Douglas Avenue as a significant "gateway" commercial corridor which should be developed into a welcoming and distinctive landscape that provides a distinctive sense of place with physical elements such as signs and landscaping. Additional concepts related to gateway commercial development described in the 2020 Plan advocates new and expanding commercial uses be accessed from the major street and not from an adjacent residential

street, removal of billboard and pole signage, and inclusion of well-designed transitions and buffers to reduce the nuisance issues such as noise, odors and light, between adjacent residential and commercial uses.

In April 2008, the City Council adopted an ordinance (Roll Call 08-742) that designated various scenic/gateway corridors which significantly limits placement of new billboards; Main Highway Road and Douglas Avenue are both protected by this ordinance.

B. Conformance with Zoning

Existing zoning in the urban renewal area is shown on Map No. 4: Existing Zoning; this map represents the zoning in place at the time of adoption of this urban renewal plan. No changes in the zoning of the area due to the urban renewal area designation are proposed.

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III. PROJECT OBJECTIVES

A. Plan Goals and Objectives

The Merle Hay Commercial Urban Renewal Area is a major commercial node within the City of Des Moines and serves a population that extends beyond the City's borders. Accordingly, the goals and objectives for this urban renewal plan are based on principles that acknowledge the economic importance of this area as a safe, attractive environment for retail and commercial businesses with complementary uses and services that enhance the adjacent residential neighborhoods.

The goals of this plan are to encourage commercial development that will have the following attributes:

- Placemaking with an attractive and pleasing physical environment, design and features that create appealing places.
- Commercial diversity with a variety of cultural, social, recreation, business and related services provided.
- Sustainability with building and site plans based on low environmental impact in the selection of construction materials and internal systems such as energy, lighting, heating and ventilation, siting and landscaping.
- Efficient use of public resources with re/development that promotes efficient utilization of existing infrastructure and private construction of on-site facilities to service new development.
- Accessibility so Merle Hay Mall and other locations can be easily reached from inside and outside the area with a choice of transportation modes and to create pedestrian connections from area to the surrounding neighborhood.
- Neighborhood Stabilization and Revitalization to create a vibrant neighborhood to support continued commercial development.

B. Description of Activities to be Undertaken

The City of Des Moines through a public process that involves neighborhood organizations, business associations, residents and City Boards and Commissions will implement the goals and objectives described above. Additional steps necessary to implement the Merle Hay Urban Renewal Plan include:

1. Continued planning. The City will continue efforts to assess and respond to problems, needs and opportunities within the Merle Hay Commercial Urban Renewal Area through appropriate measures that may include, but is not limited to, additional technical studies, preparation of streetscape plans and discussions with property owners, prospective developers, citizens, and public officials. This effort may result in the publication of additional reports, regulations and guidelines, project plans or other documents that aid in refining the goals, objectives and activities of this Plan.

The City may also participate in planning efforts with other public and private interests that will help to accomplish the goals, objectives, and activities of this Plan. The City will be responsible for reviewing planning proposals and for coordinating such proposals so as to implement the objectives of this Plan. The City may take the initiative to implement zoning changes and other regulations in conformance with this Plan.

2. Information and technical assistance. The City will prepare and distribute informational materials and provide technical assistance where appropriate to property owners, prospective developers and citizens residing or doing business in the Merle Hay Commercial Urban Renewal Area. The City may cooperate in the preparation of development proposals, coordinate proposals for various parts of the Area, obtain approvals and assistance from other levels of government and prepare educational and informational documents which aid in the achievement of the objectives of this urban renewal plan.
3. Provision of public services. The City will provide and coordinate appropriate levels of public services throughout the urban renewal area to support and encourage achievement of the objectives of this Plan. These services may include police, fire, recreation, public improvements, recreation and other types of services.
4. Funding.
 - a) The City will pursue sources of funding which will assist in the achievement of the goals and strategies of this Plan. This may include but is not limited to issuance of bonds, loans, grants, general fund expenditures, special assessments, participation in state or federal programs and joint exercises with other units of government.
 - b) As appropriate, the City will pursue appropriate agreements with Polk County, the State of Iowa and other governmental jurisdictions to provide funding and assistance for the planning and implementation of project proposals.
5. Rights-of-Way. The City may acquire and provide rights-of-way required to accommodate needed public improvements or facilities and to assure adequate design of such facilities.
6. Establishing requirements for redevelopers. Developers, rehabilitators, and redevelopers will be required to observe the requirements of this Merle Hay Commercial Area Urban Renewal Plan as well as any and all established development regulations of the City of Des Moines. Where public funds and/or the undertaking of public improvements are involved in private development, the City will seek to assure compliance with this Urban Renewal Plan and standards by contractual agreement. The following redevelopment provisions shall be included in any urban renewal development agreement:
 - Construction of private improvements will be initiated and completed within a reasonable time as specified by contractual agreement.
 - City Council shall review and approve design plans prior to start of construction.
 - Redevelopers will comply with the City's Non-Discrimination Policy set forth in Section 62-169 of the Des Moines Municipal Code as amended.

