



City of Grand Island

Tuesday, March 08, 2005

Council Session

Item I2

**#2005-74 - Approving Economic Development Incentive
Agreement with Love Signs**

Staff Contact: Doug Walker

Council Agenda Memo

From: Douglas R. Walker, City Attorney

Meeting: March 8, 2005

Subject: Authorizing the City to Enter Into an Economic Development Agreement with Love Signs of Grand Island, L.L.C.

Item #'s: I-2

Presenter(s): Douglas R. Walker, City Attorney

Background

The voters of the City of Grand Island approved an Economic Development Plan at the May 6, 2003 election. Subsequent to the election, the city has adopted an ordinance that establishes the Economic Development Plan and the Citizens Advisory Review Committee to oversee the process of approving applications for economic development incentives. Love Signs of Grand Island, L.L.C., has applied for a forgivable loan from the Grand Island Area Economic Development Corporation pursuant to the Economic Development Plan. This application has been reviewed and approved by the Executive Committee of the Economic Development Corporation and by the Citizens Advisory Review Committee. Love Signs' application is now being forwarded to the City Council for its approval pursuant to the city's Economic Development Plan.

Discussion

The Economic Development Corporation has taken the application of Love Signs of Grand Island, L.L.C., for a \$42,000 forgivable loan as an incentive to assist with the location of a facility to manufacture signs in the City of Grand Island. An Economic Development Agreement has been prepared by the Economic Development Corporation which sets forth the terms under which Love Signs would receive these benefits. Love Signs would receive a \$42,000 forgivable loan which would not have to be repaid if it meets all the employment targets during the five year period for which the agreement would be in effect. The Economic Development Agreement spells out in detail how the employment targets would be calculated and what amounts would be paid back if these targets are not met. The application of Love Signs of Grand Island, L.L.C. meets all the criteria for extending economic incentives and the Economic Development Corporation's

Executive Board as well as the Citizens Advisory Review Committee have both unanimously recommended approval of the Economic Development Agreement by the Grand Island City Council. For the above mentioned reasons, city administration is seeking City Council approval of the resolution authorizing the city to enter into the Economic Development Agreement with Love Signs of Grand Island, L.L.C.

Alternatives

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

1. Move to approve the resolution authorizing the city to enter into the Economic Development Agreement with Love Signs of Grand Island L.L.C.
2. Deny the Economic Development Agreement.
3. Modify the Agreement to meet the wishes of the Council.
4. Take no action on the issue.

Recommendation

City Administration recommends that the Council approve the resolution authorizing the city to enter into the Economic Development Agreement with Love Signs of Grand Island, L.L.C.

Sample Motion

Motion to approve the resolution authorizing the city to enter into the Economic Development Agreement with Love Signs of Grand Island, L.L.C.

5. Product or Service Provided: Firm will be in the business of manufacturing and selling commercial signs.

6. Project Description: Commercial sign manufacturing plant to begin operations 1/1/05. Members of L.L.C. will be Brad Love and Brian Henn. Love is from Norfolk, NE, where he has similar sign manufacturing business. Henn is former salesman for Love. Henn has substantial sign sales experience. In addition, Henn has substantial manufacturing experience having recently managed both the Chief Industries Eds Plant as well as their King of the Road Plant in Bradshaw.

7. Project Timetable: Firm has been capitalized and begins operations 1/1/05. Has leased Facilities from Starostka, building to be complete 2/15/05.

8. Employment Information:

Current # of employees 0 (full-time equivalent)

Proposed # of employees 7 (full-time equivalent)

Will have seven employees to begin operations. Will have 20 employees at end of year three

What is the average hourly wage for all employees? \$15.00/hour Excluding commissioned Salesman and Manager.

Number of new jobs to be created 7 (full-time equivalent)

Will have 20 at end of 3rd year

What would be the average hourly wage for new jobs? \$15.00/hour excluding commissioned Salesman and Manager.

Number of jobs to be retained, if any N/A (full-time equivalent)

Please describe all benefits, which the business provides to employees:

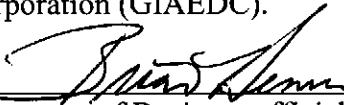
1. Will pay 100% of Employee Health
2. Will provide \$10,000 Life per employee

9. Financing/Incentives Requested:

\$100,000, 5 year Term Loan with 20% to be repaid (forgiven) annually upon audit of payroll records. Loan will be guaranteed by both Love, Henn and spouses.

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).

