

# *the Evolution of* **Merle Hay**



## **Background**

Retail properties have always had to re-invent themselves to stay relevant and meet the needs of their retail tenants and their customers. As a result, the current challenges for retail, in many respects, are nothing new. Changing retail prototypes and evolving customer demands create constant pressure to “adapt or die.” There are numerous examples in Iowa of retail projects that have struggled to stay current: Mall of the Bluffs in Council Bluffs; Marshalltown Mall; Sycamore Mall in Iowa City, just to name a few. Many have converted retail uses to other real estate uses — education, municipal offices, bus depot, self-storage, etc.

Merle Hay’s evolution has been driven by the same competitive forces as other retail locations in the State. It is useful to note this evolution over the past 60+ years in order to understand that the current contemplated project is another large step in an ongoing evolution.

## **Merle Hay Plaza — 1959 to 1972**

On the site of the former Passionist Fathers Monastery, Merle Hay Plaza opened in the Summer of 1959 as an open-air plaza shopping center anchored by a Younkers Department Store store at the south end and a Sears Department Store at the north end. It was the first shopping center of its kind in Des Moines and the State of Iowa. Merle Hay Tower (a 49,000/sf six-story office building) and Merle Hay Cinema (a 600-seat single screen movie theater) were added

in 1963, which made it truly a mixed-use and entertainment location consistent with the trends at the time. Merle Hay Plaza had a wide variety of goods and services — original tenants included a Walgreen’s Drug Store; Joseph’s Jewelers; Kresge Mart (pre-cursor to K-Mart); and a large restaurant called Bishop’s Cafeteria. This wide variety of stores made Merle Hay a weekly shopping destination for the people in its trade area. Federal tax laws at the time encouraged developers to make their buildings civil defense rated, so Merle Hay Plaza had a large basement that was built out as a bomb shelter.

Merle Hay Plaza capitalized on the burgeoning suburbs in Des Moines to the north and northwest of downtown. It provided a more convenient shopping alternative to traveling to downtown Des Moines as well as provided a closer shopping destination for more rural communities.

## **Merle Hay Mall — 1972 to 2005**

Between 1959 and 1969, enclosed malls began to be more popular, especially in places with cold weather, copying the first enclosed malls built in the Twin Cities in the mid 1950s<sup>1</sup>. In 1969, the Plaza property was expanded to the west to include a portion of Urbandale. The original Plaza was enclosed and the enclosed concourse was expanded to the west — with a two-level section — and included a Montgomery Ward Department Store and a Younkers Store for Homes. The re-named and now fully enclosed Merle

1. Southdale Mall opened in Edina, MN in 1956.



Hay Mall opened in 1972, bringing a much wider variety of men's, women's and children's apparel, two book stores, two shoe stores and even more jewelry stores. In a move that was unusual at the time, Merle Hay ownership redeveloped the former basement bomb shelter into a 24-lane bowling alley on the lower level of the former Merle Hay Plaza.

Merle Hay Mall thrived and at 1.2 million square feet was the largest shopping center in the State. The addition of Valley West Mall and Southridge Mall in the late 1970s created more competition for sales and succeeded in re-dividing the retail pie in Des Moines into three distinct trade areas. Over time, there was a great deal of overlap between the store offerings among the three Des Moines-area shopping malls. The overlap was sustainable as long as the baby boomers and their acquisition-minded approach to shopping were the dominant demographic group. As baby boomers gave way to Gen X and then quickly gave way to the Millennials, the demand for these types of goods and services changed rapidly and many retailers quickly found themselves in the buggy-whip business.

By the mid-1990s, many of the retail names were fast disappearing. Many retailers tried to adapt their prototypes to meet the changing trends. The ones who remained found themselves with a different retail prototype preference and relocated to different types of retail properties. A good example was the closing of the Younkens Store for Homes in 1992 and its replacement in 1993 with Kohl's, which was a value oriented name brand soft goods retailer that at the time was new to the Des Moines market.

### **Evolving Anchor Stores**

The key trend was to provide a unique shopping experience to customers, one that they could not find anywhere else. The biggest way to adopt this trend was to change the anchor store offerings. As the largest tenants in any shopping center — "anchors" were designed to draw shoppers to the smaller stores located at the property. The first opportunity the Merle Hay ownership had to capitalize on this trend was when it was able to buy the Montgomery Ward store out of bankruptcy. Merle Hay ownership sold the land to the May Department Stores Co. and in November

of 2000, a 165,000/sf Famous-Barr Department Store opened at Merle Hay. It was the first of its kind in the State of Iowa, and helped Merle Hay distinguish itself from the other malls in the State as well as the other Malls in Des Moines.

