

City of Scottsbluff, Nebraska
Friday, December 13, 2019
Regular Meeting

Item 1

Approval of Minutes for Meeting of November 22, 2019

Staff Contact: Starr Lehl

CITY OF SCOTTSBLUFF
ECONOMIC DEVELOPMENT APPLICATION REVIEW COMMITTEE
November 22, 2019

The meeting of the Economic Development Application Review Committee was held on November 22, 2019 at 8:00 a.m. at City Hall, 2525 Circle Drive, Scottsbluff, Nebraska.

Present were committee members Jim Trumbull, Dennis Hadden, Nate Merrigan, Hod Kosman, Marla Marx, and alternate member Dave Schaff. 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.

Chairman Trumbull 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 Marx, and seconded by member Hadden that the minutes of the November 15, 2019 committee meeting be approved. Voting yes: Trumbull, Hadden, Merrigan, Kosman, and Marx. Voting no: None.

The next item addressed is the application made by McKiney Manufacturing and Sales, LLC. Present on behalf of McKiney Manufacturing was Roger McKiney and Julie McKiney. The application seeks both a loan as well as a jobs-based grant, in the combined amount of approximately \$90,000. Mr. McKiney presented that since he began operation in 2018, a large customer has shown the need for a water jet machine facility. McKiney 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 the combined loan and jobs-based grant. A motion to table this application had been made and passed at the November 15, 2019 meeting of the committee. At the November 15, 2019 meeting:

Mr. McKiney 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 Lee 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. McKiney 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 McKiney 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.

Deputy City attorney Adam Hoelsing presented again the possibility of refinancing the current outstanding assistance with the amount requested the application. In doing so, the Applicant would receive a 10-year amortization schedule on the refinanced amount, with a monthly payment of approximately \$2,500 and yearly job-credit grants against the amount owed of \$14,000. Moved by alternative member Schaff and member Marx that the following assistance from the program be granted:

The total amount of outstanding assistance and the currently requested amount of \$90,000 be refinanced into a loan/grant of approximately \$406,000. The \$406,000 would refinance the \$140,000 outstanding on a jobs-based grant and the \$176,337.24 outstanding on a loan from the Program. New assistance of \$90,000 would be awarded. The assistance would be represented by a note, accruing interest at 1.69% per annum (the applicable federal mid-term rate for December 2019) payable in 120 equal monthly payments of principal and interest. The note would receive credits of full-time jobs created, with the amortization schedule anticipating 7 jobs created per year, awarded at \$2,000 per job per year. The assistance was secured by a deed of trust on the Applicant's business real estate and a security interest on the Applicants personal property, and was guaranteed by Roger McKiney, Julie McKiney, and McKiney Solutions, LLC.

Voting yes: Merrigan, Schaff, Marx, and Trumbull. Voting no: None. Abstaining due to conflict: Kosman and Hadden.

The next item addressed was the application of Western Farms, LLC. Consideration of application had been tabled during the committee meeting on November 15, 2019. Mark Johnson and other owners of the applicant again presented on behalf of the applicant. Chairman Trumbull inquired as the following:

(1) The seed generating capacity of a 750-plant facility; the Applicant anticipated 6,100 viable seed per plant, which meant the Applicant would need to look outside of Nebraska to market hemp seed sales.

(2) A concern over having THC content over .3%; the Applicant discussed their history with the University of Nebraska extension office, and their plan to cultivate specific seed varieties for low THC content.

(3) What is required of a grower to grow the hemp seed, and does that infrastructure exist; the Applicant presented multiple different methods of harvest, either by hand or through the purchase of a harvester for considerable cost.

Member Marx inquired into the assistance provided by the University of Nebraska extension for equipment improvement and voiced the opinion that as the market for the commodity develop, the research institutions would be to push the advance of equipment technology forward.

Vice-chairman Hadden voiced his continued desire towards the Applicants focus on growing seed for sale, and not on hemp oil production, given the additional costs of infrastructure for hemp oil production.

Member Kosman inquired into the ability to market seed sales, given the lack of salesmen for the product such as you would find for corn or bean salesmen; the Applicant stated that the industry is developing and currently the grower would personally find the Applicant for sale or the owners of the Applicant would market seed sales on their own accord.

Following discussion, personal financial statements of the Applicants owners were provided and made a part of the confidential Application file. It was thereafter moved by member Hadden and member Schaff to enter executive session to consider the application of Western Farms, LLC. Voting yes: Merrigan, Schaff, Trumbull, Kosman, and Hadden. Voting no: None. Member Marx sat as the alternate for the executive session vote.

The committee then entered executive session at 8:45. At 9:15, committee member Hadden left executive session, as he had to leave the meeting early.

The committee exited executive session around 9:30 and the following motion was made by member Kosman and seconded by member Marx:

An offer to provide \$500,000 of assistance to the Applicant as a loan/grant. The loan/grant would operate as construction line of credit beginning January 1, 2020 and ending July 1, 2020, during which time the Applicant could draw against the line of credit for construction and operation costs of a hemp seed production facility.

On July 1, 2020, the principal amount of the line of credit would term-out, and become payable in three equal, amortized annual payments, the first being due June 1, 2021. Interest would accrue beginning July 1, 2020 at the federal applicable mid-term rate as of July 1, 2020.

Annual credit for job creation would be earned against the amount due from the Applicant according to full-time jobs created by the Applicant as of January 1, 2020, at the rate of \$2,000 per job per year. Credit from the previous year would be applied to the amount due as of June 1 for each annual payment.

The assistance would be secured by a second deed of trust on the Applicant's business real estate, by a first priority security interest on the Applicants equipment, inventory, account receivables, and other personal property. The assistance would be guaranteed by all five owners of the Applicant.

Provision of any assistance, and the ability to draw on the construction line of credit is to be absolutely contingent upon Western Farms, LLC obtaining a hemp license from the United States Department of Agriculture or the Nebraska Department of Agriculture.

Voting yes: Merrigan, Schaff, Trumbull, Kosman, and Marx.

The meeting was thereafter adjourned at 9:45 a.m.

Starr Lehl, Economic Development Director