



City of Grand Island

Tuesday, May 28, 2013

Council Session

Item I-3

#2013-160 - Consideration of Economic Development Incentive Agreement with CNH America, LLC (Case New Holland)

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, City Administrator

Meeting: May 28, 2013

Subject: Approving Economic Development Incentive Agreement with CNH America, LLC (Case New Holland)

Item #'s: I-3

Presenter(s): Ann Martin, Chair of the Grand Island Area Economic Development Corporation Board of Trustees

Background

At the May 2003 special 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 CNH America, LLC (Case New Holland) for additional employees and training. On March 14, 2013, the GIAEDC Board of Trustees approved submission of the attached Economic Development Agreement to the Citizens Review Committee (CRC) for consideration and recommendation. The CRC met on May 21, 2013 and approved the request and agreement for recommendation to the City Council for final action and approval.

Discussion

CNH America, LLC (Case New Holland), a combine and hay tool equipment manufacturer, has submitted the required application (see attached) for an amount of \$500,000.00. Proposed is the creation of 100 new jobs within one year with an average hourly wage of \$16.09. Requested is \$4,500.00 per new employee job creation grant totaling \$450,000.00 and \$500.00 per new employee for job training assistance totaling \$50,000.00. This will assist the \$7.16 million building expansion for a total incentive request of \$500,000.00.

CNH America, LLC currently has over 1,060 employees. Due to significant sales of machinery, manufacturing volumes at the plant continue to increase. As a result of this increase, there will be a 30,000 sq. ft. addition to the south side of the existing rack building. The project will cost \$7.16 million and will include the purchase of a burn box and the addition of a vestibule to the main building. The plant has its plans finalized and

the hiring of the 100 employees will commence immediately. The entire project will be completed in 1 year.

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 CNH America, LLC.
2. Do not approve the Economic Development Agreement with CNH America, LLC.
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 CNH America, LLC.

Sample Motion

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with CNH America, LLC.

PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Case New Holland (CNH America, LLC)
- Address 3445 W. Stolley Park Road, Grand Island, NE 68803
- Telephone (308) 384-1010
- Email Address william.baasch@cnh.com
- Business Contact Person Bill Baasch, General Manager
- Telephone (308) 384-1010
2. Business Organization: ☒ Corporation ☐ Partnership
☐ Proprietor ☐ Other
3. Business Type: ☐ Startup ☒ Existing
☐ Business Buyout ☐ Spec Building
☐ Other
4. Project Location: ☒ Within the city limits of Grand Island, Nebraska
☐ Outside the city limits, but within the 2 mile zoning jurisdiction
☐ Outside the zoning jurisdiction of Grand Island in (county) _____

5. Product or Services Provided: The Case IH plant manufacturer's combines and
hay tool equipment for Case IH and New Holland brands.

6. Project Description: Due to significant sales of machinery, manufacturing volumes at
the plant continue to increase. As a result of this increase, there will be a 30,000 sq. ft.
addition to the south side of the existing rack building. The project is a \$7.16 million in
which a burn box will be purchased, and a vestibule will be added to the main building.

7. Project Timetable: The plant has its plans finalized. The hiring of the 100 employees
will commence immediately. The entire project will be completed in 1 year.

8. Employment Information:

Current number of employees (full-time equivalent)	<u>1060</u>	(full-time equivalent)
Proposed number of employees	<u>1160</u>	(full-time equivalent)
What is the average hourly wage for all employees?	<u>\$20.11</u>	
Number of new jobs to be created	<u>100</u>	(full-time equivalent)
What would be the average hourly wage for new jobs?	<u>\$16.09</u>	
Number of jobs to be retained, if any	<u></u>	(full-time equivalent)

Please describe all benefits which the business provides to employees:

14 Paid Holidays, Accrued Vacation, medical, dental, vision, short term disability, long
term disability, 401-k, retirement savings account.

9. Financing/Incentives Requested: We are requesting a job creation grant of \$4,500/job
for the 100 new positions being created by this expansion or \$450,000. We are also
requestion a \$500/job for training assistance on the new positions. A total incentive package
being requested is \$500,000.00
Case IH is also requesting that the job training dollars be paid all upfront. We further are
requesting that 1/2 of the job creation grant be paid upon approval by City Council and the
final half be paid on or before December 31, 2013.

NOTE: Additional Information may be required and made part of this application by attachment.

To the best of my knowledge, this application and supporting information is accurate, and may be relied upon by representatives of the Grand Island Area Economic Development Corporation (GIAEDC).

By: William J Baasch
William Baasch

Grand Island Plant Manager
Title

Date: 4/15/13

Grand Island Area Economic Development LB-840 Project Application

Project Name: Case IH (CNH America LLC)

Date Referred to Grand Island Area Economic Development Board: 3/5/2013

Approved: x Disapproved: _____ Date: 3/14/2013

Comments: It is again wonderful for the community of Grand Island to see CASE IH expand and create
jobs. This expansion is a credit to the work ethic and the commitment of the community.
It also indicates that CASE IH is confident in the community to provide an educated and
trained workforce.