Unfortunately, while baby boomers loved department stores, their millennial children did not. The consolidation in the department store industry resulted in May Department Stores being acquired by Target and then being sold to Macy's. In early 2004, May sold the Famous-Barr store to Younkens, which relocated from its original store location at the south end of the original Merle Hay Plaza. The Famous-Barr store was brand new and was much more modern than the existing Younkens Store at Merle Hay.

This sudden turn of events provided Merle Hay ownership with another opportunity to evolve and meet the rapidly changing needs of its customers as well as compete with the newly opened Jordan Creek Town Center in West Des Moines, which had been under construction for two years and opened in August of 2004.

### **Target**

The addition of Jordan Creek in 2004 created even more competition for Merle Hay and it was time to adapt yet again. The one thing that was clear to Merle Hay ownership was that the selection of goods and services at the vast majority of malls — with Valley West, Jordan Creek and Southridge being no exception at the time — made those shopping malls — at best a monthly needs destination for the customers in their trade areas. Most likely, these large enclosed malls were quarterly needs destinations for the shoppers in their trade areas and found themselves really busy only during the period between Thanksgiving and January 1st of each year. For a shopping center to compete in a newly competitive market — competition both from existing brick and mortar stores as well as on-line shopping (just beginning to be a trend) it needed to become a weekly needs destination for the customers in its trade area.

The best way for Merle Hay to become a weekly needs destination was to add a retailer that provided groceries. Target was the best option in that category and in August 2005 Target opened a 126,000/sf



store with a full grocery selection. By making Merle Hay a weekly needs destination, the path to compete with Jordan Creek became clear: Merle Hay needed to become the more convenient, weekly needs, value-based shopping center in Des Moines.

### Merle Hay Road Streetscape

The next plan to reinforce convenience as well as add to the selection of different types of retailers to capitalize on the weekly traffic generated by Target was to add “junior anchor” retailers to the store selection at Merle Hay. Junior anchors are smaller in size than anchor stores and are usually 10,000-40,000/sf in size. At the time, retailers in this category tended to locate at open air strip shopping centers only, and not in enclosed malls as they were very focused on the convenience of their customer being able to drive up and park right in front of the store.

In 2008 and 2009 immediately before and at the beginning of the global financial crisis, three junior anchors and two restaurants were added with the development of a streetscape promenade along Merle Hay Rd that had the effect of “hybridizing” the enclosed mall into a property with the convenient advantages of a strip center and the wide variety and comfortable year-round shopping and event space of an enclosed mall. Merle Hay ownership was able to persuade some of these retailers that they could have the best of both worlds by having a traditional strip center drive-up convenience on one side of the store and generate mall shoppers by having an entrance on the mall corridor.

These “double-loaded” stores generated almost double the traffic into the store, with Staples, Ulta, and Shoe Carnival being willing to make the investment to test this theory and Old Chicago Pizza & Pasta and Panda Chinese joining them with dual entrances as well. All three stores quickly became the dominant stores in their respective regions as a result. When office supplies began to falter, Merle Hay ownership negotiated a termination of Staples lease and expanded the Staples store by an additional 12,000/sf and added the first Ross Dress for Less to the Des Moines market. Now Ross is the dominant Ross store in the region.

The addition of these new retailers to Merle Hay

reinforced its convenience, the ease of shopping multiple format stores in the same shopping trip and the wide variety of value-based retail destinations which made Merle Hay once again unique in the market.

### Flix Brewhouse

As the economy began to recover in 2012-2013 and it became clear that baby boomers had aged out of the “acquisition focused stage of life,”<sup>2</sup> Merle Hay ownership turned its attention to adding the kind of entertainment options that the burgeoning millennials wanted. By redeveloping the second level of the earlier Bridge Court that had been added in 1972, a formerly challenged part of the enclosed mall got a new destination tenant in a 47,000/sf Flix Brewhouse. Flix was the first movie theater of its kind in the State of Iowa, combining a micro-brewery on the premises, an 8-screen first-run 1,000 seat state of the art cinema and a full menu of food and other beverages that were delivered to your seat to be enjoyed on a pull-out table during the movie. Flix was truly a regional entertainment experience and quickly became the number one cinema on a per screen revenue basis in the Des Moines metro area.<sup>3</sup>

### New Redevelopment Opportunities

In February of 2018, Bon-ton Department Stores (the owner of the Younkers Department store chain) announced as part of its bankruptcy case that it would be closing all of its stores at the end of August 2018. In July of 2018, Sears Department Stores announced that it would be closing its Merle Hay store on October 15, 2018. In short, after 59 years of continuous operation the two original anchor stores that book-ended Merle Hay Plaza starting in 1959 were going to close within 35 days of each other. Once again, Merle Hay ownership had the biggest opportunity yet to transform the center into a completely different type of property, one that could meet the needs of a changing demographic (an increasingly entertainment; food and sports-focused customer) as well as capitalize on

2. Consumer Shopping Trends & Statistics by the Generation: Gen Z, Millennials, Gen X, Boomers & Silents, [www.business2community.com](http://www.business2community.com), July 15, 2019, Larisa Bedgood.