The design objectives of this Plan are to encourage attractive and functionally sound redevelopment through appropriate architectural design, construction techniques and landscape principles to achieve an attractive and

efficient building design that complements the adjacent neighborhoods and businesses. These objectives are clearly defined in the City's Zoning Ordinance, Site Plan Ordinance and Site Plan/Landscape Policies.

As part of this urban renewal plan, additional development controls and guidelines shall be imposed on projects receiving tax increment financial assistance (TIF). The intent of these requirements is to provide design and financing guidance that will integrate new development in the commercial urban renewal area and assist in meeting the goals and objectives of this urban renewal plan previously enumerated in this section.

A.. All development assisted with tax increment revenue financing from the Merle Hay Commercial Area Urban Renewal Plan is subject to review and recommendation from the Urban Design Review Board and approval of the City Council. City ordinance requires review of individual projects in terms of financial need for the project and site/building design.

1. The following criteria for making recommendations on the design of development projects shall be used, but not limited to:

- How detail is handled in terms of scale, proportion, color, articulation, massing, patterning, setbacks and exterior materials.² Details that add character and define depth by adding richness to the large and small scale elements are desired.
- How the project promotes an attractive and appealing physical environment for visitors and respects the adjoining residential areas.
- How long-term sustainability is incorporated in the building and site plans based on selection of construction materials and internal systems such as energy, lighting, heating and ventilation, siting and landscaping. Exceeding minimum standards of the energy code and reducing the carbon footprint of building scheme is desired.
- How the project promotes efficient utilization of existing infrastructure and employment of effective private stormwater management.
- How the project advances accessibility with a choice of transportation options so functions can be easily reached from inside and outside the area through the installation of walkways, bike racks, bus stops, etc.
- Reduction of undesired signage including pole signage.

2.. The following criteria for making recommendations on the qualification, reasonableness and appropriateness of TIF financial assistance are, but not limited to:

² EIFS ("Exterior Insulation and Finish System"), "synthetic stucco" and related exterior materials are strongly discouraged as an exterior material. If it is used as an exterior material, the developer shall address why it is being used and other options that can be used in place of the EIFS.

- A five year proforma from the developer that shows commercially reasonable sources and uses of funds for the project. Additional financial information, if the use of TIF extends beyond five years, may be requested.
- An explanation of the need for the TIF assistance including evidence of conventional financing terms and conditions, why a financial "gap" exists and a discussion of alternate methods to reduce the need for TIF.
- What public benefit is received if this project receives the TIF assistance

3. Public improvements, especially those along the public right-of-way such as streetscapes and other elements that are intended to make a 'gateway' element, should:

- Use compatible materials (scale and color) in relation of buildings to the street.
- Minimize the use of pole signs.
- Promote burial of utility lines where feasible

4. Neighborhood consultation on design: The City Council may solicit comments from the City-recognized neighborhood organization on a proposed public or private project's design prior to Council's formal action on the project's design.

Redevelopers must commence construction in a timely manner after an urban renewal development agreement has been executed by the City Council and project financing and architectural plans have been approved by the City Council.

