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Date July 14, 2008

RESOLUTION OF NECESSITY FOR THE
MERLE HAY COMMERCIAL AREA URBAN RENEWAL AREA

WHEREAS, the proposed Merle Hay Commercial Area Urban Renewal Area contains approximately 110 acres that are used or zoned for commercial purposes along Douglas Avenue from about 54th Street westward to the municipal boundary with the City of Urbandale, and along Merle Hay Road from a point slightly north of Ovid Avenue to Aurora Avenue, all as generally shown on the attached Exhibit "A", and more specifically described in the attached Exhibit "B"; and,

WHEREAS, the Community Development Director reports that the proposed Merle Hay Commercial Area Urban Renewal Area is an economic development area appropriate for redevelopment for commercial use, for the reasons set forth in the report attached hereto as Exhibit "B" and incorporated herein by reference; NOW THEREFORE,

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

1. That the following findings are hereby made and adopted:
 - a) The Merle Hay Commercial Area Urban Renewal Area constitutes an economic development area appropriate for redevelopment for commercial use.
 - b) That the rehabilitation, redevelopment, development, or a combination thereof, of the Merle Hay Commercial Area Urban Renewal Area is necessary in the interest of the public health, safety, and welfare of the residents of the City of Des Moines.
2. That this roll call shall serve as the resolution of necessity as required by Iowa Code Section 403.4.

MOVED by _____ to adopt.

FORM APPROVED:

Roger K. Brown
Roger K. Brown, Assistant City Attorney

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Attachments:

Exhibit "A" – Director's Report
Exhibit "B" - Legal Description

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

MOTION CARRIED

APPROVED

Mayor

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.

City Clerk

July 9, 2008

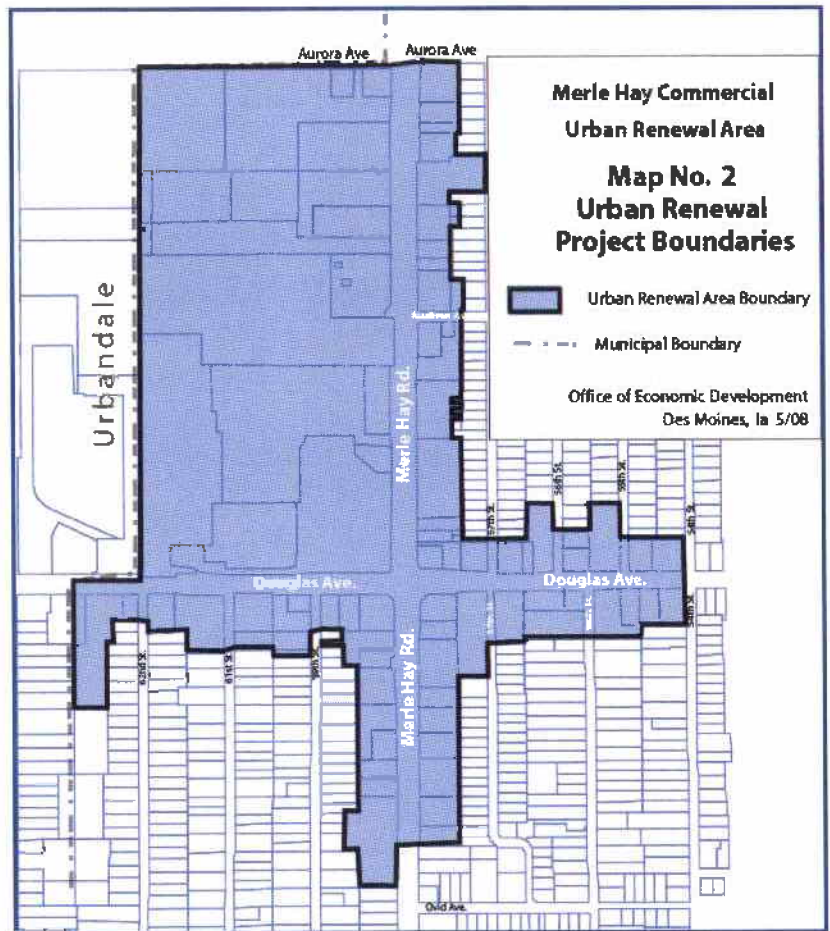
To the Honorable Mayor and City Council of the City of Des Moines

Re: Community Development Director's Report on Designation of Proposed Merle Hay Commercial Area Urban Renewal Plan

The City of Des Moines is proposing to designate an urban renewal area for the Merle Hay commercial corridor.

