

 <h1 style="text-align: center;">Council Communication</h1> <p style="text-align: center;">Office of the City Manager</p>	Date:	October 20, 2014
	Agenda Item No.	52
	Roll Call No.	<u>14-1668</u>
	Communication No.	<u>14-512</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving actions related to the consideration of a rail port transloading facility in the City of Des Moines.

SYNOPSIS:

Recommend the following:

1. Receive and file the regional Des Moines Area Rail Port Feasibility Study prepared by the Des Moines Area Metropolitan Planning Organization (MPO) which identifies City-owned land at SE 15th Street and East Martin Luther King Jr. Parkway as the preferred site for a rail port transloading facility.
2. Authorize City Manager to execute a professional services agreement with McClure Engineering Company (Terry Lutz, President/CEO, 1360 NW 121st Street, Clive, IA 50325) and sub-consultant Engineered Rail Solutions, LLC (David M. Thompson, President, 420 North Front Street, Suite 208, McHenry, IL 60050) for professional advisement, the development of a Request for Proposals (RFP) for the identified City-owned land and a process for evaluation of RFP responses based on potential benefits and impacts of a transloading facility to the City.
3. Authorize letter of support to the Iowa Department of Transportation (IDOT) for a Rail Revolving Loan Grant (RRLG) in the amount of \$1.7 million to be approved for development of a rail port transloading facility by a preferred provider who will be recommended by City Council.

The MPO’s Des Moines Area Rail Port Feasibility Study, which the Council is being asked to receive and file at this meeting, was conducted this year by McClure Engineering Company and their sub-consultant under an Iowa Department of Transportation (IDOT) grant received by the MPO. The study followed two (2) previous studies conducted by the MPO in 2002 and 2006 that evaluated the movement of goods in the Des Moines Metro Region.

The Des Moines Area Rail Port Feasibility study evaluated the development of a rail port transloading facility as an opportunity to begin to address issues in goods movement, and improve costs for businesses that import and export goods. The study identifies a preferred site for such a facility as City-owned land at SE 15th Street and East Martin Luther King Jr. Parkway, based on a unique convergence of Class I and Class II rail lines adjacent to the site.

The above actions provide for the City to receive and file the study, and transition into a local process, retaining the services of the McClure Engineering Company team to assist. Additional information, including history and details on the requested actions and recommendation for City processes, is provided below.

FISCAL IMPACT:

Amount: Not to exceed \$36,640 for professional services. If approved by subsequent Council action, commitment to 20% match (\$680,000) of the anticipated project cost of \$3.4 million to be provided for the anticipated \$1.7 million RRLG from the IDOT.

Funding Source: Org CMO25033 (Economic Development Enterprise Account), Object 521020 (Consultants and Professional Services) pg. 37 in budget book, for professional services agreement. Org CMO25033 (Economic Development Enterprise Account), Object 528190 (Economic Development Grants) pg. 37 in budget book, for RRLG match. Funds will come from proceeds from the sale of City-owned land to a preferred provider, or to be paid in installments by the preferred provider through project cash flow or facility fees. In the event that a project does not move forward, the RRLG funds will be turned back to the IDOT. Land sale proceeds to be deposited to CMO25033, 496020 (Sale of Land).

ADDITIONAL INFORMATION:

In 2002, the MPO conducted a detailed study of the movement of goods in the Des Moines Metro region. The analysis, which was initiated by the MPO's Freight Roundtable and was subsequently updated in 2006, examined the critical role that the Des Moines area plays in the movement of goods at the local, regional, Midwest, and national-international levels. It is located at the crossroads of Interstate 80 and Interstate 35, routes that are identified as two (2) of the nation's most important east-west and north-south freight corridors. A key point identified in the study was that efficient goods transportation is the most basic need for a market economy to succeed.

The study also included a survey that was sent to over 270 businesses and contacts that were listed by the Iowa Economic Development Authority (IEDA) as currently doing importing and /or exporting of goods in the Des Moines Metro and Central Iowa areas, in an effort to best understand the needs that drive business, and create economic growth and jobs.

Specific issues facing goods movement were identified in the 2006 MPO update, including rising fuel costs, increased projected interstate traffic congestion, rail system capacity, driver shortages, truck route inadequacies, and a need for changes in both the trucking and rail industry to accommodate these issues. The issues were seen to require a vision for the future, and corresponding policies and investments to support the vision. Also referenced was the potential for a port facility that could maximize opportunities between the transportation system and domestic and international commerce. This potential had also been examined in the 2001 study, *The Port Des Moines Concept: A Feasibility Assessment*, a joint effort between the Iowa State University College of Business, the Iowa Department of Transportation, MPO, and the Greater Des Moines Partnership.

In 2013, the MPO worked with the IDOT to secure a grant for further study of a port facility that could potentially enter the market, maximizing opportunities for the movement of goods, and mitigating the goods movement issues and expenses identified in earlier studies. Consolidating activities at a single source, ideally one that had superior transportation connectivity and access to multiple rail lines, was seen as a pathway to increase the movement of goods, and therefore minimize costs and advance further investment and economic growth.

