

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**98-197**

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

**AGENDA:  
MAY 18, 1998**

**SYNOPSIS —**

**SUBJECT:  
APPROVE TAX  
ABATEMENT  
AMENDMENT FOR  
PRINCIPAL  
FINANCIAL GROUP  
BUILDING  
RENOVATION  
PROJECT AT 680 -  
8TH STREET AND  
EASTGATE  
SHOPPING CENTER  
(EAST 14TH STREET  
AND EUCLID  
AVENUE)**

On the May 18, 1998 Council agenda is a resolution to approve the Second Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area. The purpose of this amendment is to allow the City to provide tax abatement for a building renovation project at 680 - 8th Street (formerly known as 820 Keosauqua Way - National Travelers Life office) and for redevelopment of the Eastgate Shopping Center at the northeast corner of East 14th Street and Euclid Avenue. On April 6, 1998, Council approved, in concept, tax abatement for Principal' s project at 680 - 8th Street. On April 20, 1998, Council approved the Preliminary Terms of Agreement with Eastgate Plaza, L.L.C. that requires approval by June 1, 1998, of amendments to the City-Wide Urban Revitalization Plan to provide tax abatement for improvements that accommodate retail, service, and commercial office uses at Eastgate Shopping Center.

**TYPE:  
*RESOLUTION*  
ORDINANCE  
RECEIVE/FILE**

The Principal Financial Group intends to invest approximately \$5.5 million in renovating the structures at 680 - 8th Street and 616 - 10th Street (former Federal Reserve branch office). This project will provide the Principal with additional office space in downtown Des Moines to meet its projected employment growth of 500 people through the end of 1999.

**SUBMITTED BY:  
RICHARD CLARK  
DEPUTY CITY  
MANAGER**

Eastgate Plaza, L.L.C. is proposing to construct and/or renovate approximately 400,000 sq. ft. of retail, service, and commercial office uses on the 42-acre Eastgate Shopping Center within three years of the date a Redevelopment Agreement is executed with the City. It is anticipated that this will occur on June 1, 1998. The company 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 these projects.

## **FISCAL IMPACT –**

Additional taxes will be generated from the building renovation and new construction projects. It is estimated that over ten years, the net present value of the additional consolidated taxes paid by the Principal Financial Group will be \$231,000 and by Eastgate Plaza, L.L.C., \$1.4 million upon project completion. The net present value of ten-year declining tax abatement for the Principal Financial Group's renovation projects is estimated at a total of \$347,000, and, for the Eastgate Plaza, \$1.3 million assuming a \$10 million increase in the assessed value of building improvements.

## **RECOMMENDATION –**

**Approve the Second Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area.**

## **BACKGROUND –**

The Principal Financial Group and Eastgate Plaza, L.L.C. are requesting ten-year declining schedule tax abatement in order to conduct building rehabilitation and proceed with redevelopment at 616 - 10th Street (former Federal Reserve office) and 680 - 8th Street (former National Travelers Life office), as well as at the Eastgate Shopping Center, respectively. Eastgate Plaza, L.L.C. is an Iowa limited liability company. Norman S. Weinstein of Boca Raton, Florida, is the Managing Member of Eastgate Plaza, L.L.C., which is the prospective purchaser of property known as the Eastgate Shopping Center.

Tax abatement is available for renovation of 616 - 10th Street. In order to provide tax abatement for 680 - 8th Street (former National Travelers Life office) and the Eastgate Shopping Center, the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area must be amended.

The purpose of the Second Amendment to the Plan is to encourage the rehabilitation of commercial structures located between 8th and 9th Streets from Center to Pleasant Streets and to facilitate the rehabilitation and expansion of Community Shopping Centers that meet the following minimum standards

within the Downtown and Neighborhood Retail Districts. Community Shopping Centers must include one or more contiguous parcels that are (1) developed under a unified development plan in accordance with the Planned Unit Development regulations in the City' s Zoning Ordinance, (2) are at least 25 acres in size excluding public rights-of-way, (3) contain at least 300,000 sq. ft. of finished interior space, and (4) have at least 200,000 sq. ft. of interior space exclusively for display of merchandise for retail sales.

The City will benefit from Principal' s building renovation project. The company will reaffirm its long-term commitment to downtown Des Moines by expanding the tax base and its employment. These employees will support downtown retail and service businesses and may provide a residential market for downtown housing. Construction contracts of \$5.5 million will generate additional economic benefit locally.

The City and Eastgate Plaza, L.L.C. will mutually benefit by coordinating the proposed Eastgate redevelopment with construction of area stormwater management improvements. Eastgate Plaza, L.L.C. 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.