



City of Grand Island

Tuesday, April 10, 2012

Council Session

Item I3

#2012-101 - Consideration of Economic Development Incentive Agreement with Medbery Fabrication LLC.

Staff Contact: Mary Lou Brown, City Administrator

Council Agenda Memo

From: Mary Lou Brown, City Administrator

Meeting: April 10, 2012

Subject: Approving Economic Development Incentive Agreement with Medbery Fabrication LLC

Item #'s: I-3

Presenter(s): Mary Lou Brown, City Administrator

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 Medbery Fabrication LLC for fourteen additional employees. On March 22, 2012, the Executive Board of the GIEDC approved submission of the attached Economic Development Agreement to the Citizens Review Committee for consideration and recommendation. The CRC met on April 3, 2012 and approved the request and Agreement for recommendation to the City Council for final action and approval.

Discussion

Medbery Fabrication LLC repairs and maintains returnable containers which Case IH vendors use for shipping parts and materials to the plant and has submitted the required application (see attached) for a total amount of \$76,000.00. Proposed is the creation of 14 new jobs over the next three years with an average hourly wage of \$13.50. Requested is a forgivable loan of \$3,000 per employee or \$42,000 and \$34,000.00 for new equipment.

Medbery Fabrication LLC currently has four employees and due to increased orders, employees and projects, expansion of its facilities are necessary. A total of \$76,000.00 of LB840 funds for an additional 14 new employees and equipment 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 Medbery Fabrication LLC.
2. Do not approve the Economic Development Agreement with Medbery Fabrication 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 Medbery Fabrication LLC.

Sample Motion

Move to approve the resolution authorizing the City to enter into the Economic Development Agreement with Medbery Fabrication LLC.



PROJECT APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS

1. Applicant Business Name Medbery Fabrication LLC
- Address 136 North Carey
- Telephone (308) 383-9393
- Email Address grpamedbery@hotmail.com
- Business Contact Person Ed Medbery
- Telephone () Same
2. Business Organization: Corporation Partnership Other
 Proprietor x LLC
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: Repair and maintain returnable containers which
Case IH vendors use for shipping parts and materials to the plant.

6. Project Description: moveable carts and racks that Case IH employees use to
transport parts and materials throughout the plant to where they are needed along the
assembly line.

7. Project Timetable: Medbery Fabrication LLC is a new company, but the owner has
been a subcontractor for Case IH since 2007 working out of his home. Due to increased
orders, employees and projects, expansion of its facilities is a necessity.

8. Employment Information:

Current number of employees 4 (full-time equivalent)

Proposed number of employees 18 (full-time equivalent)

What is the average hourly wage for all employees? \$15.50

Number of new jobs to be created 14 (full-time equivalent)

What would be the average hourly wage for new jobs? \$13.50

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

Please describe all benefits which the business provides to employees:

limited vacation time, health insurance, bonus

9. Financing/Incentives Requested: The company has outgrown both its current location
and its workforce. In order to assume additional contracts, 14 additional employees will be
hired over the next three years. New equipment consisting of (3) Miller welders, an Ellis
Band Saw, and Ellis Drill Press, (2) plasma cutters, a Scotchman Ironworker, JIB Pals host, will
and a used Big plasma table machine will be purchased. This new equipment will assist
the new employees and assist the company in its continued growth. We are requesting a
grant of \$ 34,000 for new equipment and a forgivable loan of \$3,000/employee or \$42,000.
A total grant request of \$76,000 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: Edwin D. Medley Sr.
Name

President
Title

Date: 3/19/12

Grand Island Area Economic Development LB-840 Project Application

Project Name: Medbury Fabrication LLC

Date Referred to Grand Island Area Economic Development Board: 3/22/2012

Approved: X Disapproved: _____ Date: 3-19-12

Comments: _____

Signature of President: Marlan Ferguson
Marlan Ferguson

Date Referred to Citizen's Review Committee: April 3, 2012

Approved: X Disapproved: _____ Date: 4/3/2012

Comments: _____

Signature of Chairman: Lisa Willman
Lisa Willman

Date Referred to City Council: April 10, 2012

Approved: _____ Disapproved: _____ Date: _____

Comments: _____

Signature of Mayor: _____
Jay Vavricek

ECONOMIC DEVELOPMENT AGREEMENT

This agreement between the City of Grand Island (City), the Grand Island Area Economic Development Corporation (EDC) and Medbery Fabrication, L.L.C. (Employer) sets forth the terms and conditions of a forgivable economic development loan requested by the Employer and granted by the City and EDC as follows:

I. DEFINITIONS

The following definitions of terms used in this agreement will be controlling.

A. Full Time Equivalents (FTEs) - Shall be persons employed by the Employer and working at the Grand Island location at the end of the Measuring Year and determined by dividing the total number of hours that Employer paid employees working at the Grand Island location by two thousand and eighty (2,080).

