



# City of Grand Island

Tuesday, February 26, 2008

Council Session

## Item I3

**#2008-76 - Consideration of Economic Development Incentive Agreement with Nova-Tech, Inc.**

Staff Contact: Dale Shotkoski

# **Council Agenda Memo**

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

**Meeting:** February 26, 2008

**Subject:** Approving Economic Development Incentive Agreement with Nova-Tech, Inc.

**Item #'s:** I-3

**Presenter(s):** Dale M. Shotkoski, 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 Nova-Tech, Inc. to construct a new facility to permit the expansion of their current business.

## **Discussion**

Nova-Tech, Inc. has submitted an application (attached) for economic development incentives that would create 30 new full time employee (FTE) positions at \$2,000 per job for a maximum assistance of \$60,000 and \$100,000 to offset infrastructure costs related to a new manufacturing corporate headquarters. Nova-Tech states in its application that it intends to expand their FDA Registered Device manufacturing facility which began as an animal blood collection and sterile serum facility. In 2000 they added the FDA Drug registration and are now focused on the aseptic fill of large volume and small volume sterile injectables, specifically fluids, minerals and vitamin products custom manufactured for Animal Health Distributors. They propose to be fully operational in no less than 1 – 1.5 years.

The application of Nova-Tech, Inc. 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. 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 Nova-Tech, Inc.
2. Do not approve the Economic Development Agreement with Nova-Tech, Inc.
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 Nova-Tech, Inc.

## **Sample Motion**

Move to approve the resolution authorizing the city to enter into the Economic Development Agreement in the amount of \$160,000 with Nova-Tech, Inc.



## PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Nova Tech, Inc.

Address 1982 E Citation Way, Grand Island, NE 68801

Telephone ( 308 ) 381-8841

Email Address teresa@novatech-inc.com; gloria@novatech-inc.com

Business Contact Person Gloria Thesenvitz

Telephone ( 308 ) 381-8841

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: FDA Registered Device manufacturing facility which  
began as an animal blood collection and sterile serum facility, added FDA Drug registration  
in year 2000 and is now focused on the aseptic fill of large volume and small volume sterile  
injectables, specifically fluids, minerals and vitamin products custom manufactured for  
Animal Health Distributors.

6. Project Description: Increased employment levels requiring additional work areas to  
meet increased demand in the manufacturing of Nova-Tech products.

7. Project Timetable: With the expansion, no less than 1 - 1.5 years to be fully  
operational.

8. Employment Information:

Current number of employees 20 (full-time equivalent)

Proposed number of employees 50 (full-time equivalent)

What is the average hourly wage for all employees? \$17.89

Number of new jobs to be created 30 (full-time equivalent)

What would be the average hourly wage for new jobs? \$16.28

Number of jobs to be retained, if any 50 (full-time equivalent)

Please describe all benefits which the business provides to employees:

Health Insurance Premiums, Simple IRA, Personal Time Off, & Holidays

9. Financing/Incentives Requested: Due to the tremendous growth of Nova-Tech, it is our  
hope to receive \$2,000.00 for each new job created with a total incentive package of  
\$60,000.00.

Additionally, we are requesting \$100,000.00 to offset the infrastructure costs of an  
approximate \$7 million dollar investment in a new manufacturing corporate headquarters.

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: Gloria J. Husenitz  
(Name)  
Pres. Nova Tech Inc.  
Title

Date: 05 Feb 08

## Grand Island Area Economic Development LB-840 Project Application

Project Name: Nova Tech, Inc.

Date Referred to Grand Island Area Economic Development Board: 09-Feb-08

Approved: ✓ Disapproved: \_\_\_\_\_ Date: 2-7-08

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature of President: Marlan Ferguson  
Marlan Ferguson

Date Referred to Citizen's Review Committee: February 19, 2008

Approved: X Disapproved: \_\_\_\_\_ Date: 2/19/08

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature of Chairman: Dehn Renter  
Dehn Renter

Date Referred to City Council: \_\_\_\_\_

Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Date: \_\_\_\_\_

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature of Mayor: \_\_\_\_\_  
Margaret Hornady

## ECONOMIC DEVELOPMENT AGREEMENT

In reliance upon the Project Application and business plan of Nova Tech, Inc., a Nebraska corporation (Employer or Nova Tech) which details a material 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

Nova Tech is a Nebraska corporation with its principal office at 1982 E. Citation Way, Grand Island, Nebraska. Nova Tech began as an animal blood collection and sterile serum facility and has evolved into an FDA Registered Drug manufacturing facility and further expanding into aseptic fill of large volume and small volume sterile injectibles and has grown its employment base to twenty (20) Full Time Equivalent Employees. It proposes to construct a new facility to permit the expansion of its business resulting in an increase the number of its employees by thirty (30) employees resulting in a total of fifty (50) Full Time Equivalent Employees. Nova Tech anticipates that it will take between 12-18 months to complete its new facility and be fully operational. Anticipated total investment for its new manufacturing and corporate headquarters will be approximately Seven Million Dollars (\$7,000,000.00).

### Section 2

#### GRANT FOR INFRASTRUCTURE

The City and the Development Corporation will grant One Hundred Thousand and No/100 Dollars (\$100,000.00) to Employer for it to apply to the construction costs of the infrastructure related to its new manufacturing and corporate headquarter facility as described in the Business Plan. Payment will be made by The City within ten (10) days after Employer provides Development Corporation with satisfactory evidence that Employer has incurred and paid an amount in excess of One Hundred Thousand Dollars (\$100,000.00) as part of the costs of the infrastructure related to the new manufacturing and corporate headquarters all as described in the Business Plan.

This grant will not be repayable by Employer to The City if Employer substantially completes new manufacturing and corporate headquarters facility, including without limitation, the infrastructure, all as described in the Business Plan within twenty-four (24) months after the grant is paid by The City. However, the grant will be repayable immediately upon demand of



the Development Corporation if the new manufacturing and corporate headquarters facility is not substantially completed prior to April 1, 2010.

### Section 3

#### TERMS USED HEREIN

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

1. Full Time Equivalent Employees mean 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. Overtime hours shall not be included or counted in determining Full Time Equivalent Employees.
2. The Base Year is the period from April 1, 2007, ending March 31, 2008.
3. Measuring Year shall be mean a twelve (12) month period commencing April 1, and ending March 31. The first Measuring Year shall be from April 1, 2010 to March 31, 2011. The two subsequent Measuring Years shall be the same twelve (12) month period.
4. Employment Certificate means a written statement certified to be true and correct by the President of Employer and attested by the Chief Financial Officer of Employer. 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 through and including the 3rd Measuring Year. It shall state (i) the total number of regular hours, excluding overtime hours, for which Employer paid hourly employees; (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; and (iii) the calculation of Full Time Equivalent Employees per the formula set forth in Section 3, paragraph 1.

### Section 4

#### EMPLOYMENT REQUIREMENTS

1. Employer shall have not less than twenty (20) Full Time Equivalent Employees during the Base Year.
2. The Employment Certificate for the first thru third Measuring Years will show that Employer had not fewer than fifty (50) Full Time Equivalent Employees during each Measuring Year.

## Section 5

### MONETARY ADVANCES

1. Not later than the last day of the month in which Employer (i) incurred and paid an amount in excess of One Hundred Thousand Dollars (\$100,000.00) as part of the costs of the infrastructure related to the new manufacturing and corporate headquarters all as described in the Business Plan; (ii) certified such fact to Development Corporation to its reasonable satisfaction; and (iii) this Economic Development Agreement is approved under The City's Economic Development plan, the City will advance to Employer One Hundred Thousand and No/100<sup>th</sup> Dollars (\$100,000.00) (the Infrastructure Advance).

2. Not later than the last day of the month in which Employer (i) provides an Employment Certificate for the Base Year that is in accordance with the terms of this Economic Development Agreement; and (ii) this Economic Development Agreement is approved under the City's Economic Development plan, the City will advance to Employer Sixty Thousand and No/100<sup>th</sup> Dollars (\$60,000.00) (the Employment Advance).

3. If Employer files an Employment Certificate for each Measuring Year that meets the Full Time Equivalent Employee requirements set forth in Section 4, paragraph 2 above, Development Corporation will forgive the repayment by Employer of the Employment Advance, at the rate of 33.33% (\$20,000.00) for each Measuring Year requirements are met at 0% interest.

4. If for any Measuring Year Employer fails to meet the Employee requirements set forth in Section 4, paragraph 2, then Employer shall repay the Employee Advance to The City, at the rate of 20% (\$20,000.00) for each year requirements are not met. The payment shall become due on the last day of month following the end of the Measuring Year for which the requirements were not met and shall be paid with interest on the unpaid balance at the rate of eight (8%) per annum thereafter until paid in full.

## Section 6

### 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 prior to the end of the third (3rd) Measuring Year 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 Employer shall repay the entire

amount of the Infrastructure Advance and the Employment Advance to The City 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 and upon Employer and upon their respective successors.

Dated this \_\_\_\_\_ day of February, 2008.

GRAND ISLAND AREA ECONOMIC  
DEVELOPMENT CORPORATION

By: Marlan Ferguson  
Marlan Ferguson, President

NOVA TECH, INC.,  
Employer

By: Gloria J. Thescu  
Printed Name: Gloria J Thescu  
Title: Pres.

THE CITY OF GRAND ISLAND

By: \_\_\_\_\_  
Margaret Hornady, Mayor

RESOLUTION 2008-76

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, Nova-Tech, Inc., has applied for a forgivable loan for job incentive in the amount of \$60,000.00 and \$100,000.00 towards infrastructure 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 19, 2008 by the Citizens Advisory Review Committee; and

WHEREAS, Nova-Tech, 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 Nova-Tech, 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 Nova-Tech, Inc., to provide \$160,000.00 in economic assistance to Nova-Tech, Inc., to be used for expanding its business at 1982 East Citation Way 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, February 26, 2008.

\_\_\_\_\_  
Margaret Hornady, Mayor

Attest:

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

Approved as to Form	<input type="checkbox"/>	_____
February 22, 2008	<input type="checkbox"/>	City Attorney