

FINAL

CITY OF STROMSBURG ECONOMIC DEVELOPMENT PLAN

Adopted by the City of Stromsburg on _____
Pursuant to the Local Option Municipal Economic Development Act
Neb.Rev.Stat. §§18-2701 to 18-2738

**CITY OF
STROMSBURG, NEBRASKA**

ECONOMIC DEVELOPMENT PLAN

GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY -3 -

STATEMENT OF PURPOSE, GENERAL INTENT AND GOALS -4-

ELIGIBILITY -4-

OPERATION OF REVOLVING LOAN FUND -7-

BUDGET -12-

APPLICATION PROCESS -13-

ADMINISTRATION OF ECONOMIC DEVELOPMENT PROGRAM -14-

PROCESS TO INSURE CONFIDENTIALITY OF BUSINESS INFORMATION
RECEIVED -15-

IDENTIFICATION OF REAL ESTATE -15-

CITY OF STROMSBURG, NEBRASKA ECONOMIC DEVELOPMENT PLAN

Nebraska's voters enacted a constitutional amendment in November, 1990, granting cities and villages the power to use local sources of revenue for economic or industrial projects and programs. In 1991, the Unicameral implemented this amendment with the passage of Legislative Bill 840, the Local Option Municipal Economic Development Act.

The Local Option Municipal Economic Development Act is based on the premise that communities should use their own tax dollars in ways that best meet local needs. While ongoing planning processes in many towns have identified development, job creation, and increased economic opportunity as their highest priority for the future, a variety of constitutional and legislative prohibitions kept them from investing local public funds in development programs. The removal of these limitations, gives municipalities greater latitude in determining and acting upon local needs.

As towns have witnessed population declines and a loss of younger people, they have thought about their futures and the types of actions and investments needed to reverse these past trends. At the same time, smaller towns and cities are beginning to realize a period of significant opportunity. In a period of uncertainty, complexity, and growing concern about the problems and quality of urban life, including cost and relative safety, the advantages offered by the smaller cities have become uniquely attractive. At the same time, the revolution in information and communication technology as well as goods distribution has reduced the isolation of small towns. As a result, it is increasingly possible to operate a significant business in growth areas outside of major urban centers.

GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY

Stromsburg's community and economic development strategy involves building on our strengths to promote existing industries and the retention of jobs and to recruit new industries and jobs to the community. The principal strategy is directed at maintaining a good quality of life for our citizens and a strong workforce; developing community resources; attracting new capital investment; broadening the community's tax base; and ensuring economic stability and viability for Stromsburg.

Economic diversification will continue to be a critical priority for Stromsburg's economic development program. Diversification will be strengthened by the recruitment of new business from outside and development of new businesses from inside the city. A small business development program can establish the city as a nurturing environment for small business and as a center for economic opportunity. This atmosphere, in turn, can encourage people with skills and ideas to move or return to Stromsburg to make a start in business.

In addition to recruitment, the city can create job opportunities by helping existing businesses in the city to expand their markets and compete more successfully. The successful marketing of Stromsburg as a center for opportunity is important to the city's effort to expand its labor force and attract new residents.

The City of Stromsburg recognizes that the attraction of new business and industry to a community, or the expansion of existing business or industry, takes place in a very competitive market place. In order to keep Stromsburg, Nebraska as competitive as possible in that market place the community will strive to use all financial and human resources available in a partnership using federal, state, municipal and private sources.

STATEMENT OF PURPOSE, GENERAL INTENT AND GOALS

It is the intent of the City of Stromsburg, Nebraska, to implement an economic development program, the purpose and goals of which will be: to create jobs/generate employment opportunities; to expand labor markets of Stromsburg and Polk County; to attract new capital investment to the community stability and vitality for the community of Stromsburg and the surrounding area.

The City of Stromsburg has adopted a comprehensive Plan. This Comprehensive Plan was the culmination of a planning process that also involved citizens of the city to define its future. It is important in preparation of an economic development plan that, in addition to soliciting specific input for the plan, an effort be made to ensure consistency with other plans and goals of the city.

ELIGIBILITY

Eligible Activities

Eligible activities under the economic development program may include, but shall not be limited to, the following:

- 1) Job credits for full-time jobs created (full-time jobs defines as 2000 hours) to include grants which are subject to job credit performance.
- 2) Grants for public works improvements essential to the location or expansion of a qualifying business.
- 3) The purchase of real estate, options for such purchases, and the renewal or extension of such options.
- 4) Contracting with an outside entity to implement the Program and to provide assistance to other Economic Development entities within Polk County, Nebraska when in the opinion of the Mayor and Council that such assistance directly benefits Stromsburg, Nebraska.

