

City of Scottsbluff, Nebraska

Tuesday, February 20, 2018

Regular Meeting

Item Reports1

Council to approve the Economic Assistance Grant for Pioneer Animal Health Clinic.

Staff Contact: Starr Lehl, Economic Development Director

ECONOMIC DEVELOPMENT ASSISTANCE AGREEMENT

This Agreement is made on February ____, 2018, between the City of Scottsbluff, Nebraska (the “City”) and Pioneer Animal Clinic, L.L.C. (the “Applicant”).

Recitals:

a. The City has adopted an Economic Development Plan pursuant to the Nebraska Local Option Municipal Economic Development Act (the “Plan”). Pursuant to the Plan, the City has implemented an Economic Development Program (the “Program”).

b. The Applicant has made application for assistance from the Program (the “Application”);

c. The Administrator of the Program (the “Administrator”) and the City Economic Development Application Review Committee (the “Committee”) have reviewed the Application and recommended to the City Council (the “Council”) that a loan (the “Loan”) be made to the Applicant from the City of Scottsbluff Economic Development Fund (the “Fund”) as provided for in this Agreement. The City Council has approved the Committee’s recommendation.

d. The parties now desire to enter into this Agreement for the purpose of setting out the terms and conditions of the Loan.

Agreement:

1. Purpose of Loan:

The Applicant is relocating its veterinary medicine practice (the “Practice”) to a new building being constructed by Pioneer Properties, LLC (“Pioneer Properties”) on the following described real estate (the “Real Estate”):

Block 1, Immigrant Trail Subdivision Replat, a replat of vacated Immigrant Trail Subdivision, Block 1 and Frontage Road, Cox Subdivision; plat and dedication of part of Immigrant Trail Drive; and plat and dedication of part of Frontage Road; being a part of the SE¼ of Section 30 and part of the NE¼ of Section 31, all in Township 22 North, Range 54 West of the 6th P.M., Scotts Bluff County, Nebraska.

The proceeds of the Loan will be used primarily for the Applicant’s contribution toward the new building to include leasehold improvements and new equipment for the relocated Practice.

2. Amount of Loan:

The Loan shall be in the maximum amount of \$700,000 and shall be disbursed from the City’s Economic Development Fund (the “Fund”) to the Applicant as provided for below. The

Loan shall be represented by a promissory note (the “Note”) to be signed at the Loan Closing in the form of the attached “Exhibit A”. The Note shall carry interest from January 1, 2019 (the “Note Interest Date”), at which time the actual amount advanced to the Applicant under the Note shall carry interest at the Applicable Federal Mid-Term rate for the month of the Loan Closing and shall be repaid over 108 equal monthly payments of principal and interest. The first payment shall be due one month after the Note Interest Date, with each additional payment due on the first day of each subsequent month until the Note is paid in full.

3. Loan Disbursement and Loan Closing:

As soon as the Applicant has satisfied the conditions to the Loan Closing (as provided for below), the Note and other documents provided for in this Agreement shall be signed (the “Loan Closing”). Following the Loan Closing, disbursements of the Note may be requested (each, an “Advance”). Advances shall be subject to the following:

a. Platte Valley Bank (the “Bank”) is the primary lender to Pioneer Properties for the construction of the Building. No Advance shall be disbursed to the Applicant until at least \$500,000 has been advanced by the Bank toward the Bank’s construction loan (the “Bank Loan”).

b. Once the Bank has advanced at least \$500,000 of the Bank Loan, the Applicant may request Advances in amounts which match additional advances (over \$500,000) made by the Bank pursuant to the Bank Loan. Any such request shall contain (i) a certification from the Applicant, together with a list of construction expenses covered by the Advance, and (ii) a certification from the Bank as to the amount advanced by the Bank to date. Unless otherwise approved by the City, the Applicant shall request no more than 6 Advances.

c. When an Advance is requested, the amount of the Advance shall be scheduled as a claim at the next Council meeting for which the Advance may be reasonably scheduled. Disbursement of an Advance shall be made within 10 business days after the Council has approved a claim for the Loan.

4. Job Credits:

As long as the Applicant is not in default of the Note, this Agreement, or any other document entered into pursuant to this Agreement, the Applicant shall be eligible for credit against the balance due under the Note for Job Credits earned during a Year for the first 5 Years. A “Year” shall mean the 12-month period ending on each December 31, with the first Year beginning January 1, 2019. “Annual Job Credits” shall be calculated as follows:

a. The Applicant is eligible to receive a “Base Annual Job Credit” during a Year equal to the FTE’s for a Year multiplied by \$2,000.

b. If at the end of a Year, (1) the Annual Report (as provided for below) indicates that the Applicant has any FTE’s that have average earnings for the Year of at least (i) \$14 per

hour in the case of hourly employees, or (ii) \$29,120 in the case of salaried employees, and (2) such employees are eligible for the Applicant's fringe benefit plan, then the Applicant may earn additional job credits (the "Additional Annual Credits") as calculated on a per employee basis based on the following table:

<u>Additional Credit</u>	<u>Hourly Rate (Based on 2080 hours)</u>	<u>Annual Salary</u>
\$400	\$14.00 to \$17.99	\$29,120 to \$37,439
\$800	\$18.00 to \$21.99	\$37,440 to \$45,759
\$1,200	\$22.00 to \$25.99	\$45,760 to \$54,079
\$1,600	\$26.00 to \$29.99	\$54,080 to \$62,399
\$2,000	\$30.00 and above	\$62,400 and above

In calculating the hourly rate or salary rate for purposes of the above table, the Applicant is entitled to add the hourly equivalent or annual cost of the following fringe benefits provided to the applicable employee by the Applicant: 401k Plan, profit sharing or equivalent retirement benefits, health insurance, and life and disability insurance.

c. For purposes of this Agreement, Annual Job Credit shall mean the total of the Base Annual Job Credits and the Additional Annual Credit.

d. The amount of the Annual Job Credit may not exceed 10% of the total Advances per Year (the "Maximum Annual Credit"). If the Applicant earns credits in excess of the Maximum Annual Credit in any one Year, the excess credits may be carried back to one or more prior Years where the Maximum Annual Credit was not earned, as long as the Maximum Annual Credit is not exceeded for any one Year. Excess credits may not be carried forward.

In order to receive Annual Job Credits, the Applicant must file an Annual Report as provided for below. Annual Job Credits shall be applied against the principal balance of the Note as prepayments, which prepayments shall not alter the amount of the monthly payment due under the Note. If at any time, the Annual Job Credits exceed the balance of the Note, then the City shall refund the excess to the Applicant.

5. Employee Definitions:

a. "Full Time Employee" shall mean a bona fide employee of the Applicant who (1) is classified by the Applicant as full time; and (2) subject to normal and reasonable waiting periods, is eligible for the employer's normal fringe benefit package.

b. “Eligible Full Time Employee” shall mean a Full Time Employee who:
(1) primarily works at the Building, and (2) resides within 60 miles of the corporate limits of the City; provided, however any Full Time Employee who does not reside within 60 miles of the corporate limits of the City at the time that the Full Time Employee is hired, shall nevertheless be considered an Eligible Full Time Employee if the Full Time Employee moves to a residence within the required geographic area within 6 months of the hiring of the Eligible Full Time Employee.

c. “Full Time Equivalent” Employees (the “FTE’s”) shall be the number arrived at by dividing the total hours paid by the Applicant to their Eligible Full Time Employees during a Year divided by 2080 hours, and then rounded down to the nearest tenth; provided, however, the maximum hours paid that can be counted for any one Eligible Full Time Employee shall not exceed 40 hours per week. Salaried employees shall be presumed to have been paid on the basis of 40 hours per week.

6. Representations and Warranties of the Applicant:

The Applicant represents and warrants the following, all of which shall survive the Closing:

a. The Applicant is a limited liability company organized, existing, and in good standing under the laws of Nebraska. The Applicant has full power and authority to enter into this Agreement and carry out the transactions contemplated by this Agreement. The Applicant’s execution, delivery and performance of this Agreement have been authorized by all necessary action on the part of the Applicant. This Agreement, and each agreement and instrument delivered by the Applicant pursuant to it, is the legal and binding obligation of the Applicant, enforceable against the Applicant in accordance with its terms.

b. No representation or warranty made by the Applicant in this Agreement contains or will contain any untrue statement of any material fact, or omits or will fail to state any material fact known to the Applicant that are required to make the statements not misleading.

c. The execution and performance of this Agreement will not violate any provision of law, or conflict with or result in any breach of any of the terms or conditions of, or constitute a default under any indenture, mortgage, agreement or other instrument to which the Applicant is a party or by which they are bound.

All representations and warranties made by the Applicant shall survive the Loan Closing.

7. Representations and Warranties of the City:

The City represents and warrants the following, all of which shall survive the Loan Closing:

a. The City is a municipal corporation organized and existing under the laws of Nebraska, and has full power and authority to enter into this Agreement and carry out the

transactions contemplated by this Agreement. The City's execution, delivery and performance of this Agreement has been authorized by all necessary action on the part of the City. This Agreement, and each agreement and instrument delivered by the City pursuant to it, is the legal and binding obligation of the City, enforceable against the City in accordance with its terms.

b. No representation or warranty made by the City in this Agreement contains or will contain any untrue statement of any material fact, or omits or will fail to state any material fact known to the City that is required to make the statements not misleading.