 PRESIDENT
(Signature of Business official and title)

2/11/05
(Date)

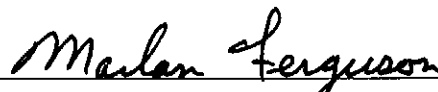
GIAEDC Project Application for LB-840 Funding

PROJECT: Love Signs

Date Referred to GIAEDC Executive Board: January 13, 2005

Approved: X Disapproved: _____ Date: January 13, 2005

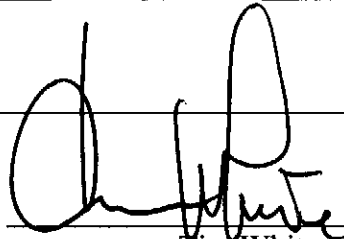
Comments: _____

Signature of President: 
Marlan Ferguson

Date Referred to Citizen's Review Committee: February 15, 2005

Approved: _____ Disapproved: _____ Date: _____

Comments: _____

Signature of Chairman: 
Jim White

Date Referred to City Council: _____

Approved: _____ Disapproved: _____ Date: _____

Comments: _____

Signature of Mayor: _____
Jay Vavricek

Love Signs of Grand Island L.L.C.
Business Summary

Love Signs L.L.C. is a new company founded by Brad Love and Brian Henn. Both men have proven track records within the industry. Brad Love along with his wife Kris have operated Love Signs, Inc. Norfolk Ne. for the past 25 years. Brad is currently a member of WSA World Sign Association, an elite group of sign companies that lead the industry on a variety of issues. Brad has also served on the E.D.S. Electronic Display Systems Dealer Advisory Board for the past 8 years. Brian Henn has over 18 years experience in all aspects of the business and has held a General Management position for the past 11 years with a major Nebraska based manufacturing company. Both men share common core business values that has driven their success throughout their business careers.

The business will be located in a newly constructed facility at 3030 West Old Hwy 30, Grand Island Ne. This is a new 10,000 sq ft steel building that will house office and manufacturing space for this start-up business. This is a lease purchase arrangement with Starostka Group Unlimited. The building is being constructed currently and the company is projecting February 15th occupancy. The value of the facility is \$441,020.00 including overhead cranes within the facility.

The initial capital was provide by the two partners in the amount of \$150,000 with additional financing for long and short term needs provided by Heritage Bank Grand Island. The company will be investing an estimated \$150,000 in equipment with additional capital needs in the near future. Our inventory investment is estimated at a rolling average of \$20,000.

The business will start with a core group of 7 people with over 100 years combined industry experience. Our business model calls for a total head count of 13 people at the end of the first year. The company believes that by the end of our second business year we will employ 20 to 25 people. With approximately 15 plus jobs in production, service and installation type positions with an average wage of \$14 to \$15 per hour. Successful sign company's employee very technical people and continue to invest in their education. It is the company's plan to move additional manufacturing from the Norfolk location to Grand Island in the next 3 to 5 years to capitalize on this expanded trade area and available quality labor force. This would add an additional need for 12 to 15 more production employees at an average wage of \$14 to \$15 per hour.

In addition Love Signs L.L.C. will bring additional dollars to the Grand Island area as we have 2 anchor accounts that will take our products to surrounding states that included; Kansas, Iowa, Colorado, South Dakota and Minnesota.

First year employment projection:

- (1) Mgr/Owner \$80,000
- (1) Office Mgr. \$14 per hour
- (1) Sales \$100,000 per year
- (4) Service & installation Technicians at \$15 to \$18 per hour
- (1) Vinyl Graphics/CNC operator \$12 to \$14 per hour
- (1) Drafting/Job Coordinator \$37,000 per year
- (3) Sign manufacturing at \$14 to \$15 per hour
- (1) Receptionist at \$10 to \$12 per hour

ECONOMIC DEVELOPMENT AGREEMENT

In reliance upon the business plan of Love Signs of Grand Island, L.L.C. (Employer) which will have a beneficial economic impact upon the Grand Island area by increasing employment opportunities, the City of Grand Island (The City) and the Grand Island Area Economic Development Corporation (the Development Corporation) hereby agree to provide Employer with the assistance described in this Economic Development Agreement. Employer hereby accepts the economic assistance expressly set forth below and agrees to the terms and conditions hereby, including, without limitation, the terms and conditions of repayment.

Section 1

BUSINESS PLAN

Employer represents that its business plan includes entering into a lease-purchase agreement with the owner of a new 10,000 square foot building located at 3030 West Old Highway 30 in Grand Island. The building will house office and manufacturing space for Employer's start-up business of manufacturing commercial signs. Employer will begin with seven (7) Employees who have over 100 years combined experience in the sign industry. Employer intends to increase the number of its Employees there to twenty-five (25) by the end of its fourth (4th) year. Throughout that period the average wage of those Employees will be \$15.00 per hour.

Section 2

TERMS USED HEREIN

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

1. Employees means the number of fulltime equivalent persons employed by Employer at the above stated location as of the end of the Measuring Year and determined as follows: divide the total number of regular time hours that Employer paid Employees to work during the Measuring Year (including forty (40) hours per week for each week worked by each salaried Employees) by 2080.

2. The Base Year means the twelve (12) calendar months ending upon the last day before the beginning of the first Measuring Year.

3. The first Measuring Year shall begin upon the first day of the next month after Employer receives The Advance under the provisions of Section 4, paragraph 1, below, and end on the last day of the twelfth (12th) consecutive calendar month thereafter. The subsequent Measuring Years shall have the same fiscal year as the first Measuring Year.