- 5) The providing of technical assistance to businesses, such as marketing assistance, management counseling, preparing financial packages, engineering assistance, etc.
- 6) Expenses for business recruitment activities.
- 7) Expenses for locating a qualifying business in the area or relocating a qualifying business into the area.
- 8) Equity investment in or loan guarantees for a qualifying business.
- 9) The authority to issue bonds pursuant to the act.
- 10) Grants or agreements for job training.
- 11) Small business development including expansion of existing businesses.
- 12) A revolving loan fund from which low interest or performance based loans will be made to qualifying businesses on a match basis from the grantee business and based upon job creation and/or retention, said jobs to be above the average wage scale for the community
- 13) The eligible activities described above are considered priority activities for the use of funds generated under the local Option Municipal Economic Development Act. The City of Stromsburg recognizes that the attraction of new business to a community or the expansion of existing businesses takes place in a very competitive market place. In order to keep Stromsburg as competitive as possible in that market place, and in the creation of new jobs in the area, the City retains the right to include as eligible activities those additional activities allowable by law.
- 14) The Local Option Municipal Economic Development Act has been changed in several Legislative sessions since it was signed into law on June 3, 1991. It is reasonable to assume the law will change during the course of Stromsburg Economic Development Program. In order to stay current with Nebraska Statutes, the City of Stromsburg retains the right to amend this Economic Development Plan when such amendment pertains to changes made to the Local Option Municipal Economic Development Act or to other statutes that affect Stromsburg's Program. Such amendments can only be made after a public hearing and a majority vote of Stromsburg's City Council.

Types of Businesses That Will Be Eligible

A qualifying business shall mean any corporation, partnership, limited liability company or sole proprietorship which derives its principal source of income from any of the following:

- 1) The manufacture of articles of commerce
- 2) The conduct of research and development
- 3) The processing, storage, transport or sale of goods or commodities which are sold or traded in interstate commerce
- 4) The sale of services in the interstate commerce
- 5) Headquarters facilities relating to eligible activities as listed in this section
- 6) Telecommunications activities
- 7) Tourism-related activities
- 8) Any business that derives its principal source of income from the construction or rehabilitation of housing.
- 9) Retail businesses.
- 10) Any other business deemed as a qualifying business through future action of the legislature.

If a business which would otherwise be a qualifying business employs people and carries on activities in more than one city in Nebraska or will do so at any time during the first year following application for participation in the Program, it shall be a qualifying business only if, in each such city, it maintains employment for the first two years following the date on which such business begins operations in the city as a participant in its Program at a level not less than its average employment in such city over the twelve-month period preceding participation.

A qualifying business need not be located within the territorial boundaries of the city if the program administrator determines that there is a clear economic benefit to the city.

OPERATION OF THE REVOLVING LOAN FUND

This section will describe details of the operation of the revolving loan fund. The size and special features of this fund, combined with the requirement of LB 840, requires that its operation be outlined.

A. General Guidelines:

1. The amount of funds available for any single project shall not exceed the amount of funds available under the Economic Development Program during the project term, nor shall it provide for more than fifty percent (50%) of applicant's total project costs. An applicant must provide participation and evidence of participation through private funding as distinguished from Federal, State, or Local funding in the minimum amount of ten percent (10%) equity investment. The right is reserved to negotiate the terms and conditions of the loan with each applicant, which terms and conditions may differ substantially from applicant to applicant.
2. The interest rate shall be fixed and negotiated on an individual basis; usually one-half the rate of the lending rate for the project at a traditional banking source. Rates shall not be less than one-half of national prime rate as published in the "Wall Street Journal" on the date of loan approval, nor less than four percent (4%) per annum. The term shall not exceed ten (10) years for loans used for capital assets and five (5) years for loans involving any other asset category. Security for loans will include, but will not be limited to, Promissory Notes, Mortgages or Deeds of Trust, and personal and/or corporate guarantees as appropriate and may be in a subordinate position to the primary lender.
3. If the loan is approved as performance passed, a qualifying business may be approved to recapture a portion of the loan amount on a grant basis. The recaptured amount will be determined by the City Council, based upon job creation or retention and economic impact on the project to the community.
4. A loan repayment schedule providing for monthly, quarterly, or annual payments will be approved in conjunction with project approval. Repayment will be held in the revolving loan fund for future projects when approved.