3. Flix Brewhouse reported more than \$1,000,000 per screen of gross revenue in 2018.



the changing retail landscape in Des Moines with the announcement that Von Maur would be moving into the vacant Younkers store at Jordan Creek, which will change Valley West’s retail position in the market and thereby expand Merle Hay’s trade area.

**The “Mall” of the Future**

Much has been written over the last 20 years about the “death” of the Mall. Recently, as many of these assets have begun to transform themselves to meet the needs of a rapidly changing marketplace, more has been written about the Mall of the future.<sup>4</sup> The previous sections outlined in detail the original then cutting-edge development of Merle Hay Plaza in 1959 and its continuous redevelopment over the years as opportunities have presented themselves. The opportunity to re-invent Merle Hay at this point in its life span has never been greater. Truly it is a once in a lifetime opportunity to take a complex project, with multiple interlocked ownership and position it for success for the next 60 years.

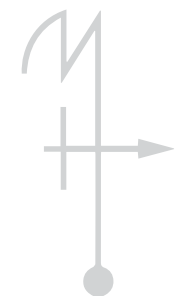
4. Five Components of the mall of the Future, The Real Deal, Oct, 22, 2020; Marty Weintraub, The Future of the Mall, Deloitte, Touche, Tohmatsu, Ltd., May 2020.

*The Mall of the Future in many respects looks like the shopping center of the past: it will be:*

- 1 A mix of uses, with shopping, entertainment, offices, housing, hospitality; and sports/ cultural amenities;
- 2 It will include a wide variety of food options: groceries, fast casual and sit down restaurants;
- 3 It will provide a convenient shopping destination in a safe environment for time-strapped customers;
- 4 It will embrace the role of the “Store” as part retail, part showroom, and part last mile distribution center;
- 5 It will embrace technology by providing a multi-purpose state of the art venues for movies, sports, e-sports, concerts; and (finally)
- 6 This embrace of technology and role as a community center will make the mall of the future a new destination for extensive leisure activities.



Construction and continuation of the Merle Hay Rd streetscape on the Douglas Avenue side of the project will further hybridize the shopping experience away from that of a traditional enclosed mall and towards a more convenient and access driven shopping experience. The creation of a state of the art multi-purpose sports and concert venue on the west side of the project site will solidify Merle Hay’s position in the future.





**Features**

- Bus Stop
- Mall Entrance
- Sign

**MASTER PLAN**  
MERLE HAY MALL

RESIDENTIAL

IHOP

497

237

100

225

56

69

211

162

PARKING  
(341)

470

80,000 SF  
FUTURE  
INLINE  
RETAIL

ANCHOR  
TENANT  
55,000 SF

ROSS

MERLE  
HAY  
MALL

TARGET

306

218

247

93

629

13

DIRECTIONAL  
SIGN

FUTURE  
HOTEL

DES MOINES  
BUCCANEERS  
ICE ARENA

FLIX

NEW BUS STOP

DIRECTIONAL  
SIGN

EXISTING PYLON SIGN

NEW CROSSWALK

DIRECTIONAL  
SIGN

FUTURE  
OUTLOT

DIRECTIONAL  
SIGN

EXISTING MONUMENT SIGN

MERLE HAY RD

MERLE HAY RD

DOUGLAS AVE

**Features**

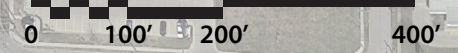
- Bus Stop
- Mall Entrance
- Sign

NEW CROSSWALK

NEW MONUMENT SIGN

APPLEBEE'S

STARBUCKS





**Anchor Tenant Lot**

**Existing**  
 Total: 189,918 SF  
 Pervious: 5,731 SF  
 Impervious: 184,187 SF  
**Proposed**  
 Total: 189,918 SF  
 Pervious: 22,482 SF  
 Impervious: 167,435 SF

**Future 80,000 SF Lot**

**Existing**  
 Total: 234,641 SF  
 Pervious: 0 SF  
 Impervious: 234,641 SF  
**Proposed**  
 Total: 234,641 SF  
 Pervious: 37,076 SF  
 Impervious: 197,565 SF

