



# City of Grand Island

Tuesday, May 10, 2011

Council Session

## Item I5

**#2011-122 - Consideration of Amended Economic Development Incentive Agreement with Standard Iron, Inc.**

Staff Contact: Mary Lou Brown

# Council Agenda Memo

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

**Meeting:** May 10, 2011

**Subject:** Approving Amended Economic Development Incentive Agreement with Standard Iron, Inc.

**Item #'s:** I-5

**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 Standard Iron, Inc. for building expansion and additional employees. On January 13, 2011, the Executive Board of the GIEDC approved the submission of the attached Economic Development Agreement to the Citizens' Review Committee (CRC) for consideration and recommendation. The CRC met on February 8, 2011 and approved the request and Agreement for recommendation to the City Council for final action and approval.

The City Council approved the application on February 22, 2011. Changes to the Economic Development Agreement were requested by the City regarding the payback of \$150,000 if the plant expansion did not occur as outlined in the agreement.

The CRC met on April 26, 2011 and approved the amended Agreement for recommendation to the City Council for final action and approval.

## Discussion

Standard Iron, Inc., supplier of metal products to be used in the manufacture and final assembly of original equipment manufactured items has submitted the required application (see attached) for a total amount of \$225,000. Proposed is the creation of 25 new jobs by December 31, 2012 with an average hourly wage of \$13.00. Requested is

\$3,000 per new employee not to exceed 25 employees and \$150,000 to assist with a \$1.7 million building expansion and \$2 million in additional equipment for a total incentive request of \$225,000.

Standard Iron, Inc. currently has 98 employees and occupies 111,000 sq. ft. of plant space. A total of \$225,000 of LB840 funds for an additional 53,000 sq. ft. of manufacturing space to be completed by July 2011 and 25 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 Standard Iron, Inc.
2. Do not approve the Economic Development Agreement with Standard Iron, 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 amended Economic Development Agreement with Standard Iron, Inc.

### **Sample Motion**

Move to approve the resolution authorizing the City to enter into the amended Economic Development Agreement with Standard Iron, Inc.

ECONOMIC DEVELOPMENT AGREEMENT  
WITH  
STANDARD IRON, INC.  
524 Pine Street  
Monticello, MN 55362-8571  
763-295-8700

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 Standard Iron, Inc. (Standard) as follows:

ARTICLE I

BUSINESS AND INCENTIVE PLANS

Standard operates two (2) plants in Minnesota and one (1) in Grand Island at 4160 Gold Core Drive. Its primary business is metal fabrication producing metal products which are used by original equipment manufacturers in producing and assembling their products.

Standard came to Grand Island in 2004 and built a 111,000 square foot plant which now employs ninety-eight (98) fulltime equivalent employees. In 2004 Standard received an incentive payment of Two Hundred Thousand and No/100 Dollars (\$200,000.00) under Grand Island's Economic Development Program and fully satisfied the requirement of that Incentive Agreement.

Due to its success in Grand Island Standard has now outgrown the Grand Island plant and intends to expand it by fifty-three thousand (53,000) square feet. The building expansion has an estimated cost of 1.7 million dollars and the cost of equipping that expansion is estimated to be 2 million dollars.

Standard proposes to expand its Grand Island employment from ninety-eight (98) to one hundred twenty-three (123) fulltime equivalent workers at an average of Thirteen and No/100 Dollars (\$13.00) per hour plus a full benefit program which includes health, dental, life and short term disability insurance, a 401(k) program with matching funds as well as vacation and holiday pay and educational reimbursement.

Standard hopes to begin construction of the addition in February 2011 and estimates completion can be accomplished in the summer of 2011. The equipment purchases and the hiring of the new personnel will take place in 2011 and 2012.

Standard has applied for incentive assistance under the Grand Island Economic Development Program and the terms of the incentives are set forth in this Economic Development Agreement.

The City and The Development Corporation agree that Standard is qualified to receive incentives under the Grand Island Economic Development Plan, that Standard's expansion plan qualifies under the Program and that Standard's expansion will be a great benefit to the people of Grand Island and the surrounding area. The City and The Development Corporation also agree that the infrastructure and job creation incentives set forth in this Economic Development Agreement contribute to the fulfillment of the major objectives of the Development Plan.

## ARTICLE II

### INFRASTRUCTURE INCENTIVE

To assist Standard in its expansion and renovation of its Grand Island manufacturing plant as is described in its Application, The City will advance One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) to Standard. 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 City issues an occupancy permit to Standard after it completes the plant expansion described in its Application and Standard will then have no obligation to repay the grant. However, if that occupancy permit is not issued by November 1, 2011, on that date the grant will be repayable in full by Standard to The City.~~

If Standard fails to complete the plant expansion described in its Application and obtain an occupancy permit for the expanded area by December 31, 2011, Standard must repay the One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) advance in full to the City not later than February 1, 2012. However, if the occupancy permit is issued prior to December 31, 2011 by The City then Standard's repayment of the advance will be subject to the Forgiveness Provisions set forth in Article IV of this Agreement.

