



# Council Communication

Office of the City Manager

Date

October 22, 2007

Agenda Item No. 42  
Roll Call No. 07-  
Communication No. 07-643  
Submitted by: **Matthew A. Anderson,**  
**Economic Development Administrator**

## AGENDA HEADING:

Resolution Closing Public Hearing and Approving Amended and Restated Urban Renewal Agreement for Sale of Land for Private Redevelopment with Vision Fuels Des Moines, LLC.

## SYNOPSIS:

On January 22, 2007, by Roll Call 07-145, the Des Moines City Council selected Vision Fuels Des Moines, LLC (David W. Walters, Chairman, 2641 86<sup>th</sup> Street, Urbandale, IA 50322) as the redeveloper of part of the City-owned land in the Agrimergent Technology Park and entered into an Urban Renewal Agreement with Vision Fuels for development of a 110-million gallon ethanol processing facility on 128 acres. Since that time, Vision Fuels has been working with their consultants to finalize all project design elements, particularly the rail design. Vision Fuels has determined that they cannot adequately operate the plant without the acquisition of an additional 36 acres of City-owned land. This additional land is necessary to accommodate railroad switching and storage yards.

The Amended and Restated Urban Renewal Agreement contains four major changes from the original Agreement:

1. An additional 36 acres is to be sold to Vision Fuels.
2. The Minimum Taxable Value used to calculate the Payment in Lieu of Taxes ("PILOT") has been increased from \$41,716,500 to \$53,560,000. This change will increase the projected annual tax revenue from \$1,916,200 to \$2,460,218 during the 15 year term of the PILOT.
3. The project schedule has been changed to allow the Vision Fuels time to complete their rezoning and close on their financing package.
4. Vision Fuels has requested a language change in the contract that would allow the use of a sale/leaseback structure to finance the plant. Such language has been inserted. Regardless of the financing structure employed, the property shall still be sold subject to all Urban Renewal Covenants contained within the Agreement and Vision Fuels, LLC will remain responsible for compliance with all terms of the Agreement

Vision Fuels has entered into a Good Neighbor Agreement with the Des Moines Good Neighbor Task Force. This agreement addresses items such as odor, traffic, environmental protection, and efforts to hire established Des Moines area residents. Vision Fuels and City staff presented the revised site plan to the Task Force at a meeting on October 15, 2007. Per the terms of the Good Neighbor Agreement, it was determined that the additional 36 acres and resulting site plan do not impact the terms of the Good Neighbor Agreement.

The Urban Design Review Board conducted a preliminary review of the revised Conceptual Development Plan on October 16, 2007. The Plan was met with favorable response from the Board, with final review and recommendation to occur at a later date. Final review will include details such as schematic signage and lighting, landscaping, and full analysis of Vision Fuels' plan to pursue a Leadership in Energy and Environmental Design (LEED) silver rating.

**FISCAL IMPACT:**

Amount: A summary of the terms of the original contract are presented below in the Additional Information section. The amendments to the Agreement have the following positive fiscal impact to the City:

- The additional 28 acres will be sold to Vision Fuels for \$592,000.
- Annual tax revenue will increase by approximately \$544,000 during the 15 year term of the PILOT.

Funding Source: Vision Fuels Des Moines, LLC

**ADDITIONAL INFORMATION:**

Terms of the **original urban renewal contract** with Vision Fuels Des Moines, LLC are presented below.

<b><i>ONE-TIME INVESTMENT</i></b>	<b><i>VISION FUELS DES MOINES, LLC</i></b>
<b><i>Land price</i></b>	<b><i>\$1,806,000</i></b> Purchase of 129 acres rounded @ \$14,000/acre. In accordance with the 28E Agreement, the City will remit 1/3 of the sale price, equivalent to \$602,000, to the Des Moines Water Works, which contributed 1/3 of the funds to acquire the property in 2000.
<b><i>Regional storm water detention</i></b>	<b><i>\$ 369,000</i></b> The Developer will design and construct, at its expense, the storm water management system to accommodate 26.5 acre-feet of storage needed for the City's regional detention basins south of Vandalia Road, in accordance with City standards.
<b><i>Land assemblage and infrastructure fund</i></b>	<b><i>\$1,606,875</i></b> To be paid by Developer upon receipt of the building permits to commence construction of the facility. <b><i>\$ 809,000 (Net Present Value)</i></b> The Developer will contribute \$1 million, which will be structured into payments of \$200,000/year over the next five years. The first payment will commence on the date construction begins. An amount equal to developer contributions are to be used for acquisition, relocation and demolition of blighted properties and/or investment in public infrastructure, including but not limited to, streets and utilities in the area.
<b><i>Additional payments</i></b>	<b><i>\$1,500,000</i></b> The Developer will pay \$500,000/year for each of three years correlated to the start-up date, which is no later than when the first shipment of ethanol is made.
<b><i>Road infrastructure</i></b>	<b><i>Amount to be determined.</i></b> The Developer will share costs with the City for the pro-rated portion of Vandalia Road and SE 43 <sup>rd</sup> Street improvements when justified by an applicable traffic study correlated with need for improvements. The developer will pay all costs related to improvements needed for its facility, including the construction of a turning lane on SE 43 <sup>rd</sup> Street.

