



**Council
Communication**
Office of the City Manager

Date	May 8, 2006
Agenda Item No.	56
Roll Call No.	<u>06-</u>
Communication No.	<u>06-265</u>
Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Resolution Approving Economic Development Loan Agreement Between the City of Des Moines, Iowa and Eastgate Plaza, LLC

SYNOPSIS:

Recommend approval of the Economic Development Loan Agreement. The purpose of the Agreement is to provide up to a \$350,000 zero-percent interest loan to Eastgate Plaza, LLC (Norman Weinstein, President, 75 NE 6th Avenue, Suite 103, Delray Beach, Florida) to remove asbestos, disconnect utilities, demolish all vacant buildings and relocate all demolition material at the Shops at Eastgate to an appropriate landfill.

FISCAL IMPACT:

Amount: The total estimated cost is \$380,000 to remove asbestos, disconnect utilities, demolish all vacant buildings and relocate all demolition material at the Shops at Eastgate to an appropriate landfill.

Funding Source: Funding for the work will come from three sources:

1. This action approves a City of Des Moines zero-percent interest loan, not to exceed \$350,000. Funding is available in the FY06 Operating Budget – Page 310 - Economic Development Enterprise CMO980717 SP743. The loan will be repaid upon sale, lease or other disposition of the property which involves development of a 50,000 square foot or larger building (anchor tenant), or by January 1, 2010 (end of contract term), whichever occurs first. Payments will occur on a strictly reimbursement basis. Loan proceeds will be paid to the Redeveloper upon his submission to the City of invoices from contractors for the demolition work.
2. The City's loan is dependent upon an anticipated commitment from Polk County to contribute one half of the loan proceeds, not to exceed \$175,000. Formal action by the County is anticipated by May 22, 2006.
3. Any costs incurred in excess of \$350,000 will be the responsibility of the Redeveloper. This amount is estimated to be \$30,000.

ADDITIONAL INFORMATION:

On April 24, 2006 by Roll Call No. 06-848, Council entered into the Second Amendment to the Agreement for redevelopment of the Shops at Eastgate. The Second Amendment indicated the City's intent to extend up to a \$350,000 zero-percent interest loan to Eastgate Plaza, LLC to conduct demolition work. The Economic Development Loan Agreement formalizes the City's intent.

The Redeveloper has accepted bids for demolition and related work and has provided the City with this evidence. The total budget is \$380,000. August Enterprises, LLC is in process of removing asbestos for \$160,000. Rhiner's Plumbing, Heating & Cooling, Co., Inc. will conduct utility disconnects for \$40,000. Metro Wrecking will perform building demolition and deposit debris into an appropriate landfill for \$180,000. All work is anticipated to be completed on or before August 24, 2006.

Eastgate Plaza, LLC will borrow \$350,000 from the City and will provide the balance of funds, estimated at \$30,000 plus any cost overruns. The City will secure the loan with a lien on the land, buildings and other improvements on the Project Property, subordinated only to bank financing and current credit obligations.

PREVIOUS COUNCIL ACTION(S):

Date: April 24, 2006

Roll Call Number: 06-848

Action: Second amendment to agreement with Eastgate Plaza, LLC for redevelopment of the Shops at Eastgate (northeast corner of E 14th St. and Euclid Avenue). (Council Communication No. 06-213) Moved by Mahaffey to adopt. Motion Carried 6-1. Pass: Vlassis.

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.

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: 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: 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.

BOARD/COMMISSION ACTION(S):

Date: April 6, 2006

Roll Call Number: NA

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

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

By May 22, 2006, Polk County is anticipated to enter into an agreement with the City to contribute up to \$175,000 to fund one-half of the \$350,000 economic development loan.