B. Average Hourly Rate – Shall be determined by the total wages and salaries paid to all employees of the Employer and dividing such number by the total number of annual hours worked by all full time employees of the Employer.

C. Employment Certificate - A document for a defined period containing the sworn statement of a duly authorized representative of the Employer setting forth the names of all hourly and salaried employees, the total hours worked or compensation received by each employee, and the rate of pay or salary received by each employee. In addition, the employment certificate shall include tax or payroll records as demanded by the City and/or EDC.

D. Measuring Year - The first measuring year shall begin on the first day of the month following the Employer's receipt of any portion of the forgivable economic development loan. The first measuring year will end exactly one year later. Subsequent measuring years will begin on the date the preceding measuring year ended and end exactly one year later.

II. FORGIVABLE ECONOMIC DEVELOPMENT LOAN

The Employer has requested and the City and EDC have agreed to provide the Employer a forgivable economic development loan in the total amount of Seventy-Six Thousand Dollars (\$76,000.00). This loan is divided into two (2) parts as follows:

A. The first part of the loan is in the amount of Thirty-Four Thousand Dollars (\$34,000.00) to be used by the Employer for the purchase of the following equipment:

1. Three (3) Miller Welders;
2. One (1) Ellis Band Saw;
3. One (1) Ellis Drill Press;
4. Two (2) Plasma Cutters;
5. One (1) Scotchman Ironworker;
6. One (1) Jib Pole Hoist; and
7. One (1) used large Plasma Table Machine.

B. The second part of the loan is in the amount of Forty-Two Thousand Dollars (\$42,000.00) to be used by the Employer to increase the number of its employees from four (4) presently to no less than eighteen (18).

III. EQUIPMENT PURCHASE REQUIREMENTS

The Employer agrees to meet the following terms regarding the purchase of equipment as set forth in paragraph IIA of this agreement.

A. The employer shall purchase the equipment listed in paragraph IIA no later than six (6) months after receiving that portion of the forgivable economic development loan set forth in said paragraph.

B. The employer may not alter the list of equipment to be purchased as listed in paragraph IIA without the written consent of the City and EDC.

C. That within ten (10) days of purchasing any or all of the equipment listed in paragraph IIA, the Employer will provide the City and the EDC copies of all documentation related to the purchase of the equipment including but not limited to receipts, warranties, and/or rebates. That within ten (10) days of purchasing any or all of the equipment listed in paragraph IIA, the Employer will execute any necessary documents for the City to take a security interest in the equipment pursuant to Article 9 of the Nebraska Uniform Commercial Code.

D. That if the total purchase price of the equipment listed in paragraph IIA is less than Thirty-Four Thousand Dollars (\$34,000.00), the difference shall be returned to the City and EDC. If the total purchase price of the equipment listed in paragraph IIA is more than Thirty-Four Thousand Dollars (\$34,000.00) the Employer will pay the additional costs out of its own funds and may not use other proceeds of the forgivable economic development for such purchase without the written consent of the City and EDC.

E. That the Employer will not sell or dispose of the equipment listed in paragraph IIA in any fashion without the written consent of the City and EDC. That immediately upon purchase, the Employer will obtain insurance for the fair market value of all equipment listed in paragraph IIA naming the City as loss payee and provide the City and EDC proof of such insurance within ten (10) days of said equipment purchase. That in the event any or all the equipment listed in paragraph IIA is stolen, destroyed, or becomes inoperable beyond repair, the Employer will provide written notice of such to the City and EDC within ten (10) days of such occurrence.

IV. FORGIVABLE ECONOMIC DEVELOPMENT LOAN DISBURSEMENTS

The City and EDC will disburse monies from the forgivable economic development loan to the Employer pursuant to the following schedule conditioned on the Employer's compliance with all the terms of this agreement. Prior to the second and third disbursements, the Employer will provide an Employment Certificate to the City and EDC as a prior condition of those disbursements being made.

A. Initial Disbursement - The initial disbursement to the Employer will be in the total amount of Fifty-Five Thousand Dollars (\$55,000.00) and will be the sum of Thirty-Four

Thousand Dollars (\$34,000.00) for equipment pursuant to paragraph IIA and Twenty-One Thousand Dollars (\$21,000.00) for increasing the number of employees pursuant to paragraph IIB. That the initial disbursement will occur no later than thirty (30) days after the agreement is approved and executed by the City, EDC, and the Employer.

B. Second Disbursement - The second disbursement to the Employer will occur no later than six (6) months after the first disbursement and will be in the amount of Nine Thousand Dollars (\$9,000.00) pursuant to paragraph IIB.

C. Third Disbursement - The third disbursement to the Employer will occur no later than one (1) year after the second disbursement and will be in the amount of Twelve Thousand Dollars (\$12,000.00) pursuant to paragraph IIB.

