

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-096

SYNOPSIS -

AGENDA:

MARCH 15, 1999

SUBJECT:

FOURTH AMENDMENT
TO CITY-WIDE URBAN
REVITALIZATION PLAN
AND PRE-APPROVAL OF
TAX ABATEMENT-
REDEVELOPMENT OF
EASTGATE SHOPPING
CENTER; AMENDING
DESIGN GUIDELINES FOR
COURT AVENUE
HISTORIC AREA

On the March 15, 1999, City Council agenda are two resolutions that relate to redevelopment of the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. One resolution involves adopting the Fourth Amendment to the City-wide Urban Revitalization Plan. This would require a Community Shopping Center to contain at least 250,000 square feet (sq. ft.) rather than 300,000 sq. ft. of finished interior space and include at least 150,000 sq. ft. rather than 200,000 sq. ft. of interior space devoted to the display of merchandise for retail sales. The Fourth Amendment also amends the design guidelines for the Court Avenue Historic Area in order to encourage new construction and rehabilitation of structures within the area. The Plan & Zoning Commission, in addition to the Community Development Director, will oversee design review for new construction and rehabilitation projects that involve tax abatement. The City Council rather than the Community Development Director will have final approval prior to demolition of a significant historic building.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

The other resolution pre-approves a three-year, 100 percent tax abatement for the Eastgate Shopping Center redevelopment project over a multi-year period, provided that the Community Shopping Center criteria are met and to the extent that the current City-wide Urban Revitalization Plan is extended beyond its sunset date of December 31, 2000. In addition, the redevelopment project must be completed within three years from the date of substantial completion by the City of the Euclid Avenue Detention Basin. Eastgate is anticipated to be fully redeveloped by January 1, 2003.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY MANAGER

JAMES GRANT
COMMUNITY
DEVELOPMENT

Ellen Walkowiak, with the City's Office of Economic Development, is coordinating the City activities relative

DIRECTOR

to the Eastgate project.

FISCAL IMPACT -

It is estimated that over ten years, the value of the additional consolidated taxes paid by Eastgate Plaza, LLC (Redeveloper) of Boca Raton, Florida, will be \$3.8 million, after tax abatement, assuming a \$12.5 million increase in the assessed value of building improvements. The value of three-year, 100 percent tax abatement that the Redeveloper could receive for redevelopment of the Eastgate Shopping Center is projected at \$1.6 million.

The fiscal impact of the Fourth Amendment and pre-approval of tax abatement would possibly reduce the additional consolidated taxes paid by Eastgate Plaza, LLC because of a smaller project. Although the Redeveloper is legally committed to construct and/or renovate no less than 250,000 sq. ft. of mixed retail, service, and commercial office uses at Eastgate, it is compelled to maximize building density on the site in order to maximize lease revenue. The Redeveloper has indicated its intent to develop over 360,000 sq. ft. of retail space in its marketing package. As a result, the decrease in building density may not occur. In addition, revisions to the design guidelines for the Court Avenue Historic Area are anticipated to increase the tax base.

RECOMMENDATION -

Approve the Fourth Amendment to the City-wide Urban Revitalization Plan and pre-approve tax abatement for the Eastgate Shopping Center redevelopment project.

BACKGROUND -

Eastgate Shopping Center

On February 1, 1999, by Roll Call No. 99-340, the City Council approved the First Amendment to the Agreement with Eastgate Plaza, LLC for redevelopment of the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. As part of the Agreement, by April 1, 1999, the City is required to

complete its review and make a determination on the proposed Fourth Amendment to the City-wide Urban Revitalization Plan to allow tax abatement for a minimum of 250,000 sq. ft. rather than 300,000 sq. ft. to be constructed in Community Shopping Centers in the Neighborhood Retail District. This district is primarily located in northcentral and northeast Des Moines.

On February 22, 1999, by Roll Call No. 99-500, Council set March 15, 1999 as the date of public hearing to consider the proposed Fourth Amendment. On March 4, 1999, the Plan & Zoning Commission found the Fourth Amendment to be in conformance with the City's Comprehensive Plan and recommended adoption of the Fourth Amendment.

The proposed Fourth Amendment would require the following: In order to qualify for tax abatement, Community Shopping Centers must be a minimum of 25 acres excluding public rights-of-way, developed under a unified Development Plan in accordance with the Planned Unit Development (PUD) District regulations in the City Zoning Ordinance and contain at least 250,000 sq. ft. of finished interior space which includes at least 150,000 sq. ft. of interior space devoted to the display of merchandise for retail sales. The Eastgate Shopping Center is the only project that will qualify.

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. Recently, Eastgate Plaza, LLC acquired the property formerly owned by the Wittern Investment Company located in the northwest portion of the shopping center. Ellis I. Levitt and Enduring Investments, LLC own the remaining land that must be assembled.

The Redeveloper is requesting the amendment to the City-wide Urban Revitalization Plan and pre-approval of three-year, 100 percent tax abatement in order to enhance the feasibility of the redevelopment project. These actions will allow the Redeveloper to obtain more design and marketing flexibility.

Eastgate Plaza, LLC intends to commence construction by Summer 1999 and complete the redevelopment project within three years from the date of substantial completion by the City of the Euclid Avenue Detention Basin. Eastgate is anticipated to be fully redeveloped by January 1, 2003. The Redeveloper is in the process of discussing development opportunities with several businesses.

During the course of the redevelopment project, the Redeveloper may sell parcels. However, the development must conform to the PUD in order to be eligible for tax abatement.

The proposed Council resolutions are designed to authorize tax abatement for redevelopment of the Eastgate Shopping Center project over a multi-year period, provided that the City-wide Urban Revitalization Plan is extended beyond its effective date of December 31, 2000, and that the requirements in the City's Agreement with the Redeveloper are met within the above-referenced timeframe.

The City and Eastgate Plaza, LLC will mutually benefit from this project. The Fourth Amendment and pre-approval of three-year, 100 percent tax abatement will enhance the feasibility of the redevelopment project and provide the Redeveloper with more design and marketing flexibility. The City will yield significant tax revenue, stem urban blight, and resolve area stormwater management problems. This project will also enhance the feasibility of redeveloping the former Day's Inn site located on the south side of Euclid Avenue at East 14th Street and adjoining land for commercial use.

Court Avenue Historic Area

The Court Avenue Historic Area design guidelines, adopted in 1987, are part of the City's tax abatement program for the Capitol Center West Urban Revitalization Area "D". On January 4, 1999, by Roll Call No. 99-012, the City Council adopted revised redevelopment goals for the Court Avenue district as referenced in the Court Avenue Neighborhood Urban Design Plan. The Fourth Amendment proposes changes to the 1987 design guidelines in order to be consistent with the new goals.

Revisions include the following: The Plan & Zoning Commission, in addition to the Community Development Director, will oversee design review for new construction and rehabilitation projects that involve tax abatement. The City Council rather than the Community Development Director will have final approval prior to demolition of a significant historic building. The map of significant historic buildings will be updated. The Rock Island Baggage Building, located at 107 - 4th Street and east of the Rock Island Depot, would be removed from the list of significant historic buildings. Language would be clarified so that developers involved in renovation projects are not penalized for deferred maintenance by prior owners nor are required to incur unreasonable costs for rehabilitating properties.

The Fourth Amendment will encourage balancing new construction with rehabilitation of structures within the Court Avenue district.