5. The Economic Development Director or contracted loan administrator is responsible for auditing and verifying job creation and retention and determining grant credits toward any loans made. No grant credits are available unless pre-approved in the initial application and project approval. No grant credits will be made available beyond the level initially approved.
6. The Revolving Loan Fund will be audited annually by a selected firm of certified public accountants.
7. It is anticipated that the Program can be fully administered by the Director of the Economic Development or contracted loan administrator. Administration costs for the loan fund will be defrayed by loan fees and the portion of sales tax revenue directed to administration expenses as outlined in the Plan budget.

B. Eligible Applicants:

The revolving loan fund can provide loans or loan guarantees to any business eligible for assistance under LB 840. While not meant to restrict the scope or flexibility of the fund, evaluation of applications should give special priority to businesses which meet one or more of the following criteria:

1. Businesses which create one job for each \$25,000 or less in public financing assistance.
2. Applications which provide for the expansion or enhancement of existing businesses in Stromsburg or its surroundings.
3. New business starts.
4. Businesses that in the opinion of the loan committee, have unusual potential for growth.
5. Businesses that are relocating from outside Nebraska.
6. Business that provide for important local or regional needs.

C. Application Requirements:

1. Complete an application that may be obtained from the office of the City of Stromsburg, Stromsburg, NE 68666.
2. Submit the completed application together with all information as set out below to the office of the City of Stromsburg. The application will

then be reviewed by the program administrator and the loan committee, and upon completion of the review; the committee will make a final decision on the project.

3. The Program Administrator will notify any applicant of the decision of the committee.

D. Information Required:

The qualifying business shall provide the following information before the Program Administrator and the Loan Committee considers any application:

1. Sole Proprietorship:
 - a. Submit a Stromsburg Economic Development Loan Fund Application.
 - b. Business plan.
 - c. Two years complete individual federal tax returns (signed).
 - d. Current year-to-date Profit and Loss Statement (signed)
 - e. Recent Balance Sheet (signed)
 - f. Credit Bureau Report (CBR)
 - g. Other information as requested.
2. "S" Corporation:
 - a. Submit a Stromsburg Economic Development loan fund application.
 - b. Business plan.
 - c. Two years complete individual federal tax returns, if over 25% ownership (signed).
 - d. Two years complete corporate tax returns (signed).
 - e. Current year to date profit and loss statement (signed).
 - f. Recent balance sheet (signed).
 - g. Articles of Incorporation, By-Laws, and Minutes of last meeting.
 - h. Corporate Resolution authorizing loan application and execution of required documents.
 - i. Credit Bureau Report (CBR) for Shareholders with over 25% ownership.
3. "C" Corporation:
 - a. Submit a Stromsburg Economic Development loan fund application.
 - b. Business plan.

- c. Two years complete individual federal tax returns, if over 25% ownership (signed).
- d. Two years complete corporate tax returns (signed).
- e. Current year to date profit and loss statement (signed).
- f. Recent balance sheet (signed).
- g. Articles of Incorporation, By-Laws, and Minutes of last meeting.
- h. Corporate Resolution authorizing loan application and execution of required documents.
- i. Credit Bureau Report (CBR) for Shareholders with over 25% ownership.
- j. Other information as requested.

4. General Partnership:

- a. Submit a Stromsburg Economic Development loan fund application.
- b. Business plan.
- c. Two years complete individual federal tax returns, if over 25% ownership (signed).
- d. Two years complete partnership returns (signed).
- e. Current year-to-date profit and loss statement (signed).
- f. Recent balance sheet (signed).
- g. Complete partnership agreement.
- h. Credit Bureau Report (CBR) for general partners.
- i. Other information as requested.

5. Limited Partnerships:

- a. Submit a Stromsburg Economic Development loan fund application.
- b. Business plan.
- c. Two years complete individual federal tax returns for general partners and for limited partners, of over 25% ownership, and partnerships tax returns (signed).
- d. Complete copy of partnership agreement.
- e. Credit Bureau Report (CBR) for general partners.
- f. Other information as requested.

6. Limited Liability Companies:

- a. Submit a Stromsburg Economic Development loan fund application.
- b. Business plan.
- c. Two years complete individual federal tax returns, of over 25% ownership (signed).

- d. Two years complete entity tax returns (signed).
- e. Current year-to-date profit and loss statement (signed).
- f. Recent balance sheet (signed).
- g. Credit Bureau Report (CBR) for managers.
- h. Other information as requested.