7. Utilities. Insure that the urban renewal area is adequately serviced with public utilities and other site improvements necessary to support re/development requirements.
8. Public improvements. An intent of this Plan is to provide, maintain, improve and repair public improvements. These improvements include street modifications, sewers, streetscape, landscaping, sidewalks, curbs and other facilities and features needed to help achieve the objectives of this Plan. The City may allocate available TIF for such improvements by an amendment to this Plan and will seek other sources of financing to assist in meeting this goal.
9. Economic Development Loans and Grants. Financial assistance in the form of loans or grants may be provided to private entities to assist in the development of commercial and mixed use projects in compliance with this Plan. Map No. 5 Development Activities provides a general location of public improvements and private development to be assisted with TIF. Utilities within the urban renewal area may be assisted with TIF even if not designated on map.

IV. DURATION OF URBAN RENEWAL PLAN

The Urban Renewal Plan for the Merle Hay Commercial Area shall expire on June 30, 2030.

V. PROCEDURE FOR AMENDMENTS TO THE URBAN RENEWAL PLAN

The City of Des Moines may amend this Plan from time to time in accordance with applicable state and local laws. The amendments may include additional objectives, revised land use regulations, revised boundaries, and/or property to be acquired and disposed of for redevelopment.

The City Council may request public input from, but not limited to designated neighborhood group(s) and City appointed committees as appropriate upon any proposed amendment to this Plan.

DRAFT

Appendix A
Legal Description - Merle Hay Commercial Urban Renewal Area

<Is in process of being generated 5/14/08>

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Appendix B: Maps

Map No. 1: Location within the City of Des Moines

Map No. 2: Project Boundary

Map No. 3: 2020 Land Use Map

Map No. 4: Existing Zoning

Map No. 5: Development Activities Assisted with Tax Increment Funding

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Merle Hay Commercial Urban Renewal Area

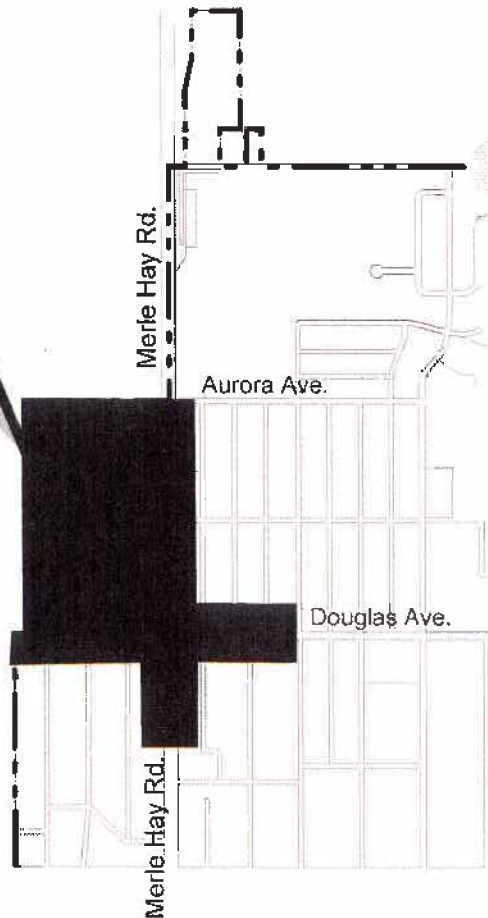
Des Moines, Ia.

