

City of Scottsbluff, Nebraska
Wednesday, February 12, 2020
Regular Meeting

Item 1

Approval of minutes for meeting of February 7, 2020

Staff Contact: Starr Lehl

CITY OF SCOTTSBLUFF
ECONOMIC DEVELOPMENT APPLICATION REVIEW COMMITTEE
February 7, 2020

The meeting of the Economic Development Application Review Committee was held on February 7, 2020 at 8:00 a.m. at City Hall, 2525 Circle Drive, Scottsbluff, Nebraska.

Present were committee members Dennis Hadden, Dave Schaff and Nate Merrigan. Also in attendance on behalf of the City was Starr Lehl, City Economic Development Director, Liz Hilyard, City Finance Director, Adam Hoesing, Deputy City Attorney, and Nathan Johnson, City Manager.

Vice Chairman Hadden called the meeting to order at 8:01 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 Schaff, and seconded by member Merrigan that the minutes of the January 3, 2020 committee meeting be approved. Voting yes: Hadden, Schaff and Merrigan. Voting no: None.

The next item on the agenda was the presentation from Herb Gibson on behalf of Prime Metals, Inc. The Application seeks \$1,500,000 for the purchase of equipment and as working capital in order to begin the installation and start-up of a yellow label commercial sheet metal manufacturing company located in Gering, Nebraska. The company will specialize in the production of sheet metal, spiral pipe, square duct-work, and associated fittings for each. The plant would work out of rented space in Gering, Nebraska, and the Applicant is currently also applying for a community development block grant funding through the State of Nebraska and community development block grant reuse funding to the City of Gering. Mr. Gibson also discussed that the applicant is applying for Nebraska advantage funds, which would be a reimbursement of portions of the sales tax which would otherwise be attributable to the City of Gering.

Vice Chair Hadden questioned Mr. Gibson as to the foreseeable labor market for the area. Mr. Gibson responded that he may have to begin with moving trained sheet metal manufacturers, but would combine and supplement trained employees with current work force as well as locally trained work force at Western Nebraska Community College. Part of the intent for the jobs to be created is to employ otherwise low-income workers and provide them with yellow label union wages.

Economic Director Starr Lehl then asked Mr. Gibson to elaborate on the term “yellow label” union facility. Mr. Gibson replied that a yellow label facility allows the products of Prime Metals, Inc. to be shipped to and used in the construction and manufacture of many different facilities, including other facilities that may be built exclusively with union labor and may require other union products to be incorporated. Member Merrigan questioned when the funds from the City would be needed and how much. Mr. Gibson responded that the full \$1.5 million assistance would be needed up front, in order to complete the acquisition of equipment, set up

equipment, and provide for capital during the start-up of the business. Member Merrigan also questioned the process and status of the loans with Western States Bank. Mr. Gibson responded that Western States Bank is still going through the due diligence process on the loans, part of which is a commitment from the City LB 840 funding as well as commitment from the State for community block grant funding.

Member Schaff questioned Mr. Gibson on the used equipment that will be contributed to the business. Mr. Gibson responded that the used equipment for this industry typically lasts between 40 and 50 years, and that there is already existing equipment to be contributed by the owners of the Applicant. Mr. Gibson stated that it makes economic sense to use the used equipment for this project, since the used equipment still has a verifiable and usable life span, and it will allow costs to be reduced accordingly.

City Manager Johnson questioned Mr. Gibson on his plan if the City cannot provide the complete \$1.5 million in assistance. Mr. Gibson responded that such a contingency plan is unknown at this time, but did state that due to shipping and transportation costs, an incentive such as the LB 840 funding is required in order to make this project viable in Gering, Nebraska; shipping and transportation costs would be eliminated if the project was removed to a higher traffic area such as Denver, Colorado.

Member Merrigan asked about concerns on a small facility if that would be rented by the Applicant. Mr. Gibson responded that they may need to down size the projections if they were to obtain a small facility, but there would be options available to them in the future considering that the full 70 FTE projection would not occur until four or five years into the future. Options might include expansion of a smaller facility, leasing a larger facility at that time, or building a new facility to accommodate the needs.

Deputy City Attorney Hoelsing then asked the Applicant several questions, including the labor cost fluctuation of financial productions, the residual value of used equipment collateral, whether Western States Bank would have a blanket lien on all equipment as collateral, when full-time employment of 70 projected employees would be reached, the status of the Nebraska advantage fund, and the time-line for the State of Nebraska and community development block grant funding. Mr. Gibson replied that labor costs fluctuate due to the demand for product. If demand is less during certain times of the year, hours of employment are reduced accordingly. Mr. Gibson did not, however, anticipate that job loss would occur as may be indicated on the labor costs and labor projection. Mr Gibson also responded that used equipment collateral would generally retain their value despite depreciation for accounting purposes, but that Western States Bank will otherwise have a blanket lien on all equipment collateral. Mr. Gibson also stated that full employment of 70 projected employees will occur sometime in 2024 or 2025. Economic Director Starr Lehl advised that the Nebraska Advantage Act is still viable despite a sunset coming by the end of 2020, considering that all applications granted under the Nebraska Advantage Act will continue despite the sunset. Both Mr. Gibson and the Economic Development Director Starr Lehl responded that expected commitment or return of State of Nebraska community development block grant funding would be the end of March 2020.

Thereafter, a discussion was had between the Committee, Deputy City Attorney Hoelsing and Mr. Gibson regarding the structure of any assistance. Mr. Gibson expressed a desire towards a more jobs-based grant approach, considering the job creation possible. Deputy City Attorney expressed concern regarding a jobs-based grant considering the history of the program, the experience in seeing jobs-based grants not perform according to projections, and the possible approach towards considering the interest of both parties following this discussion. It was moved by Member Schaff and seconded by Member Merrigan to approve \$1,500,000 in assistance from the Economic Development program of the City and direct City Staff and counsel to discuss and negotiate an assistance structure with the Applicant that would be agreeable to both parties. Voting yes: Hadden, Schaff and Merrigan. Voting no: None.

Thereafter, Economic Director Starr Lehl provided a brief update on upcoming projects and expectations for the Committee. Following Ms. Lehl's update, the meeting was then adjourned at 9:10 a.m.

Starr Lehl, Economic Development Director