



City of Grand Island

Tuesday, May 28, 2013

Council Session

Item I-4

#2013-161 - Consideration of Economic Development Incentive Agreement with Chief Industries, Inc.

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 Chief Industries, Inc. – Chief Fabrication Division

Item #'s: I-4

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 Chief Industries, Inc. – Chief Fabrication Division for expansion of their current building, additional employees, and job training. On February 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

Chief Industries, Inc. – Chief Fabrication Division, has submitted the required application (see attached) for an amount of \$305,800.00. Proposed is the creation of 41 new jobs over the next three years with an average hourly wage of \$14.44. Requested is \$88,100 for infrastructure, \$45,000 earmarked for job training, and \$4,200.00 per new employee job creation or \$172,200.00 for a total LB840 request of \$305,800.00.

Chief Fabrication plans to expand its production capabilities at its facility located at 1119 South Adams Street and expects to begin construction of the addition and procurement of equipment in spring of 2013 with completion in approximately 270 days. They currently have 208 employees.

Established in 1954 and located in Grand Island, Chief Fabrication is one of the most diverse metal fabricators in the Midwest and services an ever-widening range of manufacturers of agricultural, recreational, and construction equipment, and a variety of industrial accounts from coast to coast. The type of work offered ranges from simple, single level components and complicated elements, to complete contract manufactured products ready to be marketed.

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 Chief Industries, Inc.
2. Do not approve the Economic Development Agreement with Chief Industries, 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 Chief Industries, Inc.

Sample Motion

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with Chief Industries, Inc.



PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Chief Industries, Inc. - Chief Fabrication Division
- Address 3942 West Old Highway 30
- Telephone (308) 389-7200
- Business Contact Person David Ostdiek
- E-Mail Address David.Ostdiek@Chiefind.com
- Telephone (308) 389-7246
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: Chief Fabrication, a division of Chief Industries, Inc., is one of the most diverse metal fabricators in the Midwest. This division offers a large staff, multiple shift operation and state-of-the-art fabrication technologies including programmable CNC equipment. Established in 1954 and located in Grand Island, Nebraska Chief Fabrication services an ever-widening range of manufacturer of agricultural, recreational, and construction equipment, and a variety of industrial accounts from coast to coast. The type of work offered ranged from simple, single level components and complicated elements, to complete, contract manufactured products, ready to be marketed.
6. Project Description: Chief Fabrication plans to expand its production capabilities at its facility located at 1119 South Adams Street, Grand Island, Nebraska
7. Project Timetable: Chief expects to begin construction of the addition and procurement of equipment in spring of 2013 and completion will be in approx 270 days.
8. Employment Information:
- | | | |
|---|----------------|------------------------|
| Current number of employees | <u>208</u> | (full-time equivalent) |
| Proposed number of employees | <u>249</u> | (full-time equivalent) |
| What is the average hourly wage for all employees? | <u>\$15.26</u> | |
| Number of new jobs to be created | <u>41</u> | (full-time equivalent) |
| What would be the average hourly wage for new jobs? | <u>\$14.44</u> | |
| Number of jobs to be retained, if any | <u></u> | (full-time equivalent) |
- Please describe all benefits which the business provides to employees:
Accidental Death and Dismemberment Insurance, Business Travel Accident Coverage,
Dependent Life Insurance, Educational Assistance, Employee Assistance Program,
Funeral Leave, Group Life Insurance, Holidays - 8 paid days annually, Jury Duty Pay,
Military Leave Pay, Personal Time Off, Premium Pay for Shift Work, Short Term & Long Term
Disability, Vacation, 401K Retirement Thrift Plan, Health & Dental Insurance.

9. Financing/Incentives Requested: It is Chief Fabrication's intention to commence hiring
right-a-way. The plan is to hire 6 (FTE's) employees during the construction/planning state
in 2013. We will hire 15 additional FTE's in 2014, and an additional 20 FTE's in 2015.
In order for this project to move forward, Chief Industries is asking for \$88,100 for
infrastructure, \$45,500 earmarked for job training of the employees, and \$4,200 per FTE or
\$172,200 for job creation, for a total LB-840 request of \$305,800.00.