**Proposed Outlot**

**Existing**  
 Total: 37,172 SF  
 Pervious: 3,508 SF  
 Impervious: 33,663 SF  
**Proposed**  
 Total: 37,172 SF  
 Pervious: 33,415 SF (grass lot)  
 Impervious: 3,756 SF

**Parking Count**

Existing: 4,266  
 Proposed: 3,818

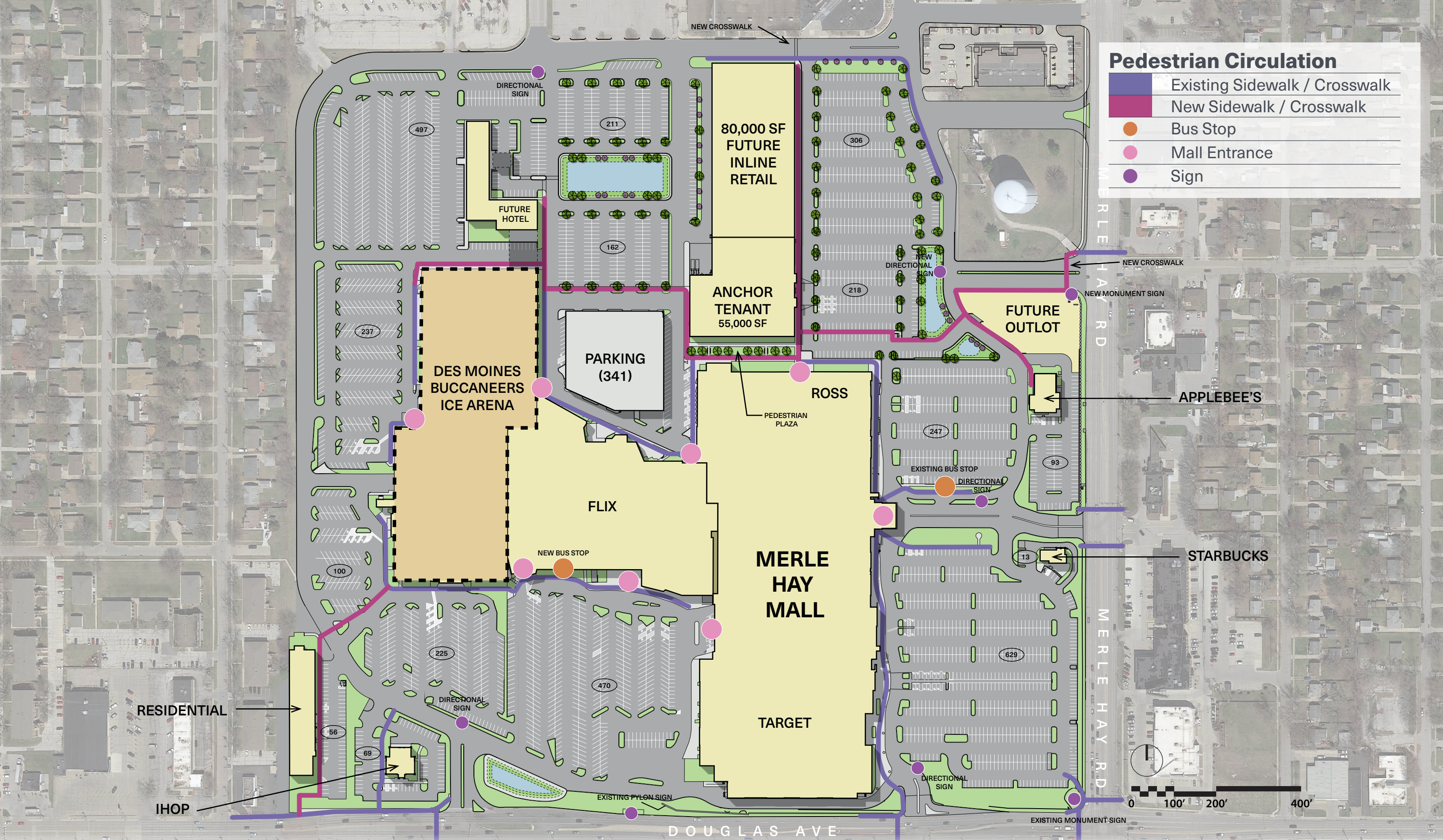




### Site Circulation

- Primary Road
- Secondary Road
- Bus Stop
- Mall Entrance
- Sign

