



City of Rochelle

Economic Development

Memo

To: David Plyman, City Manager

From: Jason Anderson, Economic Development Director

Date: August 7, 2013

Re: Land Purchase

The Economic Development Department is working with several rail served industries who wish to bring "unit train" service to Rochelle. A typical unit train consists of 80-100 cars and requires 6000 - 8,000 linear feet of track to efficiently switch rail cars. In order for the Rochelle Railroad System (CIR) to efficiently switch unit trains we need to extend the double tracks that currently end at Johns Creek by 3,000 feet. In anticipation of needing to extend the Rochelle Railroad system, GREDCO purchased in 2003, more than 3 miles x 100 ft of right of way for future rail expansion. Along with the demand for unit train service the City has an opportunity to receive funding through the two sources to fund the expansion. Before these funds can be applied for, the City must own and have title to the land where the new rail will be built. The total amount of land needed for the expansion is 7.29 acres

Over the past 27 years, as the rail system has expanded, GREDCO has sold to the City the land needed for each rail expansion project. The City and GREDCO have worked together to determine the current value of the land through comparable appraisals for rail served property. These appraisals vary between \$0.80/sq ft (\$34,848/acre) to \$2.50/sq ft (\$108,900/acre). The City Manager and the GREDCO Board have agreed to the purchase price for the 7.29 acres to be \$255,150.00 which equates to \$35,000/acre. The FY 2013-14 Railroad budget has \$70,000 budgeted for land purchase. GREDCO has agreed to extend the purchase over a three year period (\$70,000/year) at the rate of 2% simple interest with the final payment of \$52,059 being on September 1, 2016. The funds for the land purchase will come out of the revenues generated by the Rochelle Railroad system.

The Staff recommendation is to purchase the 7.29 acres for the expansion of the Rochelle Railroad system for the price of \$255,150 per the attached purchase agreement.