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:

David G. Adick

Name

Vice President / CFO

Title

Date: 1/28/2013

Grand Island Area Economic Development LB-840 Project Application

Project Name: Chief Industries/Chief Fabrication

Date Referred to Grand Island Area Economic Development Board: 28-Jan-13

Approved: X Disapproved: _____ Date: 14-Feb-13

Comments: Chief Industries is one of Grand Island's premier business started from the vision of
one man. Chief Fabrication is one division that continues to expand and create jobs
for this community. The new jobs and the building expansion will have a significant impact
for years to come.

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

ECONOMIC DEVELOPMENT AGREEMENT

This Agreement made by the City of Grand Island, Nebraska (the City), and the Grand Island Area Economic Development Corporation (the Development Corporation) with Chief Fabrication, a division of Chief Industries, Inc. (Chief) does hereby set forth the terms and conditions of a forgivable economic development loan requested by Chief and granted by the City and the Development Corporation as follows:

I. INTRODUCTION

1. Chief has filed with the Development Corporation a Project Application for Economic Development Programs. In the Application, Chief states it intends to expand its manufacturing plant located at 1119 South Adams Street in Grand Island. About thirty-three thousand (33,000) square feet of space will be added to the plant and its employment is anticipated to increase by forty-one (41) full time equivalent employees (FTEs) to two hundred and forty-nine (249) FTEs. Chief intends that the addition to its plant will be completed by July 1, 2014 and that production will begin soon after that date.

2. The City and the Development Corporation find Chief is a qualifying business under the City's Economic Development Program, the Chief project qualifies under the Program, the Project will be of substantial economic benefit to the people of the surrounding area as well as the people of Grand Island, and the economic incentive grants set forth below constitute a fulfillment of the major objective of the City's Economic Development Plan to create new jobs.

II. DEFINITIONS

As used in this Economic Development Agreement the following words and phrases shall mean as follows:

1. Full time Equivalents (FTEs) - Shall be persons employed by Chief and working at the Chief Fabrication Division facility located in Grand Island at the occurrence of each measuring benchmark. The total number of FTEs shall be determined by dividing the total number of hours that Chief employees worked at the Chief Fabrication Division facility in Grand Island by two thousand and eighty (2,080).

2. Average Hourly Rate - Shall be at least Fourteen Dollars and Forty-Four Cents (\$14.44) per hour for each FTE. The average hourly rate shall be determined by the total wages and salaries paid to all employees working at the Chief Fabrication Division facility in Grand Island and dividing said number by the total number of annual hours worked by those employees. The average hourly rate shall be calculated on the date each measuring benchmark occurs.

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

A. The total number of hours which hourly employees working at the Chief Fabrication Division facility in Grand Island received compensation;

B. The total number of salaried employees and the total number of weeks each was employed at the Chief Fabrication Division facility in Grand Island; and

C. The average hourly rate for all hourly and salaried employees for compensation received for working at the Chief Fabrication Division facility in Grand Island. This average hourly rate is to be calculated using the formula set forth in paragraph II 2 of this Agreement.

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

4. Measuring Benchmark - The first measuring benchmark shall occur on May 1, 2013. The second measuring benchmark shall occur on May 1, 2014. The third measuring benchmark shall occur on May 1, 2015. The fourth measuring benchmark shall occur on May 1, 2016.

III. EMPLOYMENT REQUIREMENTS

Chief shall meet each of the following employment requirements:

1. Chief shall have a minimum of two hundred and eight (208) FTEs being compensated at a minimum of the average hourly rate working at its Fabrication Division facility in Grand Island on May 1, 2013.

2. Chief shall have a minimum of two hundred and fourteen (214) FTEs being compensated at a minimum of the average hourly rate working at its Fabrication Division facility in Grand Island from May 1, 2014 through May 1, 2015.

3. Chief shall have a minimum of two hundred and twenty-nine (229) FTEs being compensated at a minimum of the average hourly rate working at its Fabrication Division facility in Grand Island from May 1, 2015 through May 1, 2016.

4. Chief shall have a minimum of two hundred and forty-nine (249) FTEs being compensated at a minimum of the average hourly rate working at its Fabrication Division facility in Grand Island from May 1, 2016 through May 1, 2017.

IV. LOAN DISBURSEMENTS

1. If Chief is in compliance with the employment requirements as stated in paragraph III of this Agreement, disbursements related to employment shall be made by the City as follows:

A. For each FTE above two hundred and eight (208) the City shall make a onetime disbursement of Four Thousand and Two Hundred Dollars (\$4,200.00).

