

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 26, 2015
	Agenda Item No. 51 Roll Call No. <u>15-0142</u> Communication No. <u>15-027</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Actions relating to creation of an urban renewal/tax increment finance plan (TIF) for the Eastgate development area at NE 14th Street and East Euclid Avenue.

SYNOPSIS:

This agenda item provides for the preparation of an urban renewal and TIF plan for the Eastgate development area, located in NE Des Moines at NE 14th Street and East Euclid Avenue.

The Eastgate area has been a priority redevelopment site for the City for a number of years. In particular, residents, and business owners of NE Des Moines have looked forward to the additional retail and commercial service options that have been contemplated for the site since the late 1990’s. The Eastgate area has seen improvements and new taxable valuation added, but the emergence of regional retail hubs in Ankeny and Altoona has influenced Eastgate’s ability to capture as strong of a share of retail services as was originally hoped.

Additional tools must be considered to assist the Eastgate area to fully realize its opportunities for economic viability and further private investment. The creation of an urban renewal and TIF plan is recommended to assist in facilitating economic development and creating a future resource to assist with public improvement projects in this area.

FISCAL IMPACT:

The creation of an urban renewal area and TIF plan for economic development for the Eastgate Development Area can provide a source of funding for public and private improvements. Public improvements would typically include sanitary sewer, street and stormwater infrastructure, streetscape improvements, green infrastructure and sidewalk and trail amenities. Private improvements would typically include the construction of new public streets, utilities and recreational amenities, and new buildings and facilities for commercial, residential or light industrial use, generating new taxable valuation and jobs for the community.

Based on 2014 assessments, the base value of the proposed TIF area will be determined. Annual tax increment revenues for this area will be estimated using an anticipated increase in value between 1.5-2% per year.

ADDITIONAL INFORMATION:

In June 1998, by Roll Call No. 98-2078, the City Council approved a redevelopment agreement for the Eastgate Shopping Center with Eastgate Plaza, LLC (Norman Weinstein, President 75 NE 6th Avenue,

Suite 103, Delray Beach, Florida, 33483). The agreement provided for the redevelopment of approximately 42 acres of land into retail, service, and commercial office uses. The developer was responsible under the agreement for demolition of existing buildings, pavement removal and repair, landscaping, preparation of pad-ready sites for new development, and working with the City on all aspects of reaching a successful conclusion for the project.

The City's participation in the project included construction of a detention basin at the NE section of the property, providing storm sewer infrastructure to address area stormwater management problems, mitigation of wetlands as necessary, and provision of a traffic signal approximately 1,000 feet east of the NE 14th and East Euclid intersection. The stormwater improvement costs were approximately \$5 million, with \$4.4 million provided by City Stormwater Utility Enterprise Funds, and Polk County contributing approximately \$600,000 to this work. The detention basin, stormwater improvements, and wetland mitigation were seen as a way to not only provide an ability to maximize the property's usable land area for redevelopment, but to address long-term existing stormwater management issues for the larger area.

The 1998 agreement with Eastgate Plaza, LLC has been amended twice. The first amendment in 1999 provided for the City to complete the work related to stormwater management and allowed the developer additional time to complete the project and address higher than anticipated project costs. The second amendment in 2006 provided for the City to install a traffic signal at Douglas and East 14th Street and for 10 year declining tax abatement application eligibility rather than three (3) year 100% to be provided for Eastgate to address potential extraordinary site development costs. The second amendment also extended the completion schedule to 2010.

In 2006, the City, Eastgate LLC, and Polk County entered into a separate loan agreement for \$350,000 in order to remove building asbestos, disconnect utilities, finalize building demolition, and remove all materials to an appropriate landfill. The participation included \$175,000 each from the City and the County, with the remainder from the developer. The most recent Council action on Eastgate was in November 2013, when the developer requested to divide the repayment installments of the loan, with \$150,000 coming to the City in 2015, and the remainder by January 2016.

To date, Eastgate has seen the demolition and removal of all former buildings, and the completion of the essential stormwater management and detention basin work. In addition, the area has added a retail center of approximately 20,000-square-feet with several current occupants, (among them Subway, Papa Murphy's, Tire's Plus, and a nail studio), a commercial office building of approximately 9,600 – square-feet, and in 2014, a sale to Kum & Go for a new convenience store anticipated in 2015. The property has been actively marketed to a number of potential tenants including WalMart, Dahl's, Starbucks, Shopko, and others.

The work conducted to date to bring the property to the attention of the market has been important; however, with the level of competition in the Des Moines regional market, additional work is needed to successfully complete the original revitalization and redevelopment task. The Eastgate site should be considered for the addition of an urban renewal area and TIF district to assist in companies making the decision for this location over many others.

PREVIOUS COUNCIL ACTION(S):

Date: November 4, 2013

Roll Call Number: [13-1727](#)

Action: [First](#) Amendment to Economic Development Loan Agreement with Eastgate Plaza LLC. ([Council Communication No. 13-546](#)) Moved by Coleman to adopt. Motion Carried 6-0.

Date: May 8, 2006

Roll Call Number: [06-0945](#)

Action: [Economic](#) Development Loan Agreement with Eastgate Plaza, LLC for redevelopment of the Shops at Eastgate (northeast corner of E. 14th Street and Euclid Avenue). ([Council Communication No. 06-265](#)) Moved by Mahaffey to adopt. Motion carried 6-1. Pass: Kiernan.

Date: April 24, 2006

Roll Call Number: [06-0848](#)

Action: [Second](#) amendment to agreement with Eastgate Plaza, LLC for redevelopment of the Shops at Eastgate (northeast corner of E 14th Street and Euclid Avenue). ([Council Communication No. 06-213](#)) Moved by Mahaffey to adopt. Motion Carried 6-1. 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: 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 East 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): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Upon Council receipt of the proposed urban renewal plan and tax increment finance district, the Council will direct these documents to the Urban Design Review Board, Plan & Zoning Commission and to the tax consultation entities as required by law. Informational meetings will be held with the applicable neighborhood organizations.

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