



CITY OF WASHINGTON, ILLINOIS
Committee of the Whole Agenda Communication

Meeting Date: December 09, 2019

Prepared By: Ray Forsythe, City Administrator

Agenda Item: W223 Farm Lease Extension

Explanation: The City issued an RFP for the cash rent of the W223 property in November 2017. A one-year lease was approved with Aaron Vercler for \$59,744.64/year. During the planting season, damage was done to the bike path on Cruger Road which was determined to be caused by an overweight piece of farm equipment during the regular course of planting the crop while accessing the farm through one of the two previous entrances. The City did not account for overweight vehicles when the bike path was designed along the W223 farm as it was anticipated that the farm access would be abandoned once development occurred. Increased concrete depth was installed on the Montgomery's two access points further to the east on Cruger. The City worked with Mr. Vercler during the balance of the growing season to utilize the existing farm access off Nofsinger Road. This is not the most convenient location due to the length of the field and the requirement that all crops be hauled to the west end of the field. The City installed temporary improvements to this access to accommodate the harvest this year. The farmer, Aaron Vercler, has cooperated with the City and has agreed to the following terms during the lease extension.

- Extend the contract for 24 months with the same cancellation clause as the existing contract. Include two – 1-year options for years 2022/2023.
- Reimburse the City for the damage to the bike path at the time the contract is executed.
- Include the cost of one farm access on Cruger Road which will be contracted by the City utilizing prevailing wages for an 8" concrete pad 8' x 72'. This \$5,184 will be included in the lease payment, paid in four installments on an annual basis. Should the City choose to cancel the lease due to development, a prorated reimbursement or forgiveness will be granted to the farmer for the remaining months of the current lease and proposed extensions.
- Include a bonus payment to the City determined by the actual harvest of the commodity grown on the property. This will be an annual payment once the harvest is completed.

Staff has successfully negotiated a resolution to the damage done to the existing bike path and have found a solution moving forward on providing suitable access to the farm which was not done when the bike path was designed and installed. The Washington 223 property is a high priority for the City Council and there are planning activities planned for this property in the 2020/2021 fiscal year. This work is necessary to be completed in order to find a suitable buyer for the property. It is my opinion that the land should continue as income producing property for the immediate future. Should the plans be completed and a full-fledged marketing program be put into place, the price of the land will include consideration to the lease terms for a buyout should a master developer come forward. We have a good relationship with Mr. Vercler and he is willing to work with the City should all or portions of the property be developed during the term of the extension.

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Profit Sharing clause in the lease. Aaron and Courtney Vercler have proposed a profit-sharing clause in the lease extension. The bonus would be a formula that includes the necessary income split by the actual income based on the harvested yield and using the USDA price per acre.

For corn: Total number of bushels of corn produced per acre on W223. Multiplied by the price per bushel as determined by the [USDA](#) each fall. This number will equal the gross income per acre. Bonus rent will be the gross income per acre, less \$900, multiplied by 50%, added to the base rent.

For soybeans: Total number of bushels of soybeans produced per acre on W223. Multiplied by the price per bushel as determined by the [USDA](#) each fall. This will equal the gross income per acre. Bonus rent will be the gross income per acre, less \$600, divided by 50%, added to the base rent.

Here are some projections based on current data. The actual bonus would be determined after harvest.

Tillable Acres: 208.46

Lease: \$59,744.64 or \$286.60/acre

USDA Projections:

In 2020, with typical yields, soybeans should yield 70 bushels at \$9.25 for a gross of \$647.50. This would produce a bonus payment of \$23.75 per acre. $\$23.75 \times 208.46 = \$4,950.93$ payment in addition to the base rent.

In 2021, with typical yields, corn should yield 240 bushels at \$3.90 for a gross of \$936. This would produce a bonus payment of \$18 per acre. $\$18 \times 208.46 = \$3,752.28$ payment in addition to the base rent.

Fiscal Impact: 2020: Income/Reimbursement: \$71,791.57 (base rent - \$59,744.64; \$5,800 bike path damage reimbursement; \$1,296 entrance upgrade reimbursement; \$4,950.93 estimated profit sharing.

2021: Income/Reimbursement: \$64,792.92 (base rent - \$59,744.64; 1,296 entrance upgrade reimbursement; \$3,752.28 estimated profit sharing.

2022/2023: Income/Reimbursement to be determined once estimated USDA projections are released.

Recommendation: The City Administrator recommends the approval of an extension to the existing lease for 24 months. Public Works Committee has reviewed the terms and recommend approval.

Action Requested: Approval of a lease for an additional 24 months, plus two 1- year options of the W223 property with Aaron and Courtney Vercler.