



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 07/18/05
Agenda Item Type: Resolution

Communication No.: 05-403
Roll Call No.:

Submitted by: Richard A. Clark, Acting City Manager

SUBJECT—

Resolution of Intent Regarding Redevelopment of the Shops at Eastgate (Northeast Corner of E. 14th Street and Euclid Avenue)

SYNOPSIS—

Authorizes several Council actions regarding redevelopment of the Shops at Eastgate. These include: (1) Collaborate with Polk County and the Greater Des Moines Partnership to pursue good retailers for the Shops at Eastgate and, as part of their collaboration, consider providing financial assistance sufficient to help pay the extraordinary costs that may be associated with developing this site, provided that it is necessary to attract an anchor facility or is a significant project that will benefit the community; (2) Direct staff to prepare the documents necessary to make 10-year declining tax abatement available for the value added by the construction and renovation of the Shops at Eastgate in order to address some of the potential extraordinary site development costs and to facilitate redevelopment of the property, (3) Consider funding the construction and installation of a traffic signal to be located at the intersection of Douglas Avenue and E. 14th Street as development warrants and (4) Direct staff to prepare the Second Amendment to the Agreement to address the above-referenced issues.

FISCAL IMPACT—

To date, the Redeveloper has been instrumental in redeveloping approximately 18,000 square feet of new space, which is eligible for three-year 100% tax abatement. The Redeveloper would be eligible to net at least an additional \$741,350 (net present value: \$386,350) from 10-year declining tax abatement when applied to the minimum 232,000 square feet of mixed retail, service and commercial office space required to be constructed. Also, the City would invest approximately \$160,000 to construct and install a traffic signal at Douglas Avenue and E. 14th Street.

RECOMMENDATION—

Approval

BACKGROUND—

On June 22, 1998 by Roll Call No. 98-2078, the City entered into an Agreement with Eastgate Plaza, LLC for redevelopment of the Eastgate Shopping Center (n/k/a the Shops at Eastgate), which was subsequently amended on February 1, 1999 by Roll Call No. 99-340. The Redeveloper is required to build or renovate at least 250,000 square feet of building space for mixed retail, service and commercial office uses. To date, nearly 18,000 square feet has been constructed, and the Redeveloper is in process of building approximately 20,4000 square feet of flex space along E. 14th Street that will house Tires Plus, Subway and other chains, such as Fantastic Sams (haircutting), Game Shop, Cingular and check cashing, and provide additional 800 square feet bays for other small businesses. Construction is expected to be completed in fall 2005. The Redeveloper is also marketing the site to big box retailers.

In order to facilitate development, the City invested approximately \$4 million to construct a storm water detention basin and related storm sewer, of which Polk County contributed \$600,000. The City also mitigated wetlands and provided three-year 100% tax abatement. Eastgate Plaza, LLC acquired title to all property from three different landowners, demolished most of the buildings on the site and paid for its share of the wetlands mitigation.

The site has had extraordinary redevelopment challenges, which have included multiple site owners, flooding, and issues related to wetlands, minor environmental remediation and geo-technical constraints. Many of these issues have been resolved, but there still may be extraordinary costs associated with redeveloping the property.

The development goal for Eastgate is still to create a major retail center with a minimum of 250,000 square feet of new or renovated space. East Des Moines' retail needs are substantially unmet. The Shops at Eastgate (E. 14th Street and Euclid Avenue) is ideally situated to accommodate retail. It is located at the second busiest intersection in the metropolitan area with a daily traffic count of 44,000 vehicles. Eastgate's three-mile trade area includes over 71,471 people, which covers part of downtown Des Moines. The average household income in 2002 was \$45,965. Seventy-six percent of the households are owner-occupied. Estimated consumer expenditures in Eastgate's trade area are 90% of the 50th Street and University Avenue trade area, one of the fastest growing retail markets in metropolitan Des Moines.

Despite the obvious strengths of location and market demand, Eastgate has not yet achieved its potential as a major retail center. At the same time, it is essential to improving the quality of life for the residents of northeast Des Moines that every effort is made to expedite development of Eastgate with high quality retail that will serve the neighborhood well. A new retail-driven initiative is required.

The City, Polk County and the Greater Des Moines Partnership will continue to work collaboratively with Eastgate Plaza, LLC to realize the development of a major retail center at E. 14th Street and Euclid Avenue.