

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-112

SYNOPSIS -

AGENDA:

MARCH 27, 2000

SUBJECT:

28E AGREEMENT
WITH POLK
COUNTY FOR
CONSTRUCTION OF
THE EAST EUCLID
AVENUE
DETENTION BASIN
AND STORM SEWER
IMPROVEMENTS
PROJECT

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

On the March 27, 2000, Council agenda is a resolution to enter into a 28E Agreement with Polk County for construction of the East Euclid Avenue Detention Basin and Storm Sewer Improvements Project. This project is necessary to facilitate redevelopment of the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue and improve stormwater management in this area of the City. The 28E Agreement will formalize the process for the Polk County Board of Supervisors to remit \$600,000 to the City toward payment of project costs.

Eastgate Plaza, LLC ("Redeveloper") of Boca Raton, Florida is reaffirming its intent to construct a minimum of 250,000 sq. ft. of mixed retail, service, and commercial office uses on this 42-acre parcel as well as to resurface the parking area and install landscaping on the property within three years following substantial completion of the detention basin. Norman Weinstein is the sole owner and managing member of this company. Eastgate is anticipated to be fully redeveloped by December 31, 2003. The Redeveloper anticipates investing in excess of \$15 million to redevelop the property. Ellen Walkowiak, with the City's Office of Economic Development, is coordinating the City activities relative to the Eastgate project.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT -

Stormwater management improvement costs, including expenses to mitigate wetlands, are estimated to be \$5 million. Currently, there is an excellent bid climate. In July 1998, Council allocated \$4.4 million of stormwater utility funds for the stormwater improvements as part of the stormwater and sanitary sewer components of the Capital Improvements Program (CIP). In addition, the Polk County Board of Supervisors committed \$600,000 to assist in constructing the

stormwater improvements on June 23, 1998, by Resolution FY 97/98 No. 1042-3473.

It is estimated that over ten years, the value of the additional consolidated taxes paid by Eastgate Plaza, LLC 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.

RECOMMENDATION -

Approval.

BACKGROUND -

On February 1, 1999, by Roll Call No. 99-340, Council approved the First Amendment to the Agreement with Eastgate Plaza, LLC ("Redeveloper") for redevelopment of the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. As part of the Agreement, the City and the Redeveloper were required to complete several tasks interdependently in order for the City to bid the East Euclid Avenue Detention Basin and Storm Sewer Improvements Project. Although the target dates identified for task completion in the Agreement have not been met, progress has been achieved. The required work to bid the project has been completed. Council will be requested to authorize the bid at its April 3, 2000 meeting.

Eastgate Plaza, LLC completed acquiring title to all of the Eastgate Shopping Center in January 2000. The Redeveloper conveyed property to the City necessary for construction of the detention basin and in March 2000 provided the required easements for installation of the storm sewer improvements. The City has secured approval from the U.S. Army Corps of Engineers to mitigate wetlands at the Eastgate Shopping Center.

The current status of the redevelopment project is as follows. As of January 5, 2000, Eastgate Plaza, LLC has assembled all of the land for the Eastgate Shopping Center from three former property owners-Levitt, Wittern, and Neal. The total purchase

price of the property was nearly \$3.4 million. Commercial Federal Bank holds a first mortgage on the property with a current principal balance of \$1.9 million. The Redeveloper has invested about \$1.5 million in cash into the project. It has indicated that there is no other debt encumbering the property and that it has paid more than \$350,000 to cover legal, engineering, planning, architectural, and site-related redevelopment costs.

The Redeveloper has assembled a local development team that has been instrumental in advancing the project. Firms include the Connolly and Brown law offices, Commercial Federal Bank, Allender-Butzke Engineers, Bishop Engineering, Simonson & Associates Architects, Iowa Environmental, Weitz Construction, and Grubb & Ellis.

Eastgate Plaza, LLC has had serious interest from at least two large credit tenants that collectively would occupy 170,000 sq. ft. The Redeveloper has stated that these prospective tenants are completing their store requirements for the Year 2000 and will revisit the Eastgate Shopping Center site for their 2001 stores once there is physical evidence that construction of the detention basin and stormwater improvements has begun. Improvements are anticipated to be substantially complete by December 31, 2000.

LADCO Development ("LADCO") is in the process of constructing a 9,534 sq. ft. primary care clinic for Partners in Health, a subsidiary of Iowa Health Systems, on a one-acre parcel it acquired in December 1999 from Eastgate Plaza, LLC. The site is located along Euclid Avenue approximately 1,200 feet east of East 14th Street. This \$1.6 million project is anticipated to be completed by July 1, 2000. LADCO has stated that Iowa Health Systems chose to develop this site because of its confidence that the stormwater improvements would be completed in a timely manner.

Eastgate Plaza, LLC has stated that once the bid for the detention basin and storm sewer improvements project has been awarded, the Redeveloper will work with the selected contractor to conduct the appropriate site preparation work needed to accept fill prior to excavation of the detention basin. This may result in substantial cost savings to the Redeveloper. The Redeveloper has stated that its infrastructure work will commence concurrently with the detention basin and stormwater improvements work. This includes building

demolition and other site preparation work for construction of the new retail buildings as well as site grading, parking lot paving, and installation of curbs, sidewalks, and landscaping. The Redeveloper anticipates completing this work during the Year 2000 construction season.

Construction of the East Euclid Avenue Detention Basin and Stormwater Improvements Project is critical in order to redevelop the Eastgate Shopping Center. The project has been challenging which has delayed progress. Although there is risk involved in achieving the desired redevelopment quality and tax base, efforts undertaken to date indicate that there is a moderate probability of success.

The 28E Agreement provides for Polk County to pay the City \$600,000 toward the detention basin and storm sewer improvement costs. Payment shall be made after the City approves and accepts the contract for project construction, but no later than June 30, 2000. The City shall have three years in which to complete the construction. The City shall be responsible solely for the design, engineering, construction, operation, and maintenance of the stormwater improvements.