4. Employment Certificate means a written statement certified to be true and correct by the Manager of the limited liability company of Employer and attested by its chief accountant. It shall be delivered to the Development Corporation within fifteen (15) days after the close of the Base Year and within fifteen (15) days after the close of each Measuring Year thereafter. It shall state (i) the total number of hours for which Employer paid hourly Employees and (ii) the number of salaried Employees and the number of weeks each were employed by Employer at Grand Island, Nebraska, during the applicable Base or Measuring Year.

Section 3

EMPLOYMENT REQUIREMENTS

1. Employer shall have had no Employees during the Base Year.

2. The Employment Certificate for the third (3rd) Measuring Year will show that Employer had not fewer than ten (10) Employees during that Measuring Year.

3. The Employment Certificate for the fourth (4th) Measuring Year will show that Employer had not fewer than twenty (20) Employees during that Measuring Year.

4. The Employment Certificate for the fifth (5th) Measuring Year will show that Employer had not fewer than twenty-five (25) Employees during that Measuring Year.

5. Employer must (i) meet each of the Employee levels set forth in paragraphs 2 through 4, above, for each Measuring Year and (ii) must continuously employ that many Employees, or more, for each of the next three (3) Measuring Years. For example, Employer will have met the requirements of the third (3rd)

Measuring Year if Employer had (i) not less than ten (10) Employees in that year and (ii) had not less than ten (10) Employees in the fourth (4th), fifth (5th) and sixth (6th) Measuring Years.

Section 4

MONETARY ADVANCES

1. Not later than the last day of the month in which Employer opens for business at its above stated location in Grand Island, Nebraska and funds are approved under The City's Economic Development Program, The City will advance Employer Forty-two Thousand and No/100 Dollars (\$42,000.00) (The Advance).

2. For each Measuring Year that Employer meets the Employee requirements (i) and (ii) set forth in Section 3, paragraph 5, above, Development Corporation will forgive the repayment by Employer of Fourteen Thousand and No/100 Dollars (\$14,000.00) of The Advance.

3. If for any Measuring Year Employer fails to meet the Employee requirements (i) and (ii) set forth in Section 3, paragraph 5, then the amount, if any, of the amounts forgiven by prior years performance under the provisions of paragraph 2 of this Section shall be deducted from The Advance and Employer shall repay the balance to The City. The balance shall become due on the last day of any Measuring Year for which the Employment Certificate shows that the requirements of that Measuring Year or any other Measuring Year were not attained or became unattainable and shall be paid with interest on the unpaid balance at the rate of eight (8%) per annum until paid in full.

Section 5

LEGAL EFFECT

1. Notwithstanding any other provision of this agreement Employer agrees as follows:

(a) If Employer is merged into or with any other corporation, limited liability company or partnership, the provisions of this agreement shall continue in full force and effect and shall be binding upon the surviving organization.

(b) If Employer or its successor discontinues the primary operation of its business in Grand Island, Nebraska, by reason of the transfer of its assets to another person or company or for any other reason, then immediately and without any further notice being required the entire amount of The Advance which is then repayable to The City or which would become repayable after a lapse of time as provided in this agreement, shall become immediately due and payable; provided, however, that the Development Corporation may waive the provisions of this subparagraph (b) if a transferee of all of Employer's assets which is acceptable to Development Corporation agrees in writing to assume the obligations of Employer hereunder.

2. Upon request of Development Corporation, Employer, and its successors, shall furnish any additional documentation Development Corporation deems necessary to confirm that Employer has met its obligations under this Economic Development Agreement.

3. The contents of this Economic Development Agreement contain all of the agreements and understandings between the Development Corporation, The City and Employer relative to the provisions hereof and the specified repayment and supersedes any and all prior agreements and understandings whether written or oral concerning economic development grants or incentives.

4. The provisions of this agreement are fully binding upon the Development Corporation, The City and upon Employer and upon their respective successors.

Dated this 28th day of February, 2005.

GRAND ISLAND AREA ECONOMIC
DEVELOPMENT CORPORATION

By Marlan Ferguson
Marlan Ferguson, President

LOVE SIGNS OF GRAND ISLAND,
L.L.C., Employer

By Brian Henn
Printed Name BRIAN HENN,
Manager of the LLC

THE CITY OF GRAND ISLAND

By _____
Jay Vavricek, Mayor

RESOLUTION 2005-74

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, Love Signs of Grand Island, L.L.C., a limited liability company, has applied for a forgivable loan in the amount of \$42,000 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 and was approved on February 15, 2005 by the Citizens Advisory Review Committee; and

WHEREAS, Love Signs of Grand Island, L.L.C. 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 Love Signs of Grand Island, L.L.C. 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 Love Signs of Grand Island, L.L.C., to provide \$42,000 in economic assistance through a forgivable loan to Love Signs of Grand Island, L.L.C., to be used for establishing its business at 3030 West Old Highway 30 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, March 8, 2005.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
March 3, 2005	☐ City Attorney