The purpose of this urban renewal plan is to enhance private development within this urban renewal area through provision of economic development financial assistance and infrastructure improvements that will be financed, in part, with the tax increment revenues generated in the urban renewal area.

The urban renewal area to be created and to be known as the Merle Hay Commercial Area Urban Renewal Area contains approximately 110 acres. A map of the proposed urban renewal area is shown here.



BOUNDARY DESCRIPTION

The boundary for the area is based on the existing zoning for commercial use, with a few residentially zoned parcels that are used for an extension of the included commercial uses.



COMMUNITY DEVELOPMENT DEPARTMENT
ARMORY BUILDING
602 ROBERT D. RAY DRIVE
DES MOINES, IOWA 50309-1881

ALL-AMERICA CITY
1949, 1976, 1981
2003

The area is generally located along Merle Hay Road starting at about the 3400 block of Ovid Avenue extending north to Aurora Avenue and along Douglas Avenue from about 54th Street westward to the City's corporate boundary at about 62nd Street with the City of Urbandale. The legal description for the urban renewal area can be found in Appendix A of the urban renewal plan.

BASIS OF URBAN RENEWAL DESIGNATION

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 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 including single multifamily housing.

In accordance with the state law (Code of Iowa), it is determined the Merle Hay Commercial Area Urban Renewal Area qualifies as an economic development area due to its appropriateness for development of commercial enterprises by attracting new private development while retaining and expanding the existing tax base and employment opportunities.

CONFORMANCE WITH COMPREHENSIVE PLAN

The Merle Hay Commercial Area Urban Renewal Plan proposes revitalization and redevelopment of underutilized commercial structures. The Des Moines 2020 Community Character Plan identifies the Regional Shopping Mall for the area north and west of the intersection of Merle Hay Road and Douglas Avenue and Small Scale Strip Development for the remainder of the urban renewal area.

The project objectives identified in the urban renewal plan are consistent with the City's adopted 2020 Plan.

PLANNING RATIONALE

The proposed Merle Hay Commercial Area Urban Renewal Area is approximately 110 acres in size, excluding public right of way. The area north and west of the intersection of Merle Hay Road and Douglas Avenue consists primarily of large regional shopping centers known as Merle Hay Mall and Haymarket Square. The rest of the area consists mostly of strip development with smaller commercial buildings and strip malls.

Retail Environment

The Merle Hay Commercial Area functions as a regional shopping area drawing its customer base from the immediate neighborhoods as well as from surrounding communities. However, due to the overall age of the area's retail facilities and newer shopping areas competing for many of the same customers, the pre-eminence of this area for retail activities has slipped significantly.

Based on available data, there was about 14 million sq. ft. of retail space in the metro Des Moines area in 2001; in 2007, it totaled about 19.5 million square feet. Only 170,000 sq. ft. of new retail space was built in Des Moines in this time when over 5.5 million square feet was built elsewhere in the

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metro. Overall, Des Moines' portion of retail square footage has diminished from about 50% of the metro's retail space to about 36% in this six year time period.

"Big box" retail has jumped to the rapidly growing suburban areas with two-thirds of the 9 million square feet of big box space located in Ankeny and the western suburbs. The Merle Hay Commercial 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.

Merle Hay Mall has long been the largest mall in the metro Des Moines area with about 1.2 million square feet since the late 1970s. In 2004, Jordan Creek Mall opened on the western periphery of the metro area. It is a 1 million+ sq. ft. "upscale" mall with numerous national chains locating for the first time in the area. Jordan Creek's newness, "unique" to-the-area tenants, and amenities, and Ankeny, with its "newness," major big box stores and proximity to residential development, have been successful in attracting customers and contributed to closure of stores in the Merle Hay Commercial Area.

In addition, the retail slippage has had a significant negative impact on the Des Moines Independent School District which has experienced a much lower than anticipated revenue from the 1¢ sales tax levy in this time period.

Land Use

The major land use in the area is parking which occupies about 62% of the land area. The majority of the surface parking area adjoins Merle Hay Mall/Sears and Haymarket Mall. Two small structured parking ramps serving Merle Hay Mall totaling about 600 spaces were built in the 1980s.

The properties within the proposed urban renewal area are zoned as:

- 60 acres - C-2 General and Highway Oriented Commercial;
- 39 acres - C-4 Shopping Center Commercial;
- 10 acres - C-1 Neighborhood Retail Commercial; and
- About .5 acre of R-3 Multifamily Residential and 5.5 acres of R1-60 One Family Residential which are used in conjunction with adjoining commercially-zoned property.

Ownership

As might be expected in an area zoned for large commercial uses, there are several property owners with large holdings. Five property owners own 67 acres or 62% of the land area in the Merle Hay Commercial Area. Those land owners are Merle Hay Mall (28.4 acres), Centro NP Holdings (17.8 acres), Sears (12.8 acres), David and Jody Walters (5.0 acres) and Target Corporation (3.2 acres).

Taxable Values

The area's total property tax assessment is about \$90 million with two properties assessed at under \$1,000 and four properties at more than \$8 million as of January 1, 2008. Eighteen of these properties challenged their assessments in 2007; eight were successful, reducing their assessment by a total of about \$14 million dollars. In 2005, nineteen properties challenged their assessments with thirteen winning reductions that totaled slightly over \$11 million.

While most of the structures (65 of 70 buildings) in this area are listed in “normal” or better condition by the Polk County Assessor, the number of challenges and the amount of the reductions (15%+ of the area’s assessed value) in the past several years provides an indication of economic obsolescence and decreased retail functionality with most of the reductions occurring in the building assessment values and not the land values.

Building Stock

The Merle Hay commercial corridor is experiencing physical change with the aging of its infrastructure and building stock as well as increased competition from other retail areas and internet-based businesses. For retail operations, “new” (brands, franchises, buildings) leads the market and commands the higher sales/rental price; Merle Hay does not have the new buildings to attract these desirable retailers.

As might be expected in the Merle Hay area due to the age of when many of the retail operations were built (1960-80), numerous buildings have outlived their useful life for retail functions. Almost 60% of the building space in the area was constructed before 1970 with only 9 % of the space (157,535 sq. ft.) constructed since 2000.

Much of this building stock is considered obsolete in terms of today’s retail demands which require larger store space, 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 visible roadway visibility.

A recent survey in May 2008 found six vacant structures including the recently-emptied Baker’s Square Restaurant at 4107 Merle Hay Road; this property was vacated in April 2008 due to a decision by Vicorp, its corporate parent, to close several locations in Des Moines as part of its national Chapter 11 bankruptcy filing. In addition, Merle Hay Mall and strip malls within the urban renewal area also contain substantial vacant commercial space.

Property Layout

Unique lot configurations and multiple zoning classifications on individual parcels make updating this commercial area difficult.

Much of the property on which retail and commercial development is located today, other than the shopping center properties (Merle Hay Mall, Sears and Hay Market Mall), was originally platted in the 1950s for residential development; lots were typically sized with a 60 foot frontage and 120 foot depth. Many of these lots on Merle Hay Road were then sold to housing developers who created residential subdivisions extending for blocks. Flag lots, “island” lots with no access to a street and other atypical lot layouts are also found in this area; these abnormal lot layouts often have more than one zoning classification.

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As commercial areas expanded on Merle Hay Road, those street-facing homes were demolished with small commercial developments then built on the shallow-depth lots. Homes continue to abut the commercial development on the “back sides” of the commercial developments today.



This aerial photo shows the difference between commercial and residential uses are delineated in a reasonably distinctive pattern.

The commercial areas show a great deal of surface paving and the residential areas shown with a small building surrounded by green (lawns and other landscaping).

Note the shallow lot depths on the east side of Merle Hay Road, a legacy of its original platting for residential uses.

In summary, the lot configurations, zoning and ownership make redevelopment for commercial purpose difficult in this area.

Aerial picture (from Google Earth) with general boundaries of proposed Merle Hay Urban Renewal Area shown.

Infrastructure

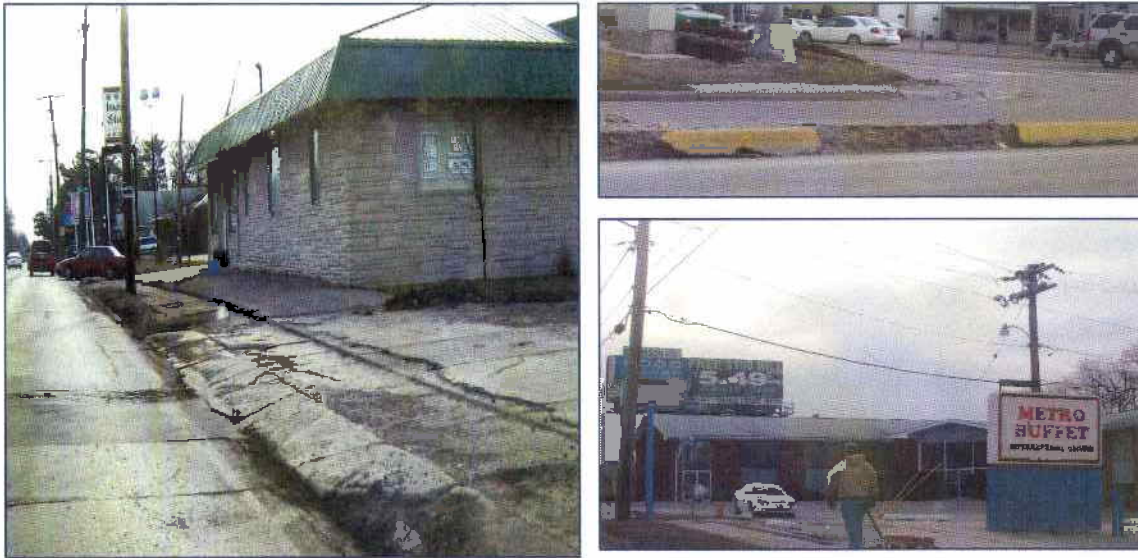
The area’s roadway and sidewalk infrastructure is in need of improvement. The asphalt on Douglas Avenue is chipping away or non-existent in places and needs to be repaved. Storm water in the area around 54th Street and Douglas Avenue and the 3600 block of Merle Hay Road does not drain properly and creates standing water over the road during rain events. A number of concrete medians on Douglas Avenue and Merle Hay Road are in need of replacement due to crumbling and flaking.