Map No. 1 General Location

Urban Renewal Area

Office of Economic Development
Des Moines, IA 5/08

Inset Map



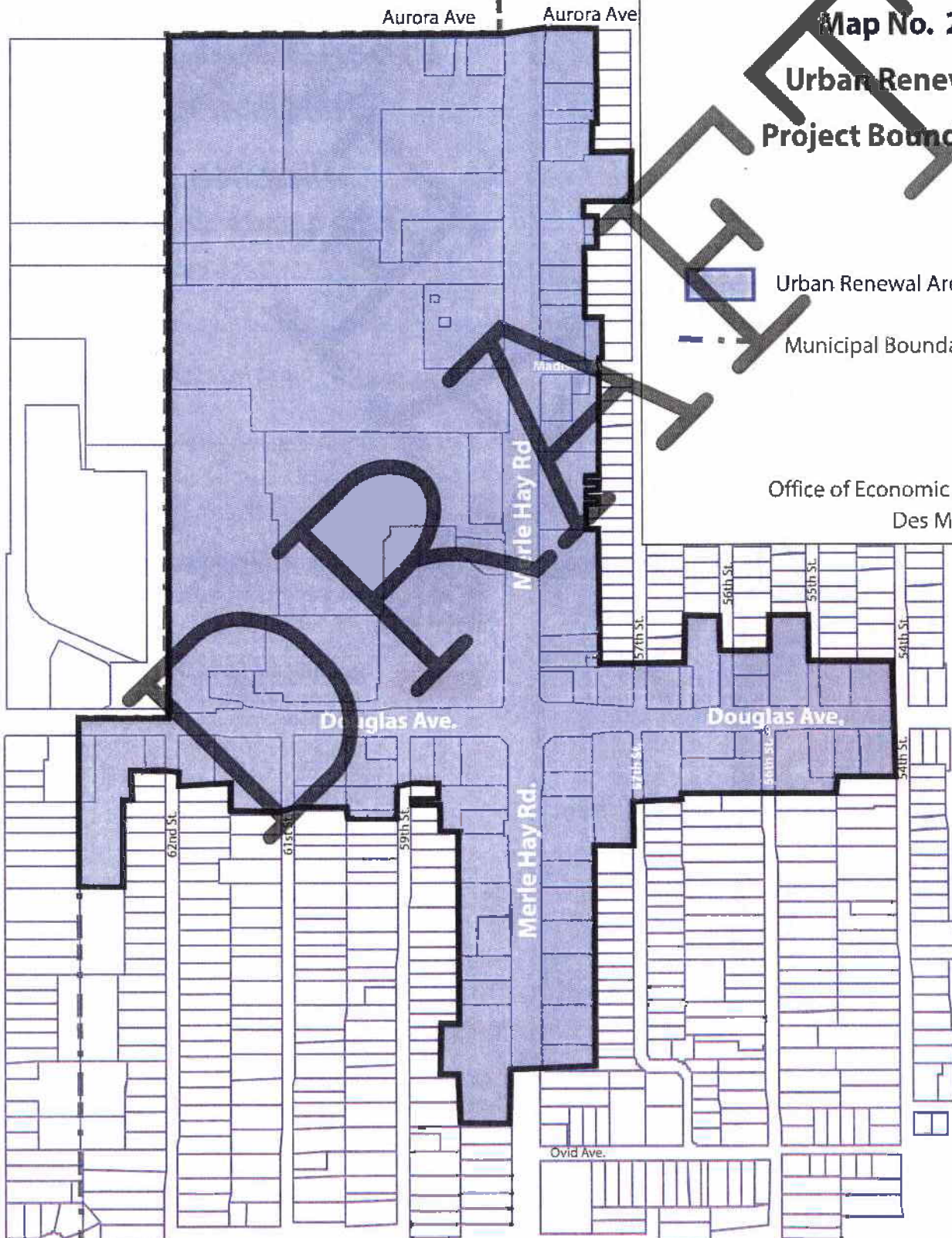
**Merle Hay Commercial
Urban Renewal Area**

