



City of Grand Island

Tuesday, September 24, 2019

Council Session

Item I-2

**#2019-301 - Consideration of Approving Economic Development
Incentive Agreement with Dramco Tool Co., Inc.**

Staff Contact: Jerry Janulewicz

Council Agenda Memo

From: Jerry Janulewicz, City Administrator

Meeting: September 24, 2019

Subject: Approving Economic Development Incentive Agreement with Dramco Tool Co., Inc.

Presenter(s): Jerry Janulewicz, City Administrator

Background

At the November 6, 2012 General Election, the voters of the City of Grand Island approved LB840 funding to enable the City to extend economic development incentives through the Grand Island Area Economic Development Corporation (GIAEDC). The Economic Development Corporation has received an application from Dramco Tool Co., Inc., 502 Claude Road for building expansion and additional employees. On February 21, 2019, the Executive Board of the GIEDC approved submission of the attached Economic Development Agreement to the Citizens Advisory Review Committee (CARC) for consideration and recommendation. The CARC met on March 7, 2019 and approved the request and Agreement for recommendation to the City Council for final action and approval.

Discussion

Dramco Tool Co., Inc. has submitted the required LB-840 application (see attached) for a forgivable loan in the amount of \$150,000.00. Proposed is the creation of 7 additional full-time equivalent (FTE) employees with an average hourly wage of \$17.00. Requested is \$60,000.00 for job creation; \$40,000.00 for job training; and \$50,000.00 for infrastructure support totaling \$150,000.00 to be paid over three years.

Dramco Tool Co., Inc. currently has 48 employees here in Grand Island. This company derives its principal source of income from the manufacture of articles of commerce.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the Economic Development Agreement with Dramco Tool Co., Inc.
2. Do not approve the Economic Development Agreement with Dramco Tool Co., Inc.
3. Postpone the issue to future date.
4. Take no action on the issue.

Recommendation

City Administration recommends that the Council consider the resolution authorizing the City to enter into the Economic Development Agreement with Dramco Tool Co., Inc.

Sample Motion

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with Dramco Tool Co., Inc.

Grand Island Area Economic Development Corporation

LB-840 Application

The Grand Island Area Economic Development Corporation's mission is to facilitate the creation of jobs and economic opportunities for the regional trade area.

Part I. GENERAL INFORMATION

APPLICANT IDENTIFICATION

Company Name: Dramco Tool Co.

Mailing Address: 502 Claude Rd

City: Grand Island

State: NE

Zip Code: 68803

Phone: HERE

Applicant Website: www.dramcotool.com

Business Classification (select all that apply):

☐ New Business

☒ Expansion of Existing Business

☐ Spec Building

☐ Other

☐ Corporation

☐ Partnership

☐ Proprietor

☐ Other

Is this the business's first venture in Grand Island / Hall County? Yes ☐ No ☒

Is this the business's first venture in Nebraska? Yes ☐ No ☒

Does the business have a parent or subsidiaries? Yes ☐ No ☒

If yes, Name of Parent or Subsidiary Company: HERE

Mailing Address: HERE

City: HERE State: HERE Zip Code: HERE

MAIN CONTACT INFORMATION

Name: Bill Koch

Connection to Business: President

Mailing Address: 502 Claude Rd

City: Grand Island

State: NE

Zip Code: 68803

Email Address: billk@dramcotool.com

Phone Number: 3083825251

Company Name: Dramco Tool

Projected Completion Date: 2019

Part II. PROJECT INFORMATION

LOCATION

Address of proposed project: 502 Claude Road

The proposed project is located:

- ☒ Within Grand Island city limits
- ☐ Outside of city limits, but within a two (2) mile jurisdiction
- ☐ Outside the zoning jurisdiction of Grand Island

Do you currently own the land of proposed project: Yes ☒ No ☒

Do you currently own the building of the proposed project: Yes ☒ No ☒

JOB CREATION

Current number of full time employees at Grand Island location: 48

Number of new positions being created at Grand Island location: 7

On a separate document, identify the employment positions being added, number of employees per position and wage per position.

Supporting documentation submitted: Yes ☒ No ☐

Describe any benefit packages available to new employees: Health Insurance, Life Insurance, Supplemental & Dental Insurance, 401K Plan, Paid Vacation & Paid Holidays

PROJECT SUMMARY

On a separate document, provide a brief narrative describing the project for which LB-840 funds are being requested.

Narrative provided: Yes ☒ No ☐

Company Name: Dramco Tool

Projected Completion Date: 2019

PROJECT INVESTMENT

Land purchase price:	\$100,000
New facility construction expense:	\$0
Building purchase / renovation expense:	\$417,000
Other infrastructure improvements: (parking lot, curb & gutter, landscaping, etc.)	\$83,600
New machinery / equipment expense:	\$398,000
Other:	\$16,500

TOTAL INVESTMENT: \$1,015,100

SUPPORTING DOCUMENTATION

Please include the following documents as attachments to the LB-840 application. The documents below must be submitted with your application to be considered complete. These documents will only be viewed by the GIAEDC President, Executive Board, Citizen's Review Committee Chairperson, city Finance Director, and the City Administrator.

- ☒ Business plan outlining product supply chain
- ☒ Articles/certificate of formation/incorporation
- ☒ Bylaws/operating agreement/partnership agreement
- ☒ 3 year pro forma
- ☒ Profit/ loss summary
- ☒ Balance sheet
- ☒ Cash flow statement
- ☒ Projected sales
- ☒ Brief resume of management team to be placed in Grand Island
- ☒ Other impacts on the area's economy
- ☒ Grand Island Area Economic Development membership application

Company Name: Dramco Tool

Projected Completion Date: 2019

PART III. SIGNATURES

I hereby represent, this application and supporting information is accurate, and may be relied upon by representatives of the Grand Island Area Economic Development Corporations and the City of Grand Island.

I further represent that there is no legal action underway or being contemplated that would impact the capacity of this company to effectively proceed with this project.

Dated this 28 day of Jan., 2019.

By: Bill Kohl

Its: President

As the President of the Grand Island Area Economic Development Corporation, I hereby represent that I have received and reviewed this application and its supporting information requesting the City of Grand Island's LB-840 funds.

Dated this 1 day of Feb, 2019.

By: Dan Tye

Its: President

Company Name: Dramco Tool

Projected Completion Date: 2019

PART IV. APPROVAL OF AREA AGENCIES

Reviewed by the Grand Island Area Economic Development Elected Trustees

Date of review: February 21, 2019

Comments:

Approved ☒

Disapproved ☐

Signature of Chairman:

David Stodick

Reviewed by the Citizen's Review Committee

Date of Review: March 7, 2019

Comments:

Approved ☒

Disapproved ☐

Signature of Chairman:

Michael D. Schmitt Acting Chairman

Referred to the Grand Island City Council

Date of Review:

Comments:

Approved ☐

Disapproved ☐

Signature of Mayor:

Mayor Roger Steel

Company Name: Dramco Tool

Projected Completion Date: 2019

ECONOMIC DEVELOPMENT AGREEMENT

THIS ECONOMIC DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into effective as of the 1st day of February, 2019 (the "Effective Date"), by and among the City of Grand Island, Nebraska ("City"), the Grand Island Economic Development Corporation ("GIAEDC") and Dramco Tool Co., Inc., a Nebraska corporation, doing business as Dramco Tool ("Company") (City, GIAEDC and Company, each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, on February 1, 2019, Company filed an Application for Economic Development Incentives (the "Application") with City and GIAEDC;

WHEREAS, Company is expanding its operations in Grand Island;

WHEREAS, in connection with the Grand Island expansion Company agrees to continue to employ its current forty-eight (48) full-time equivalent employees in Grand Island for at least three years after the Effective Date and to add an additional seven (7) full-time equivalent employees in Grand Island;

WHEREAS, City and GIAEDC find Company derives its principal source of income from the manufacture of articles of commerce and is a qualifying business under City's Economic Development Program, that Company's project qualifies for economic development incentives under the Program, that Company's project will be of substantial economic benefit to the people of Grand Island and the surrounding area, and the economic development incentive plan set forth in this Agreement contributes to the fulfillment of the major objectives of City's Economic Development Plan;

WHEREAS, City and GIAEDC are willing to provide Company with up to \$40,000 in job training assistance, up to \$60,000 in job creation incentives and up to \$50,000 in infrastructure support at the times and upon the fulfillment of the conditions set forth in this Agreement provided that Company complies with the terms of this Agreement; and

WHEREAS, in furtherance of the foregoing recitals, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the respective meanings ascribed to them in this Section 1:

(a) "Employment Certificate" shall mean a certification for the defined period containing the sworn statement of a duly authorized representative of Company specifically setting forth compliance with the terms of this Agreement. The Employment Certificate shall contain the following information and adhere to the following terms: (i) the total number of hours which FTE's worked and total gross compensation received by FTE's for hours worked at Company's facilities in Grand Island during the twelve (12) successive calendar months immediately preceeding the date of the Employment Certificate; and (ii) the hourly rate for all FTE's which shall meet or exceed the Minimum

Hourly Rate. Company agrees that upon receipt of written notice pursuant to the terms of this Agreement, Company shall allow the City Administrator or his designee to personally inspect Company's employment records as confirmation of the statements contained in the Employment Certificate.

(b) "Full-Time Equivalents" or "FTE's" shall mean persons currently employed by Company and persons hired by Company as part of the expansion of its operations to Grand Island as detailed in the recitals to this Agreement. The total number of FTE's shall be determined by dividing the total number of hours Company employees worked at its facilities located in Grand Island by two thousand eighty (2,080).

(c) "Minimum Hourly Rate" shall mean a minimum hourly rate of \$17.00 per hour for each FTE employed as part of Company's expansion of its operations in Grand Island. The hourly rate shall be determined by dividing the total wages and salaries paid to FTE's by two thousand eighty (2,080).

2. Employment Requirements. Company shall meet each of the following employment requirements:

(a) Company shall have a minimum of forty-eight (48) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate as of the Effective Date;

(b) Company shall have a minimum of fifty-one (51) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate as of the first (1st) anniversary of the Effective Date;

(c) Company shall have a minimum of fifty-three (53) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate as of the second (2nd) anniversary of the Effective Date; and

(d) Company shall have a minimum of fifty-five (55) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate as of the third (3rd) anniversary of the Effective Date.

3. Disbursement of LB 840 Funds for Job Training. Disbursement of the economic incentive funds for job training shall be paid to Company by City in accordance with the following schedule:

(a) A disbursement for training FTE's in the amount of Seventeen Thousand One Hundred Forty-two and forty-two and 87/100 Dollars (\$17,142.87) shall be paid by City to Company within sixty (60) days of the approval this Agreement by the City Council.

(b) A disbursement for training FTE's in the amount of Eleven Thousand Four Hundred Twenty-Eight and 55/100 Dollars (\$11,428.58) shall be paid by City to Company within thirty (30) days of the first (1st) anniversary of the Effective Date provided that Company has delivered an Employment Certificate to City and GIAEDC evidencing that Company has at least fifty-one (51) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate.

(c) A disbursement for training FTE's in the amount of Eleven Thousand Four Hundred Twenty-Eight and 55/100 Dollars (\$11,428.55) shall be paid by City to

Company within thirty (30) days of the second (2nd) anniversary of the Effective Date provided that Company has delivered an Employment Certificate to City and GIAEDC evidencing that Company has at least fifty-five (55) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate.

(d) The maximum amount City shall disburse to Company for job training shall be Forty Thousand and No/100 Dollars (\$40,000.00).

4. Disbursement of LB 840 Funds for Job Creation. Company shall be eligible for disbursements of up to Eight Thousand Five Hundred Seventy-One and 43/100 Dollars (\$8,571.43) per FTE for seven (7) FTE's for a total disbursement of Sixty Thousand and No/100 Dollars (\$60,000.00). Disbursement of the economic incentive funds for job creation shall be paid to Company by City in accordance with the following schedule:

(a) A disbursement of Twenty-Five Thousand Seven Hundred Fourteen and 28/100 Dollars (\$25,714.28) shall be paid by City to Company within thirty (30) days of the first (1st) anniversary of the Effective Date provided that Company has delivered an Employment Certificate to City and GIAEDC evidencing that Company has at least fifty-one (51) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate.

(b) A disbursement of Seventeen Thousand One Hundred Forty-Two and 86/100 Dollars (\$17,142.86) shall be paid by City to Company within thirty (30) days of the second (2nd) anniversary of the Effective Date provided that Company has delivered an Employment Certificate to City and GIAEDC evidencing that Company has at least fifty-three (53) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate.

(c) A disbursement of Seventeen Thousand One Hundred Forty-Two and 86/100 Dollars (\$17,142.86) incentives shall be paid by City to Company within thirty (30) days of the Third (3rd) anniversary of the Effective Date provided that Company has delivered an Employment Certificate to City and GIAEDC evidencing that Company has at least fifty-five (55) FTE's at its facilities in Grand Island being compensated at the Minimum Hourly Rate.

(d) The maximum amount City shall disburse to Company for job creation shall be Sixty Thousand and No/100 Dollars (\$60,000.00).

5. Disbursement of LB 840 Funds for Infrastructure. Disbursement of the economic incentive funds for infrastructure shall be paid to Company by City in accordance with the following schedule:

(a) A disbursement for infrastructure in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00) shall be paid by City to Company within thirty (30) days of the completion of the additional building structure being constructed to expand operations;

(b) The maximum amount City shall disburse to Company for infrastructure shall be Fifty Thousand and No/100 Dollars (\$50,000.00); and

(c) Company agrees to provide City and GIAEDC evidence of expenditures for infrastructure on or before thirty (30) days after the construction completion date.

6. Total Disbursements. The maximum total amount City shall disburse to Company pursuant to this Agreement shall be One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00).

7. Company's Representations and Warranties. Company represents and warrants to City and GIAEDC as follows:

(a) Organization, Standing and Power. Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nebraska and has the legal power to carry on its business as it is now being conducted.

(b) Authority. The execution, delivery and performance of this Agreement by Company has been duly and validly authorized and approved by all necessary legal action on the part of Company.

(c) Binding Agreement. This Agreement, when executed and delivered, will constitute the legal, valid and legally binding agreement of Company, enforceable against Company in accordance with its terms.

(d) No Conflict with Other Instruments or Agreements. The execution, delivery and performance of this Agreement by Company will not result in a breach or violation of, or constitute a default under any agreement to which Company is bound, and will not be in violation of any statute, judgment, order, rule or regulation of any court, or any federal, state or other regulatory authority or governmental body having jurisdiction over Company in effect as of the Effective Date.

(e) No Brokers. Company has not retained or agreed to compensate any broker or finder in connection with the transactions contemplated by this Agreement.

(f) Operations. During the term of this Agreement, Company shall maintain operations in Grand Island, Nebraska.

In the event that Company breaches any of the foregoing representations and warranties, all amounts distributed by City to Company pursuant to this Agreement shall immediately become due and owing by Company to City and if unpaid shall accrue interest at the rate of eight percent (8%) per annum until such amounts are repaid in full.

8. Company's Obligation to Repay Funds. The Parties acknowledge and agree that the funds to be provided by City to Company pursuant to this Agreement are being provided in the form of an economic development loan and are subject to repayment in accordance with the terms and conditions of this Agreement if Company fails to perform its obligations under this Agreement. The Parties further acknowledge and agree that City shall forgive the entire economic development loan disbursed to Company representing a total of One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) upon Company meeting the following conditions:

(a) Company shall have complied with the terms and provisions of Sections 2 through 7 of this Agreement in all respects; and

(b) If Company remains in compliance with the terms and provisions of Sections 2 through 7 of this Agreement in all respects, the economic development loan will be forgiven pursuant to the following schedule:

(i) On the first anniversary of the Effective Date, one-third (1/3) or Fifty Thousand and No/100 Dollars (\$50,000.00) of the economic development loan shall be forgiven;

(ii) On the second anniversary of the Effective Date, one-third (1/3) or Fifty Thousand and No/100 Dollars (\$50,000.00) of the economic development loan shall be forgiven; and

(iii) On the third anniversary of the Effective Date, one-third (1/3) or Fifty Thousand and No/100 Dollars (\$50,000.00) of the economic development loan shall be forgiven.

9. Default. In the event that Company fails to comply with any of the terms of this Agreement, City may declare Company to be in breach. Any such declaration shall be in writing and sent by US Mail or courier to Company at its last known address. In the event that City declares Company to be in breach, City may immediately terminate this Agreement by providing written notice of termination sent by US Mail or courier to Company at its last known address whereupon all amounts distributed by City to Company pursuant to this Agreement shall immediately become due and owing by Company to City and if unpaid shall accrue interest at the rate of eight percent (8%) per annum until such amounts are repaid in full.

10. Actions after Effective Date. From time to time after the Effective Date, without further consideration, each of the Parties will execute and deliver such documents and instruments as any other Party shall reasonably request to give full effect to the transactions contemplated by this Agreement.

11. Term. This Agreement (and all representations, covenants, agreements, obligations and warranties of Company, City and CIAEDC contained in this Agreement), shall remain in full force and effect until the earlier of the date that (a) the entire economic development loan has been forgiven pursuant to Section 8, or (b) Company has repaid all amounts provided to Company pursuant to this Agreement (in the event Company breaches its obligations under this Agreement) (such date, the "Termination Date"). From and after the Termination Date, this Agreement shall be of no further force or effect and no Party shall have any further obligations pursuant to this Agreement.

12. Amendment. No amendment or modification of this Agreement shall be binding on any Party unless the same shall be in writing and signed by all Parties.

13. Communication. Company agrees to inform City and GIAEDC of any changes in Company's address, telephone number, email address or leadership within three (3) business days of such changes. Company also agrees to fully respond within fifteen (15) calendar days to any request for information from City and/or GIAEDC related to Company's compliance with the terms of this Agreement. All responses to inquiries shall be in writing and provided to City and GIAEDC at the following addresses:

Grand Island City Administrator
100 East First Street
P.O. Box 1968
Grand Island, NE 68802-1968
Cityadministrator@grand-island.com

Grand Island Area Economic Development Corporation
123 North Locust Street, Suite 201B
P.O. Box 1151
Grand Island, NE 68802
mberlie@grandisland.org

14. Indemnification. Company agrees to indemnify, defend and hold City, GIADEC and their employees, officers, directors, agents, attorneys, affiliates and their respective successors and assigns (collectively, the "Indemnified Parties") harmless from and against any and all loss, liability, obligation, damage, penalty, judgment, claim, deficiency and expense (including interest, penalties, attorneys' fees and amounts paid in settlement) to which the Indemnified Parties may become subject arising out of or based upon a breach or default by Company of this Agreement.

15. Expenses. The Parties shall all pay their respective expenses incident to the preparation, execution and consummation of this Agreement.

16. Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective successors and assigns (including, without limitation, any purchaser of, or successor to, Company whether by purchase, merger, consolidation, reorganization, liquidation or any other type of transaction).

17. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. Non-Waiver. Waiver of or acquiescence by City and/or GIAEDC in any default by Company, or any failure of City and/or GIAEDC to insist upon strict performance by Company of any warranties, agreements or other obligations contained in this Agreement shall not constitute a waiver of any subsequent or other default, failure or waiver of strict performance, whether similar or dissimilar.

19. Relationship of Parties. The Parties have entered into this Agreement solely for the purposes set forth in this Agreement. Nothing contained in this Agreement shall be construed to create or imply any (a) partnership or joint venture by or among of the Parties, or (b) any principal and agency relationship by or among the Parties.

20. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Nebraska, without giving effect to its conflict of laws principles.

21. Entire Agreement. This Agreement and the documents referred to in this Agreement constitute the entire agreement of the Parties respecting the subject matter contained in this Agreement and supersede any prior offers, understandings, agreements or representations by and between the Parties, written or oral, which may have related to the subject matter of this Agreement in any way.

22. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but which together shall constitute the same instrument.

4831-6451-8792.2

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first above written.

Dramco Tool Co., Inc., a Nebraska corporation

By: _____
Its: _____

City of Grand Island, Nebraska

By: _____
Its: _____

Grand Island Area Economic Development
Corporation

By: _____
Its: _____

RESOLUTION 2019-301

WHEREAS, on November 6, 2012, the City of Grand Island adopted an Economic Development Program and a Citizens Advisory Review Committee to oversee the process of approving applications for economic development incentives; and

WHEREAS, Dramco Tool Co., Inc. has applied for a forgivable loan for job creation, job training, and infrastructure support in the amount of \$150,000.00 from the Grand Island Area Economic Development Corporation in accordance with the Economic Development Program; and

WHEREAS, such application has been approved by the executive committee of the Economic Development Corporation on February 21, 2019 and was approved on March 7, 2019 by the Citizens Advisory Review Committee; and

WHEREAS, Dramco Tool Co., Inc. will be required to meet or exceed employment numbers and employee salary levels as outlined in the Economic Development Agreement to retain all of the economic incentives granted under the agreement; and

WHEREAS, it is in the best interests of the City to provide economic development funding to Dramco Tool Co., Inc. as provided by the Grand Island Economic Development Program.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Economic Development Agreement by and between the City of Grand Island, the Grand Island Area Economic Development Corporation and Dramco Tool Co., Inc., to provide \$150,000.00 in economic assistance to Dramco Tool Co., Inc. to be used for expanding its business in Grand Island, is hereby approved.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such agreement on behalf of the City of Grand Island.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, September 24, 2019.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 20, 2019	☐ City Attorney