## ARTICLE III

### JOB CREATION INCENTIVES

#### Part 1

## Definitions

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

1. Employees means the number of fulltime equivalent persons employed by Standard 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 Standard 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 Comptroller and attested by the President of the company. For the year ending December 31, 2010, it shall be delivered to The Development Corporation within thirty (30) days after the execution of this Agreement by all three (3) parties and, not later than February 1 in each of the years 2012, 2013, and 2014, ~~and 2015,~~ Certificates shall be delivered to The Development Corporation for the preceding year. It shall state (i) the total number of regular time hours for which Standard 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 Standard 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 regular time wages paid that year to those employees who are included in ~~the items~~ (i) and the base salaries (not including bonuses or other extra payments) paid to those employees who are included in (ii) of this paragraph. The Certificate shall also state that all of the Employee benefit programs referred to in Article I of this Economic Development Agreement continue to be in full force and effect.

## Part 2

### Employment, Pay and Benefits Requirements

Standard shall meet each of the following employment requirements:

1. For the years ending on December 31, 2010, and December 31, 2011, Standard must have employed not less than ninety-eight (98) Employees.

2. For each of the years ending on December 31, 2012, 2013 ~~and, 2014~~ ~~2014 and 2015~~ Standard must employ at least one hundred twenty-three (123) Employees.

3. For each year ending 201~~2~~ through 201~~4~~5, inclusive, the average hourly rate of pay for the regular time hours worked by the Employees must be not less than Fifteen and 89/100 Dollars (\$15.89) per hour. The average rate of pay shall be determined each year by dividing the gross regular time wages and base salaries paid (not including overtime or bonuses) during the reporting year by the number of fulltime equivalent persons employed that year.

4. During each of the years 2011 through 201~~4~~5 Standard shall continue all of employee benefit plans described in Article I of this Economic Development Agreement.

5. Not later than thirty days (30) after The Development Corporation receives from Standard the Employment Certificate for the year ending December 31, 2010, required by paragraph 3 of Part 1 of Article III of this Agreement and funds are approved under The City's Economic Development Program, The City will advance Standard Seventy-five Thousand and No/100 Dollars (\$75,000.00) to assist in the development of the proposed twenty-five (25) new jobs.

### ~~Part 3~~

#### ~~Monetary Provisions~~

~~1. Not later than thirty days (30) after The Development Corporation receives from Standard the Employment Certificate for the year ending December 31, 2010, required by paragraph 3 of Part 1 of Article III of this Agreement and funds are approved under The City's Economic Development Program, The City will advance Standard Seventy-five Thousand and No/100 Dollars (\$75,000.00) to assist in the development of the proposed twenty-five (25) new jobs.~~

~~2. If as of December 31 in each of the years ending in 2013 through 2015, inclusive (The Forgiveness Years), Standard has met each of the employment, pay and benefit requirements for that year and every prior year beginning with 2011, then within thirty (30) days after The Development Corporation receives the~~

~~Employment Certificate required for that Forgiveness Year, The City will give Standard formal notice that Twenty five Thousand and No/100 Dollars (\$25,000.00) of the original advance of Seventy five Thousand and No/100 Dollars (\$75,000.00) is then forgiven and Standard shall have no further obligation with regard to any forgiven amount.~~

~~3. If Standard 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 Seventy five Thousand and No/100 Dollars (\$75,000.00) and Standard 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, Standard transfers ownership or operation of its Grand Island manufacturing plant to any entity of which Standard 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 Standard shall repay to The City that portion of the Seventy five Thousand and No/100 Dollars (\$75,000.00) advance 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

### FORGIVENESS PROVISIONS

The terms and conditions of the Forgiveness of the Two Hundred Twenty-five Thousand and No/100 Dollars (\$225,000.00) of the Infrastructure Incentive and the Job Creation Incentives are set forth in this Article IV:

1. If as of December 31 in each of the years ending in 2012 through 2014, inclusive (The Forgiveness Years), Standard has met each of the employment, pay and benefit requirements for that year and every prior year beginning with 2011, then within thirty (30) days after The Development Corporation receives the



Employment Certificate required for that Forgiveness Year, The City will give Standard formal notice that Seventy-five Thousand and No/100 Dollars (\$75,000.00) of the original advance of Two Hundred Twenty-five Thousand and No/100 Dollars (\$225,000.00) is then forgiven and Standard shall have no further obligation with regard to any forgiven amount.

2. If Standard fails to meet all of the employment, pay and benefit requirements set out in Part 2 of 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 Article IV for each prior year's performance shall be deducted from the advance of Two Hundred Twenty-five Thousand and No/100 Dollars (\$225,000.00) and Standard 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.

3. If at any time prior to December 31, 2014, Standard transfers ownership or operation of its Grand Island manufacturing plant to any entity of which Standard 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 Standard shall repay to The City that portion of the Two Hundred Twenty-five Thousand and No/100 Dollars (\$225,000.00) advance 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 V

### LEGAL EFFECT

1. Upon request Standard 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 Standard'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 Standard 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 Standard, and their respective successors.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2011.

GRAND ISLAND AREA ECONOMIC  
DEVELOPMENT CORPORATION

STANDARD IRON, INC.

By \_\_\_\_\_  
Marlan Ferguson, President

By \_\_\_\_\_  
Printed Name: Cathi Boerner  
Title: Controller

THE CITY OF GRAND ISLAND

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

RESOLUTION 2011-122

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, Standard Iron, Inc. has applied for a forgivable loan for job incentive and infrastructure in the amount of \$225,000.00 from the Grand Island Area Economic Development Corporation in accordance with the Economic Development Program; and

WHEREAS, such amended 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, Standard Iron, 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 Standard Iron, 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 Standard Iron, Inc., to provide \$225,000.00 in economic assistance to Standard Iron, 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 amended 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:

\_\_\_\_\_  
Shannon Oster, Assistant to the City Administrator

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