# INTERIOR ROADWAYS MERLE HAY MALL

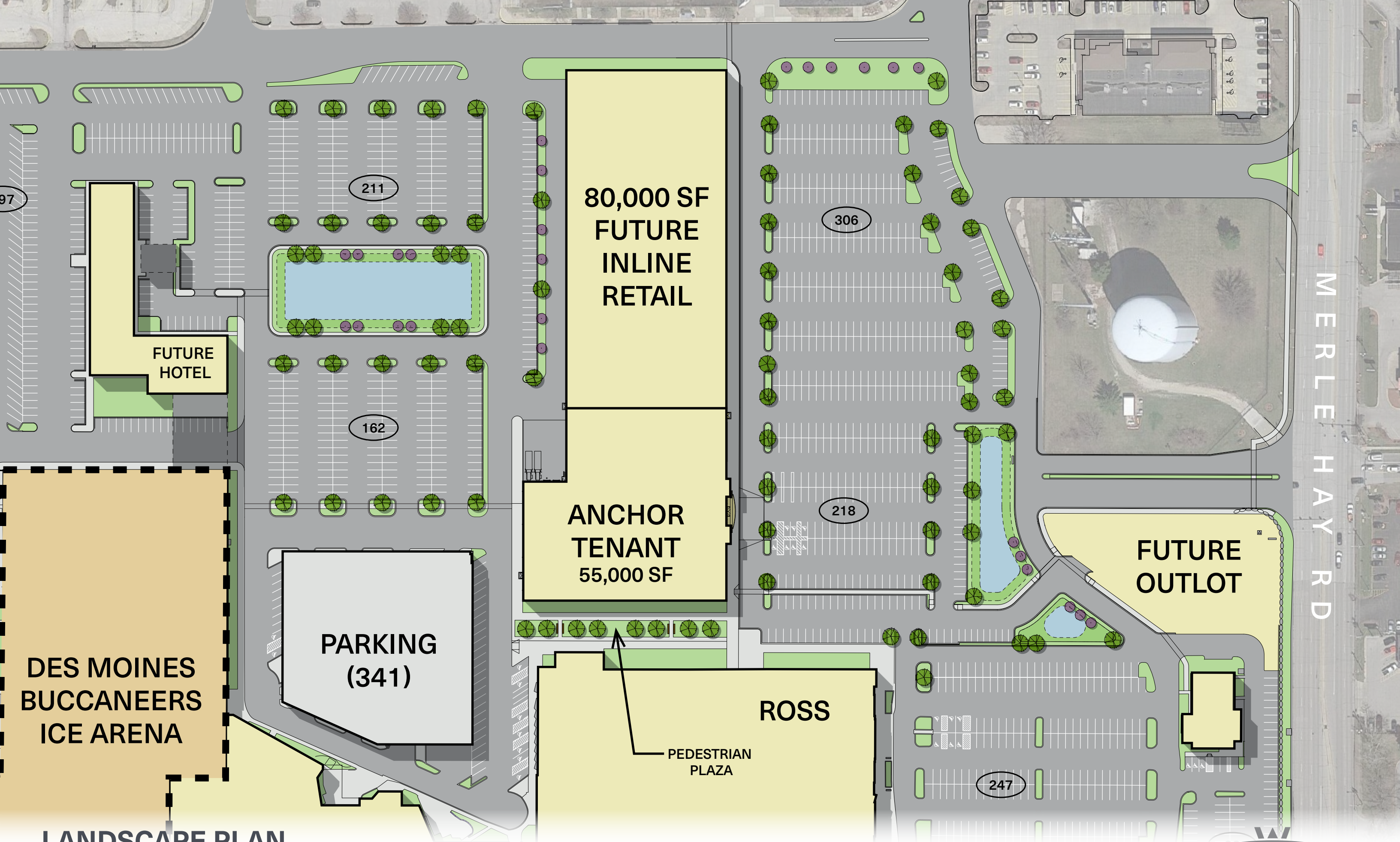


**Pedestrian Circulation**

- Existing Sidewalk / Crosswalk
- New Sidewalk / Crosswalk
- Bus Stop
- Mall Entrance
- Sign



**PEDESTRIAN CIRCULATION**  
**MERLE HAY MALL**



DES MOINES  
BUCCANEERS  
ICE ARENA

FUTURE  
HOTEL

80,000 SF  
FUTURE  
INLINE  
RETAIL

ANCHOR  
TENANT  
55,000 SF

PARKING  
(341)

ROSS

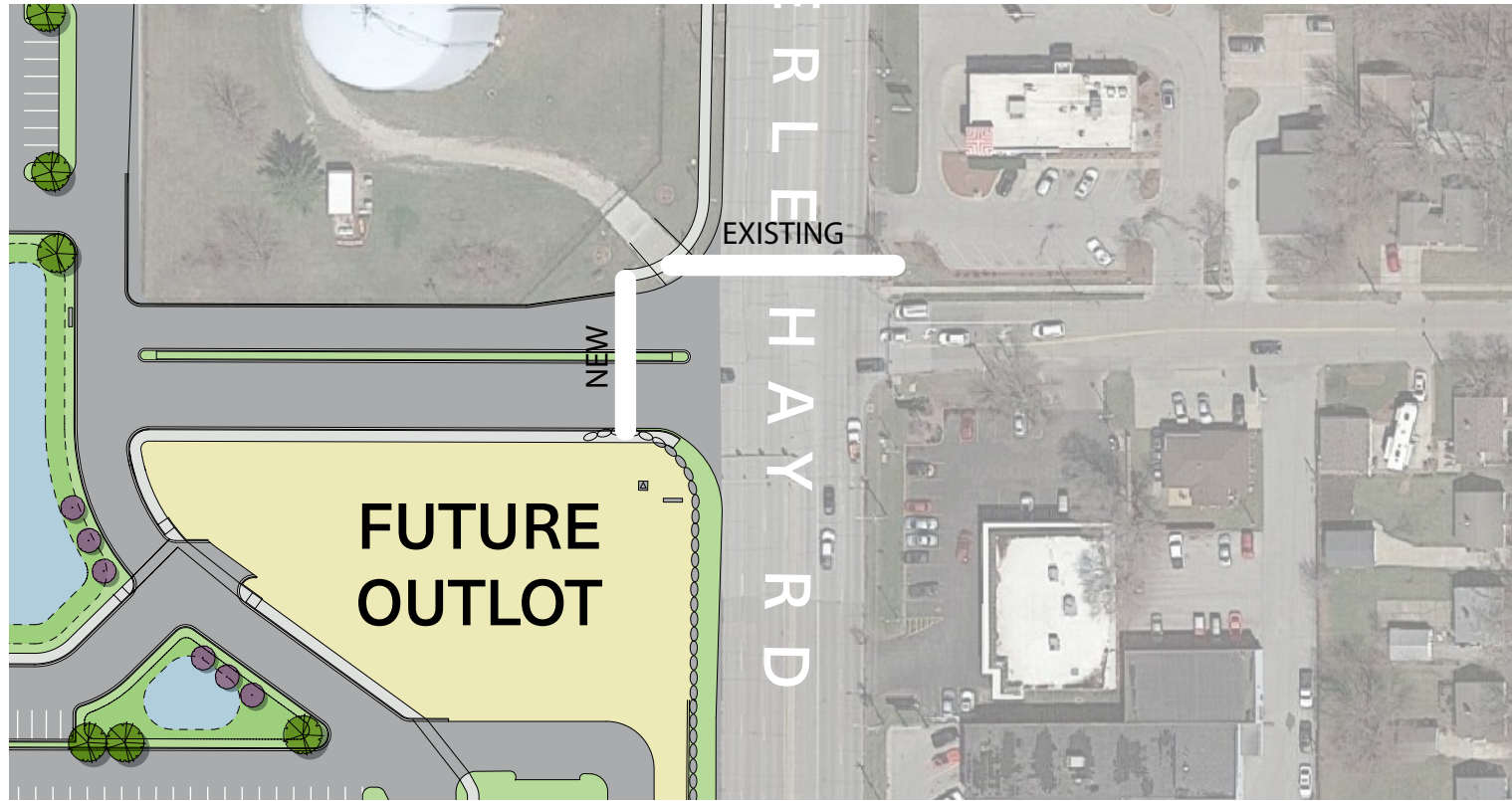
PEDESTRIAN  
PLAZA

FUTURE  
OUTLOT

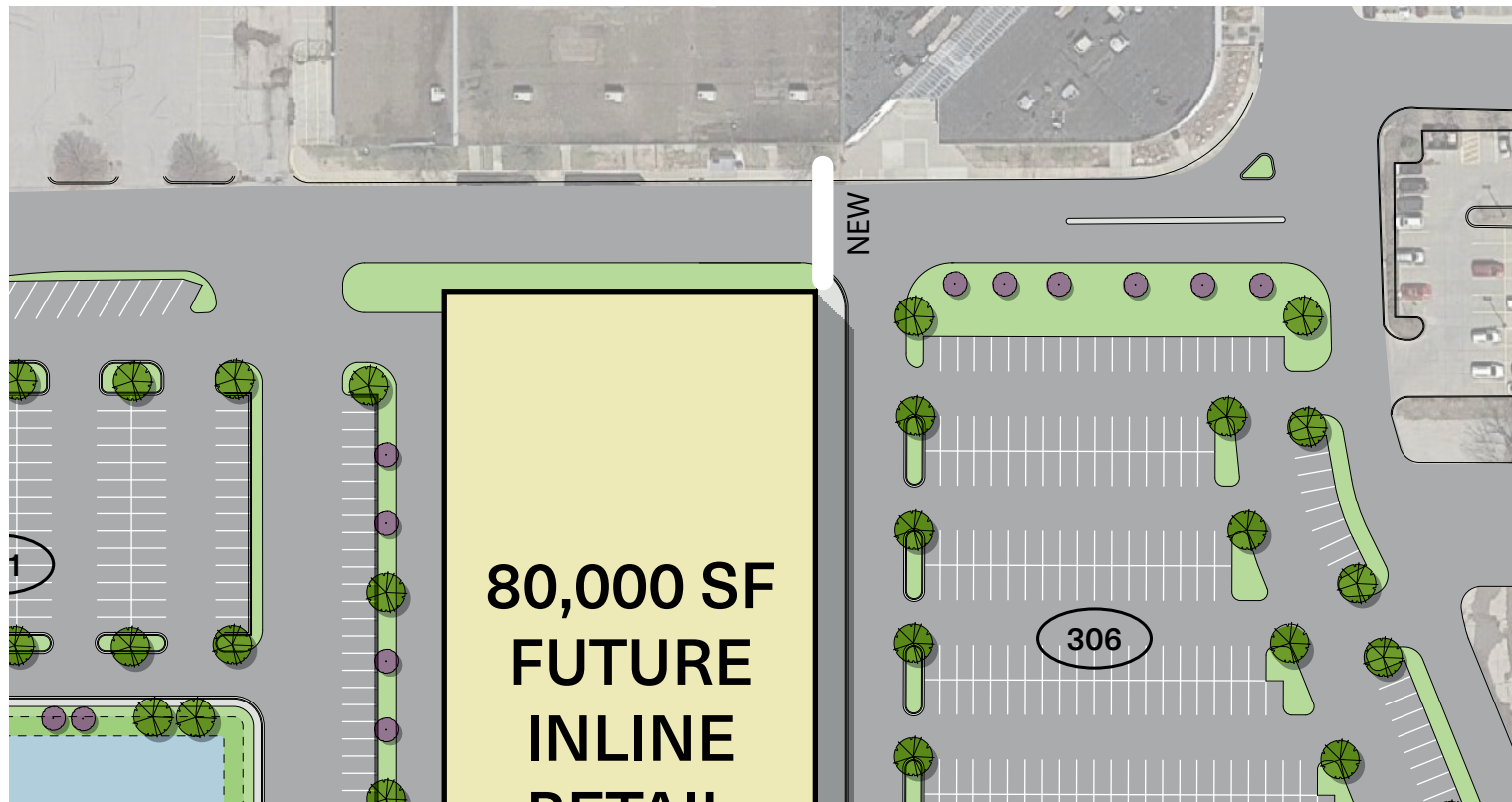
MERLE HAY RD

**LANDSCAPE PLAN**  
MERLE HAY MALL

New + Existing Crosswalks - Proposed East Entrance (Merle Hay Rd.)



Existing Crosswalks - Existing East Entrance (Merle Hay Rd.)



