



# City of Grand Island

Tuesday, May 10, 2011

Council Session

## Item I4

**#2011-121 - Consideration of Economic Development Incentive Agreement with Case New Holland (CNH America, LLC)**

Staff Contact: Mary Lou Brown

# Council Agenda Memo

**From:** Mary Lou Brown, Interim City Administrator

**Meeting:** May 10, 2011

**Subject:** Approving Economic Development Incentive Agreement with Case New Holland (CNH America, LLC)

**Item #'s:** I-4

**Presenter(s):** Mary Lou Brown, Interim City Administrator  
Mark Stelk, Chairman, Citizens' Advisory 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 (GIEDC). The Economic Development Corporation has received an application from Case New Holland (CNH America, LLC) for seventy-three additional employees. On April 14, 2011, 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 April 26, 2011 and approved the request and Agreement for recommendation to the City Council for final action and approval.

## Discussion

Case New Holland (CNH America, LLC) manufacturers combine and hay tool equipment for Case IH and New Holland brands and has submitted the required application (see attached) for a total amount of \$219,000 or \$3,000 per job created. Proposed is the creation of 73 new jobs by September 30, 2011 with an average hourly wage of \$16.50. Requested is \$100,000 upfront to assist in the development of the proposed 73 new jobs. CNH will submit a Full Time Equivalent report on or about October 1, 2011 indicating the number of employees that have been hired. The remaining \$119,000 will be payable to CNH following the receipt of the report that shows the additional 73 employees.

CNH currently has 844 employees and due to increased manufacturing and sales, the company will invest \$5 million in additional equipment and revamping of the plant. A total of \$219,000 of LB840 funds for an additional 73 new employees is requested.

### **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 Case New Holland (CNH American, LLC).
2. Do not approve the Economic Development Agreement with Case New Holland (CNH American, LLC).
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 Case New Holland (CNH American, LLC).

### **Sample Motion**

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with Case New Holland (CNH American, LLC).

## PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Case New Holland (CNH America, LLC)

Address 3445 W. Stolley Park Road, Grand Island, NE 68803

Telephone (308) 384-1010

Email Address william.baasch@cnh.com

Business Contact Person Bill Baasch, General Manager

Telephone (308) 384-1010

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 Case IH plant manufacturer's combines and  
hay tool equipment for Case IH and New Holland brands.

6. Project Description: Due to significant sales of machinery, manufacturing volumes at  
the plant continue to increase. As a result of this increase, additional personnel will be  
hired over the next months. Related to increased manufacturing and sales, there will be a  
\$5 million investment in additional equipment and revamping of the plant.

7. Project Timetable: The plant has already begun to revamp and the new  
equipment has been ordered. Eligible employees are being trained so that they may be  
hired as full time employees.

8. Employment Information:

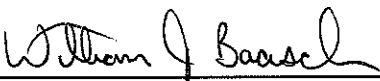
Current number of employees (full-time equivalent)	<u>844</u>	(full-time equivalent)
Proposed number of employees	<u>917</u>	(full-time equivalent)
What is the average hourly wage for all employees?	<u>\$18.00</u>	
Number of new jobs to be created	<u>73</u>	(full-time equivalent)
What would be the average hourly wage for new jobs?	<u>\$16.50</u>	
Number of jobs to be retained, if any	<u>917</u>	(full-time equivalent)

Please describe all benefits which the business provides to employees:  
14 Paid Holidays, Accrued Vacation, medical, dental, vision, short term disability, long  
term disability, 401-k, retirement savings account.

9. Financing/Incentives Requested: It is at this time, Case IH is asking for \$3,000/job  
created. A total incentive package of \$219,000.00. Case IH would like \$100,000 paid  
upfront and the balance consisting of \$119,000 be paid after October 1, 2011. Case IH will  
submit an FTE report, on or about October 1, 2011, stating that all 73 employees have  
been hired.

