



# City of Grand Island

Tuesday, November 14, 2006

Council Session

## Item I2

**#2006-339 - Consideration of Economic Development Incentive Agreement with CNH America LLC**

Staff Contact: Dale Shotkoski

# Council Agenda Memo

**From:** Dale M. Shotkoski, Interim City Attorney

**Meeting:** November 14, 2006

**Subject:** Approving Economic Development Incentive Agreement with CNH America, LLC

**Item #'s:** I-2

**Presenter(s):** Dale M. Shotkoski, Interim City Attorney

## 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 Economic Development Corporation. The Economic Development Corporation has received an application from CNH America, LLC, to expand the facility located in Grand Island, Nebraska.

## Discussion

CNH America, LLC has submitted an application (attached) for economic development incentives, which would include \$250 per employee hired for training (a maximum of \$25,000); \$2,500 per job created equal to \$200,000; and, \$100,000 for plant expansion. CNH states in its application that it intends to expand its manufacturing plant in Grand Island to allow it to manufacture, Case IH and New Holland brand self-propelled hay harvesting equipment. The expansion would be approximately 90,000 square feet and employment would increase by 80 to 100 new, full time employees. The intended completion date for the expansion would be July 1, 2007, and production of the hay harvesting equipment would begin by the second half of 2007.

The application of CNH America, LLC meets all the criteria for extending economic incentives and has been approved by the Executive Board of the Economic Development Corporation and by the Citizens Review Committee. Confidential communications began between CNH and the EDC before the announcement of the plant expansion by CNH America, LLC and because of the sensitivity of other plant closings, the negotiations of this application for funds was kept confidential until recently. The application for funds was made months ago when the Grand Island facility was the one being considered for

plant expansion. Both the Economic Development Corporation Executive Board and the Citizens Review Committee have approved this application and is now being forwarded to the City Council for final consideration.

### **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 approve the resolution authorizing the city to enter into the Economic Development Agreement with CNH America, LLC.

### **Sample Motion**

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



GRAND ISLAND AREA  
**ECONOMIC**  
 DEVELOPMENT CORPORATION

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P.O. Box 1151

GRAND ISLAND, NE 68802-1151

**PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS**

1. Applicant Business Name CNH America LLC

Address 3445 W. Stolley Park Road, Grand Island, Ne. 68802-4902

Telephone (308) 389-5702

Email Address steve.lee@cnh.com

Business Contact Person Steve Lee (Grand Island Plant Manager)

Telephone (308) 389-5702

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 plant manufactureres Case IH and New Holland rotary combines.

6. Project Description: Expand the facility by approx. 90K sq. ft. and add employees to produce Case IH and New Holland brand self propelled hay harvesting equipment.

7. Project Timetable: The new addition must be ready for occupancy July 2007 with equipment production commencing September 2007.

8. Employment Information:

Current number of employees 559H+132S=691 (full-time equivalent)

Proposed number of employees 691 + (80)=771 (full-time equivalent)

What is the average hourly wage for all employees? \$17.00

Number of new jobs to be created 80 (full-time equivalent)

What would be the average hourly wage for new jobs? \$16.00

Number of jobs to be retained, if any 771 (full-time equivalent)

Please describe all benefits which the business provides to employees:

Medical, dental, vision, life, STD, LTD, vacation, holidays & 401K

9. Financing/Incentives Requested: \$250/employee hired for training (a maximum of  
\$25,000); \$2,500/job created equal to \$200,000; \$100,000 for plant expansion.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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: Steven G. Lee  
Steven G. Lee

Plant Manager  
Title

Date: 10/17/2006



ECONOMIC DEVELOPMENT AGREEMENT  
WITH  
CNH AMERICA LLC

This Agreement is made by the City of Grand Island, Nebraska (The City), and the Grand Island Area Economic Development Corporation (The Development Corporation) with CNH America LLC (CNH) as follows:

Section 1

BUSINESS AND INCENTIVE PLANS

1. CNH has filed with The Development Corporation a Project Application for Economic Development Programs. In the Application CNH states that it intends to expand its manufacturing plant in Grand Island to allow it to manufacture, for the first time, Case IH and New Holland brand self-propelled hay harvesting equipment. About ninety thousand (90,000) square feet of space will be added to the plant and its employment is anticipated to increase by eighty (80) to one hundred (100) new fulltime employees. CNH intends that the addition to its plant will be completed by July 1, 2007 and that production will begin by the second half of 2007.

2. The City and The Development Corporation accept the CNH Application with enthusiasm and agree to provide the economic incentive grants set forth in this Agreement.

3. The City and The Development Corporation find that CNH is a qualifying business under The City's Economic Development Program, that the CNH project qualifies under the Program, that the Project will be of substantial economic benefit to the people of the surrounding area as well as the people of Grand Island, and that 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.



## Section 2

### ECONOMIC INCENTIVES

#### Part 1

##### Definitions

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

1. Employees means the number of fulltime equivalent persons employed by CNH in Grand Island, Nebraska, as of the end of the Measuring Year and determined as follows: divide (i) the total number of regular time hours that CNH paid Employees to work during the Measuring Year [including forty (40) hours per week for each week worked by each salaried Employee] by (ii) 2080.

2. Employment Certificate means a written statement certified to be true and correct by the Grand Island Plant Manager of CNH and attested by its chief accountant. It shall be delivered to The Development Corporation within fifteen (15) days after the end of each calendar year. It shall state (i) the total number of hours for which CNH paid hourly Employees, (ii) the number of salaried Employees and the number of weeks each were employed by CNH at Grand Island, Nebraska, during the applicable year, and (iii) the number of Employees as of the last day of the year.