**Map No. 2
Urban Renewal
Project Boundaries**

Urban Renewal Area Boundary

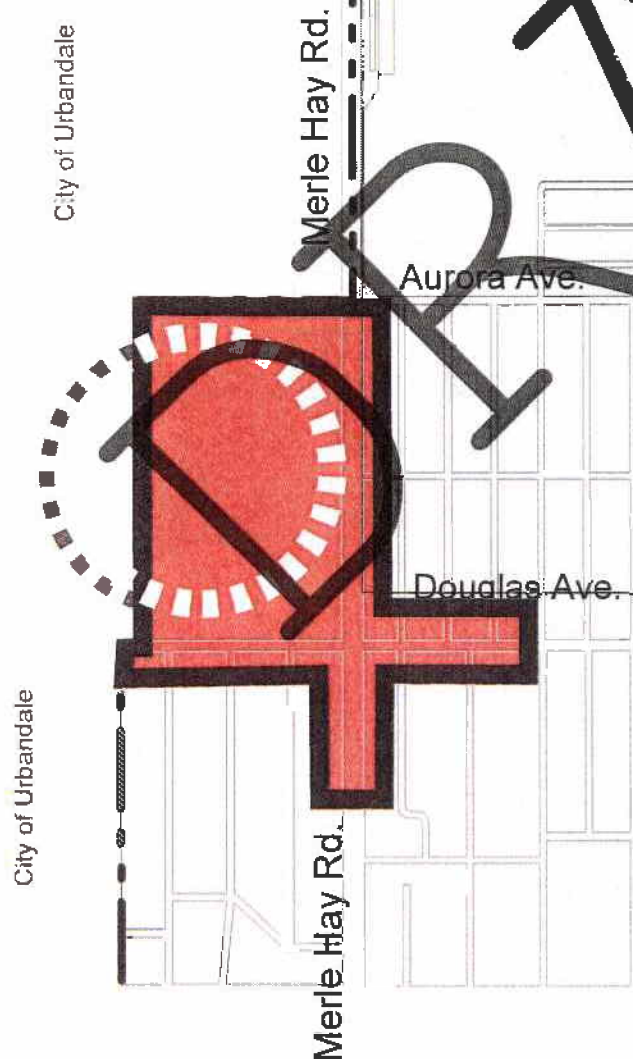
Municipal Boundary

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Des Moines, Ia 5/08



Merle Hay Commercial Urban Renewal Area Des Moines, Ia.

Map No. 3 2020 Land Use Map



Urban Renewal Area Boundary

Municipal Boundary



Regional Shopping Center

Multi-use building with over 1,000,000 sq. ft. of retail space



Small-Scale Strip Development

Small-to-moderate commercial in a linear pattern that serves the passing motorist. Individual building may be over 35,000 sq. ft. with individual modules from 2,000 to 20,000 sq. ft.

Source: Excerpt from 2020 Community Character Plan:
<http://www.ci.des-moines.ia.us/departments/CD/PUD2/landusemap.htm>

No changes from official map are proposed.

Copies of the official map are available at the Community Development Dept. / 602 Robt. Ray Dr./ Des Moines, IA

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Merle Hay Commercial Urban Renewal Area

