



Council Communication

Office of the City Manager

Date

November 1, 2006

Agenda Item No. 3

Roll Call No. 06-

Communication No. 06-683

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution Selecting a Preferred and Alternate Developer for the Redevelopment of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area

SYNOPSIS:

Council is requested to select Lincolnway Energy, LLC (Richard Brehm, CEO/President, 59511 West Lincoln Highway, Nevada, IA 50201) as the preferred redeveloper of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park and to authorize the City Manager to enter into contract negotiations with the company. The 166-acre site is located south of Vandalia Road and west of SE 43rd Street. Lincolnway Energy, LLC has proposed to construct a 100-million gallon, dry mill fuel ethanol production facility on 104 acres to be completed in Stage I within 16 months and to purchase an additional 8.2 acres for potential co-product development to be completed in Stage II by July 1, 2012. The City would retain approximately 43.6 acres of prime land for future development at the SE 43rd Street and Vandalia Road intersection and 10 acres for a regional storm water detention basin. The company has pledged to create 56 full-time, permanent jobs within three months after a Certificate of Occupancy has been issued and an additional nine (9) jobs within 21 months thereafter. The annual payroll, including bonuses, would be \$2.8 million.

If the City Manager is unable to finalize an agreement with Lincolnway Energy, LLC, Council is requested to authorize the City Manager to negotiate with Vision Fuels Des Moines, LLC (David W. Walters, President, 2641 86th Street, Urbandale, IA 50322) as the alternate redeveloper. Vision Fuels Des Moines, LLC has proposed to construct a 110-million gallon, dry mill fuel ethanol production facility on 118 acres to be completed in Stage I within 14 months and to purchase an additional 38 acres for Stage II development, which could include a bio-diesel facility. The company has pledged to create at least 45 full-time, permanent jobs within three months after a Certificate of Occupancy has been issued and up to an additional 35 jobs within 21 months thereafter. The minimum projected annual payroll would be \$2.2 million.

FISCAL IMPACT:

Complete fiscal impact information will be provided after the contract has been negotiated. Lincolnway Energy, LLC will be held to the following, as specified in its competitive proposal.

Amount: N/A

Funding Source:

1. The City will not provide tax abatement for the Stage I development. The minimum taxable value on 104 acres is estimated at \$33.8 million, which would yield approximately \$1.6 million in tax revenue

annually to local taxing jurisdictions. Local taxpayers will save nearly \$4.8 million by not providing tax abatement based on the three-year 100% schedule, even though the project is located in an urban revitalization area.

2. If the Stage II development does not achieve at least \$10.75/square foot in taxable value, the City will not provide tax abatement for it. The redeveloper shall contractually agree to a minimum taxable value on 8.2 acres that is projected at \$2.9 million. This would generate about \$131,300 in annual tax revenue to local taxing jurisdictions. Local taxpayers could save nearly \$400,000 by not providing tax abatement based on the three-year 100% schedule.
3. Lincolnway Energy, LLC will pay the City the established Fair Market Value land price of \$14,000/acre, which equates to nearly \$1.6 million. The City will remit \$527,333 (one-third of the funds) to the Des Moines Water Works because it contributed this proportionate share to acquiring the land in May 2000.
4. The City will retain 43.6 acres of prime land located at the entrance to the Park at SE 43rd Street and Vandalia Road. When this acreage is developed, it is projected to command at least \$15.2 million in taxable value or yield about \$697,900 in taxes annually.
5. Lincolnway Energy, LLC will contractually agree to contribute \$2 million to the Land Assemblage and Infrastructure Fund. The City will use these funds for acquisition, relocation activities and demolition of blighted properties and/or investment in regional storm water management and other infrastructure in the Park.

ADDITIONAL INFORMATION:

Council established October 6, 2006 by 1 p.m. as the date for the Office of Economic Development to receive proposals for the purchase and redevelopment of all or part of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park. Des Moines Ethanol, LLC (Broin Companies, Larry Ward, Chairman, 2209 E. 57th Street North, Sioux Falls, SD 57104), Lincolnway Energy, LLC (Richard Brehm, CEO/President, 59511 West Lincoln Highway, Nevada, IA 50201), and Vision Fuels Des Moines, LLC (David W. Walters, President, 2641 86th Street, Urbandale, IA 50322) have submitted competitive proposals. Des Moines Ethanol, Lincolnway Energy and Vision Fuels Des Moines have proposed to construct 60-million gallon, 100-million gallon and 110-million gallon, dry mill fuel ethanol production facilities respectively on all or part of Disposition Parcel No. 1.

On October 11, 2006, the Good Neighbor Task Force evaluated each proposal. The seven-member Task Force is comprised of representatives from the Laurel Hill, Fairground Neighbors, Capitol East, Indianola Hills and Pioneer/Columbus neighborhoods as well as a business from the SE Agribusiness Enterprise Zone Association and the City of Pleasant Hill. Council tasked the Good Neighbor Task Force with submitting its recommendation and rank order of proposals to the Urban Design Review Board and to itself as part of the review process. The Task Force awarded 10 points (highest score and maximum number of points) to Lincolnway Energy, LLC; 5 points to Des Moines Ethanol, LLC; and 2 points to Vision Fuels Des Moines, LLC.