McClure Engineering Company was selected from respondents to a RFP issued by the Des Moines Area MPO in 2013. In January 2014, an initial market study by the McClure led team and their sub-

consultants, Via Rail Logistics, LLC, and Engineered Rail Solutions, LLC, concluded that the current and anticipated rail market was sufficient to warrant the examination of a rail port, or transloading facility. This market study accompanies the subsequent *Des Moines Rail Port Feasibility Study* conducted by the McClure Engineering team, which the Council is asked to receive and file at this meeting.

The feasibility study examined a number of variables, including the ability for businesses moving goods to be served by multiple rail carriers. The preferred site identified in the *Des Moines Rail Port Feasibility Study* was identified as an optimum location for a rail port transloading facility, based on its unique convergence of rail lines in direct proximity to the site. Class I railroads include Burlington Northern Santa Fe (BNSF) Railway Company, Norfolk Southern Railway Company, Union Pacific Railroad Company, and Class II railroads include the Iowa Interstate Railroad Company. Transloading is defined as the process of transferring a shipment of product from one mode of transportation to another.

The site contains approximately 30 acres of land. The site was previously home to Carroll Auto Salvage for many years, and was acquired in conjunction with the alignment and construction of the SE Connector roadway. The preferred site is located on the north side of the SE Connector/East Martin Luther King, Jr. Parkway, east of the SE 14th Street viaduct and west of SE 18th Street.

Businesses located in the vicinity of the site include Heartland Co-Op at 124 SE 18th Street, Waste Management of Iowa at 208 SE 18th Street, Des Moines Municipal Services Center at 1551 East Martin Luther King, Jr. Parkway, Amend Packing Company at 410 SE 18th Street, Darling National/National By-Products at 740 SE 20th Street, the former Monfort Plant at 1700 Maury, R & R Aluminum Building Products at 630 SE 15th Street and Titan International at 2345 East Market Street. Also in the vicinity, located south of Scott Avenue, are several residential properties, which are located in either M-1, light industrial zoning or C-2, general highway and auto oriented commercial zoning. Residents of these properties will be included in public input processes for the proposal.

The preferred site's location near the convergence of rail lines makes it a very strategic location for the consideration of a rail port transloading facility. In addition, the proximity to the planned extension of the SE Connector/East Martin Luther King, Jr. Parkway, with its connection to Highway 65, can optimize the ability to route the majority of truck traffic to the facility. Routing of patrons to the facility will be an element of the proposal reviewed in the City process. The site is proximate to existing industrial businesses, some of whom already utilize rail, trucks or a combination of the two (2) in their operations. The proximity to the City's Municipal Services Center site may open opportunities for potential cost savings on materials such as road salt, sand and construction materials and equipment.

The site offers potential opportunities to serve existing Des Moines businesses that import and export goods as well as attract new business growth to the City, and offers a unique ability to increase the marketability of City-owned land in the SE Agrimergent Business Park on the north side of Vandalia Road. Proximity to a rail port transloading facility may assist in raising this business park to the attention of the market, where remaining salvage yard presence and recent levee decertification has made the land non-competitive in the market over the last several years.

As part of the process recommended by staff, Council is also requested to approve a professional services agreement with McClure Engineering Company to provide consulting services and advisement to the City to develop an RFP for the City-owned site, offering advisement on the process as the analysis of the concept transitions from a regional examination to a local evaluation. The

consulting team will work with the Office of Economic Development to develop a staff committee with members from the Community Development, Engineering, Legal, Public Works, and Finance Departments to assist in development of the RFP, evaluation of the proposed site, local analysis of potential benefits and impacts of the proposed facility on the community, and assisting with public input processes. The expected result of the consulting process will be a completed RFP to be submitted to Council for approval before distribution to potential developers and operators, based on the selection of one (1) of four (4) options for development of the site: (1) facility construction by the City and land sale to the operator; (2) facility construction by the City and lease to the operator; (3) facility construction by the operator and land sale to the operator; or (4) facility construction by the operator and lease to the operator.

In addition, the MPO has submitted an application to the IDOT for a RRLG in the amount of \$1.7 million for development of the rail port transloading facility. MPO submitted said application due to timing requirements of the RRLG program, and has now requested the City to submit a letter of support in favor of said application. IDOT approval of the application would result in a proposed loan or grant agreement between IDOT, MPO, the City and the selected transload facility developer and operator. The City would be required as part of the RRLG program to submit a local match of 20% of the funded amount, which is currently anticipated to be a City contribution of \$680,000, and which amount is expected to be paid by the City from proceeds of the land sale and/or lease or operation agreement with the selected developer and operator. Any proposed loan or grant agreement as well as authority to fund the local match will be returned to Council for approval. The current resolution authorizes the City Manager to execute and staff to submit the requested letter of support for the MPO application.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

A draft RFP will be presented to Council at a later date, along with a staff recommendation for the sale or lease of the land, and what, if any, ongoing role there would be for the City in a rail port transloading facility. Also, presented will be a schedule of anticipated actions, including public involvement processes. The loan or grant application for the RRLG program, if first approved by IDOT, and for local match funding by the City, will be submitted to Council for consideration as well.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.