



Wyoming Business Council
Business Ready Community
Grant and Loan Program
Report and Recommendations

January 23, 2014

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BRC Application and Program Summary

Currently there is \$16,147,712 available of Business Ready Community (BRC) funds. Two applications were received. The application requests total \$18,000,000.

Applicant Summary for Governor's BRC Large Business Infrastructure Funds				
Applicant	Project	Grant/Loan Type	Requested	Staff Recommendations
Laramie County	Magpul	Business Committed	\$ 13,000,000	\$ 13,000,000
Cheyenne	Swan Ranch Rail Connection	Business Committed	\$ 2,000,000	\$ 2,000,000
Totals			\$ 15,000,000	\$ 15,000,000
Total Available BRC Funds inclusive of the \$15 million Governor's Large Business Infrastructure Funds				\$ 15,000,000
BRC Funds Remaining If Recommendations Are Awarded				\$ -

BRC Applicant Summary				
Applicant	Project	Grant/Loan Type	Requested	Staff Recommendations
Cheyenne	Swan Ranch Rail Connection	Business Committed	\$ 3,000,000	\$ 3,000,000
Totals			\$ 3,000,000	\$ 3,000,000
Total Available BRC Funds				\$ 1,147,712
BRC Funds Remaining If Recommendations Are Awarded				\$ (1,852,288)

All Business Committed applications, loan application, and projects involving a private developer are contingent on a favorable review of the proposals by the Attorney General. Other contingencies for projects are detailed in the project descriptions.



**Laramie County –
Magpul Recruitment Project**

\$8,000,000 BRC Governor’s Large
Business Infrastructure Grant

\$5,000,000 BRC Governor’s Large
Business Infrastructure Loan

**Staff Recommendation:
Fund as Requested**

Project Description:

Laramie County requests an \$8 million grant and a \$5 million loan from the Governor’s BRC Large Business Infrastructure fund for the recruitment of Magpul Industries. Cheyenne LEADS, a community development organization, will own all BRC funded property and enter into lease agreements with Magpul.

Laramie County requests the \$5 million loan have a set interest rate of 1% and a term of 23 years. For the first three years both principal and interest payments will be deferred. The loan will be secured through a first mortgage on the real property in excess of the loan amount.

It is imperative the company begin operations as soon as possible in 2014. Magpul will eventually need a 108,000 square foot manufacturing facility. With the aggressive timeline, an interim solution must be in place while the large manufacturing

facility is under construction. The proposed BRC project will have two separate and distinct components to fund both an interim solution and then a long term solution for the relocation of Magpul:

1. Evelyn Street Building - Located at 220 Evelyn St. in Cheyenne is a 67,096 square foot facility with 56,458 square feet of available space. While this is relatively small for Magpul and will not allow the business any space for growth, it will suffice as an interim facility. BRC grant funds in the amount of \$1,250,000 will be used to acquire this property. Cheyenne LEADS will own the facility and complete necessary tenant improvements up to \$1,554,478. Cheyenne LEADS will lease the facility to Magpul for two years with an optional third year. Magpul is expected to occupy the facility by late summer of 2014.
2. Build to Suit Building – During the two years Magpul is occupying the Evelyn Street building, Cheyenne LEADS will construct a 108,000 square foot facility in the Cheyenne Business Parkway. Cheyenne LEADS will contribute a 14.37 acre parcel, valued at \$2,190,850, to this project. Cheyenne LEADS will own the facility and lease it to Magpul. This building is expected to be completed by early 2016.

Magpul Industries:

Magpul Industries, founded in 1999 and located in Colorado, is relocating their firearms manufacturing, assembly, and distribution business to Cheyenne. In March 2013, Magpul announced its desire to leave Colorado. Magpul has created a line of consumer products and

firearm accessories from phone cases to rifle stocks to magazines based on proprietary composite materials and innovative manufacturing technology. The core of Magpul's product line is accessories for AR-15 pattern rifles. Magpul has traditionally operated and continues to operate with unmet demand in the marketplace due to rapid growth in market share. The room to expand in the Cheyenne facilities will help to balance production with demand. Over three years, the business intends to create 91 new jobs in Cheyenne with an average wage of \$14.16/hour. Additionally, they offer employed benefits such as health, dental, and vision insurance as well as retirement plans.

