

**CITY OF ST. PAUL, NEBRASKA
ECONOMIC DEVELOPMENT PROGRAM**

Voter Approval on November 4th, 2014

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 have the ability to use their own tax dollars in ways that best meet their own 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 has given municipalities greater latitude in determining and acting upon local needs.

As various towns have witnessed declining population and loss of business centers, 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 problem and quality of urban life, including cost and relative safety, the advantages offered by the smaller cities have become uniquely attractive. 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.

I. GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY

St. Paul'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 St. Paul.

Economic diversification will continue to be a critical priority for St. Paul's economic development program. The

recruitment of new businesses from outside and development of new businesses from inside the city will strengthen diversification. 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 St. Paul 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 St. Paul as a center for opportunity is important to the city's effort to expand its labor force and attract new residents. St. Paul is uniquely located to become a strong business & service center and residential destination.

The City of St. Paul 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 St. Paul, 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.

II. STATEMENT OF PURPOSE, GENERAL INTENT AND GOALS

It is the intent of the City of St. Paul, Nebraska, to implement an economic development program, the purpose and goals of which will be: to create jobs and generate employment opportunities; to expand labor markets of St. Paul and Howard County; to attract new capital investment to the community to broaden the tax-base; to retain jobs and make existing businesses more competitive and profitable; to promote activities that generate positive economic impact; and to provide economic diversification to ensure economic stability and vitality for the community of St. Paul and the surrounding area.

III. ELIGIBILITY

A. Eligible Activities

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

- 1) The purchase and/or the construction or improvement of real estate, options for such purchases, and the renewal or extension of such options.
- 2) Small business development including expansion of existing businesses.

- 3) Recruitment of business, industry or new residents into the area.
- 4) 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.
- 5) Grants for public works improvements which aid to the location or expansion of a qualified business.
- 6) Technical assistance to businesses to include but not limited to: job training, marketing assistance, management counseling, financial packaging, business plan development, and engineering assistance.
- 7) Payment for salaries and support of staff to implement and/or administer the program.
- 8) 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 St. Paul 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 St. Paul 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 authorized by State of Nebraska Statute:{18-2705}.
- 9) 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 St. Paul's Economic Development Program. In order to stay current with Nebraska Statutes, the City of St. Paul retains the right to amend this Economic Development Program when such amendment pertains to changes made to the Local Option Municipal Economic Development Act or to any other statutes that affect St. Paul's Program. Such amendments can only be made after a public hearing and a majority vote of St. Paul's City Council.

B. 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 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 or 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 city council determines that there is a clear economic benefit to the city. Eligible qualifying businesses may apply more than once and receive program benefits more than once.

IV. 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 requirements 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. Financial assistance can be provided to any eligible business for any eligible activity.
2. If the loan is approved as performance based, 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 of the project to the community.
3. A loan repayment schedule providing for monthly, quarterly, or annual payments will be approved in conjunction with project approval. Repayments will be held in the revolving loan fund for future projects when approved or for use on any project under the economic development program.
4. The St Paul Development Corporation Director or appointed 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.
5. The Revolving Loan Fund will be audited annually by a selected firm of certified public accountants.
6. The St Paul Development Corporation Director will assume primary responsibility for loan servicing and shall provide such other assistance or additional

personnel as may be required. The individual may be an employee of the City, or the City may contract with an appropriate business or financial institution for loan servicing functions. The governing body of the city shall be provided with an account of the status of each loan outstanding, program income, and current investments of unexpended funds on a quarterly basis.

7. The individual responsible for loan servicing shall monitor the status of each loan and with the cooperation of the governing body of the City and primary lender or lenders take appropriate action when a loan becomes delinquent. The governing body shall establish standards for the determination of loan delinquency, when a loan shall be declared to be in default, and what action shall be taken to deal with the default to protect the interests of the qualifying business, third parties, and the City. The governing body shall establish a process to provide for consultation, agreement, and joint action between the City and the primary lender or lenders in pursuing appropriate remedies following the default of a qualifying business in order to collect amounts owed under the loan.

B. Application Requirements:

1. Complete an application that may be obtained from the office of the St Paul Development Corporation, 710 7th Street, St. Paul, Nebraska 68873.
2. Submit the completed application together with all information as set out below to the office of the St Paul Development Corporation. The application will then be reviewed by the St Paul Development Corporation, and upon completion of the review; the St Paul Development Corporation will make a final recommendation on the project to the City Council.
3. The St Paul Development Corporation will notify any applicant of the recommendation of the committee.

C. Information Required:

The qualifying business shall provide the following information before the St Paul Development Corporation considers any application:

- a. Submit a City of St. Paul Economic Development Loan Fund Application.
- b. Business plan.

- c. Two years complete individual federal tax returns (signed).
- d. Two years complete corporate tax returns (signed).
- e. Current year-to-date Profit and Loss Statement (signed). For a Start-up, provide projected year-end statements for first two (2) years of operation.
- f. Recent Balance Sheet (signed).
- g. List of Current Obligations for Existing Business.
- h. Personal Financial Statement for each person owning twenty (20) percent or more of the business.
- i. Other information as requested.

E. Constitution of Loan Committee:

The loan committee shall consist of the nine members of the Board of Directors of the St Paul Development Corporation, Inc. The City Council of the City of St. Paul reserves the discretion to change the constitution of the loan committee to other than the Board of Directors of the St Paul Development Corporation. If this occurs, the City Council of the City of St. Paul will determine criteria for the make-up of the loan committee at that time.

F. Evaluation and Approval of Loan 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. Track record, credibility, and credit worthiness of applicant.
4. Ability to leverage significant private financing.
5. Probability that the business assistance will be repaid.
6. Other criteria that the loan committee may establish for application review.