Map No. 4

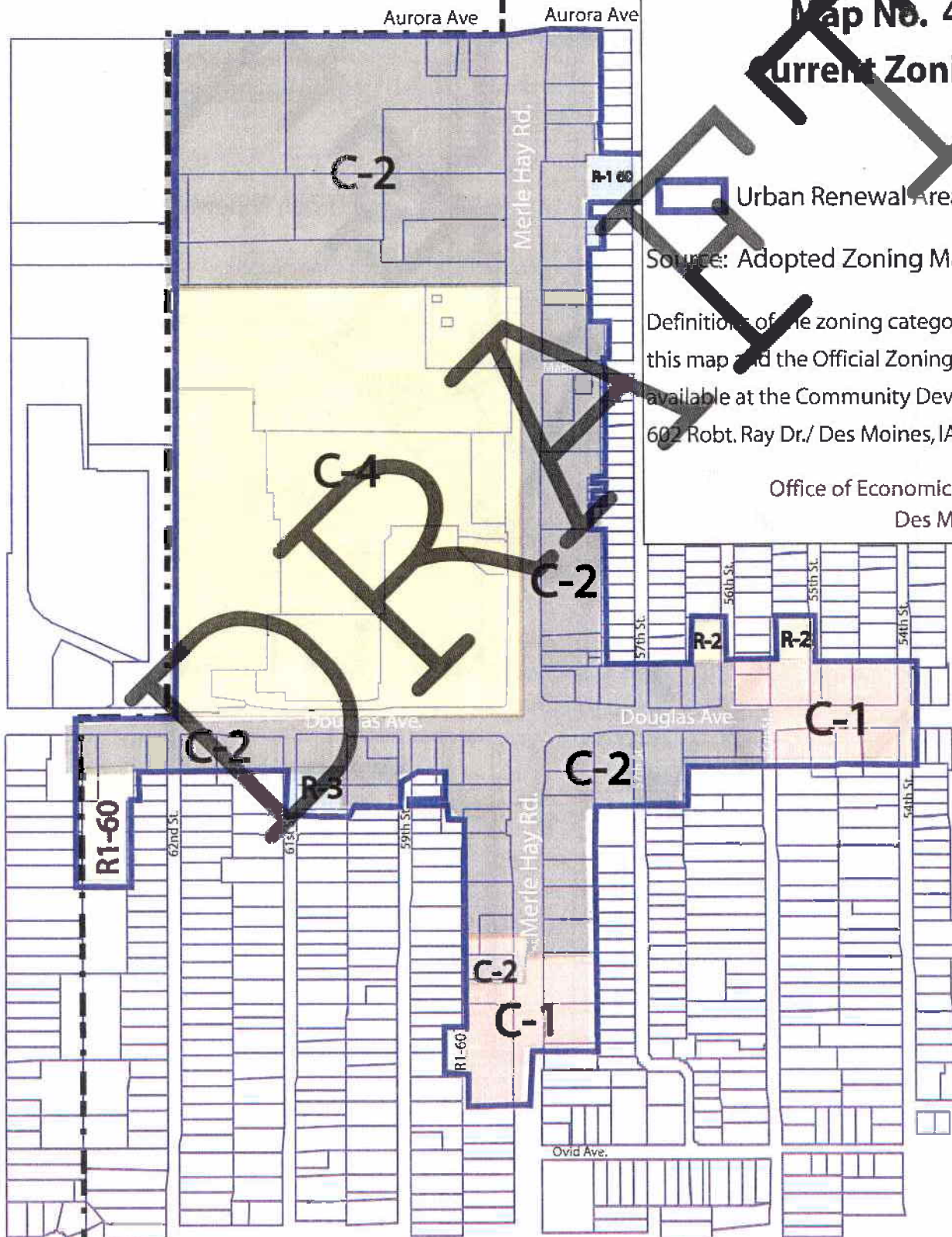
Current Zoning

Urban Renewal Area Boundary

Source: Adopted Zoning Map as of 4-08.

Definitions of the zoning categories used in this map and the Official Zoning Map are available at the Community Development Dept. 602 Robt. Ray Dr./ Des Moines, IA 50309

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Merle Hay Commercial Urban Renewal Area

