



City of Grand Island

Tuesday, December 21, 2010

Council Session

Item I1

#2010-370 - Consideration of Approving Funding of Economic Development Request for Rogue Manufacturing, Inc.

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Interim City Administrator

Meeting: December 21, 2010

Subject: Approving Economic Development Incentive Agreement with Rogue Manufacturing, Inc.

Item #'s: I-1

Presenter(s): Mary Lou Brown, Interim City Administrator
Mark Stelk, Chairman Citizens' Review Committee

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 Rogue Manufacturing, Inc. for LB 840 funds in the amount of \$50,000.00 to be used for infrastructure and employee incentives. On November 11, 2010, the Executive Board of the GIEDC approved submission of the attached Economic Development Agreement to the Citizens Review Committee (CRC) for consideration and recommendation. The CRC met on December 7, 2010 and approved the request and Agreement for recommendation to the City Council for final action and approval.

Discussion

Rouge Manufacturing, Inc. was started in 2009 by Rick Lockard, Greg Richards, Mike Pipes, and Chuck Costello, former employees of Chief Automotive. They are located at the Central Nebraska Regional Airport. Recently the company moved from a 5,000 square foot building to a building of over 15,000 square feet. The new location had been updated with new electrical service. To comply with new EPA regulations, updated exhaust and air control systems needed to be installed.

They provide fabrication, assembly work, and shipping of personal fitness trampolines for Needak Rebounders of O'Neill. Requested were LB840 funds in the amount of \$35,000 for infrastructure and \$3,000 for five new employees for a total amount of \$50,000. Currently there are seven employees with a request to add five new employees

with an average hourly wage of \$13.50. The new employees to be hired would be welders and assemblers. The Central Nebraska Airport has invested Approximately \$25,000 toward the hanger where Rouge Manufacturing is located and the Airport Board is in favor of this application.

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 Rogue Manufacturing, Inc.
2. Do not approve the Economic Development Agreement with Rogue Manufacturing, 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 Rogue Manufacturing, Inc.

Sample Motion

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



PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Rogue Manufacturing Inc.

Address 3821 Skypark Rd. Grand Island NE, 68801

Telephone (308) 384-1474

Email Address info@roguemfg.com

Business Contact Person Rick Lockard (rick.lockard@roguemfg.com)

Telephone (308) 384-1474 (ext.14)

2. Business Organization: X Corporation Partnership
 Proprietor Other

3. Business Type: Startup x Existing
 Business Buyout Spec Building
 Other _____

4. Project Location: X 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: Fabrication of various agricultural and domestic
metal products as well as some general assembly.

6. Project Description: Rouge Manufacturing has been experiencing increased volume of
fabrication and assembly work. Recently the company moved from a 5,000 square foot
building to a building over 15,000 sq. ft. The new location has been updated with new
electrical. To comply with new EPA regulations, updated exhaust and air control systems
need to be installed. Additional employment of welders and assembly workers need to be
hired.

7. Project Timetable: Updated building requirements will be completed by March 1, 2011.
Employees will be hired over the next two years.

8. Employment Information:

Current number of employees	<u>7</u>	(full-time equivalent)
Proposed number of employees	<u>5</u>	(full-time equivalent)
What is the average hourly wage for all employees?	<u>\$16.00</u>	
Number of new jobs to be created	<u>5</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>12</u>	(full-time equivalent)

Please describe all benefits which the business provides to employees:

Health/Dental/Vision Insurance and Personal Time Off (PTO)

9. Financing/Incentives Requested: To achieve the necessary production capabilities nine
new employees are needed. Prior to hiring these employees, Rouge Manufacturing is
asking for a grant to aid in the improvements needed for manufacturing. At this time we
are requesting a grant of \$35,000 for infrastructure. A forgivable loan of \$3,000/employee or
\$15,000 for new employees. A total grant request of \$50,000 would be appreciated.

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:

Gregory Richards
Gregory Richards

President

Title

Date: 11/02/2010

Grand Island Area Economic Development LB-840 Project Application

Project Name: Rogue Manufacturing

Date Referred to Grand Island Area Economic Development Board: November 11, 2010

Approved: X Disapproved: _____ Date: 11-11-2010

Comments: _____

Signature of President: Marlan Ferguson
Marlan Ferguson

Date Referred to Citizen's Review Committee: December 7, 2010

Approved: X Disapproved: _____ Date: 12/7/2010

Comments: _____

Signature of Chairman: Mark Stelk
Mark Stelk

Date Referred to City Council: _____

Approved: _____ Disapproved: _____ Date: _____

Comments: _____

Signature of Mayor: _____

Margaret Hornady

Jay Vauricek

ECONOMIC DEVELOPMENT AGREEMENT
WITH
ROGUE MANUFACTURING, INC.
3821 Skypark Road
Grand Island, NE 68801
308-384-1474