Signature of President: Marlan Ferguson
Marlan Ferguson

Date Referred to Citizen's Review Committee: May 21, 2013

Approved: X Disapproved: _____ Date: 5/21/2013

Comments: _____

Signature of Chairman: Lisa Willman
Lisa Willman

Date Referred to City Council: _____

Approved: _____ Disapproved: _____ Date: _____

Comments: _____

Signature of Mayor: _____
Jay Vavricek

In early 2000, the corporate executives for one of Grand Island's major employers, Case IH (formerly New Holland (CNH)), undertook an evaluation, targeting 20% of the company's plants worldwide for sale, consolidation and closure. At that time there was much discussion and concern that the Grand Island plant would be closed and operations moved.

July 8, 2000 was a red-letter day for the employees of Case IH, and City and community leaders as Case IH announced that the company planned to consolidate production of combines at the Grand Island plant, resulting in the retention of over 600 jobs. Case IH is an excellent corporate citizen. We are pleased that Case IH chose to invest in our community and are ecstatic that they currently have 844 well-paying jobs.

Our participation in the financial incentive package, while just a small component, demonstrates our support and commitment to Case IH, but, more importantly, to the employees, supporting companies/vendors, and the community at large. We believe the growth of Case IH will continue to stimulate economic development, increase the local tax base and promote the creation of well paying jobs.

ECONOMIC DEVELOPMENT AGREEMENT

This Agreement made by the City of Grand Island, Nebraska (City), and the Grand Island Area Economic Development Corporation (EDC) with CNH America, LLC (CNH) does hereby set forth the terms and conditions of a forgivable economic development loan requested by CNH and granted by the City and the EDC as follows:

I. INTRODUCTION

1. CNH has filed with the City and EDC a Project Application for Economic Development Programs (Application). In the Application, CNH stated it planned to construct a thirty thousand (30,000) square foot addition to the South side of its existing rack building located in Grand Island. CNH also stated in its Application it planned to hire an additional one hundred (100) employees as part of its planned expansion to its operations in Grand Island. CNH also stated in its Application it planned to complete its expansion project and hire its additional employees within one (1) year of the parties' execution of this Agreement.

2. The City and the EDC find CNH is a qualifying business under the City's Economic Development Program, the CNH project qualifies for economic incentives under the Program, the project will be of substantial economic benefit to the people of Grand Island and its surrounding area, and the forgivable economic development loan set forth below constitute a fulfillment of the major objective of the City's Economic Development Plan.

II. DEFINITIONS

As used in this Agreement the following words and phrases shall be defined as follows:

1. Full Time Equivalents (FTEs) - Shall be persons employed by CNH and working at its facilities located in Grand Island on the date of the Measuring Benchmark. The total number of FTEs shall be determined by dividing the total number of hours CNH employees worked at its facilities located in Grand Island by two thousand and eighty (2,080).

2. Additional Full Time Equivalents (AFTEs) - Shall be persons hired by CNH as part of its expansion of operations in Grand Island as detailed in paragraph I 1 of this Agreement.

The total number of AFTEs shall be determined by dividing the total number of hours the AFTEs worked at CNH's facilities in Grand Island by two thousand and eighty (2,080).

3. Average Hourly Rate - Shall be at least Sixteen Dollars and Nine Cents (\$16.09) per hour for each AFTE hired as part of CNH's expansion of its operations in Grand Island. The average hourly rate shall be determined by dividing the total wages and salaries paid to all AFTEs by two thousand and eighty (2,080).

4. Employment Certificate - A document for a defined period containing the sworn statement of a duly authorized representative of CNH specifically setting forth what terms of this Agreement CNH is and is not in compliance. The Employment Certificate shall contain the following information and adhere to the following terms:

A. The total number of hours which AFTEs worked and received compensation at CNH's facilities in Grand Island;

B. The average hourly rate for all AFTEs calculated using the formula set forth in paragraph II 3 of this Agreement.

C. CNH agrees upon written notice pursuant to paragraph VII of this Agreement to allow the City Administrator or his or her designee to personally inspect CNH's employment records as confirmation of the statements contained in the Employment Certificate.

5. Measuring Benchmark - The measuring benchmark shall be the first day of the month following the one (1) year anniversary of this Agreement being approved by the Grand Island City Council (Council).

III. EMPLOYMENT REQUIREMENTS

CNH shall meet each of the following employment requirements:

1. CNH shall have a minimum of one thousand, one hundred and sixty (1,160) FTEs at its facilities in Grand Island on the date of the Measuring Benchmark as defined in paragraph II 5 of this Agreement.

2. CNH shall have a minimum of one hundred (100) AFTEs being compensated at a minimum of the average hourly rate as defined in paragraph II 3 of this Agreement working at its

facilities in Grand Island on the date of the Measuring Benchmark as defined in paragraph II 5 of this Agreement.

