

City of Scottsbluff, Nebraska
Friday, August 7, 2020
Regular Meeting

Item 1

Approval of minutes for meeting of July 24, 2020.

Staff Contact: Starr Lehl

CITY OF SCOTTSBLUFF
ECONOMIC DEVELOPMENT APPLICATION REVIEW COMMITTEE
July 24, 2020

The meeting of the Economic Development Application Review Committee was held on July 24, 2020 at 8:00 a.m. at City Hall, 2525 Circle Drive, Scottsbluff, Nebraska.

Present were Committee members Nate Merrigan, Jim Trumbull, Dave Schaff and Marla Marx. Also in attendance on behalf of the City was Starr Lehl, City Economic Development Director, Adam Hoelsing, Deputy City Attorney, and Rick Kuckkahn, Interim City Manager.

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.

It was moved by member Marx and seconded by member Merrigan that the minutes of the February 28, 2020 Committee meeting be approved. Voting yes: Merrigan, Trumbull, Schaff, and Marx. Voting no: None.

The next item on the agenda was application funding available through the fiscal year ending September 30, 2020 and for fiscal year 2020-2021. The Interim City Manager Kuckkhan stated that the current fiscal year's budget had been amended for the LB 840 Fund, an information was provided by Economic Development Director Lehl and Deputy City Attorney Hoelsing regarding upcoming pre-committed funds for the remainder of the fiscal year. It was understood that about \$600,000 was remaining in the current fiscal year's budget for the LB 840 Fund. Interim City Manager Kuckkhan also stated that the full amount of the fund was budgeted for fiscal year 2020-2021, although neither City staff nor the Committee expressed the desire to spend all of the funds budgeted. The budget of the full amount of the fund was to enable flexibility to the Committee for the upcoming year without having to engage in the formal budget amendment process if necessary.

Following discussion of funding, the next item on the agenda was consideration of the application of Bluff Physical Therapy LLC. Present on behalf of the applicant was Mike Moravec. Bluff Physical Therapy LLC had been a previous applicant under the program, and had received \$50,000 in assistance from the program, split between a \$20,000 job-credit grant and \$30,000 repayable loan. The original application from Bluffs Physical Therapy LLC was for a stand-alone physical therapy practice with one physical therapist. Since that time, business has expanded, and a parent company has built a new building for the location of the applicant's expanded business. In addition, Mr. Moravec stated that he has started another business, Hydrozen, LLC, which provides sensory deprivation therapy pods. Employees of Bluffs Physical Therapy LLC will be used to staff services provided by Hydrozen LLC, and Hydrozen LLC will be located in the same building as Bluffs Physical Therapy LLC. Following Mr. Moravec's presentation, Deputy City Attorney Hoelsing asked several questions of Mr. Moravec. Through questioning it was determined that the applicant currently has 5 full time employees, those being as follows: one physical therapist, one physical therapist assistant, two full time physical therapist technicians, and one office manager. The applicant also has a part time physical therapist assistant. The applicant intends to hire an additional physical therapist assistant and additional physical therapist

technician. If possible, the applicant likewise desires to hire an additional physical therapist, but it is difficult to hire a qualified physical therapist at the area. All those positions would be hired as of August 1, 2020, following expansion of the business. Additionally, Mr. Moravec stated that the applicant needs roughly \$57,000 for build out of the lease space for the expanded business, and that the partner company, Hydrozen LLC, needs \$31,000 for purchase of the separate sensory deprivation pod and associated software (again, being a build out expense of the leased space). Mr. Moravec also stated that the equipment of the applicant as well as that of Hydrozen LLC should be free and clear of liens, as a collateral for the underlying bank financing was the new building owned by the parent company. Mr. Moravec stated that the \$56,000 to the applicant and the \$31,000 to Hydrozen LLC would both be needed for the build out capital asset purchase and for working capital associated with those purchases. Finally, Mr. Moravec stated that both the applicant and Hydrozen LLC engage in business and interstate commerce, as both entities have customers or patients throughout the Nebraska Panhandle as well as Eastern Wyoming, Southwestern South Dakota, and Colorado.

