

City of Scottsbluff, Nebraska
Friday, November 22, 2019
Regular Meeting

Item 1

Approval of Minutes for Meeting of November 15, 2019

Staff Contact: Starr Lehl

CITY OF SCOTTSBLUFF
ECONOMIC DEVELOPMENT APPLICATION REVIEW COMMITTEE
November 15, 2019

The meeting of the Economic Development Application Review Committee was held on November 15, 2019 at 8:00 a.m. at City Hall, 2525 Circle Drive, Scottsbluff, Nebraska.

Present were committee members Dennis Hadden, Lee Glenn, and Nate Merrigan. Also in attendance on behalf of the City was Starr Lehl, City Economic Director, Liz Hilyard, City Finance Director, Adam Hoelsing, Deputy City Attorney, Nathan Johnson, City Manager, and Kimberly Wright, City Clerk.

Vice Chairman Hadden called the meeting to order at 8:00 a.m. and stated that a copy of the Nebraska Open Meetings Act was located on the south wall of the Council Chamber. There were no changes to the agenda.

It was moved by member Glenn, and seconded by member Merrigan that the minutes of the August 14, 2019 committee meeting be approved. Voting yes: Hadden, Glenn and Merrigan. Voting no: None.

The next item on the agenda was an application made by Western Farms, LLC. Present on behalf of Western Farms, LLC was Mark Johnson, as well as the various partners and constituents of Western Farms Patrick Hoehn, Mike Hoehn, Ed Hoehn, Art Hoehn, and Josh Pinkernell. This application is being made for funding of the production and processing of hemp seed and hemp products, including fibers, seed, and oil. The application seeks both a loan as well as a jobs-based grant, in the combined amount of approximately \$1.8 million.

Mark Johnson presented on behalf of the applicant, where he introduced Western Farms plant, the owners, the partnership with the University of Nebraska Scotts Bluff Extension Center, legislation and regulation from the State of Nebraska Department of Agricultural, the history and production particularly in Western Nebraska before World War II, the uses of hemp as well as the by-products produced, the approach to business as well as business growth in the next three years, and the history of lending applications and financing available to the applicant.

Following Mr. Johnson's presentation, Vice Chairman Hadden voiced several questions, including the development of seed, the benefits that might be available to full-time and seasonal employees, the partnership with Midwest Farms in Minnesota, and the likely outcome and timeframe of processing the hemp plant into oil. Member Merrigan also had several questions, including partnership of local growers. Member Glenn asked several of his own questions, including the generation of the cash flow projection, the costs to achieve full scale production of CBD oil, the concerns with the lack of other funding sources, the request regarding the "plan B" if personal capital is needed, and local hesitation to support hemp, if any. Deputy City Attorney Hoelsing also asked several questions, including the primary goal of seed sales in the spring of 2020, the particular breakdown of the use of funds, the nature of the seasonal employees, the availability of seasonal employment work force, the availability of crop insurance for the growers, and the scale of the CBD oil production related to the acres grown.

Following the presentation of questions, Vice Chairman Hadden presented an expectation that the decision on the application would be tabled to allow for other committee members to be available during the week of the 18th and to voice their concerns and questions. Following Vice Chairman Hadden's presentation of expectations, several members of the public as well as the University of Nebraska Extension Center voiced their support for the application as well as their thoughts on the growth of the hemp industry.

Following the presentation from Western Farms, LLC, the application of McKinney Manufacturing & Sales was presented by Roger McKinney. Mr. McKinney presented that since he began operation in 2018, a large customer has shown the need for a water jet machine facility. McKinney Manufacturing is therefore seeking to purchase and install a water jet machine in order to expand the range of wholesale products available to customers. Costs of doing so include purchase of the machine as well as sewer, water, and electrical installation. The total cost of the purchase and installation is \$260,000, and the applicant is seeking \$90,000 as a combined loan and jobs-based grant. Mr. McKinney presented the immediate creation of two full-time jobs from the water jet machine, and anticipated other full-time jobs would be created thereafter. Member Glenn asked a question regarding the concern that most of the cost would be tied to one customer, and therefore business sales might be troublesome if that one customer should falter. Mr. McKinney responded that the water jet machine can produce a number of different wholesale products, and the sale of those products would still be available regardless of a particular customer need. Following questions of the Committee, Deputy City Attorney Hoelsing presented a modified amortization schedule that would refinance the current loan and grant from the program to McKinney Manufacturing & Sales. If the full \$90,000 was awarded under this application, the amount under this application as well as the previous amounts owing could be refinanced into one complete loan/grant, without increasing the applicant's monthly payment to the City program by more than \$300. At this point, member Glenn voiced a conflict due to the private lending included within the application, and Vice Chairman Hadden also voiced a conflict regarding his relationship to the applicant. Motion was therefore made by Member Glenn and seconded by member Merrigan to table the decision on the application until the week of the 18th when more Committee members would be available without conflict to vote on the matter. All those in favor, Glenn, Merrigan and Vice Chairman Hadden. All those opposed, none.

It was then moved by member Glenn and seconded by member Merrigan to enter into executive session for the protection of the public interest in order to discuss the specific financials and private business information of applicant to Western Farms, LLC, and to consider any action items or motions on the application. All those in favor were Merrigan, Glenn and Hadden. None opposed. The following were invited into executive session with the Committee – the City Manager Nathan Johnson, City Economic Director Starr Lehl, Deputy City Attorney Adam Hoelsing, and Finance Director Elizabeth Hilyard.

Following executive session, the Committee came out of executive session and it was moved by member Glenn, seconded by member Merrigan that the following occur on Western Farms, LLC's application:

1. Personal financial statements be requested from the individual owners of Western Farms, LLC;
2. Application of Western Farms, LLC be tabled until another meeting during the week of the 18th, at which time more members may be available to discuss the application and make a decision thereon;
3. Deputy City Attorney was directed to begin negotiations and discussions with Western Farms, LLC regarding the possible lending from the program towards the immediate needs of Western Farms, LLC, to begin seed production and work towards seed sales that may create cash flow during the spring of 2020.

All those in favor were Merrigan, Glenn and Hadden. None opposed.

The meeting was thereafter adjourned at 10:00 a.m.

Starr Lehl, Economic Development Director