8. Certification of the Applicant:

The Applicant certifies to the City that it has not filed nor does it intend to file an application with the Department of Revenue to receive tax incentives under the Nebraska Advantage Act for the Practice. In the event that the Applicant files such an application, it shall advise the City in writing, and the City shall have the option to review the status of the Loan, to include determining that the balance of the Loan is due and payable if the Applicant is awarded incentives under the Nebraska Advantage Act.

9. Annexation:

In the event that the City desires to annex the Real Estate, then the Applicant and Pioneer Building consent to the annexation.

10. Conditions to Loan Closing:

The City's obligation to proceed with the Loan Closing is subject to the Applicant's fulfillment of each of the following conditions at or prior to the Loan Closing:

a. All representations and warranties of the Applicant shall be true as of the Loan Closing.

b. The Applicant shall have delivered to the City:

(1) Evidence of Good Standing of the Applicant from the Nebraska Secretary of State.

(2) A copy of the current and correct Certificate of Organization and Operating Agreement of the Applicant certified by the members (the "Members") to be correct;

(3) Certified resolutions of the Members authorizing this Agreement and providing for signature authority.

c. In order to secure the Loan and the Repayment, the Applicant shall have delivered to the City the following:

(1) A guaranty (the “Guaranty”) of the Members and Pioneer Properties. The Guaranty shall be in the form of the attached “Exhibit B”.

(2) The Guaranty of Pioneer Properties shall be secured by a Deed of Trust (the “Deed of Trust”) covering the Real Estate. The Deed of Trust shall be in the form of the attached “Exhibit C”. The Deed of Trust shall be second in priority to the Bank Loan.

d. The Applicant shall in all material respects have performed its obligations, agreements, and covenants contained in this Agreement to be performed by them, on, or before the Loan Closing.

e. There shall have been no material adverse change in the operation or financial status of the Applicant and the Loan Closing shall constitute the Applicant’s representations that there has been no such material adverse change.

f. In requesting the disbursement of the Loan, the Applicant is considered to have represented that the above conditions have been satisfied and are continuing to be satisfied.

11. Annual Reports:

If the Applicant desires to claim Job Credits, the Applicant shall annually, within 60 days of the end of each Year, provide to the Administrator a report in form and substance acceptable to the Administrator which calculates the Annual Job Credit for the Year (the “Annual Report”). The Administrator shall have the right at any time to (i) require that the Annual Reports be reviewed at the Applicant’s expense by a Certified Public Accountant reasonably acceptable to the Administrator, or (ii) hire, at the Administrator’s own expense, an independent Certified Public Accountant or other Practice or financial expert, to review the books and records of the Applicant pertaining to the Annual Report and any other terms and conditions as provided for in this Agreement. If after a review or audit of the Applicant’s records it is discovered that the Annual Job Credit claimed on the Annual Job Credit Report exceeds 10% of the Annual Job Credit as determined by the Administrator, then the Administrator may require the Applicant to reimburse the Fund for the actual cost of the audit.

12. Default:

The Applicant shall be in default in this Agreement and the Note if any of the following happen:

a. Failure to comply with any of the terms of this Agreement, the Note, the Security Agreement or the Guaranty to include an assignment not permitted under this Agreement.

b. Any warranty, representation or statement made or given to the City by the Applicant proves to have been false in any material respect when made or given.

c. Dissolution or liquidation of any of the Applicant, the termination of existence, insolvency, business failure, appointment of a receiver, assignment for the benefit of creditors, or bankruptcy of the Applicant.

d. The Applicant ceases to conduct its Practice or moves its Practice outside of the zoning jurisdiction of the City.

13. Assignability:

The Administrator may assign his interest in this Agreement to any successor administrator designated by the City Council. The Applicant may not assign or transfer its interest in this Agreement without the consent of the Administrator. Assignment shall include a transfer of ownership of the Applicant which results in the Members owning less than 51% of the ownership interests of the Applicant.

14. Confidentiality:

It is agreed that this Agreement and its terms are public record and are not confidential. However, the City agrees to take reasonable steps to insure that any financial and proprietary information provided in connection with this Agreement by the Applicant shall remain confidential and shall not be revealed or disclosed to outside sources unless the information is public knowledge, is independently developed, or is required to be disclosed by law or legal process.

15. Notices:

Any notices or other communications between the parties shall be personally delivered, sent by certified or registered mail, return receipt requested, by Federal Express or similar service that records delivery, to the addresses set out below, or to such other address as a party may designate, from time to time, by written notice to the other. A notice shall be deemed effective upon receipt.

a. If to the City:

City of Scottsbluff
2525 Circle Drive
Scottsbluff, NE 69361
Attention: City Manager

b. If to the Applicant:

Pioneer Animal Clinic, L.L.C.
1905 East 20th Street
Scottsbluff, NE 69361
Attention: Kimberly Walker

16. Miscellaneous:

- a. This Agreement constitutes the entire agreement of the parties with respect to its subject matter, and may only be modified by a writing signed by both of the parties.
- b. The City's waiver of any one default shall not be a waiver of the same or any other default in the future. In addition, the City's failure to exercise any right given to it by this Agreement shall not be a waiver of any later exercise of that right.
- c. The provisions of this Agreement are severable and if any provision is held to be invalid, the remainder of the Agreement shall remain in effect.
- d. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but which together shall constitute a single instrument.
- e. This Agreement shall be governed by the laws of Nebraska.
- f. This Agreement shall be binding on the successors and assigns of the parties.

