

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 25, 2018
	Agenda Item No. 50 Roll Call No. <u>18-1102</u> Communication No. <u>18-340</u> Submitted by: Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Hold hearing for approval of development agreement with Des Moines Area Metropolitan Planning Organization (MPO) for the Des Moines Transloading Facility and Authorizing Contingent Assignment of Iowa Department of Transportation (IDOT) Railroad Revolving Loan and Grant Program (RRLG) Loan Obligations.

SYNOPSIS:

IDOT awarded \$1.7 million to the MPO for the transload facility under the RRLG program in 2015.

In furtherance of the development of a rail transloading facility at 200 Southeast 15th Street with Des Moines Transload Services, LLC (Steve Braithwaite, President and CEO, 115 Hickory Street, Omaha, NE 68108) as the operator, the MPO has agreed to make the RRLG loan proceeds available to the operator and, for a fee, has agreed to act as a pass-through for the loan advances from the IDOT, monitor development progress and operations, receive sub-loan repayments, and pass those repayments to the IDOT in fulfillment of the loan terms. Steve Braithwaite has agreed to personally guarantee performance of the operator under the sub-loan.

The proposed agreement will provide for the City to assume the obligations of the RRLG loan and sub-loan in the event of a default by the operator, and have the ability to pursue mitigation of damages and collection of payments from the operator. If the City has conducted reasonable mitigation efforts and collection efforts and the City is in a net loss position, the City will give notice to the MPO of that net loss and document its claim for reimbursement from Recaptured Surface Transportation Block Grant (STBG) Funds under a policy adopted by the MPO for reallocation of these funds.

Council action following the public hearing will provide authorization for the City to assume the loan obligations.

FISCAL IMPACT:

Amount: Not to exceed \$1,700,000

Funding Source: General Fund; code and account to be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- On November 6, 2017 by Roll Call No. 17-1916, City Council approved of the conveyance of City-owned real property located at 200 Southeast 15th Street to Des Moines Transload Services, LLC, for \$1,250,000 to establish a rail transloading facility.
- The site was identified as the preferred regional site for a railport transloading facility in 2014 after more than a decade of study by the MPO, MPO Freight Roundtable, City of Des Moines, and goods movement stakeholders. Rising fuel costs, driver shortages, interstate traffic congestion, and other issues brought focus to establishing better, more competitive truck to rail opportunities for goods movement.
- The site is adjacent to three (3) Class I and one (1) Class II rail lines, which is a rare national occurrence. This convergence opens doors for goods distribution via truck and rail transloading in Des Moines, the region, the State of Iowa and global markets. In addition, there are potential benefits to the ongoing SE AgriBusiness Park redevelopment plans, and broader ability to market Des Moines.
- The MPO is responsible for allocating federal STBG funds to eligible transportation projects within its planning area, as well as periodic credits for unexpended STBG funds not fully utilized for selected transportation projects, that are then available for reallocation to other eligible purposes.
- The MPO has adopted a policy for the reallocation of Recaptured STBG Funds, giving first and exclusive priority to reimbursement of any local member government that has previously undertaken by contract any financial obligations of the MPO, contingent or otherwise, and that thereafter sustains a net loss as a result.
- If the City has conducted reasonable mitigation efforts and collection efforts and the City is in a net loss position, the City will give notice to the MPO of that net loss and document its claim for reimbursement from Recaptured STBG Funds. This would include any loan payments made by the City, any associated borrowing costs, City staff and legal services costs.
- The reimbursements or pending or potential future reimbursements due to the City from Recaptured STBG Funds will not diminish the City's entitlement to other STBG Funds to which, under the project priority selection process of the MPO, the City would otherwise have been entitled to receive.

PREVIOUS COUNCIL ACTION(S):

Date: June 11, 2018

Roll Call Number: [18-0988](#)

Action: [On](#) Development Agreement with Des Moines Area Metropolitan Planning Organization (MPO) for the Des Moines Transloading Facility and authorizing contingent assignment and assumption of IDOT Railroad Revolving Loan and Grant Program Loan obligations (6-25-18). [\(Council Communication No. 18-307\)](#) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Schedule review meetings of applicable boards and commissions for review of the Master Conceptual Development Plan and site plan for the project.
- Amendment of SE Agribusiness Urban Renewal Plan for potential future TIF eligible expense.

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