Map No. 5

Development Activities
Assisted by City with TIF

Urban Renewal Area Boundary

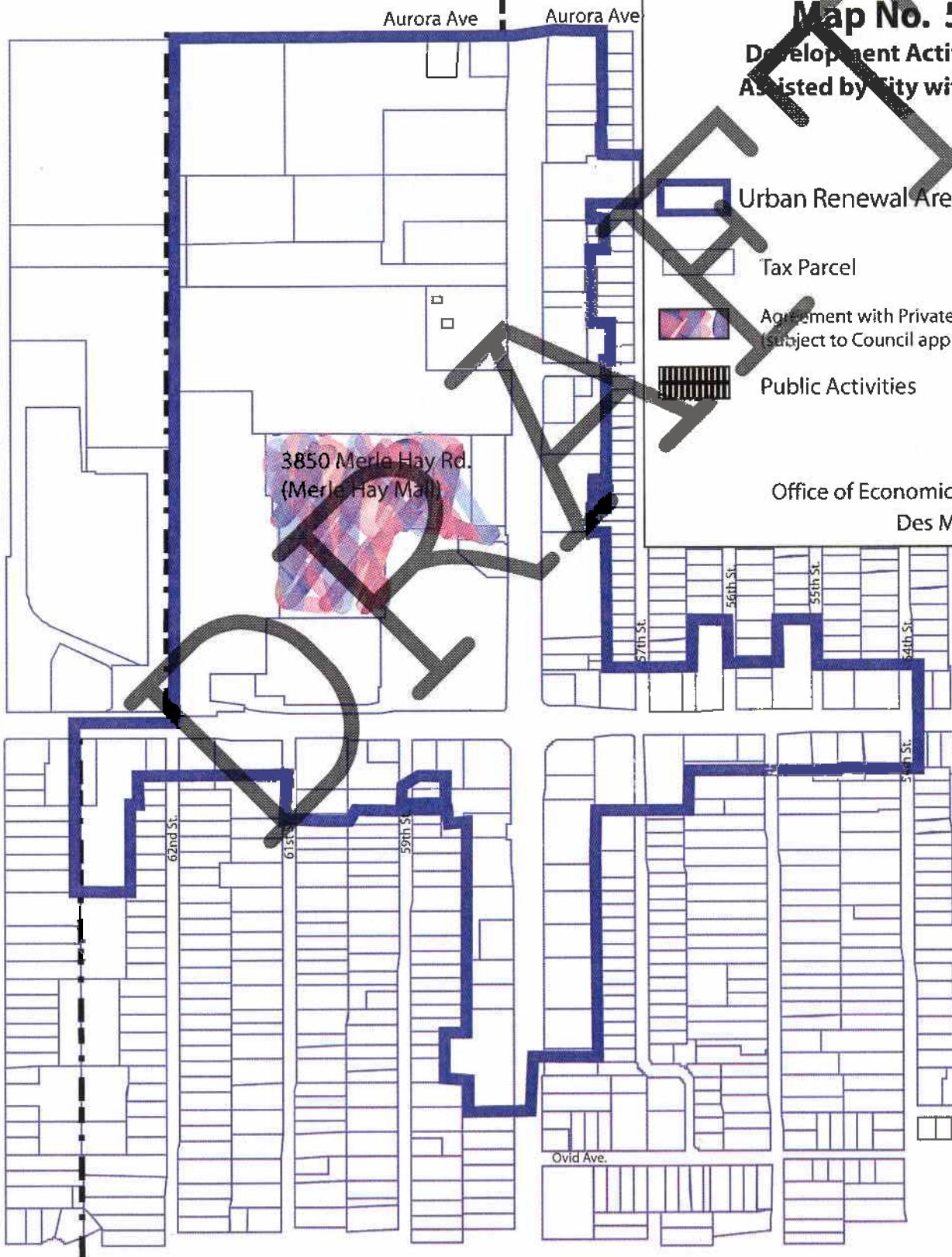
Tax Parcel

Agreement with Private Developer
(subject to Council approval)

Public Activities

Office of Economic Development
Des Moines, Ia 5/08

3850 Merle Hay Rd.
(Merle Hay Mall)



Appendix C - FINANCIAL CONDITION REPORT Merle Hay Commercial Area Urban Renewal Project

A. Introduction

The Code of Iowa, Chapter 403-Urban Renewal, requires cities to undertake construction with other governmental entities receiving property tax revenues from an urban renewal area that utilizes tax increment financing (TIF) when the urban renewal plan for that area is created or amended. This report has been prepared as part of the City of Des Moines Merle Hay Commercial Area Urban Renewal Plan.

General Background: 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 very limited redevelopment opportunities, urban renewal is an important way to link the public and private sectors.

In Iowa, a city may designate an "urban renewal area" by following the requirements specified in Chapter 403, Code of Iowa which requires the area to contain one or more of the following conditions:

- Slum and/or Blighted conditions
- Economic Development area due to its appropriateness for commercial enterprises or industrial enterprises, for public improvements related to housing and residential development, or construction of housing and residential development for low and moderate income families.

The Merle Hay Commercial Area Urban Renewal Area has been found to meet the "appropriateness" conditions described in the State Code in that the City desires to further economic development by attracting new commercial development while retaining and expanding the tax base and employment opportunities.

An urban renewal area must be designated by the City Council. As part of the designation, the City Council adopts 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 the construction of public improvements, assistance to private redevelopment, public services, and the purchase or sale of property, together with the conditions and standards the City may want to impose on the development projects.

If the City wants to undertake an action not specified in the urban renewal plan, it must identify the proposed change by an amendment to the plan. Before an amendment can be adopted by the City Council, a notice of a public hearing on the amendment must be published in the newspaper. In addition, if the urban renewal area uses tax increment financing (TIF), a consultation and comment period with other taxing entities must be offered prior to the public hearing. This document has been prepared in response to this consultation requirement.

B. Merle Hay Commercial Area Urban Renewal Project

The City proposes to adopt the Merle Hay Commercial Area Urban Renewal Plan in 2008 and concurrently designate the urban renewal area as a tax increment finance district. The Merle Hay Commercial Area urban

renewal project will provide public funds, through the use of tax increment financing and other available funds, to provide the funding to undertake the following activities in the urban renewal area:

- encourage economic development to leverage new private investment in this area;
- construct appropriate public infrastructure;
- construct or aid in construction of public improvements that will serve as public amenities that will improve and enhance the appearance and functioning of the area; and
- other projects as authorized by the City Council.