<b>TOTAL ONE-TIME INVESTMENT</b>	<b>\$6,090,875</b>
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<b>RECURRING PAYMENTS</b>	<b>VISION FUELS DES MOINES, LLC</b>
<b>Minimum taxable value and projected annual tax revenue</b>	<p><b>\$1,916,200</b> Projected Annual Tax Revenue (Total minimum taxable value for the development of 128.55 acres = \$41,716,500). This is based on a minimum of \$7.45/sf with no tax abatement for all acres to be purchased, including the projected 12.5 acres the Developer intends to deed back to the City for the regional storm water detention basins south of Vandalia Road. Any tax shortfall resulting from a lower taxable valuation than expected will be made up by a PILOT to be paid directly to City for 15 years.</p> <p><b>Note: Per the terms of the Amended and Restated Urban Renewal Agreement, the Minimum Taxable Value used to calculate the Payment in Lieu of Taxes ("PILOT") has been increased from \$41,716,500 to \$53,560,000. This change will increase the projected annual tax revenue from \$1,916,200 to \$2,460,218 during the 15 year term of the PILOT.</b></p>
<b>Estimated annual energy surcharge – electricity and natural gas</b>	<p><b>\$ 100,000</b> (\$2 million in electricity costs x 5%)  <b>\$1,500,000</b> (\$30 million in natural gas costs x 5%)</p> <p>For three years after start-up, the Developer will pay the City an energy surcharge or an equivalent payment based on the total costs to acquire, transport and deliver all electricity and natural gas used on the Property. The surcharge will be equal to the lesser of 5% of such costs or 1% over and above the legally established limit for three years.</p>
<b>PROJECTED RECURRING PAYMENTS (FOR AT LEAST THREE YEARS)</b>	<b>\$3,516,200</b>

### **Performance Benchmarks**

The Developer has agreed to follow the revised timeline for construction and completion of the Improvements. Under the terms of the original Agreement, closing was to have occurred on October 1, 2007 and the plant's startup was to occur no later than December 31, 2008.

<b>Date</b>	<b>Action</b>
completed	Have requested a Pre-Application Conference pursuant to Section 501.
completed	Have provided the report regarding the use of innovative technologies required by Section 403.
completed	Provide preliminary evidence of financing as required by Section 205(A).
completed	<ul style="list-style-type: none"> <li>• Have submitted a Conceptual Development Plan pursuant to Article 5 of this Agreement.</li> <li>• Have submitted a "PUD" Conceptual Plan for the Improvements.</li> <li>• Have submitted an application to rezone the Property to the "PUD" Planned Unit Development District classification, and for approval of the</li> </ul>

	"PUD" Conceptual Plan. <ul style="list-style-type: none"> <li>• Have submitted a Preliminary Subdivision Plat for the Property</li> </ul>
Nov 15, 2007	Have obtained approval of a Preliminary Subdivision Plat by the Plan and Zoning Commission
Dec 4, 2007	<ul style="list-style-type: none"> <li>• Have obtained approval of the Conceptual Development Plan.</li> <li>• Have obtained approval of the "PUD" Conceptual Plan. (Enactment of the Rezoning Ordinance may be delayed by the requirement for 3 separate readings.)</li> </ul>
Dec 15, 2007	Have filed a combined "PUD" Development Plan and Site Plan for the Property and Improvements.
Jan 15, 2008	Have obtained approval of a "PUD" Development Plan and Site Plan for the Property and Improvements.
Feb 01, 2008	<ul style="list-style-type: none"> <li>• <b>Closing</b> - Have satisfied the conditions precedent to Closing under Section 205(B) of this Agreement and have tendered Closing.</li> <li>• Have provided to City a copy of the Air Quality Permit pursuant to Section 401(3) or evidence that Developer has filed the appropriate documentation and is diligently pursuing such a "minor source" permit.</li> </ul>
Mar 01, 2008	Have obtained approval of and recorded a subdivision plat for the Property.
Apr 15, 2008	Have obtained footing and foundation permits and have commenced construction of the footings and foundations for a substantial portion of the Improvements.
Nov 01, 2009	Have substantially completed the Improvements and qualified for the issuance of the Certificate of Completion
Dec 31, 2009	Startup Date

**PREVIOUS COUNCIL ACTION(S):**

Date: October 8, 2007

Roll Call Number: 07-1945

Action:

On proposed Amended and Restated Urban Renewal Agreement for Sale of Land for Private Redevelopment, to Vision Fuels Des Moines, L.L.C., (10-22-07). Moved by Hensley to adopt. Motion Carried 6-1. Nays: Cownie.

