

City of Seward, NE

Tuesday, July 21, 2015

Regular Session

Item G7

CONSIDERATION OF A NON-BINDING LETTER OF INTENT REGARDING PROJECT HOT MILL - Darl Naumann of Ayars & Ayars & Mayor Eickmeier

Administrative Report: At this point, Charley and Wil don't have anything in writing that indicates that the City of Seward is interested in this project. While everyone understands that this is a nonbinding letter of intent, it is still necessary on their end to have such a letter so that they can show interested parties, including financing sources, that there is interest by the City. Darl Naumann of Ayars & Ayars has extensive experience with economic development projects and, in fact, it was a letter of intent (LOI) that he had written in the past for the City of Lincoln that was used as the template for our LOI. Darl plans to attend Tuesday night's council meeting to answer any questions the Council may have.

At least one Council Member has requested a business plan, which is included in the packet. There will be additional information provided as part of the TIF process that will further outline requirements in the redevelopment agreement.

Staff Contact:

July 21, 2015

Office of the Mayor
City of Seward
537 Main Street
Seward, Nebraska 68434

O&G Partners LLC
Mr. Charley Havens
500 Turtle Cove Blvd. Ste. #210
Rockwall, TX 75087

Dear Charley:

The City of Seward is committed to having your company become the flagship industry of the Seward/Lincoln Regional Rail Campus.

The City of Seward, the Community Redevelopment Authority (CRA), and the Planning Commission are working together to encourage private investment in projects that strengthen the local economies of Seward and the surrounding communities and ensure that such developments are consistent with Seward's comprehensive plan and vision for the future.

The current Tax Increment Financing (TIF) estimate is between \$10 million and \$15 million. The current estimate for your private investment is \$110 million and the creation of 150 jobs. In order for the site to qualify for TIF, the existing designated blighted area would need to be amended to include the entire Rail Campus, which is on the agenda for the July 13 Planning Commission meeting and the July 21 Council meeting. The City is working towards annexing the western half of the Rail Campus into City limits, which will then qualify the site for TIF. The Rail Campus will then need to be rezoned for the appropriate industrial use.

In addition, your company may qualify for incentives including, but not limited to the Nebraska Advantage Act, Customized Job Training, and any additional programs agreed to by the company and authorized by entities responsible for approval.

The City already has its utilities adjacent to the Rail Campus, which means the site is shovel ready to meet your construction needs. The City intends for there to be sufficient rail within the site to meet your needs and the needs of future Rail Campus partners.

As we move forward, the City anticipates there will be a business plan for the City to review, a detailed cost/benefit analysis of the City's involvement in the project, documentation supporting the project's private financing, and an overall risk

assessment regarding the City's position if at any point the project is no longer viable.

This letter does not constitute a legally binding agreement and the parties intend to be bound only pursuant to the definitive agreement, which will be negotiated to their mutual satisfaction and will be subject to approval by their respective Boards/Owners.

O&G Partners LLC and the City will negotiate in good faith, on the basis of the expression of intent contained in this letter, with the view to arriving at a definitive agreement in the next couple of months.

Charley, we look forward to working with you to arrive at a definitive agreement and look forward to you joining us as an integral partner with the Seward community.

Please execute a copy of this letter on behalf of O&G Partners LLC to indicate your agreement with this letter.

Sincerely,

Joshua Eickmeier
Mayor of Seward



OCT PIPE, LLC

1500 Turtle Cove Blvd, Suite 210

Rockwall, Texas 75087

OCT Pipe, LLC/a 100% owned company of O&G Partners, LLC, is building an OCT(Oil Country Tubing) and Pipe Plant in North Central United States with Rail Service by BNSF. Rail services is one of the most important parts of this project because of the Steel Pipe transportation and the rail distribution around the Oil Country drilling and production in the United States.

The facility will be approximately 900,000 square feet of manufacturing area or about twenty two acres under roof. The building will be serviced by local rail switching in the Seward Rail Campus. The pipe manufacturing equipment is the latest in technology of which only one similar plant has been built in the United States 2 years ago and is three versions removed from technology improvements.

The plant will produce and sell drilling and production pipe to the major oil and gas production companies in the Northwest; North and South Dakota, Wyoming, and Colorado, commonly called the Bakken Shale area. They will also market to the Northeast; New York, Pennsylvania, and West Virginia, commonly called the Marcellus area. Our International division will market product to both Africa and Asia to meet an ever growing demand that is now larger than that of the United States. This marketing strategy also makes the Seward's Rail Campus Free Trade Zone an important part of the operation.

The construction and installation of the building and equipment will take approximately 18 months at a cost of around \$110 million dollars. The plant will employ approximately 150 people, with 10% being professional managers and engineers, and the remaining being manufacturing staff.

The plant, when running at full capacity will receive 450,000 Metric tons of raw steel and distribute 150,000 metric tons of finished, threaded oil field pipe plus 300,000 metric tons of "green pipe" commonly known as Plain End to customers who have special needs in finishing the pipe to different specifications. This will average a gross income to the plant of approximately \$500,000,000 annually when in full production. The estimated payroll to accomplish this is around \$10,000,000 a year plus benefits.

The company's vision is to hire from the Seward area labor pool as many people as possible. It is also our intention to make the plant employment secure, enjoyable and rewarding to all of our employees so they can become good citizens in the area and help the community grow.



Charles H. Havens
CE Manager