



**Council
Communication**
Office of the City Manager

Date

April 24, 2006

Agenda Item No. 48

Roll Call No. 06-

Communication No. 06-214

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution to receive and file letter from Lincolnway Energy, LLC regarding a proposed ethanol facility in the Des Moines Agrimergent Technology Park and refer to the City Manager for further action

SYNOPSIS:

Lincolnway Energy, LLC (Richard Brehm, Chief Executive Officer, 59511 W. Lincoln Highway, P.O. Box 433, Nevada, IA 50201) is interested in working with the City of Des Moines on a developer-initiated proposal to potentially acquire all City-owned land south of Vandalia Road and west of SE 43rd Street in the Des Moines Agrimergent Technology Park to construct a dry mill fuel ethanol production facility. The company is requesting approval to enter into negotiations with the City of Des Moines.

FISCAL IMPACT:

Amount: This action does not commit City funds. However, should Council enter into a contract at some future date, we anticipate that there would be a fiscal impact.

Funding Source: NA

ADDITIONAL INFORMATION:

Lincolnway Energy, LLC, founded in 2004, is an energy company based in Nevada, Iowa. On May 22, 2006, they will begin to operate their first newly constructed, dry mill fuel ethanol facility in Nevada with a production capacity of 50 million gallons annually. Lincolnway Energy's mission statement is to produce clean renewable energy, maintain a safe and rewarding place to work, and maximize shareholder value. There are 942 Iowans who own the company; over 40% reside in Polk and Story Counties. A nine-member Board of Directors, elected by their shareholders, governs business operations.

The Board of Directors has determined that it is in their shareholders' best interests to expand operations by building a second dry mill fuel ethanol production facility in Polk County with a capacity of 100 million gallons per year. The estimated project cost is \$225 million to be financed by a combination of member equity and debt financing. Lincolnway Energy is considering several sites. They are interested

in the entire 166-acre parcel located south of Vandalia Road and west of SE 43rd Street in the Des Moines Agrimergent Technology Park.

Lincolnway Energy believes there are many community benefits to be derived from this project. They anticipate the proposed facility will have approximately 60 employees at an average wage of \$21.75/hour. Most of the employees will be hired from the Des Moines area. In addition to job creation, the Polk County facility will purchase 36 million bushels of Iowa corn grown by local producers. The company's ethanol production facility will be state-of-the-art with no environmental drawbacks. Air emissions will be well within State-mandated levels. Only non-contact water will be discharged. The ethanol they produce will be used to replace MTBE (methyl tertiary-butyl ether) as an oxygen additive in gasoline. MTBE is a carcinogen with a half-life of 500 years while ethanol is a renewable fuel with a 24-hour half-life. Ethanol will be used to help reduce dependence on foreign oil. Recently, the Iowa Legislature passed House File 2754, which declared the production of alternative and renewable fuels as the newest targeted industry cluster it is pursuing to promote economic development. The bill also provides tax credits and access to other State economic development incentives to support the industry.

The company understands that there are several requirements they must meet prior to entering into a contract with the City. They must work with the Good Neighbor Task Force to negotiate a Good Neighbor Agreement and coordinate with City staff on the location of the two regional storm water detention basins on the site, which will reduce the developable acreage from 166 acres to approximately 143 acres. Furthermore, the business must address the gap in taxes their facility will generate and conservative estimates of City tax projections for new development on the site. Lincolnway Energy is prepared to work through these issues.

Lincolnway Energy, LLC's project could be the first substantial new private investment in the Des Moines Agrimergent Technology Park. As such, it will be important to encourage quality development on this and future projects as well as meet the City's goals of significantly increasing the tax base and creating livable wage jobs.

PREVIOUS COUNCIL ACTION(S): NONE

Date:

Roll Call Number:

Action:

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

If approved, staff will present Lincolnway Energy, LLC's developer-initiated proposal to the Urban Design Review Board and the City Council in summer 2006.