



MEMO

To: David Plyman
From: Jason Anderson
Date: December 1, 2016
Re: Loan Guaranty for Rail Right of Way

The City recently received a \$3.42M EDA Infrastructure grant to expand the City of Rochelle Railroad. The project is estimated to cost \$7M and the City Council has passed a resolution to bond up to \$4.2M to complete the rail expansion. The project will include the need to purchase additional rail right of way. Currently the Economic Development office is discussing with State and Federal agencies about matching the EDA's Infrastructure grant and it could take up to 10-12 months to determine the size of the match and the terms under which the matching funds could be awarded.

In the meantime, it is critical that additional right of way for the rail project be acquired so the engineering and construction work can advance. So the Greater Rochelle Economic Development Corporation along with the City's Economic Development office have negotiated the terms to option and purchase land for rail right of way. By GREDCO acquiring the rights to purchase the land for the City now, the City has time (up to a year) to determine the size of the grant match, which will determine how much and how long the terms of the bond would be to fund the balance of the project or if it is needed at all.

Therefore, to expedite the purchase of the right of way needed to advance the project, GREDCO is willing to purchase the right of way on behalf of the City, with the stipulation that the City Guarantee the loan which GREDCO will take out to purchase the right of way and cover the incidental costs associated with the purchase of the land i.e. loan interest, surveying costs, legal expenses and engineering. Within a year, we will know the level of matching funds the City may acquire and determine if a bond will be necessary to fund the remainder of the project. Attached to this memo is a Standard Loan Guaranty document which would authorize the City Manager to execute the Guaranty document.

Recommendation: Authorize the City Manager to sign the loan Guaranty which will in turn authorize GREDCO to borrow up to \$850,000 to purchase rail right of way which in turn allow the rail expansion project to continue to move forward.