Following Mr. Moravec presentation and questions of the Committee and Deputy City Attorney Hoesing, direction was given to Deputy City Attorney Hoesing to propose an assistance package that would refinance the current Economic Development Assistance Agreement with the applicant and would award additional principle of a \$87,000 between the applicant and Hydrozen LLC.

Next on the agenda was the application of HF Baseball LLC. Present on behalf of the applicant was Chuck Heeman, the owner of HF Baseball LLC. HF Baseball LLC is the owner and operator of the Western Nebraska Pioneers, which is an amateur summer bat league for amateur athletes. Due to the economic downturn associated with the COVID-19 Pandemic, Mr. Heeman presented a significant loss of income associated with loss of ticket revenue, loss of concession revenue, loss of season ticket sales for subsequent years that I have been pushed from this year to the next year, and the general consistency of expenses and cost notwithstanding the pandemic. Currently, Mr. Heeman stated that the applicant has one full time position, and up to 22 seasonal positions employed. The applicant did state that the City of Gering's Economic Development Program has recently provided \$50,000 as working capital to make-up for the lost revenue in the Spring of 2020, structured as a 50% loan and 50% grant and centered around the seasonal and full time employment figures.

Following Mr. Heeman's presentation, Chairman Trumbull stated that the Committee should exercise caution when getting into a tourism related qualifying business. There are, in Chairman Trumbull's opinion, many different business that could qualify as being tourism related, and the Committee needs to be aware that assistance to one applicant of this nature may put pressure on the Committee to provide assistance to many other applicants that would have not otherwise been funded, particularly given the impact of the COVID-19 Pandemic on the tourism industry. Deputy City Attorney Hoesing stated that the applicant could be considered a qualifying business by the Committee, as more than 50% of applicant's income has traditionally been received from ticket sales, concessions, and merchandise, which can all be seen by the Committee and their discretion as being income from tourism-related activities. The Committee did not disagree but felt that caution needed to be used on an applicant that was unsure of its future given the current business environment.

Discussion was then had regarding the amount the Committee would be willing to provide to the applicant. Consensus was made that if any assistance were to be provided, there would be a maximum of \$50,000, payable in two installments of \$25,000. Discussion was had regarding whether to consider a Job Retention Based Grant, rather than a loan, as the Committee would be awarding funds to the applicant in order to retain jobs that have already been created and to keep the business running. The Committee gave direction to Economic development Director Lehl and Deputy City Attorney Hoelsing to request employment figures to further assess the qualifications and propriety of the applicant for a job retention-based grant.

Discussion was then had on a previous application from Crossroads Cooperative. Previously, the Committee had not taken action on any applications from Crossroads Cooperative for an expansion on a grain facility in Gering, Nebraska. Deputy City Attorney Hoelsing informed the Committee that at the time of the previous application, there were many questions unanswered regarding the ownership of public improvements, city utility main extensions, and benefit provided by the City of Gering Economic Development funds. At this time, both Committee and city staff felt like those questions remained unanswered and therefore would not be appropriate to award assistance under the current application. Motion was therefore made by member Schaff and seconded by member Merrigan to not recommend the application for approval, and instead to invite the applicant to reapply if finances are clear and ownership of the improvements are better understood. Voting yes: Trumbull, Merrigan, Schaff and Marx. Voting no: None.

Discussion was then had regarding finalization of COVID-19 accommodations to LB 840 fund recipients. Deputy City Attorney Hoelsing stated that he would provide an outline of the accommodations that could be provided to the current fund portfolio, and that at the next Committee meeting the Committee could review the accommodations per fund recipient, and state their support or questions of any approach toward COVID-19 accommodations.

Discussion was then had regarding taking time for a subsequent meeting of the Committee, at which time Chairman Trumbull would desire a discussion review of the Open Meetings Act as it applies to the Committee, a discussion to review of the Committee member's conflicts of interests as well as the expansion on the Committee members or replacement of Committee members, and general approach of the Committee regarding its purpose and desires for use of Economic Development funds.

Following that discussion, Economic Development Director Starr gave her report regarding upcoming applications. Several applications were in the works, one being associated with a current fund recipient another being a new business looking to expand on current unleased property at the Uptown Mall.

Following that discussion, the Committee meeting was adjourned at 9:45 a.m.

Starr Lehl, Economic Development Director