Another infrastructure concern is the condition of the existing sidewalk or, in a number of blocks, the lack of sidewalks for pedestrian use. The sidewalks along Douglas Avenue from 54th St. to Merle Hay Road have eroded to the point of being non-existent. Other areas have no sidewalk at all. Merle Hay Road, between Douglas and Aurora Avenues, does not have sidewalks which makes it difficult for pedestrians to access retail stores, which include major centers such as Merle Hay Mall, Sears and Hay Market Mall, on Merle Hay Road. There is no sidewalk on the north side of Douglas Avenue, west of Merle Hay Road, which could provide access to Target/Merle Hay Mall.

A number of buildings constructed in the 1950s and 1960s were placed directly over underground utilities such as sewer and gas lines; this practice is not permitted today. As a result, repair and upgrading of these utility lines can be difficult.

Area Appearance

Numerous and leaning utility lines, tilting overhead cobra lights, billboards, and a water tower create a unsightly and cluttered environment. The out-dated cobra head street lights are often mounted on splintering wood poles.



Fragmenting sidewalk, tilting poles, crumbling medians and overhead lines are shown above.

Over 12 billboards are located in the area providing at least one billboard face per block. Shown below is a sampling of billboard signs on Douglas Ave. and Merle Hay Road.



The City Council recently designated Merle Hay Road and Douglas Ave. including those portions in the proposed urban renewal area as “Scenic and Gateway Corridors” (Roll Call 08-242 on April 21, 2008).

This designation prohibits the placement of new billboards within 500 feet of these corridors.

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In sharp contrast to the Des Moines' portion of Douglas Ave. is the appearance of the adjoining portion of Douglas Ave. located in Urbandale. Urbandale has invested in a coordinated streetscape with new utility and lighting poles, sidewalks, benches and some minimal landscaping; the overall effect is unified district appearance that is appealing to business and customers.



The demarcation between the City of Urbandale and Des Moines along Douglas Ave. is evident by the differing streetscape treatments; the tilting utility pole unofficially marks the boundary line.

Another concern with the appearance of the neighborhood is the large elevated water storage tower at the NW corner of the Merle Hay Road /Madison Avenue intersection near Sears. The water tower is surrounded by an 8 foot tall fence topped with barbed wire that extends to the edge of the property which adjoins the public street. The overall appearance is unattractive and obviously not appropriate for a retail/commercial area.



The Merle Hay Standpipe Water Tower at 4010 Merle Hay Road is surrounded by an 8 foot height fence topped with barbed wire.

All of these factors combined with the aging infrastructure and buildings create an environment which is visually unappealing and detracts from creating surroundings conducive to retaining and expanding economic development activity.

Current Project

Merle Hay Mall at 3850 Merle Hay Road has long been one of the major shopping destinations in Des Moines and a premiere attraction in this area. Its physical condition and appearance impacts its economic well-being as well as the overall area’s appearance and attractiveness for retention and growth of economic activity.

In 2008, the mall owners announced a \$12-\$14 million redevelopment plan to keep the mall competitive with other metro shopping destinations. This redevelopment will take place in two major areas: reconfiguration of existing space and exterior façade renovation facing Merle Hay Road.

This update is needed to modernize the mall appearance. The original section of Merle Hay was constructed in the late 1950s as an outdoor “plaza” anchored by major stores at its north and south ends connected by an outdoor sidewalk. Its design appears “retro” today with many of the original mall elements still in place: large random brick walls, extremely wide corridors, terrazzo floors, a limited number of entrances, large common areas and a distinctive split level retail area.