#### Part 2

##### Employment Requirements

CNH shall meet each of the following requirements:

1. CNH shall have had six hundred ninety-one (691) Employees as of October 17, 2006.

2. CNH shall maintain at not less than six hundred ninety-one (691) Employees continuously through December 31, 2008.

3. As of December 31, 2008, CNH will have seven hundred seventy-one (771) Employees and will maintain seven hundred seventy-one (771) Employees continuously through December 31, 2011.

Part 3

Monetary Advances

1. Not later than thirty days (30) after CNH notifies The Development Corporation in writing that CNH is implementing the Business Plan set out in its Project Application for Economic Development Programs and funds are approved under The City's Economic Development Program, The City will advance CNH Two Hundred Thousand and No/100 Dollars (\$200,000.00) to assist in the development of the proposed eighty(80) new jobs.

2. If between the date of this Agreement and December 31, 2008, CNH increases the number of its Employees to seven hundred seventy-one (771) and has seven hundred seventy-one (771) Employees on December 31, 2008, then The City and The Development Corporation will forgive the repayment by CNH of Fifty Thousand and No/100 Dollars (\$50,000.00) of the advance.

3. If CNH meets the requirements of paragraph 2 of this Part 3 and continuously maintains seven hundred seventy-one (771) Employees throughout 2009 and has seven hundred seventy-one (771) Employees on December 31, 2009, then The City and The Development Corporation will forgive the repayment by CNH of an additional Fifty Thousand and No/100 Dollars (\$50,000.00) of the advance.

4. If CNH meets the requirements of paragraphs 2 and 3 of this Part 3 and continuously maintains seven hundred seventy-one (771) Employees throughout 2010 and has seven hundred seventy-one (771) Employees on December 31, 2010, then The City and The Development Corporation will forgive the repayment by CNH of an additional Fifty Thousand and No/100 Dollars (\$50,000.00) of the advance.

5. If CNH meets the requirements of paragraphs 2, 3 and 4 of this Part 3 and continuously maintains seven hundred seventy-one (771) Employees throughout 2011 and has seven hundred seventy-one (771) Employees on December 31, 2011, then The City and The Development Corporation will forgive the repayment by CNH of the remaining Fifty Thousand and No/100 Dollars (\$50,000.00) of the advance and this Agreement will terminate.

6. If CNH fails to meet the employment requirements set out in Part 2 of this Section for any year then the total amounts therefore forgiven under the provisions of this Part 3 of Section 2 for each prior year's performance shall be deducted from the advance and CNH shall repay the balance to The City. The balance shall become due on the last day of the first year in which the employment requirement was not attained or became unattainable and shall be paid with interest on the unpaid balance at the rate of eight percent (8%) per annum until paid in full.

7. To assist CNH with its addition to its existing plant in Grand Island to house the production of hay harvesting equipment in order to provide space for the new jobs it is creating, The City will pay from its LB840 Development Funds a total of One Hundred Thousand and No/100 Dollars (\$100,000.00) to CNH after CNH enters a construction contract for that addition. After the construction contract is fully executed CNH shall furnish The Development Corporation with such documentation thereof as The Development Corporation may reasonably require. The Development Corporation will then certify to The City that the payment is due and The City will make the payment to CNH.

8. To assist CNH in training the new employees who will be employed in the manufacture of hay harvesting equipment in Grand Island, The City will make an economic incentive grant of Twenty-five Thousand and No/100 Dollars (\$25,000.00). When CNH hires the first of those new employees it shall furnish The Development Corporation with such documentation thereof as The Development Corporation may reasonably require. The Development Corporation will then certify to The City that the payment is due and The City will make the payment to CNH.

### Section 3

#### LEGAL EFFECT

1. Upon request CNH shall furnish The Development Corporation and The City such additional documentation and information as either may reasonably request to satisfy the requirements of The City's Economic Development Program.

2. This Economic Development Agreement contains all of the agreements and understandings between The Development Corporation, The City and CNH relative to the provisions hereof

and supersedes any and all prior agreements and understandings whether written or oral concerning economic development grants or incentives. No additions or changes to this Agreement shall be effective until they are reduced to a writing signed by all three (3) parties to this Agreement.

3. The provisions of this Agreement are fully binding upon The Development Corporation, The City and CNH, and their respective successors.

Dated this \_\_\_\_\_ day of October, 2006.

GRAND ISLAND AREA ECONOMIC  
DEVELOPMENT CORPORATION

By Marlan Ferguson  
Marlan Ferguson, President

CNH AMERICA LLC

By Steven G. Lee  
Steven G. Lee,  
Grand Island Plant Manager

THE CITY OF GRAND ISLAND

By \_\_\_\_\_  
Jay Vavricek, Mayor

R E S O L U T I O N 2006-339

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, L.L.C., a limited liability company, has applied for a forgivable loan in the amount of \$200,000 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 November 7, 2006 by the Citizens Advisory Review Committee; and

WHEREAS, CNH America, 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 CNH America, 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 CNH America, L.L.C., a limited liability company, to provide \$200,000 in economic assistance through a forgivable loan to CNH America, L.L.C., to be used for expanding its business at 3445 West Stolley Park Road 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, November 14, 2005.

\_\_\_\_\_  
Jay Vavricek, Mayor

Attest:

\_\_\_\_\_  
RaNae Edwards, City Clerk

Approved as to Form	☐ _____
November 8, 2006	☐ City Attorney