Additional Public Benefit:

Cheyenne will benefit by having a company such as Magpul in its community. The relocation of Magpul could be significant in helping to attract other sporting goods manufacturing companies to the state. This proposed recruitment project will bring more diversity to the Cheyenne manufacturing base with a company that culturally fits Cheyenne and the State of Wyoming.

The purchase of the Evelyn Street property will bring a distressed and underutilized building back into use. When Magpul vacates the building, it will become a spec building asset for Cheyenne LEADS aiding in future recruitment efforts.

Lease and Revenue Recapture:

Revenue from this project will be paid to Cheyenne LEADS in the form of lease payments and possible real estate sales. Cheyenne LEADS will manage the lease revenue and use it to service the debt payments on the \$5 million loan.

Cheyenne LEADS will waive the first two years of rent for the temporary Evelyn St. facility as well as the first three years at the new build to suit facility. The value of the waived rent is \$406,000. For the next 20 years, Cheyenne LEADS will collect annual payments totaling \$9,023,400. This will allow for the debt service of \$5,541,540, to be paid back to the WBC. The remaining balance of \$3,481,860 will be recaptured funds to Cheyenne LEADS. Cheyenne LEADS also anticipates future lease revenue from the Evelyn St. facility that totals over \$3 million. Revenue recaptured by Cheyenne LEADS will help offset their upfront costs of \$3,745,328 contributed for tenant improvement of the Evelyn St. building and land contributed for the larger facility. Any additional revenue will be retained by Cheyenne LEADS for economic development including, but not limited to:

- Land acquisition for business parks
- Real estate acquisition for incubator buildings
- Water and sewer infrastructure
- Communications or broadband infrastructure

Attorney General Opinion:

Pending

Project Funding:

The total project cost is \$16,745,328 of which Laramie County is requesting a \$5 million loan and an \$8 million grant. The projects are broken out separately for the Evelyn Street building and the build to suit facility. The build to suit facility is estimated to cost \$108 per square foot.

Both the grant and loan requested amounts are above the maximum amount of \$3 million allowed in rule. A rule waiver will be required to go above the maximum amounts.

Evelyn St. Building	
BRC Grant	\$ 1,250,000
Cash Match	\$ 1,554,478
Total eligible project cost	\$ 2,804,478
BRC % of total eligible project costs	45%
Local % of total eligible project costs	55%
Uses	
Land	\$ 1,250,000
Architectural and Engineering fees	\$ 63,950
Project inspection fees	\$ 10,760
Demolition and removal	\$ 58,900
Construction	
a) Electrical Systems	\$ 234,515
b) Mechanical, plumbing, HVAC systems	\$ 149,100
c) Landscaping	\$ 15,410
d) Foundation and/or Structural Framing system	\$ 9,700
e) Interior Finishes	\$ 307,358
f) Fire Protection	\$ 153,133
g) Remediation	\$ 104,810
h) Other (Parking, Paving, Sidwalk, Curbing)	\$ 151,200
Miscellaneous/Other	\$ 169,933
Contingencies	\$ 125,709
Total Uses	\$ 2,804,478

Build to Suit Facility	
BRC Grant	\$ 6,750,000
BRC Loan	\$ 5,000,000
In Kind Match	\$ 2,190,850
Total eligible project cost	\$ 13,940,850
BRC % of total eligible project costs	84%
Local % of total eligible project costs	16%
Uses	
Land	\$ 2,190,850
Architectural and Engineering fees	\$ 490,000
Other fees (surveys, tests, etc.)	\$ 203,605
Site work	\$ 1,326,985
Construction	
a) Electrical Systems	\$ 938,340
b) Mechanical, plumbing, HVAC systems	\$ 1,217,148
c) Landscaping	\$ 110,506
d) Foundation and/or Structural Framing system	\$ 3,608,047
e) Interior Finishes	\$ 558,461
f) Fire Protection	\$ 309,754
Miscellaneous/Other	\$ 316,461
Contingencies	\$ 2,670,693
Total Uses	\$ 13,940,850

Staff Recommendation:

Staff recommends funding the project as requested: an \$8 million grant and a \$5 million loan with an interest rate of 1% and a term of 23 years. Staff recognizes the grant and loan amount are beyond the maximum amount of \$3 million allowed in rule and recommends a rule waiver. The grant and loan funds will utilize the BRC Governor’s Large Business Infrastructure funds.

This is a large recruitment project for Cheyenne and the state. The relocation of Magpul helps to diversify the state economy through the addition of another manufacturing facility. The state and the community of Cheyenne have begun to make strides in attracting manufacturing companies

and this augments that success. A business of this magnitude will help increase attraction of future businesses looking to relocate. Funding is contingent upon the following:

- Signed revenue recapture plan by Cheyenne LEADS and Laramie County
- Proof Cheyenne LEADS ownership of the Evelyn building
- Executed lease agreement for Evelyn St. building
- Executed lease agreement for build to suit facility
- Executed contingency and development agreement between Laramie County, Cheyenne LEADS, and Magpul
- First mortgage on property securing loan
- Finalized cost estimates for the build to suit building
- Compliance with the recommendations in the structural inspection for the Evelyn Street facility

Detailed Analysis of Project:

Laramie County - Magpul							
	Evaluation Criteria		Criteria Met	Notes			
	Primary Job Creation (Jobs bringing new wealth to the community)	Direct Creation (3yrs)			New	91	
			Retained				
Future Creation		Yes					
Wages		Laramie County (all industries), 2013			Y1	Y2	Y3
				Low	\$12.00	\$12.00	\$12.00
				High	\$29.17	\$29.17	\$29.17
	Mean	\$20.56	Mean/Avg.	\$13.94	\$14.02	\$14.16	
Median	\$17.14	Median	\$12.00	\$12.00	\$12.00		
Community Workforce Development	Develops Community Momentum in Unique Market Niches		Yes				
	Helps Meet Demand for Social Services		N/A				
	Helps Diversification Efforts		Yes				
	Fulfill Community and Economic Development Goals		Yes				
	Improved Ability to Retain, Attract, Expand Businesses		Yes				
	Improved Workforce or Entrepreneurial Training		No				
	Economic Development Recapture Plan		Yes				
	Satisfactory Performance on Past Projects		Yes				
Business Development Investment	Business Expansion		Yes	Business Type: Firearms Manufacturing			
	Primary Business		Yes				
	Private Investment		Yes	Magpul will be investing \$4.4 million in inventory, equipment, and other capital expenditures.			
	Increase in Business Revenue		Yes				
	Viability and Thoroughness of a Business Plan		Yes				
	Increase in Market Share		Yes				
Additional Evaluation Criteria	Leverage Additional Private Investment		No				
	BRC Loan		Yes				
	Main Street or Certified Tourism Community Project		N/A				
	Project Readiness		Yes				

Business Ready Community
Grant & Loan Program



**Cheyenne –
Swan Ranch Rail Connection**

\$2,000,000 BRC Governor’s Large
Business Infrastructure Loan

\$3,000,000 BRC Business Committed
Loan

**Staff Recommendation:
Fund as Requested**

Project Description:

The city of Cheyenne requests a \$5 million Business Committed loan for 20,200 feet of rail infrastructure in the Swan Ranch Industrial Park. This project will not only facilitate the expansion of Searing Industries in Wyoming, but will also provide the necessary connecting rail between the Burlington Northern Santa Fe Railroad (BNSF) and Union Pacific Railroad (UPRR) mainlines. The city will own the rail, ties, spikes, turnouts, and all other components of the rail that connects the existing rail to the loop track. The city will lease the rail to Granite Peak, developers of the Swan Ranch Industrial Park, for 10 years. Granite Peak will provide the city of Cheyenne a land easement for the rail property. Granite Peak will be responsible for all maintenance of the rail infrastructure.

The city is requesting this \$5 million loan have a set interest rate of 0.5% and a term of 10 years.

The first three years will be interest only payments. The loan will be secured through a first mortgage on Granite Peak property equal to 150% of the outstanding balance of the loan.

Searing Industries:

Searing Industries founded in 1985 and located in California is expanding their steel tubing manufacturing business to Cheyenne, WY. The proposed rail served area in the Swan Ranch Industrial Park will allow an increase in the business’s depth of product lines and help to open new markets, suppliers, and end users. The rail connection to the UPRR is instrumental to Searing’s location in Cheyenne. Searing’s 200,000 square foot facility in Cheyenne will be the largest mill in the region. Over \$38 million in land, building, equipment, and start-ups costs will be invested in this expansion. Searing currently has 130 employees at their Rancho Cucamonga site in California. Over three years, the business will create 50 new jobs in Cheyenne with an average wage of \$18.61/hour. Additionally, they offer employee benefits such as health, dental, and life insurance.

Swan Ranch Industrial Park Results and Public Benefit:

Swan Ranch Industrial Park is located south of Cheyenne with access to the BNSF, UPRR, Interstate 80, and Interstate 25 with over 3,000 acres of heavy industrial property. Historically, there have been two obstacles to development: adequate water and the rail connection between the UPRR and BNSF. Waterlines have been installed through the park with potable water available June 2014. The last remaining piece needed is this rail connection. Granite Peak has acquired a UPRR track agreement and will be investing \$12 million to create a loop off the UPRR main line. The requested \$5 million loan will connect the existing BSNF rail spur to the

UPRR loop. The Swan Ranch Industrial Park has the potential to be the region's leading business park and intermodal hub with access to two main line railroads, two interstates, ample electricity, gas and crude pipelines.

Including the \$12 million for the UPRR loop, Granite Peak will have invested over \$48 million dollars into the development of the Swan Ranch Industrial Park to date. Additionally, Laramie County received two different BRC grants for water, road, and sewer infrastructure. The first was awarded in 2010 for \$3 million and the second in 2012 for \$3,479,569. Since the development of the park, thirteen businesses are located there and have created over 250 jobs. Additionally, those businesses have made capital investments of more than \$100 million.

With the UPRR loop and rail connection to the BNSF, the Swan Ranch Industrial Park will be even more attractive to relocating and expanding businesses. Cheyenne Rail Hub, LLC currently operates a small crude oil transloading business in the park. With this proposed rail infrastructure expansion and access to both the BNSF and UPRR, they will significantly increase their customer base and expand operations. Granite Peak is currently in negotiations with a gas conversion plant, major recycling facility, rail car repair facility, crude transfer facility, frac sand distributor, chemical distributor, and an oilfield blending operation. These aforementioned potential businesses have a combined 350 employees.

Lease and Revenue Recapture:

The city will own the rail and have a 10-year lease with Granite Peak. The lease revenue generated by the city will be used to repay the BRC loan of \$5 million plus the .5% interest over a term of 10 years. The first three years are critical for the rail to get established and therefore staff recommends a three year deferment of principal payments. Granite Peak's lease repayment to the city will be interest only payments of \$50,000/year for three years. Then from years four through 10, the lease payments increase to approximately \$750,000 annually.

Additionally, as a part of the lease, Granite Peak will pay a revenue recapture fee of .5% to the city of Cheyenne. The city will then transfer those revenue recapture funds to Cheyenne LEADS, the local community development organization. The city anticipates over \$175,000 of revenue recapture to be generated. The recapture funds will be used for economic development inclusive of the purchase of real estate, business park enhancements, road, water, sewer, fiber, and power infrastructure.

Timeline:

Construction will be completed by August 2014.

Attorney General Opinion:

Pending

Project Funding:

The total project cost is \$6,418,371 of which the city of Cheyenne is requesting a \$5 million loan. The cash match of \$1,418,371 will be provided by Granite Peak.

This loan amount of \$5 million is above the maximum amount of \$3 million allowed in rule. This requested loan amount will require a rule waiver to go above the maximum loan amount.

Staff Recommendation:

Staff recommends funding the project as requested: a \$5 million loan with an interest rate of 0.5% and a term of 10 years. Principal

payments will be deferred for three years; the first three years will be interest only payments. Staff recognizes that this loan amount is above the loan maximum of \$3 million and recommends a rule waiver. The loan funds will come from two sources: \$2 million from the BRC Governor’s Large Business Infrastructure funds and \$3 million of BRC Business Committed funds. Currently \$3 million is not available and therefore, staff recommends the balance of funds be made available from the future BRC 2015/2016 biennial allocation. Funds awarded will be contingent upon the availability of future BRC funding.

This is an important project with significant growth potential for southeast Wyoming, the state, and the region. Having the access to two interstates and two class 1 railroads makes this a premier logistical destination for expanding and relocating businesses. Staff understands the economic benefits from the proposed rail connection project will be significant for years to come. In addition to awarded funding being contingent upon the allocation of future BRC funds, funding is also contingent upon the following:

- Executed lease agreement between the city of Cheyenne and Granite Peak
- Executed track agreement between city of Cheyenne and Cheyenne Logistic Hub LLC
- Executed revenue recapture agreement
- Executed clarifying document regarding bid process.
- Executed agreement between Searing Industries and city of Cheyenne
- Easement demonstrating city’s ownership
- First mortgage on Granite Peak property securing loan

Sources	
BRC Governor's Large Business Funds	\$ 2,000,000
BRC Funds	\$ 3,000,000
Cash Match	\$ 1,418,371
Total eligible project cost	\$ 6,418,371
BRC % of total eligible project costs	78%
Local % of total eligible project costs	22%
Uses	
Architectural and Engineering fees	\$ 115,000
Other fees (surveys, tests, etc.)	\$ 47,000
Site work	\$ 1,387,500
Construction	
a) Culverts, signage, cattle guards, etc	\$ 1,592,891
b) 20,178 feet of rail installed	\$ 3,208,480
c) Turnout	\$ 67,500
Total Uses	\$ 6,418,371

Detailed Analysis of Project:

Cheyenne - Swan Ranch Rail Connection							
Evaluation Criteria			Criteria Met	Notes			
Primary Job Creation (Jobs bringing new wealth to the community)	Direct Creation (3yrs)			New	50		
				Retained			
	Future Creation		Yes				
	Wages	Laramie County (all industry), 2013			Y1	Y2	Y3
				Low	\$14.27	\$15.00	\$15.25
				High	\$48.12	\$48.12	\$48.12
Mean		\$20.56	Mean/Avg.	\$18.51	\$19.70	\$18.61	
Median	\$17.14	Median	\$24.52	\$24.76	\$25.00		
Community Workforce Development	Develops Community Momentum in Unique Market Niches		Yes	This is capitalizes on a unique logistics location for rail development			
	Helps Meet Demand for Social Services		N/A				
	Helps Diversification Efforts		Yes				
	Fulfill Community and Economic Development Goals		Yes				
	Improved Ability to Retain, Attract, Expand Businesses		Yes				
	Improved Workforce or Entrepreneurial Training		No				
	Economic Development Recapture Plan		Yes	0.5% of interest will go to LEADS for economic development			
	Satisfactory Performance on Past Projects		Yes				
Business Development Investment	Business Expansion		Yes	Business Type: Steel Manufacturing			
	Primary Business		Yes				
	Private Investment		Yes	Granite Peak is investing \$12 million in rail loop.			
	Increase in Business Revenue		Yes	UPRR connection will open up new markets			
	Viability and Thoroughness of a Business Plan		Yes				
	Increase in Market Share		Yes	In Year 1, sales are expected to exceed \$60 million and \$70 million by 2017.			
Additional Evaluation Criteria	Leverage Additional Private Investment		Yes	Searing will be investing \$38 million in facility, land, and equipment.			
	BRC Loan		Yes				
	Main Street or Certified Tourism Community Project		N/A				
	Project Readiness		Yes				