7. Limited Liability Partnership:

- a. Submit a Stromsburg Economic Development loan fund application.
- b. Business plan.
- c. Two years complete individual federal tax returns, if over 25% ownership (signed).
- d. Two years complete entity tax returns (signed).
- e. Current year-to-date profit and loss statement (signed).
- f. Recent balance sheet (signed).
- g. Credit Bureau Report (CBR) for managers.
- h. Other information as requested.

E. Constitution of Loan Committee:

The Economic Development Board or other entity contracted by the City Council shall comprise the Loan Committee.

F. Evaluation and Approval of Assistance:

The loan committee will evaluate each application according to the following criteria:

- 1. Eligibility under LB 840.
- 2. Soundness and credibility of the business proposal.
- 3. If the business fits into one of the priority categories established by the plan for assistance.
- 4. Track record, credibility, and credit worthiness of applicant.
- 5. Ability to leverage significant private financing.
- 6. Probability that the business assistance will be repaid.
- 7. Other criteria that the loan committee may establish for application review.
- 8. Decision of the Loan Committee will be final.

G. Types of Financing Available:

- 1. Low interest loans, subordinated to a loan from private sources. The revolving loan fund may provide a blended loan at lower than market interest, repaid simultaneously with the private financing, or may

accept sequential payment, being repaid following full payment of the private loan. The committee will negotiate specific loan terms.

2. Loan guarantees, by which a portion of the revolving loan fund proceeds are pledged against private financing. Guarantees make private financing more available with the minimum expenditures of public funds. The committee will negotiate fees and other considerations for guarantees.

BUDGET

This section describes a preliminary source of funds and budget for Stromsburg economic development program. It is important to note that this budget must be developed annually and may be modified from time to time by the City Council. In the field of economic development, it is impossible to anticipate every condition or requirement. The city should maintain the flexibility to respond to specific requirements and opportunities on a short-term basis.

Proposed Funds to be Collected and Length of Time the Plan Will Exist

The city source of public funds for Stromsburg Economic Development Program will be twelve and one-half (12 & 1/2) of the local option sales tax of 1 1/2%. If approved by the voters, the funding will begin on January 1, 2010 and remain in force until the City Council would take action to terminate the Economic Development Plan. The total amount to be collected from 12.5% of the collected sales tax is estimated to be \$24,322.99 (based on current retail sales) annually. The annual amount that will be budgeted for Economic Development in Stromsburg is tied to the City of Stromsburg's valuation each year. The amount shall not exceed 0.4 percent of Stromsburg's annual valuation. Any excess funds above the 0.4 percent amount shall be appropriated to the general fund of the City on an annual basis. However, uncommitted funds and revenues including but not limited to repayment of loans, return on investments, fees for activities such as loan guarantees, and sales proceeds from properties, may continue to be used for activities contained within the Economic Development Program.

Bond Authority

Stromsburg may have a business opportunity or other economic development project that requires initial funds that exceed the single year proceeds of the local option sales tax. In order to take advantage of such an opportunity, Stromsburg should have the ability to issue bonds. These bonds are then retired by future sales tax receipts. The City

Council may authorize the issuance of bonds to carry out the economic development program, following a public hearing.

APPLICATION PROCESS

The City of Stromsburg will appoint the Economic Development Board or contract with another qualified entity (herein referred to as “Program Administrator”), to administer the Economic Development Program.

If the City chooses to appoint an Economic Development Board, the Board shall consist of 3 members appointed by the Mayor and approved by the City Council. Terms shall be for three (3) years except that initial terms shall be established on a staggered basis to provide continuity on the Board.

To be considered for direct financial assistance under this plan, an applicant must provide to the following unless waived by the Program Administrator:

- 1) A detailed description of the proposed project;
- 2) A business plan, including employment and financial projections; current financial statements, financing requirements for the project, total project cost;
- 3) A completed City of Stromsburg City Local Option Municipal Economic Development Program Application for Financial Assistance.

Additional information, as necessary, to determine the economic viability of the proposed projects(s) may be requested by Program Administrator and/or by the City Council.

Program Administrator will review applications and requests for direct financial assistance in the order in which they are received by Program Administrator. Application review and approval, or disapproval, by Program Administrator will be based on project feasibility as determined by review of the applicant’s business plan and other requested information by Program Administrator and the potential future economic benefit to the community of Stromsburg.

Program Administrator will be responsible for verification of information in the applications of those eligible businesses.

In the event of termination of the contractual relationship between the City and the Program Administrator, the above described responsibilities will be carried out by another entity, by existing city staff or by an economic development specialist hired by the city.

