


COUNCIL COMMUNICATION

	Number:	19-559	Meeting:	December 16, 2019
	Agenda Item:	66A	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Approving Des Moines Transloading Facility Development Agreement with the Des Moines Metropolitan Area Planning Organization (MPO), and Urban Renewal Development Agreement with DSM Industrial, LLC, for sale of City-owned property and development of Transloading Facility in the vicinity of 200 Southeast 15th Street.

SYNOPSIS:

The City-owned site located in the vicinity of 200 Southeast 15th Street and East Martin Luther King Jr. Parkway was identified as the preferred regional location for a railport or 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. The Iowa Department of Transportation (IDOT) awarded a \$1.7 million loan to the MPO for the transload facility under the Rail Revolving Loan Grant (RRLG) program in 2015. In December 2018, the project was awarded a \$11.2 million grant through the federal Better Utilizing Investments to Leverage Development (BUILD) transportation infrastructure program.

Earlier this year, the MPO identified Des Moines Industrial, LLC (Paul Cownie and Gabe Claypool, Officers, 512 ½ E. Grand Avenue, Des Moines, IA 50309) as the preferred Developer of the Transloading Facility. Des Moines Industrial is proposing a \$25 million project that includes railroad connections to existing rail lines at the site, a warehouse exceeding 100,000 square feet, a 35,000-square-foot unconditioned bulk materials storage building, paved transloading aprons, and corresponding requisite site improvements.

The MPO has agreed to make the RRLG loan proceeds available to Des Moines Industrial, LLC 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. The RRLG loan will be utilized by Des Moines Industrial, LLC, who will be obligated to repay the loan under a contractual agreement with the IDOT and MPO. The proposed agreement with the MPO provides for the City to assume the obligations of the RRLG loan and sub-loan in the event of a default by the Developer. Paul Cownie and Gabe Claypool have agreed to personally guarantee performance of repayment of the RRLG loan; under the proposed Guaranty Agreements they are each guaranteeing a quarter of the loan amount. If the City has conducted reasonable mitigation efforts and collection efforts from the Developer and the City is in a net loss position, under the proposed Agreement with the MPO, the City can make claim for reimbursement from Recaptured Surface Transportation Block Grant (STBG) funds per policy adopted by the MPO for reallocation of these funds.

The Developer anticipates that the project will qualify for three (3) year, 100% tax abatement through the City’s Urban Revitalization Plan. The Urban Renewal Development agreement provides for a grant of 100% of the new tax increment generated by the proposed development in years four (4) through seven (7), 75% of the increment in years eight (8) through 10, and 42% of the increment in years 11-15 to address a financing gap identified by the Developer. Additional details are in the fiscal impact section below.

This action approves conveyance of approximately 26.5-acres of City-owned real property located in the vicinity of 200 Southeast 15th Street to Des Moines Industrial, LLC, for \$1,434,000 for purposes of developing the Transloading Facility, which is consistent with the independent appraised land value for this site conducted earlier this fall. A \$50,000 grant from these land sale proceeds will be granted at the time that facility is completed. There is no current or anticipated public need for this property, and this conveyance will eliminate future maintenance and liability costs for the City and will return the property to the tax rolls. Closing on the property is anticipated in 2020; the Developer is required to meet a number of conditions to qualify for closing.

FISCAL IMPACT:

Amount:

- Not to exceed \$1,700,000 to assume the obligations of the RRLG loan and sub-loan in the event of a default by the Developer.
- The project would be eligible to receive three (3) year, 100% Commercial Tax Abatement, authorized under the City’s Urban Revitalization Plan.
- The project would also receive 100% of the new tax increment generated by the proposed development in years four (4) through seven (7), 75% of the increment in years eight (8) through 10, 50% of the increment in years 11-14 and 42% of the increment in year 15, estimated at \$2,501,709 (net present value {NPV} at a 4.5% discount rate). The tax increment finance (TIF) assistance is estimated at 10% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$4,112,389	\$3,192,962	\$919,427
Sum 20 Years	\$0	\$8,542,600	\$3,931,457	\$4,611,143
Sum 30 Years	\$0	\$13,315,195	\$3,931,457	\$9,383,738

*Taxes include all property taxing authorities (not just City property taxes).

*Taxes received estimates used the following assumptions: 2.5% growth in reassessment years

Building and Land Valuation Assumptions at Completion of Construction:

\$8,224,500 Commercial Building Assessment

\$1,096,820 Commercial Land Assessment

Net revenue from land sale = \$1,384,000 (\$1,434,000 purchase price less \$50,000 grant at time of completion of improvements)