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:   
William Baasch  
Plant Manager  
Title

Date: 3/29/2011

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

Project Name: Case IH (CNH America LLC)

Date Referred to Grand Island Area Economic Development Board: 04/14/2011

Approved: x Disapproved: \_\_\_\_\_ Date: 4-14-11

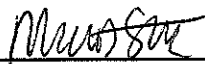
Comments: It is again wonderful for the community of Grand Island to see CASE IH expand and create  
jobs. This expansion is a credit to the work ethic and the commitment of the community.  
It also indicates that CASE IH is confident in the community to provide an educated and  
trained workforce.

Signature of President:   
Marlan Ferguson

Date Referred to Citizen's Review Committee: April 26, 2011

Approved: X Disapproved: \_\_\_\_\_ Date: 4-26-11

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

Signature of Chairman:   
Mark Stelk

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

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

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

Signature of Mayor: \_\_\_\_\_  
Jay Vavricek

In early 2000, the corporate executives for one of Grand Island's major employers, Case IH (formerly New Holland (CNH)), undertook an evaluation, targeting 20% of the company's plants worldwide for sale, consolidation and closure. At that time there was much discussion and concern that the Grand Island plant would be closed and operations moved.

July 8, 2000 was a red-letter day for the employees of Case IH, and City and community leaders as Case IH announced that the company planned to consolidate production of combines at the Grand Island plant, resulting in the retention of over 600 jobs. Case IH is an excellent corporate citizen. We are pleased that Case IH chose to invest in our community and are ecstatic that they currently have 844 well-paying jobs.

Our participation in the financial incentive package, while just a small component, demonstrates our support and commitment to Case IH, but, more importantly, to the employees, supporting companies/vendors, and the community at large. We believe the growth of Case IH will continue to stimulate economic development, increase the local tax base and promote the creation of well paying jobs.



ECONOMIC DEVELOPMENT AGREEMENT  
WITH  
CNH AMERICA LLC

The City of Grand Island, Nebraska (The City) and Grand Island Area Economic Development Corporation (The Development Corporation) having received and duly considered the Project Application for Economic Development Programs from Case New Holland, CNH America LLC (CNH) dated March 29, 2011, find that:

A. Since coming to Grand Island CNH has established itself as a very important contributor to the economic health and well-being of The City and the surrounding area; has established and maintained its Grand Island Plant as the largest manufacturer of combines and haytool equipment in the world and has consistently been an outstanding employee of a labor force which had six hundred ninety-one (691) fulltime equivalent employees in 2006 and now consists of eight hundred forty-four (844) fulltime equivalent employees;

B. CNH now proposes to revamp its Grand Island Plant and instill additional equipment necessary to expand its workforce by seventy-three (73) fulltime equivalent employees for a total of nine hundred seventeen (917);

C. CNH is a highly qualified business which meets and exceeds all of the requirements of The City's Economic Development Program;

D. The project which CNH proposes in its Application qualifies under The City's program and will be of substantial economic benefit to the people of the area served by The Development Corporation and especially the people of The City of Grand Island; and

E. The CNH Application should be and hereby is approved by The City and The Development Corporation on the terms and under the conditions of the following Articles of this Economic Development Agreement.

ARTICLE 1

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 General 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 Project 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.

3. Project Year means the period of twelve (12) consecutive months ending on the last day of September in each calendar year.

## Part 2

### Employment Requirements

CNH shall meet each of the following requirements:

1. CNH shall have had not less than eight hundred forty-four (844) fulltime equivalent Employees as of April 1, 2011.

2. Between April 1, 2011 and September 30, 2011 CNH shall increase its workforce at its Grand Island Plant by seventy-three (73) Employees who will be paid an average wage of Sixteen and 50/100 Dollars (\$16.50) per hour.

3. On October 1, 2011 the workforce of CNH at its Grand Island Plant shall consist of nine hundred seventeen (917) fulltime equivalent Employees. For the purpose of this paragraph the number of fulltime equivalent Employees shall be measured on the assumption that the number of Employees and their hours worked on September 30, 2011 had all been in place for the previous twelve (12) consecutive months.

4. As of September 30 in each of the Project Years ending on September 30 in each of the years 2012, 2013 and 2014 CNH will have employed not less than nine hundred seventeen (917) fulltime equivalent Employees that year.