[Signature page to follow]

**Signature Page to Economic Development Assistance Agreement between
the City of Scottsbluff, Nebraska and Pioneer Animal Clinic, L.L.C.**

City of Scottsbluff, Nebraska

Pioneer Animal Clinic, L.L.C.

By: _____
Economic Development
Program Administrator

By: _____
Kimberly Walker, Member

By: _____
Joel K. Robbins, Member

Consent and Agreement to the terms of the Economic Development Assistance Agreement:

Pioneer Properties, LLC

By: _____
Kimberly Walker, Member

By: _____
Joel K. Robbins, Member

City of Scottsbluff
Economic Development Application Review Committee
January 11, 2018

A meeting of the Economic Development Application Review Committee was held on January 11, 2018, at 8:00 a.m. at City Hall, 2525 Circle Drive, Scottsbluff, NE.

Present were Committee Members Jim Trumbull and Marla Marx and alternates Dave Schaff and Jeanne McKerrigan. In attendance on behalf of the City were Program Administrator, Nathan Johnson, Deputy City Attorney, Rick Ediger, and City Economic Development Director, Starr Lehl.

Chairman Trumbull called the meeting to order and stated that a copy of the Nebraska Open Meetings Act is located on the South wall of the Council Chamber. There were no changes to the Agenda, nor were there any citizens with business not scheduled on the Agenda.

It was moved by Marx and seconded by Schaff that the Minutes of the December 22, 2017, Committee Meeting be approved. Voting yes: Trumbull, Marx, Schaff, and McKerrigan. Voting no: None.

An Application for Assistance from Pioneer Animal Clinic, L.L.C. was presented. Present on behalf of the Applicant were Dr. Kim Walker and Dr. Joel Robbins. The Applicant is requesting funds to be used in connection with the expansion of the practice at a new building to be constructed by Pioneer Properties, LLC, at a cost of \$1.8 to \$2.2 million. The new location will allow the Applicant to add additional veterinarians and support staff, and significantly increase its payroll. It will also allow the Applicant to serve more clients locally (instead of referring clients to larger clinics outside the area), increase opportunity for specialties, and draw clients from a larger area. The plan is for a 12,000 sq. ft. building on a 7-acre lot. Platte Valley Bank will be the primary lender on the project. Following discussion, it was moved by Marx and seconded by McKerrigan that a loan be made to Pioneer Animal Clinic, L.L.C. with the understanding that the Applicant may transfer or loan funds to Pioneer Properties, LLC in connection with the construction in the maximum amount of \$700,000. The Applicant shall have until December 31, 2018, in order to determine the amount to be borrowed. Advances will be made to the Applicant after Platte Valley Bank has advanced \$500,000 for the project. Then the City will match advances from Platte Valley Bank, until the maximum City commitment is reached. After December 31, 2018, the balance of the loan shall become a term loan payable over 108 monthly payments with interest at the Midterm Applicable Federal Rate in effect at the time the loan is termed. At the end of each year, the Applicant can submit a Job Credit Report and a credit against the loan can be earned based on the Program's High Wage Job Credit Schedule. Security shall be personal Guaranties from Kimberly Walker, Joel Robbins and Pioneer Properties, LLC, with the LLC's Guaranty secured by a second Deed of Trust on the real estate and building. As additional consideration of the loan, the Applicant and Pioneer Properties, LLC will agree to annexation of their property when the City is ready to proceed with annexation. Voting yes: Trumbull, Marx and McKerrigan. Voting no: none. Abstain: Schaff.

Next was discussion of a rough draft of an agreement prepared by staff concerning the proposed industrial park which would be owned with the City of Gering. Although time was limited, the following concerns were brought up for further discussion: (1) Having two governmental entities in agreement could make the recruitment of businesses to the industrial site more difficult, to include reaching an agreement as to sale price; (2) Gering has ultimate control due to having zoning authority; (3) It would not be appropriate to reimburse the City of Gering for enterprise fund expenses, to include electrical infrastructure, since Gering will receive the user fees; (4) Responsibility for maintenance of any infrastructure until the industrial park is occupied; and (5) Whether or not it is appropriate to require a preliminary plat. Discussion will be continued at the next meeting.

The meeting was adjourned at 9:15 a.m.

Nathan Johnson, Program Administrator