IV. FORGIVABLE ECONOMIC LOAN DISBURSEMENTS

Disbursements of the Forgivable Economic Development Loan shall be paid to CNH by the City according to the following schedule:

1. TRAINING - Disbursements related to training shall be paid to CNH by the City as follows:

A. A disbursement for training AFTEs in the total amount of Fifty Thousand Dollars (\$50,000.00), representing Five Hundred Dollars (\$500.00) for each AFTE, shall be paid to CNH by the City upon approval of this Agreement by the Council.

B. The maximum amount the City shall disburse to CNH for training shall be Fifty Thousand Dollars (\$50,000.00).

2. JOB CREATION - Disbursements related to job creation in the amount of Four Thousand, Five Hundred Dollars (\$4,500.00) for each AFTE shall be paid to CNH by the City as follows:

A. A disbursement of Two Hundred and Twenty-Five Thousand Dollars (\$225,000.00) shall be paid to CNH by the City upon approval of this Agreement by the Council.

B. A disbursement of Two Hundred and Twenty-Five Thousand Dollars (\$225,000.00) shall be paid to CNH by the City on or before December 31, 2013.

C. The maximum amount the City shall disburse to CNH for job creation shall be Four Hundred and Fifty Thousand Dollars (\$450,000.00).

3. TOTAL DISBURSEMENTS - The maximum amount the City shall disburse to CNH pursuant to this Agreement shall be Five Hundred Thousand Dollars (\$500,000.00).

V. ECONOMIC DEVELOPMENT LOAN FORGIVENESS

The City shall forgive the entire amount of the economic development loan disbursed to CNH, representing Five Hundred Thousand Dollars (\$500,000.00), on the date of the Measuring Benchmark as defined in paragraph II 5 of this Agreement or

sooner once and if CNH meets all the terms set forth in paragraph III of this Agreement.

VI. BREACH OF AGREEMENT

1. In the event CNH fails to comply with any of the terms as set forth in this Agreement the City and/or the EDC may declare it to be in breach. Any such declaration shall be in writing, signed by a person authorized to make such a declaration, and delivered by Certified U.S. Mail, Return Receipt Requested to CNH at its last known address.

2. In the event the City and/or the EDC declares CNH to be in breach, any monies disbursed by the City and not forgiven pursuant to the terms of paragraph V of this Agreement shall become immediately due and owing by CNH to the City.

3. In the event the City and/or the EDC declares CNH to be in breach, any monies disbursed by the City, not forgiven pursuant to the terms of paragraph V of this Agreement, and unpaid shall accrue interest at the rate of eight percent (8%) per annum.

VII. COMMUNICATION

1. CNH agrees to fully respond within fifteen (15) calendar days to any request for information from the City and/or the EDC related to CNH's compliance with the terms of this Agreement. All responses to such inquiries shall be in writing and provided to the City and the EDC at the following addresses:

A. Grand Island City Administrator
100 East First St.
P.O. Box 1968
Grand Island, NE 68802-1968

B. Grand Island Area Economic Development Corp.
308 North Locust St., Suite 400
P.O. Box 1151
Grand Island, NE 68802-1151

2. CNH agrees to inform the City and the EDC of any changes in its address, telephone number, or email address within three (3) business days of such changes.

VIII. LEGAL EFFECT

Notwithstanding the other provisions of this Agreement, CNH specifically agrees to the following:

1. If CNH is purchased, absorbed, or merged with any other person or entity the terms of this Agreement shall continue to be in force on any such purchaser or successor entity.

2. If CNH ceases operations in Grand Island at any time while this Agreement is in force, any monies disbursed by the City and not forgiven pursuant to the terms of paragraph V of this Agreement shall become immediately due and owing to the City, and any monies owed shall accrue interest at the rate of eight percent (8%) per annum until paid in full.

3. If any provision of this Agreement is declared void or illegal by a Court of law, all other unaffected provisions shall remain in full force and effect.

4. This document constitutes the entirety of the terms and conditions of this Agreement. This Agreement shall not be altered or modified in any way unless agreed to by all parties thereto, memorialized in writing, and executed by the parties.

Dated this _____ day of _____, 2013.

GRAND ISLAND AREA ECONOMIC
DEVELOPMENT CORPORATION

CNH AMERICA, LLC

By Marlan Ferguson
Marlan Ferguson, President

By Richard P. Korvath
GENERAL COUNSEL

THE CITY OF GRAND ISLAND

By _____
Jay Vavricek, Mayor

RESOLUTION 2013-160

WHEREAS, on July 22, 2003, 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, CNH America, LLC (Case New Holland), has applied for a forgivable loan for job incentive and training in the amount of \$500,000.00 from the Grand Island Area Economic Development Corporation (GIAEDC) in accordance with the Economic Development Program; and

WHEREAS, such application has been approved by the GIAEDC Board of Trustees and was approved on May 21, 2013 by the Citizens Advisory Review Committee; and

WHEREAS, CNH America, LLC (Case New Holland) 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 CNH America, LLC (Case New Holland) 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, the Grand Island Area Economic Development Corporation and CNH America, LLC (Case New Holland), to provide \$500,000.00 in economic assistance to CNH America, LLC (Case New Holland), 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.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 28, 2013.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
May 24, 2013	☐ City Attorney