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.

V. BUDGET

This section describes a preliminary source of funds and budget for St. Paul's economic development program. This budget will 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.

A. Proposed Funds to be Collected and Length of Time the Program Will Exist

The city source of public funds for the St. Paul Economic Development Program will be a one percent local option sales tax. If approved by the voters, this tax will remain in force for a period of fifteen years, beginning on October 1, 2014. The local option sales tax will go out of existence on September 30, 2029. The total amount to be collected from a one percent sales tax is estimated to be \$3,800,000.00 (based on current retail sales) over the 15 year period. 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 for an additional fifteen year period. This program shall be in effect commencing October 1, 2029 and ending September 30, 2044.

B. Bond Authority

St. Paul 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, St. Paul should have the ability to issue bonds. Future sales tax receipts then retire these bonds. The City Council may authorize the issuance of bonds to carry out the economic development program following a public hearing.

C. Preliminary annual budget for the program

The annual amount that will be budgeted for Economic Development purposes in St. Paul is tied to the annual collections of sales tax by the City of St. Paul. Seventy five percent (75%) of the annual sales tax collections shall be appropriated for eligible uses under the economic development program of the City of St. Paul. The remaining funds of twenty-five percent (25%) shall be

appropriated to the general fund of the city for infrastructure development and maintenance or any other eligible activities under the economic development program.

Annual Estimated Funds Collected \$250,000.00

Expenditures shall be made as authorized by Nebraska Law, to include but not to be limited to expenditures for land acquisition, building construction, recruitment/development, infrastructure for specific business plans, loans, and administration.

Total Estimated Expenditures \$250,000.00

D. Economic Development Fund

Funds that shall be deposited into the separate economic development fund as established by the City of St Paul's Economic Development Program are as follows:

1. All funds derived from local sources of revenue for the economic development program,
2. Any earnings from the investment of such funds,
3. Any loan payments,
4. Any proceeds from the sale of assets purchased by the municipality under its economic development program, and
5. Any other money received by the municipality by reason of the economic development program.
6. No money in the Economic Development Fund shall be deposited in the General Fund of the City except as provided by this Economic Development Plan and Nebraska Statute.

VI. APPLICATION PROCESS FOR DIRECT FINANCIAL ASSISTANCE

The intent of the City of St. Paul is to contract with the St Paul Development Corporation, Inc. which is a Nebraska non-profit organization, or another outside entity (herein referred to as "Program Administrator"), to administer the Economic Development Program.

Submission of applications and selection of participants involves a two-phase process.

A. PHASE I:

Phase one determines the potential of financing for proposed project or activity.

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

- 1) A detailed description of the proposed project, including community benefits and effects on the city's environment;
- 2) A business plan, including employment and financial projections, current financial statements, financing requirements for the project, and total project cost;
- 3) A completed City of St. Paul Local Option Municipal Economic Development Program Application for Financial Assistance.

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

The Program Administrator will review applications and requests for direct financial assistance in the order in which the Program Administrator receives them. 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 St. Paul.

Program Administrator will be responsible for verification of information in the applications of those eligible businesses which receive a recommendation for financial assistance before recommendation is made to the City Council.

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.

B. PHASE 2:

Phase two is the approval and execution portion of the process.

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.

The decisions of the governing body will be final.

VII. 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-St Paul Development Corporation, Inc:

1. Will be responsible for the day-to-day activities of administering the program.
2. Assists applicants and conducts active recruiting for potential applicants.
3. Provides someone to serve as an ex-officio, non-voting member of the Citizen Advisory Review Committee who will provide that committee with necessary advice and information.
4. Additional responsibilities, as determined by the City of St. Paul, necessary to carry out the program or program changes as dictated by changing project needs and economic condition.

B. Citizens Advisory Review Committee:

1. A group of citizens who are registered voters of the City, who are appointed by the Mayor and approved by the City Council 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:

- (a) Not less than five or more than ten members. Terms shall be for three years except that initial terms shall be established on a staggered basis to provide continuity on the committee.
 - (b) 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.
 - (c) At least one individual on the committee must have expertise or experience in the field of business, finance or accounting.
 - (d) The Director of the St Paul Development Corporation and a city official who will serve as ex-officio members.
3. 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.

Responsibilities will include:

- (a) Review the functioning and progress of the Economic Development Program at regular meetings and advise the City Council with regard to the program.
- (b) Report to the City Council on its findings and suggestions at a public hearing called for that purpose, at least once in every six-month period after the effective date of the ordinance.
- (c) Other duties as necessarily directed by the Mayor and City Council or future State of Nebraska legislation.

C. City Council:

1. Will have final authority on expenditure of funds in support of the economic development program.
2. May contract with the St Paul Development Corporation, Inc. to act as Program Administrator.
3. Will have ultimate responsibility for the economic development program.
4. Will approve the membership of the Citizens Advisory Review Committee.

VIII. 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 disclosure of business information relevant to their application, the city may take the following steps to ensure the confidentiality of the information it receives:

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

IX. IDENTIFICATION OF REAL ESTATE

Continued development may exhaust existing industrial sites available in the St. Paul area well before the end of the

planning period. Therefore, the city and the St Paul Development Corporation, Inc. 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 St Paul Development Corporation, Inc. 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 St. Paul and may be identified through local analysis by the City of St. Paul and/or Industrial Site Evaluation teams organized by the City of St. Paul 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 St. Paul.

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

These sites and facilities will improve the attractiveness of St. Paul, Nebraska, as a location for new business and industry and residents 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 or 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 program activities.

The attraction of a new business or industry may require an incentive to ensure its location in St. Paul. Any investment in land and infrastructure may provide that incentive while at the same time provide 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.