

# **City of Scottsbluff, Nebraska**

**Monday, January 6, 2020**

**Regular Meeting**

## **Item Reports1**

**Council to discuss and consider action on an Economic  
Development Agreement for Factory Crimp Services, Inc.**

**Staff Contact: Nathan Johnson, City Manager**

## **ECONOMIC DEVELOPMENT ASSISTANCE AGREEMENT**

This Agreement is made on January 6, 2020, between the City of Scottsbluff, Nebraska (the "City") and Factory Crimp Services, Inc. (the "Applicant").

### **Recitals:**

- a. The City has adopted an Economic Development Program (the "Program") pursuant to the Nebraska Local Option Municipal Economic Development Act;
- 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 have reviewed the Application and negotiated the terms of a grant (the "Grant") which has been approved by the City Council (the "Council"); and
- d. The parties now desire to enter into this Agreement for the purpose of setting out the terms and conditions of the Grant.

### **Agreement:**

#### **1. Purpose of Grant:**

The Applicant creating a new business located in Scottsbluff, Nebraska for the manufacture of wholesale products to original equipment manufacturers (the "Business"). The Grant is to be used to fund the creation and build-out of the Business.

#### **2. Amount of Grant:**

The Grant shall be in the amount of \$75,000 (the "Grant Amount") which assumes that the Applicant will maintain at least 5 Eligible FTE's (as defined below) over an eight-year period. The Grant Amount shall be payable to the Applicant from the City of Scottsbluff Economic Development Fund (the "Fund") at the Closing (as provided for below).

#### **3. Closing:**

The Grant Amount shall be scheduled as a claim at the next Council meeting following the signing of this Agreement. The "Closing" shall occur following the

satisfaction of all conditions to Closing as provided for below, but no earlier than 5 business days after the Council meeting where the claim is approved.

#### **4. Possible Grant Repayment:**

The Grant Amount shall be subject to repayment to the City if the Applicant does not fully earn the Job Credits (as provided for below). In connection with the calculation of the Job Credits:

a. The "Effective Date" of this Agreement for Job Credit calculation purposes shall be January 1, 2020 (the "Effective Date").

b. The term of this Agreement shall begin on the Effective Date and shall continue for 8 years from the Effective Date (the "Term").

c. A "Year" shall mean the 12-month period ending as of the day prior to each annual anniversary of the Effective Date.

#### **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 Applicant's normal fringe benefit package.

b. "Eligible Full Time Employee" shall mean a Full Time Employee who: (1) primarily works at the Facility, 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 by the Applicant, 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 total of (i) the number of Eligible Full Time Employees which are paid based on a salary, plus (ii) with respect to hourly Eligible Full Time Employees, the number arrived at by dividing the total hours paid by the Applicant to its hourly 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 hourly Eligible Full Time Employee shall not exceed 2080 hours.

d. "Eligible FTE's" shall mean the FTE's calculated for a Year. It is anticipated that 5 Eligible FTE's shall be created. The Applicant agrees that other business or company with common ownership of the Applicant shall reduce their employees or transfer their employees to the Applicant because of this Agreement.

## **6. Job Credits:**

"Job Credits" shall be calculated as follows:

a. The Applicant shall receive an "Annual Job Credit" during the Term equal to the Eligible FTE's multiplied by \$2000.

b. The amount of the Annual Job Credit may not exceed \$12,000 per Year (the "Maximum Annual Credit").

c. In the event that 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.

## **7. Grant Repayment:**

At the end of the Term, the total of the cumulative Annual Job Credits will be subtracted from the Grant Amount. Any balance shall be repaid to the Fund within 90 days of the end of the Term (the "Repayment"), and any amount not paid within this time period shall then carry interest at the rate of 7% per annum until paid. If there is no balance, then the Applicant shall be considered as having satisfied its obligations under the Grant and this Agreement and no repayment shall be due.

## **8. 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 corporation organized and existing under the laws of Nebraska and is authorized to do business in 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 Closing.

## **9. Representations and Warranties of the City:**

The City represents and warrants the following, all of which shall survive the 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.

## **10. Conditions to Closing:**

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

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

b. The Applicant shall have delivered to the City:

(1) A Certificate or Letter of Good Standing from the Nebraska Secretary of State.

(2) A copy of the current and correct Articles of Incorporation and Bylaws of the Applicant certified by the secretary of the Applicant to be correct; and

(3) Certified resolution of the Board of Directors of the Applicant authorizing this Agreement and providing for signature authority.

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

(1) a guaranty (the "Guaranty") of Scott James and Tina James, which guaranties the Repayment.

(2) The real estate where the Business is located is owned by CS Precision Manufacturing, Inc., an affiliate of the Applicant. CS Precision Manufacturing, Inc shall give to the City a Deed of Trust (the "Deed of Trust") covering the real estate where the Business is located. The Deed of Trust shall be subordinate to any previously filed deeds of trust.

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

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

#### **11. Annual Reports:**

The Applicant shall annually, within 90 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 (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 business 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. Early Termination:**

a. The Applicant shall have the right at any time to terminate its participation in the Program by notifying the Administrator in writing of its desire to do so.

b. The Administrator shall have the right to terminate the Applicant's participation in the Program if the Applicant is in default of any of the terms and conditions of this Agreement, which default is not cured within 30 days of written notice by the Administrator.

c. In the event of a termination as described in this paragraph, the total of the Annual Job Credits as of the end of the Year immediately preceding the termination will be subtracted from the Grant Amount. This amount shall then be immediately due and payable to the Fund. Interest shall accrue at the rate of 7% per annum on any amounts not immediately paid.

d. If the Annual Job Credit determined for any Year is less than 20% of the Maximum Annual Credit, then the Administrator may require repayment of the difference between that Year's Annual Job Credit and the Maximum Annual Credit. Any balance shall be repaid to the Fund within 30 days of written demand of the Administrator, and any amount not paid within this time period shall then carry interest at the rate of 7% per annum until paid. If the amount repaid pursuant to this subparagraph is later earned by the Applicant, then the City shall pay the amount so earned to the Applicant within 30 days of the determination by the Administrator that the amount previously repaid has been earned.

## **13. Default:**

The Applicant shall be in default if any of the following happen:

a. Failure to comply with any of the terms of this Agreement 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 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 operate the Facility.

e. The Applicant intentionally or materially misstates the Annual Job Credit on an Annual Report. A material misstatement shall be considered to have occurred if the Annual Job Credit claimed on the Annual Report exceeds 10% of Annual Job Credit as reasonably determined by the Administrator.

#### **14. 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 their interest in this Agreement without the consent of the Administrator. Assignment shall include a transfer of ownership which results in Scott James and Tina James owning less than 51% of the stock in the Applicant.

#### **15. 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.

#### **16. 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, or by facsimile transmission combined with any of the above methods of notice, 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  
Fax: (308) 632-2916  
Attention: City Manager

- b. If to the Applicant:

Factory Crimp Services, Inc.  
4713 Ave. I  
Scottsbluff, NE 69361  
Attention: Scott James

**17. 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]

City of Scottsbluff, Nebraska

Factory Crimp Services, Inc.

By: \_\_\_\_\_  
Economic Development  
Program Administrator

By: \_\_\_\_\_  
Scott James, President