

City of Scottsbluff, Nebraska

Monday, May 6, 2019

Regular Meeting

Item Pub. Hear.1

Council to conduct a Public Hearing as set for this date at 6:05 p.m. to consider and take action concerning the report of the LB840 Economic Development Program Citizen's Advisory Committee.

Staff Contact: City Council

CITY OF SCOTTSBLUFF
CITIZENS ADVISORY REVIEW COMMITTEE MINUTES
April 8, 2019

The meeting of the City of Scottsbluff Economic Citizens Review Committee was held on April 8, 2019 at 12:00 noon, at City Hall, 2525 Circle Drive, Scottsbluff, Nebraska.

Committee members in attendance were Mark Harris, Diane Vandenberg, Scott Phillips, and Sam Mark. Also in attendance were Nathan Johnson (City Manager/Program Administrator), Adam Hoising (Deputy City Attorney), and Starr Lehl (City Economic Development Director).

Chairman Harris opened the meeting. It was noted that a copy of the Nebraska Open Meetings Act was located on the south wall of the Council Chamber. There were additions in the agenda or citizens with unscheduled business.

The first order of business was to approve the minutes of the April 12, 2018 meeting. It was moved by member Phillips and seconded by member Mark that the minutes of the April 12, 2018 meeting be approved. Voting yes: Harris, Vandenberg, Phillips and Mark. Voting no: None.

The motion was then made by member Mark and seconded by member Vandenberg to move item 7.b. on the agenda in front of item 6 on the agenda, to address the review and consideration of default on the M R Housing LB 840 EDA Agreement. Voting yes: Harris, Vandenberg, Phillips and Mark. Voting no: None.

Mark Westphal and Amy Westphal were in attendance on behalf of M R Housing and their corporation Millennium Resilient International, Inc. The Westphals stated that the business had ceased operations in November 2018 due to a number of issues. Primarily, the corporation ended its relationship with the original CEO, as there was a difference of opinion in management as to the goals and direction of the corporation. The Westphals also reported that overhead costs and production costs were much higher than they had originally anticipated, and the market for the product of prefabricated housing was not as strong or readily available as they had originally believed. Accordingly, the Westphals reported they made the decision in November 2018 to cease operations and prevent further debt. The Westphals acknowledged debt under the EDA Agreement with the City of Scottsbluff, and responded they were willing to take responsibility for the debt and find a way to repay the loan incurred under the EDA Agreement. The Westphals acknowledged the personal guarantees on the EDA Agreement and the need to repay the loan. The Westphals reported there were other additional debts owed from the operation of the business that they are having to respond to, and they had to sell all equipment of the business in order to pay other debts incurred.

City staff reported the Westphals had been current in terms of all interest-only payments under the EDA Agreement, and had earned \$3,600 of job credits during the 2018 calendar year. Accordingly, the principal balance under the EDA Agreement owed by Millennium Resilient International, Inc. and guaranteed by the Westphals at the time of the meeting was \$306,400.00.

The committee and the Westphals then discussed options for repayment. The Westphals indicated they would first seek bank refinancing in order to pay the amount of the EDA Agreement and Note in full, and if unsuccessful in that effort, would request at least two years of a payment schedule in order to repay the Note. It was thereafter moved by Vandenberg and seconded by member Phillips that the following repayment resolution be agreed upon:

The City will consider the EDA Agreement with Millennium Resilient International, Inc. to be in default, and will begin to impose the default interest rate as of April 1, 2019.

The Westphals will seek repayment refinancing in order to pay all of the amounts owed under the EDA Agreement in full on or before July 1, 2019. If the full amount of principal under the EDA Agreement and Note, \$306,400.00, is paid on or before July 1, 2019, the City will agree to charge off and waive any accrued interest on the date of payment. Thereafter, Scottsbluff will consider the Note to be repaid in full.

If repayment in full is not made by July 1, 2019, the City will expect a repayment plan to begin, amortized over 24 equal monthly payments, with the first payment due August 1, 2019, incurring interest at the default interest rate under the Note. The Westphals may prepay the amount owed in full after August 1, 2019, and any accrued interest under the repayment plan since the date of the last payment will be waived by the City if any prepayment should occur.

The City Attorney's office will prepare a repayment agreement to that affect. Voting yes: Harris, Vandenberg, Phillips and Mark. Voting no: None.

The committee members then reviewed program administration reports, with dates ending September 30, 2018, June 30, 2018, and December 31, 2018.

Annual Reports were reviewed and accepted for the following businesses for the periods ending June 30, 2018:

SWBC
Webb Orthodontics
Jason Webb OD
Open Door Counseling

Annual Reports were reviewed and accepted for the following businesses for the periods ending September 30, 2018:

Skiles Industries
Dave's Welding
Walther Farms

Annual Reports were reviewed and accepted for the following businesses for the periods ending December 31, 2018:

Aulick Industries
Fusion Ranch
EagleMed
Regional West Medical Center
BDS3C, LLC d/b/a Flyover Brewery (report date subsequently modified)
MR Housing

Thereafter, it was moved by member Mark and seconded by member Phillips to approve the job credit report for credits earned as of June 30, 2018, September 30, 2018 and December 31, 2018. Voting yes: Harris, Vandenberg, Phillips and Mark. Voting no: None.

The City Staff then had a discussion with committee members as to several outstanding EDA Agreements under the program. Primarily, the committee discussed the need for information on EDA Agreement with Treaty Site Farms, Inc., the efforts to market and promote the business of Der Topfer, the general progress and structure of the EDA Agreement with Regional West Medical Center, and the rearrangement of payment plans for BDS3C, LLC, Elite Urgent Care and Family Health, LLC, and Pioneer Animal Clinic.

