

**CITY COUNCIL  
COMMUNICATION:**

**98-270**

**AGENDA:**  
JUNE 22, 1998

**SUBJECT:**  
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, LLC (“ Redeveloper” ) is proposing to redevelop the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. The Redeveloper intends to construct and/or renovate up to 400,000 sq. ft. of building space, but no less than 300,000 sq. ft. of mixed retail, service, and commercial office uses on this 42-acre parcel, resurface the parking area, and install landscaping on the property within three years of the date an Agreement is executed with the City. Eastgate Plaza, LLC anticipates investing in excess of \$12 million to redevelop the property. Ellen Walkowiak with the City’s Office of Economic Development is coordinating the City activities relative to this project.

On April 20, 1998, the Council approved the Preliminary Terms of Agreement with the Redeveloper. On the June 22, 1998, Council agenda is a roll call approving the Agreement with Eastgate Plaza, LLC for redevelopment of the Eastgate Shopping Center.

The Agreement involves substantial investment by the City. Improvements include constructing a detention basin in the northeast portion of the Eastgate Shopping Center and appropriate storm sewer infrastructure to address area stormwater management problems, mitigating wetlands as necessary, and purchasing and installing a traffic signal at the curb cut located approximately 1,000 feet east of the intersection at East 14th Street and Euclid Avenue. Stormwater management improvements will benefit both the

Eastgate redevelopment and a larger area of the City. The Agreement is designed in part to ensure that the Redeveloper and the City are coordinating the redevelopment and the stormwater management improvement projects in order to minimize costs and to maximize the future development potential of the site.

#### **FISCAL IMPACT –**

Stormwater management improvement costs, including expenses to mitigate wetlands, are estimated to be \$5 million. By executing the Agreement, Council is agreeing to allocate about \$4.4 million of storm water utility funds for the storm water improvements. This funding, if approved by Council, will be included in the storm water and sanitary sewer components of the Capital Improvements Program (CIP) which is scheduled for Council action on July 13, 1998. In addition, Polk County representatives have informally indicated their willingness to provide \$600,000 to assist in constructing the storm water improvements. (Formal approval by the Board of Supervisors is required.) The Redeveloper has agreed to pay up to \$100,000 if total project costs exceed \$5 million. Every effort will be made to pursue cost efficiencies with the Redeveloper where possible during design and construction of the project. The acquisition and installation of the traffic signal will cost about \$150,000, which will be reflected in the next proposed CIP. (Staff will also seek funding from the State of Iowa for this public improvement.)

It is estimated that over ten years, the value of the additional consolidated taxes paid by Eastgate Plaza, LLC will be \$3 million, after tax abatement, assuming a \$10 million increase in the assessed value of building improvements. The value of three-year 100 percent tax abatement that the Redeveloper may receive for redevelopment of the Eastgate Shopping Center is projected at \$1.3 million.

## **RECOMMENDATION –**

**Approve the Agreement with Eastgate Plaza, LLC for redevelopment of the Eastgate Shopping Center, subject to formal approval by the Polk County Board of Supervisors of the County' s \$600,000 contribution to the stormwater improvements.**

## **BACKGROUND –**

### **Intent of Project**

The City of Des Moines and Eastgate Plaza, LLC are creating an 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 coordinating construction of area stormwater management improvements and pursuing cost efficiencies where possible. Construction of a stormwater detention basin in the northeast portion of the Eastgate Shopping Center will allow the Redeveloper to maximize the future development potential of the site and adjoining property to the east.

### **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 30, 1998, in order to acquire the property and proceed with redevelopment. An Agreement with the City must be executed on or before June 30, 1998, as part of the Redeveloper' s due diligence. This schedule represents a one-month

extension of time from a previous June 1, 1998, deadline referenced in the Preliminary Terms of Agreement entered into by Council on April 20, 1998. Additional time was necessary in order for the Redeveloper and the City to complete research regarding this project.

The Redeveloper is proposing to construct up to 210,000 sq. ft. of building space, but no less than 110,000 sq. ft. of new retail, service, and commercial office space and renovate existing buildings which total about 190,000 sq. ft. In addition, redevelopment will involve resurfacing the existing parking lot and installing landscaping to define traffic corridors more effectively in the parking area and to beautify the site. Eastgate Plaza, LLC is in the process of discussing development opportunities with several businesses in order to determine market interest in the project.

On May 18, 1998, the City Council approved the Second Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area. This will allow the City to provide tax abatement for redevelopment of the Eastgate Shopping Center.

#### **Agreement**

According to the Agreement, the Redeveloper will be responsible for: (1) acquiring title to the Eastgate Shopping Center by December 1, 1998; (2) constructing and/or renovating no less than 300,000 sq. ft. of mixed retail, service, and commercial office space within three years of the date this Agreement is executed; (3) preparing building elevation, landscaping, and other plans for review and approval by the City prior to building construction and/or renovation in accordance with the City's Planned Unit Development Ordinance; (4) providing, at no cost to the City, land that the Redeveloper will acquire as part of the Eastgate Shopping Center as well as temporary construction and permanent easements, all as mutually agreed upon by the City and the Redeveloper, required

for the proposed stormwater detention basin and related stormwater improvements; (5) depositing \$100,000 into an escrow account at the time the Redeveloper acquires title to the property to be used if costs associated with the stormwater detention basin and associated infrastructure exceed \$5 million; (6) accepting excavated material from construction of the proposed stormwater detention basin suitable as structural fill; (7) coordinating redevelopment activities with the City in order to promote cost efficiencies during construction of the stormwater management improvements; (8) submitting a joint application with the City to the appropriate state and federal agencies and paying all costs related to wetlands that must be replaced as a result of the Redeveloper's project; and (9) assuming ownership and maintenance of storm sewer infrastructure, located in the southwest corner of the site, that only serves the Eastgate Shopping Center or requesting that the City abandon this storm sewer. The Redeveloper would be eligible to apply for three-year 100 percent tax abatement in accordance with the City ordinance.

The City will be responsible for: (1) reviewing and considering approval of the Redeveloper's building elevation, landscaping, and other plans required to comply with the City's Planned Unit Development Ordinance; (2) designing, constructing, and funding a stormwater detention basin and related improvements at the northeast portion of the Eastgate Shopping Center as well as related stormwater improvements on the property, which shall be substantially completed by December 1, 1999 (the stormwater improvements will require a commitment of \$4.4 million from the City's CIP Budget, which will be augmented by an additional \$600,000 from Polk County, assuming formal approval by the Polk County Board of Supervisors); (3) providing and transporting suitable structural fill material available from construction of the proposed stormwater detention basin to the Redeveloper

at no cost; (4) coordinating construction of stormwater management improvements with redevelopment activities and identifying construction cost efficiencies; (5) submitting a joint application to the appropriate state and federal agencies, providing technical assistance to the Redeveloper, and paying all costs related to wetlands that must be replaced as a result of the stormwater detention basin project; (6) obtaining State of Iowa approval and purchasing and installing at no expense to the Redeveloper a traffic signal on Euclid Avenue; and (7) considering the Redeveloper' s application for three-year 100 percent tax abatement for the added value of improvements on the property.

The City and Eastgate Plaza, LLC will mutually benefit by coordinating the proposed Eastgate redevelopment with construction of area stormwater management improvements. The Redeveloper will be able to obtain significant 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.