In the early 1970s, Merle Hay became an enclosed mall. The 1972 wing which connected the anchor stores, then Sears and Younkers, has a wide corridor and very high ceilings with large windows.

This rendering shows some of those elements with the office building, constructed in 1965, in the background.

Architectural rendering of proposed 1970s expansion

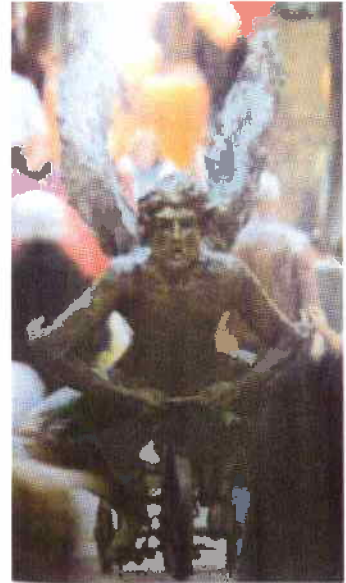
Near the center of the north-south wing are two “basement courts”; one housed a bowling alley (still open) and the other basement area contained a restaurant and other entertainment venues. A large planter currently blocks the stairwell leading to this now-closed restaurant area.

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The newer western wing, built in 1974, is a large corridor that starts at about mid-point of the north-south wing. This corridor proceeded westward to the third anchor store (then Montgomery Wards) and the food court at the west side of the mall which are located in Urbandale.

At about one-third along this corridor of the east-west wing, the walkway splits into an upper and lower concourse. Customers then go up or down a half level to get to the various stores that front a large common area in the center.

This central area at one time housed a notable local icon: the "Up Down" bronze statue by Mark Jacobsen of a life size angel riding a tricycle. (This statue was removed from the mall in 1997.)



At the end of the central area, with its massive arched ceiling, the upper and lower walkways then recombine (with customers going up or down using stairs or a ramp) to a single level and continue westward to an anchor store and the food court area.

In the past several years, some updates were undertaken with new outdoor signage, renovation of common areas and parking lot redesigns.

The mall owners are now proposing to redevelop 55,000 sq. ft. of interior retail space from smaller mall stores to larger, "junior anchor" stores. These stores also require exterior entrances, direct parking access and adjacent service areas. Five existing tenants will be relocated to build out the new "junior anchor" spaces.

The façade renovation will rebuild the exterior of the east side of the mall along Merle Hay Road. This renovation will create four junior anchor stores with exterior entrances along with interior entrances to the mall. This project will rebuild the entire façade of the mall raising the parapet wall to match the recently renovated area that is now occupied by Old Chicago restaurant and the newly constructed Target. Service areas will also be added between the junior anchors to accommodate the service area needs of these tenants.

The façade renovation will feature a new east tower entrance to the mall which will consist of a two story glass structure. All of these façade renovations are proposed to create a new, clean modern look for the mall while maintaining a welcoming look and feel.

SUMMARY

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 Merte Hay commercial corridor and Merle Hay Mall are facing major challenges with aging building stock, a changed retail environment and a smaller customer base.

Retaining a healthy retail and commercial services sector at this location is highly desirable. The convenient provision of desired goods and services is necessary to maintain the desirability of the adjacent residential areas. The redevelopment of underutilized parcels and improvements to the physical environment will ensure this corridor remains strong for years to come.

The proposed Merle Hay Commercial Area Urban Renewal Plan will result in new commercial opportunities, additional employment, increased tax base and improved livability. Its location in the middle of the metro area as well as close proximity to east-west arterials of Douglas Avenue and I-80/35 will aid in attracting and retaining commercial redevelopment.

The residential areas near Merle Hay Mall will also 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 the businesses as well as the 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.

It is now appropriate to designate the Merle Hay Commercial Area as an urban renewal area based on its economic development potential. The creation of this urban renewal area will allow for the use of tax increment finance to assist with economic development financial assistance and other projects such as infrastructure improvements. The revitalization of this neighborhood commercial corridor will result in new commercial opportunities, new employment, increased tax base and improved livability to residents of Merle Hay and other surrounding neighborhoods.

For these reasons previously set forth, I recommend the proposed Merle Hay Commercial Area be designated as an urban renewal area on the basis of meeting the criteria specified in the Iowa Code for economic development.

Respectfully Submitted,

A handwritten signature in black ink that reads "Larry Hulse". The signature is fluid and cursive, with a large initial "L" and a decorative flourish at the end.

Larry Hulse
Community Development Director