The committee then discussed the possible addition of retail trade to the program's plan, and the application process for the same. It was discussed that the need for more retail in the City of Scottsbluff has arisen, and the committee may be interested in adding retail as a component to its program plan in order to spur growth of more retail opportunities. The committee had previously discussed the concerns and issues that retail presents, primarily with competition for current vendors and the desirability of the jobs created. The committee relayed their continued hesitancy as to including retail into the program plan. Economic Director Starr Lehl reported that a small-business type addition to the plan may be appropriate, under which assistance no greater than \$25,000.00 is available to eligible retail businesses employing no more than 10 full time equivalent positions. This may be seen as an acceptable good middle ground for adding retail to the program plan. No action was taken on item 7.c. regarding the addition of retail.

Member Mark left the meeting at 12:45 p.m. in order to attend another scheduled appointment. A quorum remained thereafter with three members of the committee present.

Economic Director Starr Lehl then requested the committee table the review and consideration of Workforce Housing Guidelines, per the recent adoption and amendment of work force housing to the program plan. Economic Director Starr Lehl was still considering feedback of the City Attorney's office, as well as changes or additions to proposed guidelines for the committee's review. It was urged that the committee review proposed guidelines provided to date, and return with any feed back they may have in order to accurately shape the desires of the committee as to work force housing guidelines. Moved by member Harris and seconded by member Vandenberg to table discussion of Workforce Housing Guidelines. Voting yes: Harris, Vandenberg, and Phillips. Voting no: None.

Moved by member Phillips and seconded by member Vandenberg to approve the report to the City Council as to program progress and functions, as well as Economic Director reports. Voting yes: Phillips, Harris and Vandenberg. Voting no: None.

The committee then discussed presentation of the report to the City Council, whether from City staff or City attorney's office. Economic Development Director Starr Lehl presented and discussed the progress of Croell, Inc., as well as the history of the relationship with Croell and the benefits of the program.

It was thereafter moved by member Vandenberg and seconded by member Phillips to adjourn. Voting yes: Harris, Vandenberg and Phillips. Voting no: None.

The meeting was adjourned at 12:56 p.m.

Nathan Johnson, Program Administrator

**Economic Development Program
Report of Citizen's Advisory Committee Meeting
April 8, 2019**

The Economic Development Citizen's Advisory Committee met on April 12, 2018, and issues this report to the City Council based on action taken by the Committee at those meetings. All reports received between the last Committee meeting and April 12, 2018, were reviewed.

As of December 31, 2018, the City had awarded approximately 60 grants to businesses since the beginning of the Program. 27 are active, with the rest having previously been terminated, earned, repaid, or settled. Those active and with reporting requirements in the year include the following:

- Aulick Manufacturing
- Fusion Ranch
- Skiles Industries
- EagleMed
- SWBC
- Regional West Medical Center
- Dave's Welding
- Webb Orthodontics
- Jason Webb OB
- Open Door Counseling
- Walther Farms
- BDS3C, LLC d/b/a Flyover Brewery
- MR Housing
- Inventive Media
- McKiney Manufacturing
- Treaty Site Farms
- Pioneer Animal Clinic
- American Doorstep Project
- Candy Barn Express
- Complete Care Family Practice
- Bluffs Physical Therapy
- JADS Trucking
- Elite Urgent Care & Family Health

In the 2018 year, 10 new businesses had been funded since December 31, 2017. Not all businesses funded during the 2018 year had reporting deadlines in the 2018 year.

Annual Reports were reviewed and accepted for the following businesses for the periods ending June 30, 2018:

- SWBC
- Webb Orthodontics
- Jason Webb OD

Open Door Counseling

Annual Reports were reviewed and accepted for the following businesses for the periods ending September 30, 2018:

Skiles Industries
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Annual Reports were reviewed and accepted for the following businesses for the periods ending December 31, 2018:

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Each of the Committee Members and the Council Members have been provided with Job Report Summaries as of June 30, 2018, September 30, 2018, and December 31, 2018. The information concerning actual employee numbers for each business are, however, confidential and cannot be released as to specifics without the permission of the individual businesses. The following general information can, however, be provided in summary form:

1. Job creation grants and loans netting approximately \$11 million (after repayment of amounts granted and repaid) have been awarded to businesses since the beginning of the program (1/1/96). The City has also invested in two water extension projects and a drainage project benefitting the areas near the airport which include Fusion Ranch, the EagleMed Hanger and a drainage project. In addition, the City's program has made a significant contribution to job training in this area through assistance to Western Nebraska Community College. The City continued in 2018 the practice of providing loans and grants to small amenity businesses as well as large employers.
2. From the businesses that continue to be in operation or have been sold to entities who have maintained the business, over 1,600 jobs have been created or retained through the assistance of the City's program. Additional jobs were created for a period of time by businesses that have since been closed.
3. From the funds that have been awarded to businesses for job creation, the amount lost from businesses that did not survive as of the last reporting period is near 5.0%. Many of the businesses that have benefited from our program have produced jobs well in excess of their job commitment to the City. If these additional jobs were factored in, the impact of the net loss from failed businesses is much less.

4. City Staff and the Citizen's Review Committee are generally satisfied with the information provided by the businesses reviewed at the Review Committee meeting. With a couple of exceptions, all businesses with active grants are current in their reporting. Those businesses with distressed grants or loans have responded to inquires and are working with the City for repayment.

5. The City has recently added different types of Qualifying Businesses, to include housing, retail where the principal source of revenue is from manufacturing on-site, and film production. The City has seen the impact of these changes, as both film production and retail where the principal source of revenue is from manufacturing on-site have been utilized. Most notably, Flyover Brewery has benefited from this addition and has had positive reviewed in the community.