

MEMORANDUM

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

TO: Thomas Thomas, City Manager

SUBJECT: Barge Terminal Lease

DATE: July 18, 2012

Rock Island River Terminal Corporation ("RIRTC") has requested an extension of its lease with the City of Rock Island, originally signed on July 31, 1980 for an additional 40 years. In return, RIRTC has agreed to invest \$8,000,000 in the property in the form of new building and equipment. The new state-of-the-art facility will have a total capacity of 40,000 tons of storage space for storage of fertilizer in a 66,240 sq. ft. structure and a 4,500 office building. Old structures would be removed for the new development. RIRTC is estimating the new building will generate an additional \$175,000 per year in property taxes and about \$335,000 in sales tax from the purchase of building materials. RIRTC currently employs 10 people with the project expected to add 3 or 4 at completion.

The original lease was signed by Alter Trucking and Terminal Corporation now Rock Island River Terminal Corporation on July 31, 1980. The original lease was for a term of five years with seven, ten year extensions ending in 2055. It is currently in the third extension period which ends May 31, 2015. The current lease has 43 years remaining. The rent is at \$25,000 per year for the current period. Rent adjusts at the start of each 10 year extension by a formula of the increase or decrease in Rock Island industrial values.

The Plan Commission approved the plan as it is in compliance with the Riverfront Overlay District at its meeting on Tuesday July 17th.

Risk to the City of Rock Island for not granting a lease extension include RIRTC terminating the lease and moving to Davenport, IA. The demand for older facilities such as ours is limited giving the City few options.

Recommendation: Authorize the City Manager to sign the lease extension (Addendum 1) with the Rock Island River Terminal Corporation.

Submitted by: Jeffery A. Eder, Community and Economic Development Director

Approved: Thomas Thomas, City Manager

ADDENDUM 1

ADDENDUM 1 to the Lease between the City of Rock Island ("City") and Rock Island River Terminal Corporation (as successor to Alter Trucking and Terminal Corporation) ("Alter") dated the 31st of July, 1980 for the property known as Rock Island River Terminal.

This Addendum provides for Alter to have the right to four additional extensions of ten years each with the same conditions as stated in paragraph 21 of the original Lease. These extensions will be added as follows to Exhibit "B":

June 1, 2055 to May 31, 2065	Eighth Extension
June 1, 2065 to May 31, 2075	Ninth Extension
June 1, 2075 to May 31, 2085	Tenth Extension
June 1, 2085 to May 31, 2095	Eleventh Extension

The rent for the premises shall continue to increase or decrease as stated in Paragraph 22 of the original Lease.

In addition to the insurance requirement in paragraph 9, Alter will on an annual basis provide a certificate of insurance naming the City of Rock Island as additional insured.

Paragraph 15 requires Alter to comply with EPA standards. EPA is defined as any environmental protection agency with governing powers.

Alter agrees that in exchange for the above lease extension options that they will construct a 40,000 ton fertilizer storage facility on the premises and provide all additions, machinery, conveyors, scales and other attributes to make the facility commercially operable. Estimated cost of the full improvements is \$8,000,000.

All other terms, conditions, stipulations and agreements of the original Lease shall remain unchanged.

Executed this _____ day of _____, 2012.

ROCK ISLAND RIVER TERMINATION CORPORATION

CITY OF ROCK ISLAND

By _____

By _____

Thomas Thomas, City Manager

ATTEST:

Aleshia Patchin, City Clerk