The Good Neighbor Task Force selected Lincolnway Energy, LLC as the top competitor because (1) they have the most experienced project team, (2) ethanol production is their core competency, and they have a firsthand understanding of the issues involved in building and operating a facility, (3) they have a

well-balanced, locally-owned investor base whereby many shareholders make decisions rather than a few large investors, (4) their building and site plans are the most attractive, (5) they have a very efficient site layout and use less acres than the other projects, which allows the City to seek higher density development on the prime remaining 40+ acres, and (6) they are interested in being in the ethanol business for the long term and in keeping Iowa at the forefront of ethanol-based fuel technologies.

On October 12, 2006, the Technical Review Committee evaluated each proposal. The Committee is comprised of City staff from the Office of Economic Development, Community Development Department and Engineering Department. Staff also recommended that Lincolnway Energy, LLC be selected as the preferred redeveloper for many of the above-referenced reasons. In addition, the company has the financial capacity to raise the debt and equity capital for its nearly \$200 million facility. It is positioned to attain potentially a Gold or Platinum Leadership in Energy and Environmental Design (LEED) rating from the U.S. Green Building Council. This will be the first industrial LEED-certified project in Des Moines. Furthermore, Lincolnway Energy, LLC will contribute \$2 million to the Land Assemblage and Infrastructure Fund to reinvest in the Park.

On October 19, 2006, the Urban Design Review Board unanimously recommended that Council select Lincolnway Energy, LLC as the preferred redeveloper and Vision Fuels Des Moines, LLC as the alternate. Board members stated that Lincolnway Energy, LLC had the best site design, which would allow for future denser development of the remaining 40+ acres, and respected the original Des Moines Agrimergent Technology Park plan that Council adopted in December 2001. The team was also well experienced in constructing, owning and operating an ethanol production facility. The Urban Design Review Board commented favorably on Vision Fuels Des Moines, LLC's and Des Moines Ethanol, LLC's proposals. They appreciated the time, effort and resources each development team invested.

On October 23, 2006, the City Council voted to continue its consideration of the matter at a special meeting to be held on November 1, 2006, which has been designed to allow each of the potential redevelopers an opportunity to present their proposals. Since that time, Des Moines Ethanol, LLC has withdrawn its proposal from consideration.

The remaining aspects of the competitive process are proposed as follows:

| <i>Date/Time</i> | <i>Action</i> |
|--|--|
| November 2006 | City staff negotiates the contract with the redeveloper. |
| November 20, 2006* 5:00 p.m. Local Time | City Council declares its intent to execute the contract and solicit competing proposals. |
| November 21, 2006 | City publishes notice and mails request for competing proposals. |
| January 5, 2007 | All competing proposals are due to the Office of Economic Development (45-day competitive period). |
| January 8, 2007 | City Council approves the contract if there are no competing proposals. |

*If this timeframe cannot be met, the 45-day competitive period will be extended accordingly.

Lincolnway Energy, LLC's project will be a hallmark and a long-term community asset for the Des Moines Agrimergent Technology Park. It most vividly depicts the vision the City Council established for the area and will act as a catalyst to attract future high quality development.

PREVIOUS COUNCIL ACTION(S):

Date: 10/23/06

Roll Call Number: 06-2135

Action: [Selection](#) of Lincolnway Energy, LLC as the Preferred Redeveloper and Vision Fuels Des Moines, LLC as the Alternate Redeveloper of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area. ([Council Communication No. 06-663](#)) Moved by Vlassis to set a Special Council Meeting for Wednesday, November 1st at 6:00 PM. Each Redeveloper will make a presentation and Council will make a selection at that meeting. Motion Carried 6-0.

Date: 8/21/06

Roll Call Number: 06-1713

Action: [Resolution](#) for Competitive Process and Minimum Development Requirements and Competitive Criteria for the redevelopment of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area. ([Council Communication No. 06-529](#)) Moved by Kiernan to approve. Motion Carried 5-1.

Date: 7/10/06

Roll Call Number: 06-1368

Action: [From](#) Vision Fuels, LLC regarding proposed ethanol facility in the Des Moines Agrimergent Technology Park. ([Council Communication No. 06-401](#)) Moved by Brooks to receive and file letter and refer to the City Manager for further action. Motion Carried 5-2. Absent: Kiernan and Vlassis.

Date: 4/24/06

Roll Call Number: 06-799

Action: [From](#) Lincolnway Energy, LLC regarding a proposed ethanol facility in the Des Moines Agrimergent Technology Park. ([Council Communication No. 06-214](#)) Moved by Brooks to receive and file letter and refer to the City Manager for further action. Motion Carried 7-0.

Date: 12/3/01

Roll Call Number: 01-3577

Action: On proposed Des Moines Agrimergent Technology Park Plan, generally between SE 30th and SE 43rd Streets in vicinity of Vandalia Road. ([Council Communication No. 01-599](#)) Moved by Brooks to adopt. Motion Carried 6-1. Absent: McPherson.

Date: 12/6/99

Roll Call Number: 99-3720

Action: Approving Offer to Purchase approximately 166 acres owned by Archer Daniels Midland, ([Council Communication No. 99-512](#)) Moved by Brooks to adopt. Motion Carried 5-2. Absent: Daniels and McPherson.

BOARD/COMMISSION ACTION(S):

Date: 10/19/06

Roll Call Number: N/A

Action: Urban Design Review Board recommended selection of Lincolnway Energy, LLC as the preferred redeveloper and Vision Fuels Des Moines, LLC as the alternate redeveloper of Parcel No. 1 in the Des Moines Agrimergent Technology Park.

Date: 8/15/06

Roll Call Number: N/A

Action: Urban Design Review Board recommended approval of the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

On January 8, 2007, the City anticipates entering into the urban renewal contract.