Date: September 24, 2007

Roll Call Number: 07-1871

Action: From Vision Fuels Des Moines, L.L.C., regarding its progress towards financing and construction of an Ethanol Production Facility in the SE Agribusiness Park, and requesting amendment to the Agreement for sale of real estate. Moved by Meyer to receive and file, and to authorize and direct the City Manager to negotiate with Vision Fuels on the sale of the additional 36 acres and other appropriate amendments to the Agreement, for consideration by the City Council after notice and public hearing at a later date. Motion Carried 6-1. Pass: Cownie.

Date: January 22, 2007

Roll Call Number: 07-145

Action: On Urban Renewal Agreement for sale of land for private redevelopment with Vision Fuels Des Moines, L.L.C. (Council Communication No. 07-044) Moved by Meyer to adopt. Motion Carried 7-0.

Date: December 18, 2006

Roll Call Number: 06-2499

Action: On proposed sale of land in the SE Agribusiness Park – Disposition Parcel No. 1, to Vision Fuels Des Moines, LLC. Moved by Kiernan to continue the public hearing on the proposed sale of land to Vision Fuels until January 22, 2007 at 5:00 P.M. Motion Carried 6-0.

Date: December 4, 2006

Roll Call Number: 06-2401

Action: To receive supplement to the proposal from Vision Fuels for the purchase and redevelopment of Disposition Parcel No. 1 in the Agrimergent Technology Park. ([Council Communication No. 06-768](#)) Moved by Kiernan to receive and file the communications and the supplemental material from Vision Fuels. Motion Carried 6-0.

Date: December 4, 2006

Roll Call Number: 06-2402

Action: Selecting Vision Fuels as the Preferred Redeveloper. Moved by Kiernan to adopt, subject to the addition of the following points to be included in the final development agreement with Vision Fuels: (i.) In order to ensure the long-term economic viability of the project, Vision Fuels will be required to explore, in cooperation with the Iowa Department of Natural Resources and Iowa State University, the use of innovative technologies such as the use of combined heat and power (CHP) and the various biofuels options, and to provide a written report to the Council by April 1, 2007, as to the technical and economic feasibility of using these technologies at the Agrimergent Technology Park site. (ii.) Vision Fuels will be required to maximize the use of LEED to enhance the environment and minimize the pollutants emanating from its facility, as specified in its proposed boiler technology. (iii.) Vision Fuels will be required to conform its site development to the Council-adopted Agrimergent Technology Park plan. (iv.) Vision Fuels will be required to proceed expeditiously and to adhere to performance benchmarks, which include obtaining all project financing, PUD zoning, Urban Design Review Board review, air quality and building permits and commencement and completion of construction. The dates for performance shall be identified in the final Development Agreement, with project financing in place by May 15, 2007. (v.) Vision Fuels will pay the franchise fee or its equivalent for three years, and after three years, it may apply for the industrial rebate in accordance with the Council ordinance in effect at that time. (vi.) City Manager will look at alternatives to the franchise fee and alternative forms of energy. Motion Carried 6-0.

Date: November 1, 2006

Roll Call Number: 06-2145

Action: [Approving](#) selection of a Preferred Redeveloper and an Alternate Redeveloper of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area, (continued from October 23, 2006). ([Council Communication No. 06-683](#)) Moved by Vlassis that the City Manager is hereby directed to negotiate with the two remaining redevelopers regarding the following issues related to their proposals, and to report back to the City Council at the meeting on December 4, 2006: 1. (a) The local participation in the construction of the facility; (b) The environmental impact and economic feasibility of using coal versus natural gas to power the ethanol plant; (c) The overall financial impact upon the City; and, (d) The ability of MidAmerican Energy to provide the natural gas required for the ethanol plant proposed by Vision Fuels. 2. That the City Council hereby declares its intent to select a redeveloper at the meeting on December 4, 2006, and to then schedule a public hearing to be held on December 18, 2006, to approve an agreement for the sale of Disposition Parcel No. 1 to the selected redeveloper for construction of an ethanol plant. Motion Carried 6-0.

Date: October 23, 2006

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 1<sup>st</sup> at 6:00 PM. Each Redeveloper will make a presentation and Council will make a selection at that meeting. Motion Carried 6-0.

Date: August 21, 2006

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: July 10, 2006

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: April 24, 2006

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: December 3, 2001

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: December 6, 1999

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: October 19, 2006

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: August 15, 2006

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:**

The above-referenced schedule outlines anticipated actions.