## Part 3

### Monetary Advances

1. Not later than thirty days (30) after CNH accepts this Economic Development Agreement and funds are approved under The City's Economic Development Program, The City will advance from its Economic Development Funds to CNH One Hundred Thousand and No/100 Dollars (\$100,000.00) to assist in the development of the proposed seventy-three (73) new jobs.

2. If between April 1, 2011 and October 1, 2011 CNH increases the number of its Employees to nine hundred seventeen (917) and certifies (using the measurement proscribed in paragraph 3 of Part 2 of this Article 1) to The Development Corporation that on September 30, 2011 it had nine hundred seventeen (917) Employees, then with thirty (30) days after The Development Corporation's receipt of the Certification from CNH The City will advance from its Economic Development Funds to CNH an additional One Hundred Nineteen Thousand and No/100 Dollars (119,000.00).

3. If CNH meets the requirements of paragraph 2 of this Part 3 and continuously maintains not less than nine hundred seventeen (917) Employees throughout the Project Year ending September 30, 2012, and has nine hundred seventeen (917) Employees on September 30, 2012, then The City and The Development Corporation will forgive the repayment by CNH of Seventy-three Thousand and No/100 Dollars (\$73,000.00) of the advance.

4. If CNH meets the requirements of paragraphs 2 and 3 of this Part 3 and continuously maintains not less than nine hundred seventeen (917) Employees throughout the Project Year ending September 30, 2013, and has not less than nine hundred seventeen (917) Employees on September 30, 2013, then The City and The Development Corporation will forgive the repayment by CNH of an additional Seventy-three Thousand and No/100 Dollars (\$73,000.00) of the advance.

5. If CNH meets the requirements of paragraphs 2, 3 and 4 of this Part 3 and continuously maintains not less than nine hundred seventeen (917) Employees throughout the Project Year ending September 30, 2014, and has not less than nine hundred seventeen (917) Employees on September 30, 2014, then The City and The Development Corporation will forgive the repayment by CNH of the remaining Seventy-three Thousand and No/100 Dollars (\$73,000.00) of the advance and this Agreement will terminate.

6. If CNH fails to meet the employment requirements set out in Part 2 of this Article for any year then the total amounts therefore forgiven under the provisions of this Part 3 of Article 1 for each prior year's performance, if any, shall be deducted from the advances and CNH shall repay the balance to The City. The balance shall become due on the last day of the first Project 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 six percent (6%) per annum until paid in full.

## ARTICLE 2

### 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 14 day of April, 2011.

GRAND ISLAND AREA ECONOMIC  
DEVELOPMENT CORPORATION

By Marlan Ferguson  
Marlan Ferguson, President

CNH AMERICA LLC

By William J. Baasch  
William Baasch, General Manager

THE CITY OF GRAND ISLAND

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

ACCEPTANCE  
OF  
CNH AMERICA LLC

CNH hereby acknowledges receipt of a signed original of the foregoing Economic Development Agreement and accepts and agrees to all of the terms and conditions of that Agreement, including without limitation, the provisions requiring CNH to repay the amounts advanced to it from the Economic Development Funds of The City of Grand Island if CNH does not meet and maintain the employment levels required by the provisions of this Agreement.

Dated this 14 of April, 2011.

CHN AMERICA LLC

By William J. Baasch  
William Baasch, General Manager

RESOLUTION 2011-121

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, Case New Holland (CNH American, LLC) has applied for a forgivable loan for job incentive in the amount of \$219,000.00 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 April 26, 2011 by the Citizens Advisory Review Committee; and

WHEREAS, Case New Holland (CNH American, LLC). 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 Case New Holland (CNH American, LLC) 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 Case New Holland (CNH American, LLC), to provide \$219,000.00 in economic assistance to Case New Holland (CNH American, LLC), 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, May 10, 2011.

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

Attest:

\_\_\_\_\_

Approved as to Form    ☐ \_\_\_\_\_  
May 5, 2011            ☐ City Attorney

Shannon Oster, Assistant to the City Administrator