



**Council
Communication**
Office of the City Manager

Date

April 24, 2006

Agenda Item No. **56**

Roll Call No. **06-**

Communication No. **06-213**

Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Resolution closing hearing on the Seventeenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area and Approving Same; and Resolution Approving Second Amendment to the Agreement Between the City of Des Moines, Iowa and Eastgate Plaza, LLC for Redevelopment of the Shops at Eastgate (Northeast Corner of E. 14th Street and Euclid Avenue)

SYNOPSIS:

Recommend approval of the Seventeenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area. The purpose of the Seventeenth Amendment is to encourage the redevelopment and revitalization of the Shops at Eastgate and similar community shopping centers in the Downtown and Neighborhood Retail Districts by providing tax abatement for improvements to commercial property that have an approved Planned Unit Development (“PUD”) conceptual plan.

Recommend approval of the Second Amendment to the Agreement for Redevelopment of the Shops at Eastgate. Eastgate Plaza, LLC (Norman Weinstein, President, 75 NE 6th Avenue, Suite 103, Delray Beach, Florida) is the redeveloper. The Second Amendment primarily allows the redeveloper to be eligible to make application to the City for 10-year declining tax abatement rather than 3-year 100% tax abatement in order to address some of the potential extraordinary site development costs. In response to neighborhood concerns, it also requires the redeveloper to secure and demolish the vacant buildings on the site, remove the orange fence and dispose of the dumped materials into an approved landfill, and develop and implement a communication plan with residents of the Union Park, Highland Park and Oak Park neighborhoods to inform them about the ongoing status of the project.

The Seventeenth Amendment to the Restated Urban Revitalization Plan was continued to the April 24, 2006 meeting. The Second Amendment to the Agreement was withdrawn from the April 10, 2006 agenda and is being addressed at the April 24, 2006 Council meeting.

FISCAL IMPACT:

There is no immediate fiscal impact to the City. However, the redeveloper could potentially yield an additional \$382,250 in Net Present Value benefits from using the 10-year declining tax abatement schedule versus the 3-year 100% tax abatement schedule, which would generate approximately \$1,375,000 based on a minimum of 232,000 square feet of net new space. If traffic warrants it, the City would construct and install a traffic signal at Douglas Avenue and E. 14th Street.

Amount: \$160,000 for a future traffic signal.

Funding Source: To be determined.

ADDITIONAL INFORMATION:

Eastgate Plaza, LLC has attempted to redevelop the Shops at Eastgate at the northeast corner of E. 14th Street and Euclid Avenue for several years. The City and the redeveloper have made progress in making the site ready for new development by demolishing buildings and installing infrastructure. In addition, the redeveloper has recently completed construction of 20,400 square feet of flex space along E. 14th Street and has worked with other businesses to complete building 18,000 square feet of retail and office space on the site. The redeveloper continues to court potential anchor and other tenants.

It is necessary to provide further assistance to the redeveloper in order to effect redevelopment success. Currently, the redeveloper is required to complete construction of at least 250,000 square feet of finished interior space before obtaining any tax abatement benefits. The Seventeenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area allows the redeveloper to seek tax abatement incrementally as long as there is an approved Planned Unit Development (“PUD”) conceptual plan which provides for the construction of at least 250,000 square feet of finished interior space, including at least 150,000 square feet of interior space to be devoted to the display of merchandise for retail sales.

The Second Amendment to the Agreement for redevelopment of the Shops at Eastgate allows the redeveloper to:

- Make application for 10-year declining tax abatement rather than 3-year 100% tax abatement in order to address some of the potential extraordinary site development costs; and
- Request financial assistance from the City in the future to assist in covering unexpected development costs, provided that it is necessary to attract an anchor facility or is a significant project that will benefit the community; and
- Accords the redeveloper additional time to construct and/or renovate up to 400,000 square feet and not less than 250,000 square feet of mixed retail, service and commercial office space until January 1, 2010; and
- Expands the size of the development property from approximately 40 acres to 45 acres to accommodate additional building construction;
- Provides that the City shall construct and install a traffic signal to be located at Douglas Avenue and E. 14th Street, subject to the granting of any necessary permits by the Iowa Department of Transportation;
- Requires the redeveloper to secure and demolish the vacant buildings on the site, remove the orange fence as well as all surplus fill dirt and other materials dumped at the site to an approved landfill, prevent further dumping at the site, and develop and implement a communication plan with residents of the Union Park, Highland Park and Oak Park neighborhoods to inform them about the ongoing status of the project.

PREVIOUS COUNCIL ACTION(S):

Date: June 22, 1998

Roll Call Number: 98-2078

Action: Agreement between the City and Eastgate Plaza LLC, for redevelopment of Eastgate Shopping Center (NE corner of E. 14th and Euclid). (Council Communication No. 98-270). Moved by McPherson to adopt. Motion Carried 5-1-1. Nays: Coleman. Pass: Vlassis.

Date: February 1, 1999

Roll Call Number: 99-340

Action: First Amendment with Eastgate Plaza, LLC. to allow Redeveloper an extension of time to complete the project (East 14th and Euclid). (Council Communication No. 99-041) Moved by McPherson to adopt. Motion Carried 7-0.

Date: March 20, 2006

Roll Call Number: 06-532

Action: Set hearing on the 17th Amendment to the Restated Urban Revitalization Plan for the City-wide Urban Revitalization Area to encourage redevelopment and revitalization of the Eastgate Commercial Center, Downtown and Neighborhood Retail Districts by providing tax abatement for improvements, (4-10-06). Moved by Brooks to adopt. Motion Carried 7-0.

Date: April 10, 2006

Roll Call Number: 06-685

Action: Close hearing on the 17th Amendment to the Restated Urban Revitalization Plan for the City-wide Urban Revitalization Area, to encourage redevelopment and revitalization of the Eastgate Commercial Center, Downtown and Neighborhood Retail Districts by providing tax abatement for improvements. Moved by Hensley to continue to April 24, 2006 at 5:00 P.M. City Manager will forward comments to the Developer regarding: 1) Securing the buildings. 2) Orange fencing. 3) Dumping on the property. City Manager will keep area Neighborhood Associations informed about the project. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S):

Date: April 6, 2006

Roll Call Number: NA

Action: The Plan & Zoning Commission approved the Seventeenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The redeveloper has filed the required 10-day notice with the Iowa Department of Natural Resources in preparation for asbestos removal, which will begin on April 24, 2006. Building demolition will commence shortly thereafter and will be completed by September 1, 2006.