

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-223

SYNOPSIS -

AGENDA:

MAY 15, 2000

SUBJECT:

INCENTIVES FOR
EASTGATE
SHOPPING CENTER

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

On the May 15, 2000, City Council agenda is a resolution to authorize a grant of up to \$150,000 to a future retailer as an incentive to attract this first anchor business to the Eastgate Shopping Center located at the northeast corner of East 14th Street and Euclid Avenue. It is proposed to obtain up to \$150,000 each from Polk County and the Greater Des Moines Partnership to comprise part of an attractive incentive package. This one-time investment would be part of the project financing specifically earmarked for capital expenditures, such as building construction and infrastructure installation.

Incentives to secure the first anchor business are necessary in order to differentiate this site from others across the country by providing a financial advantage to retailers. Funds will be provided only to an anchor retailer that has an excellent prospect of leveraging additional quality retail projects. As a result, it is anticipated that retail stores will be constructed in a more timely manner at Eastgate which will increase the tax base more rapidly. The Redeveloper, Eastgate Plaza, LLC of Boca Raton, Florida, anticipates investing in excess of \$15 million to redevelop the property and will not receive the above-reference retail incentives. Ellen Walkowiak, with the City's Office of Economic Development, is coordinating the City activities relative to the Eastgate project.

FISCAL IMPACT -

The source of funding for the City's \$150,000 grant will be the Economic Development Enterprise Account.

It is estimated that over ten years, the value of the additional consolidated taxes paid by Eastgate Plaza, LLC and/or retailers 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% tax abatement

that the Redeveloper could receive for redevelopment of the Eastgate Shopping Center is projected at \$1.6 million.

RECOMMENDATION -

Approval.

BACKGROUND -

The Redeveloper, Eastgate Plaza, LLC, has marketed the Eastgate Shopping Center for several years. Retailers are interested in the site because of its location and favorable market demographics; however, there are many other locations throughout the U.S. that may be more attractive. In order to provide a competitive edge, it is proposed to develop an incentive package to secure the first anchor business to generate additional investment more rapidly in the shopping center. Efforts will be made to ensure that the incentives leverage high quality development and are performance-based.