



City of Grand Island

Tuesday, February 10, 2009

Council Session

Item I2

#2009-37 - Consideration of Economic Development Incentive Agreement with Ace Machine Shop & Sales, Inc.

Staff Contact: Dale Shotkoski

Council Agenda Memo

From: Dale M. Shotkoski, City Attorney

Meeting: February 10, 2008

Subject: Approving Economic Development Incentive Agreement with Ace Machine Shop & Sales, Inc.

Item #'s: I-2

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 Ace Machine Shop & Sales, Inc. to develop a start-up business.

Discussion

Ace Machine Shop & Sales, Inc., 1104 West Oklahoma intends to provide all kinds of manufacturing machine work and has submitted an application (see attached) for economic development incentives, which would include \$2,500 per employee for job creation, for a total of \$17,500 and \$15,000 for upgrade of infrastructure to their facility for a total incentive/financing request of \$32,500. Ace Machine Shop currently employs 0 full time employees; this would increase to 7 full time employees. Services provided by Ace Machine Shop will include providing all kinds of manufacturing machine work from custom to specialized, from one piece to production runs. They can handle all fabrication needs with a target customer base consisting of Union Pacific Railroad, Burlington Railroad, Nevada Railroad Materials, and Nebraska Central Railroad.

The application of Ace Machine Shop & Sales, Inc. 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 it 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 Ace Machine Shop & Sales, Inc.
2. Do not approve the Economic Development Agreement with Ace Machine Shop & Sales, 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 Ace Machine Shop & Sales, Inc.

Sample Motion

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with Ace Machine Shop & Sales, Inc.



PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Ace Machine Shop & Sales, Inc.

Address 1104 W Oklahoma, Grand Island NE 68801

Telephone (308) 382-9090

Email Address tom@acemachineshop.biz

Business Contact Person Tom or Jill O'Neill

Telephone (308) 382-9090

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: All kinds of manufacturing machine work from custom
to specialized. From one piece to production runs. Can handle all fabrication needs.

6. Project Description: Ace Machine Shop is a start-up company staffed with qualified
individuals with a combined work experience of well over 152 years. Ace Machine Shop
has a target customer base consisting of Union Pacific Railroad, Burlington Railroad,
Nevada Railroad Materials, and Nebraska Central Railroad to name just a few.

7. Project Timetable: Startup production on January 1, 2009 and to be fully operational
by March 1, 2009.

8. Employment Information:

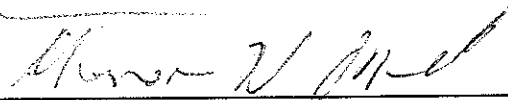
Current number of employees	<u>0</u>	(full-time equivalent)
Proposed number of employees	<u>7</u>	(full-time equivalent)
What is the average hourly wage for all employees?	<u>\$13.50</u>	
Number of new jobs to be created	<u>7</u>	(full-time equivalent)
What would be the average hourly wage for new jobs?	<u>\$13.50+</u>	
Number of jobs to be retained, if any	<u>NA</u>	(full-time equivalent)

Please describe all benefits which the business provides to employees:
Health Insurance, Life Insurance, Sick Leave, Vacation

9. Financing/Incentives Requested: Ace Machine Shop is asking for a grant in the amount
of \$2,500/employee for a total employee incentive of \$17,500. In addition, with Ace Machine
Shop being a start-up company, and the required upgrade of instructure for the facility,
we are requesting \$15,000. Our total incentive/financing request is \$32,500.

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: 
Tom O'Neill

President/Owner
Title

Date: 09-Dec-08

Grand Island Area Economic Development LB-840 Project Application

Project Name: Ace Machine Shop

Date Referred to Grand Island Area Economic Development Board: December 11, 2008

Approved: Disapproved: Date: _____

Comments: _____

Signature of President: *Marlan Ferguson*
Marlan Ferguson

Date Referred to Citizen's Review Committee: February 3, 2009

Approved: Disapproved: Date: 2-3-09

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 business plan of Ace Machine Shop & Sales, Inc., (“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 hereof, including, without limitation, the terms and conditions of repayment.

Section 1

BUSINESS PLAN

Employer is a start-up business that proposes to become engaged in all types of manufactured machine work from custom to specialized. It has assembled a qualified group of employees that has, in the aggregate, 152 years of industry specific work experience. It will operate at 1104 Oklahoma, Grand Island, Nebraska and has a target market of large specialized users of manufactured machine work, such as Union Pacific Railroad, Burlington Northern Santa Fe Railroad, Nevada Railroad Materials and nebraska Central Railroad as examples.

Employer intends to upgrade the infrastructure of its operating facility. It is anticipated that this start-up operation will be fully operational by March 1, 2009.

Currently, Employer has no employees. It anticipates that within three (3) years Employer will employ seven (7) full time equivalent employees within the City. Employees as they become qualified for the Employer’s operation will have a combined average wage and benefit compensation level of \$13.50.

Section 2

TERMS USED HEREIN

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

2.1. “Employees” means the number of fulltime equivalent persons employed by Employer in Grand Island, Nebraska, throughout the Measuring Year and determined as follows: divide (i) 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 (ii) 2080. Overtime hours are not included in determining fulltime equivalent persons. The total hours worked necessary to equate to seven (7) fulltime equivalent employees is 14,560.

2.2. The "Measuring Year" shall begin on the first day of March, 2011 and end on February 28, 2012.

3. "Employment Certificate" means a written statement certified to be true and correct by the President or General Manager of Employer. It shall be delivered to the Development Corporation within fifteen (15) days after the close of the Measuring Year. It shall state (i) the total number of regular time hours for which Employer paid hourly Employees, (ii) the number of salaried Employees and the number of weeks each salaried employee was employed by Employer at Grand Island, Nebraska, during the applicable Base or Measuring Year and (iii) the calculation determining the average hourly wage of the Employees during each year.

Section 3

EMPLOYMENT REQUIREMENTS

Employer shall have had at least seven (7) Employees continuously throughout the Measuring Year at an average wage of not less than \$13.50 per hour (the "Employment Requirement").

Section 4

MONETARY ADVANCES

4.1. Within thirty (30) days after this Agreement and the necessary funds are approved under The City's Economic Development Program, the City will advance Employer Fifteen Thousand and No/100 Dollars (\$15,000.00) as an infrastructure advance (the "Infrastructure Advance") and Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00) as an employment advance (the "Employment Advance").

4.2. Upon the Development Corporation's receipt of a certification from Employer that the business is fully operational, the Development Corporation shall notify Employer that the entire Infrastructure Advance is forgiven and Employer shall thereafter have no obligation to repay that amount to the City.

4.3. If Employer meets the employment requirements set forth in Section 3 then not later than thirty (30) days after the Development Corporation receives the required Employment Certificate for the Measuring Year, the Development Corporation shall notify Employer that the entire Employment Advance is then forgiven and Employer shall thereafter have no obligation to repay that amount to the City.

4.4. If Employer fails to have the business fully operational on or before July 31, 2009, then the total amount of the Infrastructure Advance shall become immediately due and payable to the City, together with interest on the unpaid balance at the rate of six (6%) per annum until paid in full.

4.5. If Employer fails to meet the Employment Requirements for the Measuring Year or if the Employment Requirement becomes unattainable because Employer has ceased operations, then the total amount of the Employment Advance shall become due and payable to the City thirty (30) days after the last day of the Measuring Year or immediately at such time as Employer ceases operation, whichever is earlier, together with interest on the unpaid balance at the rate of six (6%) per annum until paid in full.

Section 5

LEGAL EFFECT

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

(a) If Employer is merged into or with any 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 Employment Advance 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.

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

5.3. 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 from the City to Employer.

5.4. Time is of the essence for the performance of each of the provisions of this agreement.

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

Dated effective this _____ day of January, 2009.

GRAND ISLAND AREA ECONOMIC
DEVELOPMENT CORPORATION

By Marlan Ferguson
Marlan Ferguson, President

ACE MACHINE SHOP & SALES, INC.
Employer

By Tom O'Neill
Tom O'Neill

THE CITY OF GRAND ISLAND

By _____
Margaret Hornady, Mayor

RESOLUTION 2009-37

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, Ace Machine Shop & Sales, Inc. has applied for a forgivable loan in the amount of \$32,500 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 3, 2009 by the Citizens Advisory Review Committee; and

WHEREAS, Ace Machine Shop & Sales, 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 Ace Machine Shop & Sales, 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 Ace Machine Shop & Sales, Inc., to provide a \$32,500 in economic assistance through a forgivable loan to Ace Machine Shop & Sales, Inc., to be used for establishing its business at 1104 West Oklahoma 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 10, 2009.

Margaret Hornady, Mayor

Attest:

Approved as to Form	☐ _____
February 5, 2009	☐ City Attorney

RaNae Edwards, City Clerk