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 Rogue Manufacturing, Inc. (Rogue) as follows:

ARTICLE I

BUSINESS AND INCENTIVE PLANS

1. Rogue is in the business of custom steel fabrication and assembly of agricultural and domestic products, including but not limited to service parts, grain handling equipment, galvanized welding, personal training equipment, and miscellaneous fabrication. Rogue has been manufacturing from a five thousand square foot (5,000 sq. ft.) plant located at the Hall County Regional Airport. It has recently leased another building from the Airport Authority which has fifteen thousand square feet (15,000 sq. ft.). Rogue is in the process of retrofitting that building including its entire electrical system. The next part of its plant improvements includes installing exhaust and air control systems which will remove the exhaust from the welding sites and keep the plant over all air quality above EPA's strict standards. The over all cost of the building improvement project will be in excess of Two Hundred Ninety Thousand and No/100 (\$290,000).

Prior to its acquisition of the new facility, Rogue had three (3) full time equivalent employees (FTE's) who were being paid at the average rate of sixteen dollars (\$16.00) per hour. Rogue intends to increase that number to twelve (12) FTE's by the end of 2012. So far Rogue has increased its number of employees to seven (7).

Rogue has filed a Project Application for Economic Development Program which requests the total amount of Fifty Thousand and No/100 Dollars (\$50,000.00) to enhance its ability to complete the project and increase its manufacturing capacity to support the hiring of the additional five (5) FTE's. The average rate of pay of all of the FTE's at the Grand Island facility will be Sixteen Dollars (\$16.00) per hour.

2. The City and The Development Corporation accept the Rogue Application with enthusiasm and in reliance upon the provisions of that Application and upon Rogue's meeting the requirements expressed in this Economic Development Agreement agree to provide the economic incentive grant and job creation incentives set forth in this Agreement.

3. The City and The Development Corporation find that Rogue is a qualifying interstate and international business under The City's Economic Development Program, that the Rogue 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 grant and job creation incentives set forth below contribute to the fulfillment of the major objective of The City's Economic Development Plan to create new jobs.

ARTICLE II

INFRASTRUCTURE INCENTIVE

To assist Rogue in its expansion and renovation of its Grand Island manufacturing plant as is described in its Application, The City will advance Thirty-five Thousand and No/100 Dollars (\$35,000.00) to Rogue. This amount will be paid within thirty (30) days after the payment is formally approved under The City's Economic Development Program.

This advance will be automatically forgiven when The Development Corporation receives (i) proof the exhaust and air control systems have been purchased and installed by June 1, 2011 and (ii) the certificate required by Article III, below, showing that Rogue has maintained its FTE's at not less than seven (7) with an average wage of Sixteen dollars (\$16.00) per hour throughout 2011. Rogue will then have no obligation to repay the grant. However, if the proof is not received by June 1, 2011, the grant of Thirty-five Thousand and No/100 Dollars (\$35,000.00) will be repayable in full by Rogue to The City. Also, if Rogue does not maintain seven (7) FTE's through December 31, 2011 its Thirty-five Thousand and No/100 Dollars (\$35,000.00) grant will be repayable in full by Rogue to the City.

ARTICLE III

JOB CREATION 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 Rogue at its manufacturing plant 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 Rogue paid Employees to work during the Measuring Year [including forty (40) hours per week for each week worked by each fulltime salaried Employee] by (ii) 2080.

2. Year means the twelve (12) consecutive month period ending on December 31 each year during the term of this Agreement.

3. Employment Certificate means a written statement reporting the employment for the year at the Grand Island manufacturing plant certified to be true and correct by the Treasurer and attested by the President of the company. It shall be delivered to The Development Corporation within thirty (30) days after the end of each of the years 2010, 2011, 2012, 2013, 2014, and 2015. Certificates shall be delivered to The Development Corporation for each of those years. It shall state (i) the total number of regular time hours for which Rogue paid hourly Employees for working at the manufacturing plant in Grand Island, (ii) the number of fulltime salaried Employees and the number of weeks each were employed by Rogue at Grand Island, Nebraska, during the applicable year, (iii) the number of Employees as of the last day of the year, and (iv) the total of the gross wages paid that year to those Employees who are included in the items (i) and (ii) of this paragraph. The Certificate shall also state that all of the Employee benefit programs referred to in paragraph 5 of Part 2 of this Article III continue to be in full force and effect.