B. Disbursements related to employment shall be made within thirty (30) days of the City receiving an Employment Certificate containing the information as listed in paragraph II 3 of this Agreement.

C. The maximum amount the City shall disburse related to increases in employment shall be One Hundred, Seventy-Two Thousand and Two Hundred Dollars (\$172,200.00).

2. If Chief is in compliance with the employment requirements as stated in paragraph III of this Agreement, disbursements related to construction shall be made by the City as follows:

A. Within thirty (30) days of Chief executing a construction contract for the South Adams Street facility in

Grand Island and providing proof of such to the City and the Development Corporation, the City shall disburse Forty-Four Thousand and Fifty Dollars (\$44,050.00) to Chief.

B. Within thirty (30) days of the completion of construction of the South Adams Street facility and Chief providing documentation of such acceptable to the City and the Development Corporation, the City shall disburse Forty-Four Thousand and Fifty Dollars (\$44,050.00) to Chief.

3. If Chief is in compliance with the employment requirements as stated in paragraph III of this Agreement, disbursements related to training shall be made by the City as follows:

A. Within thirty (30) days of the City's approval of this agreement, the City shall disburse Twenty-Two Thousand, Seven Hundred and Fifty Dollars (\$22,750.00) to Chief.

B. Within thirty (30) days of May 1, 2014, the City shall disburse Twenty-Two Thousand, Seven Hundred and Fifty Dollars (\$22,750.00) to Chief.

V. LOAN FORGIVENESS

The City shall forgive Three Hundred, Five Thousand and Eight Hundred Dollars (\$305,800.00), representing the entire amount disbursed pursuant to the terms of the forgivable economic development loan, upon the earlier occurrence of Chief fully meeting either of the following conditions:

1. If Chief is in compliance with the employment requirements as stated in paragraph III of this Agreement and on May 1, 2016 has a minimum of two hundred and forty-nine (249) FTEs being compensated at the average hourly rate working continuously at its Fabrication Division facility in Grand Island for a minimum of one (1) year prior to May 1, 2016 and Chief is in compliance with construction requirements as stated in paragraph IV 2 of this Agreement; or

2. On any date prior to May 1, 2017 if Chief is in compliance with the employment requirements as stated in paragraph III of this Agreement and has a minimum of two hundred and forty-nine (249) FTEs being compensated at the average hourly rate continuously working at its Fabrication Division facility in Grand Island for a minimum of one (1) year and if

Chief is in compliance with construction requirements as stated in paragraph IV 2 of this Agreement.

VI. BREACH OF AGREEMENT

1. In the event Chief fails to comply with any of the terms as set forth in this Agreement the City and/or the Development Corporation 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 Chief at its last known address.

2. In the event the City and/or the Development Corporation declares Chief 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 to the City.

3. In the event the City and/or the Development Corporation declares Chief 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. Chief agrees to fully respond within fifteen (15) calendar days to any request for information from the City and/or the Development Corporation related to Chief's compliance with the terms of this Agreement. All responses to such inquiries shall be in writing and provided to the City and the Development Corporation 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. Chief agrees to inform the City and the Development Corporation 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, Chief specifically agrees to the following:

1. If Chief 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 the Chief Fabrication Division 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 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 and memorialized in writing.

Dated this 16th day of April, 2013.

GRAND ISLAND AREA ECONOMIC
DEVELOPMENT CORPORATION

By Marlan Ferguson
Marlan Ferguson, President

CHIEF INDUSTRIES, INC.

By David Ostdiek
David Ostdiek
Vice President/CFO

THE CITY OF GRAND ISLAND

By _____
Jay Vavricek, Mayor

RESOLUTION 2013-161

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, Chief Industries, Inc. – Chief Fabrication Division, has applied for a forgivable loan for job incentive, training, and infrastructure in the amount of \$305,800.00 from the Grand Island Area Economic Development Corporation in accordance with the Economic Development Program; and

WHEREAS, such application has been approved by the Grand Island Area Economic Development Board of Trustees and was approved on May 21, 2013 by the Citizens Advisory Review Committee; and

WHEREAS, Chief Industries, 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 Chief Industries, 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, the Grand Island Area Economic Development Corporation and Chief Industries, Inc., to provide \$305,800.00 in economic assistance to Chief Industries, 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.

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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