V. EMPLOYMENT INCENTIVES

The Employer agrees to meet the following goals regarding incentives related to increasing the number of its employees.

A. First Measuring Year - At the end of the first measuring year the Employer will employ a total of not less than eleven (11) FTEs at an average hourly rate of Thirteen Dollars and Fifty Cents (\$13.50).

B. Second Measuring Year - At the end of the second measuring year the Employer will employ a total of not less than fourteen (14) FTEs at an average hourly rate of Thirteen Dollars and Fifty Cents (\$13.50).

C. Third, Fourth, and Fifth Measuring Years - At the end of the third, fourth, and fifth measuring years the Employer will employ a total of not less than eighteen (18) FTEs at an average hourly rate of Thirteen Dollars and Fifty Cents (\$13.50).

VI. COMMUNICATION

A. The Employer agrees to fully respond within fifteen (15) calendar days to any request for information from the City and/or EDC related to the Employer's compliance with the terms of this agreement. All responses to information requests by the City and/or EDC shall be in writing and mailed to the following addresses:

Grand Island City Administrator
100 E. First St.
P.O. Box 1968
Grand Island, NE 68802-1968

Grand Island Area Economic Development Corp.
308 N. Locust St., STE 400
P.O. Box 1151
Grand Island, NE 68802-1151

B. The Employer agrees to inform the City and the EDC of its current address, telephone number, and email address and inform the City and the EDC of any changes within three working (3) days.

VII. DOCUMENTATION

The Employer agrees to provide the City and the EDC copies of its annual profit/loss balance sheet and cash flow statement within forty-five (45) days after the conclusion of its fiscal year. The Employer also agrees to provide the City and the EDC of a copy of its income tax returns within ten (10) days of their timely filing.

VIII. CONFIDENTIALITY

The City and the EDC agree to maintain confidential information pursuant to Article VIII of the Grand Island Economic Development Plan and Grand Island City Code §38-10.

IX. LOAN FORGIVENESS

If at the end of the fifth measuring year, if the Employer has complied with all the terms of this Agreement, the total amount of the economic development loan shall be forgiven and the City shall release any security interests it may have in property or equipment held by the Employer.

X. EFFECT OF BREACH

If the Employer fails to comply with any of the terms set forth in this agreement the City and/or EDC may declare it to be in breach. Such declaration shall be in writing, shall set forth the reasons for the breach, and be delivered or mailed to the Employer at its last known address. In the event the Employer is declared to be in breach all such monies received as a forgivable economic development loan will become immediately due and owing. In addition, in the event it is declared to be in breach, the Employer will surrender to the City possession of the equipment purchased as listed in paragraph IIA. Upon receiving the equipment as listed in paragraph IIA, the City will dispose of it as soon as possible at auction. Any monies received from the sale of the equipment listed in paragraph IIA will be deducted from the total owed by the Employer to the City. If the amount received from the sale of the equipment listed in paragraph IIA exceeds the total amount owed by the Employer to the City, the City will refund the difference to the Employer. If the Employer repays the forgivable economic development loan in full before the City takes possession of or sells the equipment listed in paragraph IIA, said equipment will remain in or be returned to the possession of the Employer.

XI. LEGAL EFFECT

Notwithstanding the other provisions of this agreement, the Employer agrees to the following:

A. If the Employer is purchased, absorbed, or merged into any other person or entity, the terms and conditions of this agreement shall continue to be in force and binding on any purchaser or successor organization.

B. If the Employer discontinues its operations in Grand Island prior to the completion of the entire agreement, all such monies received as a forgivable economic development loan will become immediately due and owing as outline in paragraph X.

C. If any provision of this agreement is declared void or illegal by a Court of law then all other unaffected provisions will continue to be in effect.

D. This document constitutes the entirety of the terms and conditions of this agreement. This agreement may not be altered or modified in any way unless consented to by all the parties and evidenced in writing.

Witness our hands this _____ day of _____, 2012.

GRAND ISLAND AREA ECONOMIC
DEVELOPMENT CORPORATION

By Marlan Ferguson
Marlan Ferguson, President

THE CITY OF GRAND ISLAND

By _____
Jay Vavricek, Mayor

ACCEPTANCE

Medbery Fabrication, L.L.C., acting through its sole Member/Manager, accepts and agrees to all provisions of this Economic Development Agreement.

MEDBERY FABRICATION, L.L.C.,
Employer

By Edwin D. Medbery Sr.
Edwin D. Medbery, Sr.,
Member/Manager

RESOLUTION 2012-101

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, Medbery Fabrication LLC has applied for a forgivable loan for job incentive and equipment in the amount of \$76,000.00 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 3, 2012 by the Citizens Advisory Review Committee; and

WHEREAS, Medbery Fabrication 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 Medbery Fabrication 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 Medbery Fabrication LLC, to provide \$76,000.00 in economic assistance to Medbery Fabrication 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, April 10, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk