



**CITY COUNCIL
COMMUNICATION:**

98-151

AGENDA:
APRIL 20, 1998

SUBJECT:
PRELIMINARY
AGREEMENT- REDEVELOPMENT
OF EASTGATE SHOPPING
CENTER (EAST 14TH STREET
AND EUCLID AVENUE)

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:
RICHARD CLARK
DEPUTY CITY MANAGER

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

Eastgate Plaza, L.L.C. (“ Redeveloper”) is proposing to redevelop the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. The Redeveloper would like to construct and/or renovate approximately 400,000 sq. ft. of retail, service, and/or commercial office uses on this 42-acre parcel, repave the parking lot, and install landscaping on the property within three years of the date a final Redevelopment Agreement is executed with the City. Eastgate Plaza, L.L.C. intends to invest in excess of \$12 million in redeveloping the property. Ellen Walkowiak with the City’ s Office of Economic Development is coordinating the City activities relative to this project.

On the April 20, 1998, Council agenda is a roll call that requests Council to approve the Preliminary Terms of Agreement and to direct the City Manager to proceed with discussions and negotiations for entering into a final Redevelopment Agreement for private redevelopment of the property. The Preliminary Terms of Agreement is a non-binding agreement that outlines the responsibilities of both the Redeveloper and the City. It is anticipated that the final Redevelopment Agreement will be provided to the City Council for consideration at its June 1, 1998 meeting.

FISCAL IMPACT –

The Preliminary Terms of Agreement involves substantial investment by the City.

Improvements include constructing a detention basin and/or basins and appropriate storm sewer infrastructure to address area stormwater management problems, mitigating wetlands as necessary, and purchasing and installing a traffic signal on Euclid Avenue. Stormwater management improvements will benefit both the Eastgate redevelopment and a larger area of the City. The Preliminary Terms of Agreement is designed in part to ensure that the Redeveloper and the City coordinate the redevelopment and the stormwater improvements in order to minimize costs. Stormwater management improvement costs are estimated to be a minimum of \$4.5 million. The City Council has thus far allocated only \$1.48 million in FY 97-98 and \$300,000 in FY 98-99 to begin the project, as part of the recently-adopted Capital Improvements Budget. Costs to mitigate wetlands should be minimal. It is estimated that acquisition and installation of the traffic signal will cost about \$150,000. The Preliminary Terms of Agreement contemplates that by June 1, 1998, Council will identify the balance of funds needed to complete the stormwater management improvements project. In addition, staff will seek other sources of funding with the State of Iowa and pursue cost efficiencies with the Redeveloper where possible.

RECOMMENDATION –

Approve the Preliminary Terms of Agreement and direct the City Manager to negotiate a final Redevelopment Agreement with the Redeveloper regarding redevelopment of the Eastgate Shopping Center.

BACKGROUND –

Intent of Project

The City and Eastgate Plaza, LLC

(" Redeveloper") are creating the opportunity to redevelop the Eastgate Shopping Center, which is underutilized and has prime development potential. The intent of the project is to maximize the functional and economic use of the property while minimizing infrastructure costs associated with area stormwater management improvements. The location of the proposed East 14th Street and Euclid Avenue Detention Basin and Storm Sewers Project will be determined as mutually agreed upon by the City and the Redeveloper.

Project Description

The Redeveloper is Eastgate Plaza, LLC, an Iowa limited liability company. Norman S. Weinstein of Boca Raton, Florida, is the Managing Member of Eastgate Plaza, LLC, which is the prospective purchaser of property known as the Eastgate Shopping Center. This property is currently owned by the Wittern Investment Company, Ellis I. Levitt and Enduring Investments, LLC. Eastgate Plaza, LLC must complete its due diligence by June 1, 1998, in order to acquire the property and proceed with redevelopment. A final Redevelopment Agreement with the City must be executed on or before June 1, 1998, as part of the Redeveloper' s due diligence.

The Redeveloper is proposing to construct approximately 210,000 sq. ft. of new retail, service, and/or commercial office space and renovate and/or maintain existing buildings which total about 190,000 sq. ft. In addition, redevelopment will involve repaving the parking lot and installing landscaping to define traffic corridors more effectively in the parking area and to beautify the site.

Preliminary Terms of Agreement

The Preliminary Terms of Agreement is a non-binding agreement that confirms the willingness of the City and the Redeveloper to proceed in

good faith with discussions and negotiations for entering into a final Redevelopment Agreement by June 1, 1998. The preliminary agreement is important in order to provide the investor with the confidence needed to conduct due diligence prior to proceeding with the project.

According to the preliminary agreement, the Redeveloper will be responsible for: (1) constructing and/or renovating approximately 400,000 sq. ft. of retail, service, and/or commercial office space; (2) providing at no cost to the City sufficient land and temporary construction and permanent easements, all as mutually agreed upon by the City and the Redeveloper, required for the proposed detention basin and sanitary and storm sewer infrastructure; (3) assuming ownership and maintenance of storm sewer infrastructure that would serve only the Eastgate Shopping Center; (4) coordinating redevelopment activities with the City in order to promote cost efficiencies during construction of the stormwater management improvements; and (5) conducting an analysis, in cooperation with the City, to justify the need for a traffic signal at the curb cut located approximately 1,000 feet east of the intersection at East 14th Street and Euclid Avenue.

The City will be responsible for: (1) considering approval of Planned Unit Development (PUD) zoning, subject to the City and the Redeveloper executing a final Redevelopment Agreement; (2) considering amendments to the City-Wide Urban Revitalization Plan to provide tax abatement for new improvements that accommodate retail, service, and commercial office uses on the property; (3) identifying a minimum of \$2.7 million in additional funding for area stormwater management improvements by June 1, 1998, and substantially completing these improvements by December 1, 1999; (4) providing suitable structural fill material to the Redeveloper at no cost that is available from construction of the proposed detention basin; (5)

conducting wetlands mitigation as necessary; and (6) purchasing and installing at City expense a traffic signal on Euclid Avenue.

The City and the Redeveloper will mutually benefit by coordinating the proposed Eastgate redevelopment with construction of area stormwater management improvements. Goals are compatible for development of the property. The Redeveloper will be able to maximize lease revenue from substantial building density on the site, and the City will yield significant tax revenue and resolve area stormwater management problems. The City and the Redeveloper may also realize cost savings to construct the proposed improvements as a result of this cooperative effort.