New Crosswalks - North Site Boundary

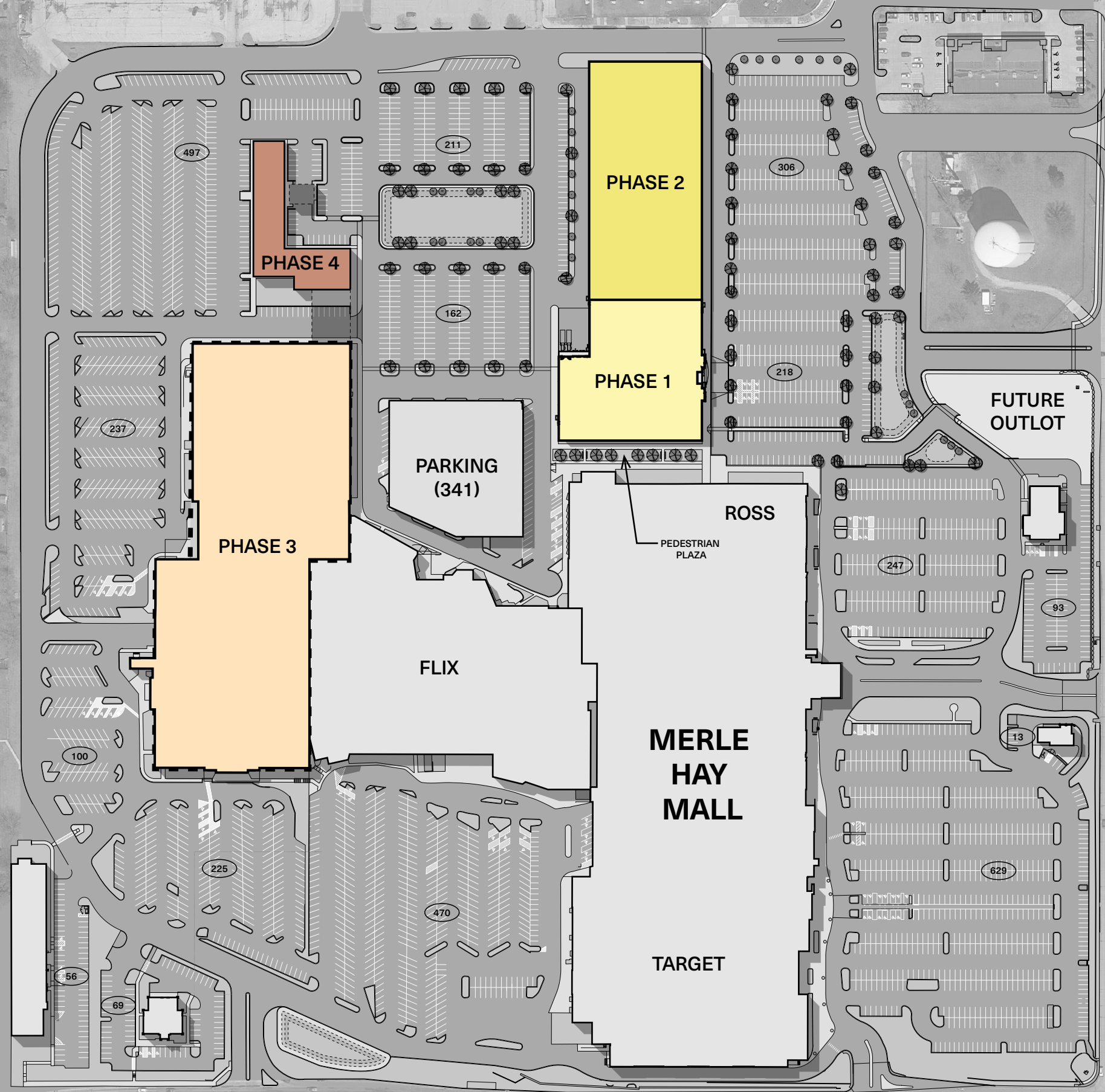


Existing Crosswalks - Douglas Ave. & Merle Hay Rd.

# PROPOSED + EXISTING CROSSWALKS MERLE HAY MALL

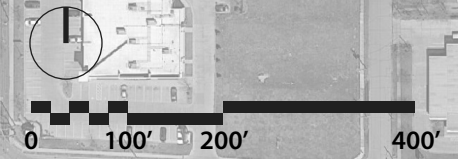
### Phasing Plan

- Phase 1: Anchor Tenant
- Phase 2: 80,000 SF Retail
- Phase 3: Ice Arenas
- Phase 4: Hotel



MERLE HAY RD

DOUGLAS AVE



# PHASING PLAN MERLE HAY MALL



EXISTING DISCHARGE FROM SITE

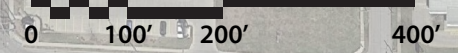
SCHEMATIC STORM SEWER ROUTING. SEWER TO BE USED FOR ONSITE AND BYPASS FLOW

OFFSITE DRAINAGE BYPASS PIPE

OUTFLOW FROM DETENTION BASIN

SCHEMATIC STORM SEWER DISCHARGE FROM KOHL'S DETENTION BASIN.

RESTRICTED OUTFLOW FROM DETENTION BASINS. OFFSITE FLOW TO BE BYPASSED THROUGH BASINS.



# DETENTION PLAN MERLE HAY MALL



NOTE: THESE IMAGES DEPICT RETAIL BUILDINGS OF SIMILAR SCALE, COMPLEXITY, MATERIAL COMPOSITION, & GENERAL QUALITY & STYLE CONSISTENT WITH THE VISION FOR THIS DEVELOPMENT PROPOSAL, HOWEVER SPECIFIC CONFIGURATIONS, MATERIALS & ARCHITECTURAL FEATURES ARE YET TO BE DETERMINED.

# CHARACTER IMAGERY

## MERLE HAY MALL



**SOUTH MALL / STADIUM ENTRANCE**  
MERLE HAY MALL



*Future retail expansion will complement recent stylistic renovations to the existing mall facade and entrances.*



**EXISTING RETAIL FACADES**  
MERLE HAY MALL



**PEDESTRIAN PLAZA VIGNETTE**  
MERLE HAY MALL



**PEDESTRIAN PLAZA VIGNETTE**  
MERLE HAY MALL