Upon completion of the negotiations on the terms and conditions of assistance between the Program Administrator and the applicant, the project will be submitted to the City Council for its review and approval. The Council will consider the overall benefits to the community, and will provide the Program Administrator a decision that fits within the time frame suitable to meet the business requirements of the applicants. Once approved, the Program Administrator will take the necessary actions to execute the agreements made.

ADMINISTRATION OF ECONOMIC DEVELOPMENT PROGRAM

It is the intent of the program that the majority of the funds be used for supporting eligible activities and only the minimum required amount is to be spent to assist in the administration of the program. Three separate groups share the administration of the program. These are:

A. Program Administrator- Economic Development Board:

1. Will be responsible for the day-to-day activities of administering the program.
2. Assists applicants and conducts active recruiting for potential applicants.

B. Citizens Advisory Review Committee:

1. A group of citizens who are registered voters of the City, who will review the functioning and progress of the economic development program and advise the City Council with regard to the program.
2. Committee organization will consist of:
 - i. Five (5) members appointed by the Mayor and approved by the City Council. Terms shall be for Five (5) years except that initial terms shall be established on a staggered basis to provide continuity on the committee. No member may be an elected or appointed official, employee of the City, or anyone who participates in the decision making process regarding expenditures of program funds.
 - ii. At least one individual on the committee must have expertise or experience in the field of business, finance or accounting.
3. No member of the citizen advisory review committee shall be an elected or appointed city official, an employee of the city, a participant in a decision making position regarding

expenditures of program funds, or an official or employee of any qualifying business receiving financial assistance under the economic development program or of any financial institution participating directly in the economic development program.

4. The Citizens Advisory Review Committee will meet regularly as required to review the program and will report to the City Council at least once in every six month period on its findings and suggestions at a public hearing called for that purpose.

C. City Council:

1. Will have final authority on expenditure of funds in support of the economic development program.
2. Will have ultimate responsibility for the economic development program.

PROCESS TO INSURE CONFIDENTIALITY OF BUSINESS INFORMATION RECEIVED

In the process of gathering information about a qualifying business, the city may receive information about the business which is confidential and, if released, could cause harm to the business or give unfair advantage to its competitors. State law authorizes cities and other public entities to maintain the confidentiality of business records which come into their possession.

To protect the businesses applying for funds and to encourage them to make full and frank disclosures of business information relevant to their application, the city may take the following steps to ensure the confidentiality of the information it receives:

- 1) The adoption of an ordinance which makes such information confidential and punishes disclosure;
- 2) A restriction on the number of people with access to the files with the program administrator primarily responsible for their safe-keeping, and
- 3) A requirement that personnel involved in the program sign statements of confidentiality regarding all personal and private submittals by qualified businesses.

IDENTIFICATION OF REAL ESTATE

Continued development will exhaust space in the available industrial park well before the end of the planning period. Therefore, the City and the Program Administrator should provide for the acquisition of industrial and commercial land and provide for supporting infrastructure.

Eligible activities include the purchase directly or indirectly through the City and Program Administrator of commercial or industrial site(s) and obtaining options for the purchase of such real estate. Land to be purchased or optioned may be within or outside the corporate limits of the City of Stromsburg and will be identified through local analysis by the City of Stromsburg and/or Industrial Site Evaluation teams organized by the City of Stromsburg or the administrator of the Economic Development Program. These identified sites may then be considered for option or purchase and further development.

In addition, the funds may be used to provide the infrastructure to these sites or other sites to make them attractive to new or expanding businesses. Eligible infrastructure improvements will include, but not be limited to, street, storm drainage, water, sewer, gas, electric or railroad extension. Infrastructure improvements and costs may extend beyond the corporate limits of the City of Stromsburg.

The funds may also be used to construct facilities, structures, and/or appurtenances for new or proposed development or to attract new business or industry. These facilities, structures and appurtenances are not required to be within the corporate limits of Stromsburg, Nebraska.

These sites and facilities will improve the attractiveness of Stromsburg, Nebraska, as a location for new business and industry and may be used as an incentive to aid in the location, relocation or expansion of a business. These sites and facilities may be sold or leased at a price at or below current market value. The proceeds from the sale of lease of land purchased and developed with funds generated by LB 840 may be used for the purchase and development of additional land and may be used for all other eligible activities.

The attraction of a new business or industry may require an incentive to ensure its location in Stromsburg. Any investment in land and infrastructure can provide that incentive while at the same time providing a benefit that will remain in the community. Developed industrial sites, buildings, and infrastructure will be of long term benefit to the community regardless of future ownership.