C. Tax Increment Financing

Tax increment financing is *only* available in designated urban renewal areas. A tax increment is basically the property tax revenue generated by the cumulative general ad valorem tax levy on the *difference* between the taxable value of all property in the TIF district at the base valuation date and the taxable value of the properties in any subsequent year. The base valuation date is January 1 of the calendar year immediately proceeding the calendar year that the City first certifies an indebtedness to be paid by the tax increment revenue.

The TIF designation for this urban renewal area is limited to tax collections for twenty fiscal years from the calendar year following the calendar year in which the City first certifies to the county auditor the amount of any loans, advances, indebtedness, or bonds which qualify for payment from the division of the revenue in connection with the project. It is anticipated that debt will be certified for this project in 2008 with the collection of TIF revenues to begin in Fiscal Year 2009/10.

If the City does not use the revenue for paying TIF obligations or for other eligible expenses incurred in the urban renewal area, the increment is released back to the various taxing entities. On March 24, 1997, the City Council adopted a policy that the City may expend up to 75% of the annual aggregated tax increment revenues from all TIF areas generated after January 1, 1996. The unexpended tax increment revenues will be available for distribution to the various property taxing entities.

In accordance with State of Iowa requirements, this financial condition report will summarize any bonds issued to date, outstanding and contracted-for indebtedness and the retirement periods of these bonds for the Merle Hay Commercial Urban Renewal Area.

Current TIF Bonding and Outstanding Indebtedness: Overall, the City of Des Moines has about \$358 million in general obligation debt. Of this debt, approximately \$101 million is being serviced with tax increment revenues for specific urban renewal areas. In addition, the outstanding total of tax increment notes and bonds is about \$5.5 million. The State of Iowa Constitutional debt-ceiling limit for general debt obligations by the City of Des Moines is about \$484 million. (mckinley 4-08)

The Merle Hay Commercial Area Urban Renewal Area is not anticipated to have any bonded debt and all undertakings within this urban renewal area are anticipated to be paid from tax increment revenues on a cash-available basis and from other sources.

Property Tax Assessments and Revenues: When the Merle Hay Commercial Area urban renewal area is

created in 2008, it will also be designated as a Tax Increment Financing (TIF) district. At the time of designation, the property tax assessments will be "frozen" using a base valuation date of January 1, 2007. Any additional increase in the property tax assessment may be "captured" for use in the TIF district by the City.

The City intends to certify debt for payment from the TIF district by December 1, 2008, which will establish a base valuation date of January 1, 2007. The total base valuation for the entire Merle Hay Area Urban Renewal Area existing on January 1, 2007, was approximately \$90.1 million. Any increase in the total taxable valuation of the urban renewal area above this base, adjusted annually for mandated State and Iowa equalization rollbacks, is available for qualifying urban renewal undertakings, commencing in Fiscal Year 2009/10.

D. Future Financial Conditions and Use of TIF

The Merle Hay Commercial Area Urban Renewal Plan creates an urban renewal area that is approximately 118 acres in size. The City of Des Moines plans to expend TIF for eligible economic development project(s) for the purposes of leveraging other public and private assistance in this area. Expenditures from the tax increment revenues will be funded on a cash-available basis.

It is anticipated that property values will increase due to new redevelopment, economic assistance projects and the overall appreciation of real estate. The City will undertake future projects in cooperation with the private sector to enhance this area.

The City intends to enter into a development agreement with the owners of property located at 3850 Merle Hay Road (Merle Hay Mall) to provide economic development assistance based on an annual grant, on a cash available basis, of up to \$400,000/annually for 15 years from the TIF revenues derived from this property. The property owners will be required to execute a minimum assessment agreement for the property (3850 Merle Hay Road) for an additional \$10 million in assessed value to take effect on January 1, 2009 and that will run concurrent with the economic development assistance; the intent of the assessment agreement is to reflect the minimum assessed value of the proposed improvements that will be undertaken with the TIF assistance.

E. Amendment to Plan

The City Council may, by subsequent amendment to the urban renewal plan, provide for additional funding for other undertakings not addressed in the urban renewal plan to carry out the objectives of the plan. The City Council and other taxing entities must review each amendment as directed by the Code of Iowa, Chapter 403.