Part 2

Employment, Pay and Benefits Requirements

Rogue shall meet each of the following employment requirements:

1. At the year ending on December 31, 2010, Rogue must have not less than seven (7) employees on its payroll.

2. For the year ending December 31, 2011, Rogue must have employed not less than seven (7) FTE's.

3. For each of the years ending on December 31, in 2012, 2013, 2014, and 2015, Rogue must have employed at least twelve (12) FTE's.

4. For each year ending on December 31, 2011 through 2015, inclusive, the average hourly rate of pay for the regular time hours worked by the FTE's must be not less than Sixteen and No/100 Dollars (\$16.00) per hour. The average rate of pay shall be determined each year by dividing the gross regular time wages paid during the reporting year by the number of fulltime equivalent persons employed that year.

5. During each of the years ending on December 31, in each of the years 2010 through 2015 Rogue shall continue all of Employee benefit plans described in its Project Application for Economic Development Programs dated November 2, 2010.

Part 3

Monetary Provisions

1. Not later than thirty days (30) after The Development Corporation receives from Rogue the Employment Certificate for the year ending December 31, 2010, required by paragraph 1 of Part II of Article III of this Agreement and funds are approved under The City's Economic Development Program, The City will advance Rogue Fifteen Thousand and No/100 Dollars (\$15,000.00) to assist in the development of the proposed Five (5) new jobs.

2. If as of December 31 in each of the years ending in 2013 through 2015, inclusive (The Forgiveness Years), Rogue has met each of the employment, pay and benefit requirements for that year and every prior year beginning with 2010, then within thirty (30) days after The Development Corporation receives the Employment Certificate required for that Forgiveness Year, The City will give Rogue formal notice that Five Thousand and No/100 Dollars (\$5,000.00) of the original advance of Fifteen Thousand and No/100 Dollars (\$15,000.00) is then forgiven and Rogue shall have no further obligation with regard to any forgiven amount.

3. If Rogue fails to meet all of the employment, pay and benefit requirements set out in Part 2 of this Article III for the year ending December 31, 2011 or any subsequent year then the total amounts, if any, theretofore forgiven under the provisions of this Part 3 of Article III for each prior year's performance shall be deducted from the advance of Fifteen Thousand and No/100 Dollars (\$15,000.00) and Rogue shall repay the balance to The City. The balance shall become due on the

last day of the first year in which the employment, the pay or benefit requirement was not attained or became unattainable and shall be paid with interest on the unpaid balance at the rate of six percent (6%) per annum from the date of the advance until paid in full.

4. If at any time prior to December 31, 2015, Rogue transfers ownership or operation of its Grand Island manufacturing plant to any entity of which Rogue Manufacturing, Inc. does not have and maintain at least eighty percent (80%) of the corporate stock if it is a corporation or eighty percent (80%) of the voting and management rights if it is not a corporation, then at or before the effective date of the transfer Rogue shall repay to The City that portion of the Fifty Thousand and No/100 Dollars (\$50,000.00) advanced under Articles II and III which has not theretofore been forgiven. The payment shall be due upon the effective date of the transfer and shall be paid with interest computed at the rate of six percent (6%) per annum from that date until the entire balance of principal and interest is paid in full.

ARTICLE IV

LEGAL EFFECT

1. Upon request Rogue 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 and to evidence Rogue's performance of the requirements of this Agreement.

2. This Economic Development Agreement contains all of the agreements and understandings between The Development Corporation, The City and Rogue 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 Rogue, and their respective successors.

Dated this 11-15-10 day of November, 2010.

DEVELOPMENT CORPORATION

By Marlan Ferguson
Marlan Ferguson, President

By Greg Richards
Printed Name: Greg Richards
Title: President

THE CITY OF GRAND ISLAND

By Margaret Hornady, Mayor
Jay Vauricek

RESOLUTION 2010-370

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, Rogue Manufacturing, Inc. has applied for a forgivable loan for job incentive and infrastructure in the amount of \$50,000.00 from the Grand Island Area Economic Development Corporation in accordance with the Economic Development Program; and

WHEREAS, such application has been approved by the executive committee of the Economic Development Corporation and was approved on December 7, 2010 by the Citizens Advisory Review Committee; and

WHEREAS, Rogue Manufacturing, 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 Rogue Manufacturing, 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 Rogue Manufacturing, Inc., to provide \$50,000.00 in economic assistance to Rogue Manufacturing, 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, December 21, 2010.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
December 16, 2010	☐ City Attorney