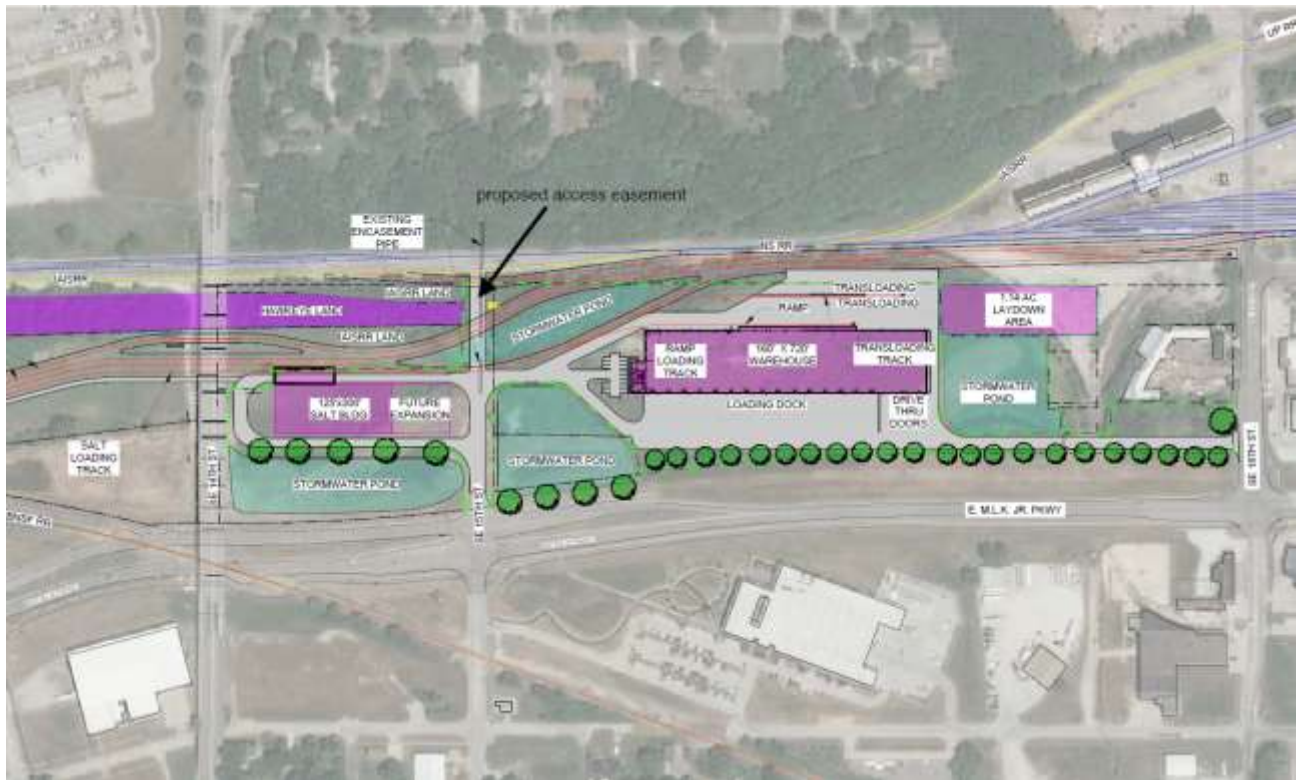
Funding Source:

- General Fund would assume any obligations related to the RRLG loan; code and account to be assigned by the Finance Department.
- Tax Increment generated by the project in the SE Ag Urban Renewal Area.
- 2017-18 CIP, Page Street Improvements – 37, Southeast Connector – SE 30th Street to U.S. 65, ST256.
- Unencumbered portion of land sale proceeds to the Economic Development Enterprise Account.

ADDITIONAL INFORMATION:

- This site has been the subject of study for a transloading facility for five (5) years after the MPO, MPO Freight Roundtable, City of Des Moines, and goods movement stakeholders identified the need for a facility in the region due to 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. The facility provides potential benefits to the ongoing SE Agri-Business Park redevelopment plans and broader ability to market the City of 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.
- The graduated scale of TIF assistance is at the Developer's request. Prior notice indicated that the incentive would be 75% in years four (4) through 15. The NPV of the graduated assistance is equal to the previously-communicated amount (NPV = \$2.50M).

- Conditions to close on purchase of the property include the following:
 - Compliance with the Transload Development and Operation Agreement between the Developer and the MPO for the RRLG loan.
 - Compliance with the Grant Agreement for the BUILD funding.
 - Site control of related real estate required to operate the Transloading Facility.
 - Agreements with applicable railroad companies for operation of the multi-modal Transloading Facility.
 - Rezoning of the property.
 - Site plan approval.
 - Approval of a Conceptual Development Plan.
 - Assistance with acquisition of adjoining remnant parcels that may be useful to the City.
 - Contract for construction of the improvements.
 - Private construction contracts for any public improvements including stormwater detention basins and any other elements requiring such contracts.
 - Qualification for issuance of a foundation permit.
 - Demonstration of necessary financing.
 - Business plan for Transloading Facility operations.
 - Provision of a public access easement through the SE 15th Street right-of-way that is proposed for vacation and conveyance to the Developer.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Plan and Zoning Commission and City Council consideration to vacate and convey SE 15th Street and East Market Streets.
- Plan and Zoning Commission and City Council consideration of rezoning of property.
- Urban Design Review Board and City Council consideration of the Conceptual Development Plan.

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.