

**CITY
OF
VALENTINE, NEBRASKA**

**AMENDED ECONOMIC DEVELOPMENT
PROGRAM**

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 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**

Valentine's community and economic development strategy involves building on our strengths to expand value added agricultural opportunities and tourism, 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 Valentine.

Economic diversification will continue to be a critical priority for Valentine's economic development program. The development of new businesses from inside the city and recruitment of new businesses from outside 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 Valentine 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 Valentine as a center for opportunity is important to the city's effort to expand its labor force and attract new residents. Valentine is uniquely located to become a strong business and service center.

The City of Valentine 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 Valentine, 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 Valentine, 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 Valentine and Cherry 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 retain and attract young people to the community; and to provide economic diversification to ensure economic stability and vitality for the community of Valentine 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 of real estate, options for such purchases, and the renewal or extension of such options.
- 2) Small business development including retention and expansion of existing businesses.
- 3) Recruitment to bring qualifying businesses into the area.
- 4) Creation of 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.
- 5) Providing grants and loans or constructing buildings and infrastructure, including but not limited to, construction of a Mid-Plains Community College building to facilitate job training by public or private educational institutions to promote the goals of the program.
- 6) 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 Valentine 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 Valentine 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.
- 7) 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 Valentine's Economic Development Program. In order to stay current with Nebraska Statutes, the City of Valentine 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 other statutes that affect Valentine's Program. Such amendments can only be made after a public hearing and a majority vote of Valentine's City Council.

- 8) Grants or loans for the construction or rehabilitation for sale or lease of housing as part of a Workforce Housing Plan, as provided for below.

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) The production of films, including feature, independent, and documentary films, commercials, and television programs.

- 9) Any business that derives its principal source of income from the construction or rehabilitation of housing.
- 10) 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 of Valentine. 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.

2. The interest rate shall be fixed and negotiated on an individual basis with a guideline being one-half the leading rate for the project at a traditional banking source. The term shall not exceed fifteen (15) years for loans used for capital assets and ten (10) years for loans involving any other asset category. Loan documents and Security Instruments for loans will include, but will not be limited to, Promissory Notes, Financing Statements and Security Agreements, 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 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.
4. A loan repayment schedule providing for monthly, quarterly, or annual payments will be approved in conjunction with project approval. A Revolving Loan Fund shall be created. Repayments will be held in the revolving loan fund for future projects when approved.
5. The Program 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 administrated by the Program Administrator 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.

8. The investment strategies that the City of Valentine will pursue to promote the growth of the loan fund while assuring its security and liquidity, include following the fiscal management requirements set forth in state statutes and city ordinances.

B. Eligible Applicants:

The Revolving Loan Fund can be used to 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 Valentine 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 Cherry County.
6. Businesses that provide for important local or regional needs.

C. Application Requirements:

1. Complete an application that may be obtained from the Program Administrator, 323 N. Main Street, P.O. Box 177, Valentine, NE 69201.
2. Submit the completed application together with all information as set out below to the office of the Program Administrator. The application will then be reviewed by the loan Committee, and upon completion of the review, the committee will make a recommendation on the project.

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

D. Information Required:

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

1. Sole Proprietorship:
 - a. Submit a 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 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 three years' meetings.
 - 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.
3. "C" Corporation:
 - a. Submit a 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 three years' meetings.
- 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 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 loan fund application.
- b. Business plan.
- c. Two years complete individual federal tax returns for general partners and for limited partners, if 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 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.

7. Limited Liability Partnership:

- a. Submit a 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 loan committee shall consist of five members with all members being appointed by the City Council, with recommendations to be made by the Program Administrator. Terms shall be for four 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, nor anyone who is an applicant, employee, agent, shareholder, or officer of an applicant for program funds. All members on the committee must have experience in the field of business, finance, or accounting. All members of the loan committee shall be Cherry County residents.

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.

V. BUDGET

This section describes a preliminary source of funds and budget for Valentine's 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.

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

The city source of public funds for the Valentine Economic Development Program will be from the Local Option Sales Tax and from property tax to be levied pursuant to the Local Option Municipal Economic Development Act on taxable property within the City of Valentine, if proceeds from the sales tax available for such purposes are insufficient to accomplish the goals of the Program. If approved by the voters, collection of funds from local sources of revenue under the terms of the existing Program shall continue through September 30, 2014. Collection of funds from local sources of revenue under the terms of the amended Program shall begin October 1, 2014 and continue through January 1, 2032. The total amount to be collected from local sources of revenue each year will not exceed \$270,000.00 per year over a seventeen and one quarter (17.25) year period for a total not to exceed \$4,657,500.00. Of the \$270,000 annually from local sources, it is currently anticipated that approximately \$145,000 per year is to be used for general Program activities, with the remainder expected to be applied to payment of principal and interest on bonds issued for Program projects. 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 10-year period. This program shall be in effect commencing October 1, 2014 and ending January 1, 2032.

B. Bond Authority

Valentine 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, Valentine shall 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

Annual Estimated Funds Collected, \$270,000.00
up to the statutory limit.

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

Total Estimated Expenditures not to exceed
\$270,000

VI. APPLICATION PROCESS

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;
- 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 Valentine 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 Valentine.

The 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.

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.

VII. ADMINISTRATION OF ECONOMIC DEVELOPMENT PROGRAM

The Program Administrator will be an individual, entity, or board as determined, from time to time, by the City Council. The current Program Administrator is the Valentine Economic Development Board. 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-Valentine 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.
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.

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 eight members selected as follows:
 - (a) All members to be recommended by the Valentine Economic Development Board, which recommendations shall be delivered to the council chairperson who shall make appointments to the committee, subject to approval by the city council. Terms shall be for four years except that initial terms shall be established on a staggered basis to provide continuity on the committee.
 - (b) At least one individual on the committee must have expertise or experience in the field of business, finance or accounting.
 - (c) The Economic Development Director who will serve as an ex-officio member.
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.
3. Will have the discretion to determine the manner of administration of the program, including the appointment of the Program Administrator.

The City of Valentine will assure that applicable laws and requirements are met by the City and the qualifying businesses that receive assistance. The City will coordinate with the City Attorney for the review of all contracts and official documents, land transactions, and other official actions related to the Program to ensure compliance with existing law. All individuals involved with the administration of the Program will consult with the City Attorney, as needed, regarding proposed projects, conflicts of interest, transactions, and other matters related to the Program.

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 Valentine area well before the end of the planning period. Therefore, the City should provide for the acquisition of industrial and commercial land and provide for supporting infrastructure.

Eligible activities include the purchase 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 Valentine and will be identified through local analysis by the City of Valentine and/or Industrial Site Evaluation teams organized by the City of Valentine 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 Valentine.

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 Valentine, Nebraska.

These sites and facilities will improve the attractiveness of Valentine, 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 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 activities.

The attraction of a new business or industry may require an incentive to ensure its location in Valentine. Any investment in land and infrastructure can 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.

X. WORKFORCE HOUSING PLAN

"Workforce Housing Plan" means a program to construct or rehabilitate single-family housing or market rate multi-family housing which is designed to address a housing shortage that impairs the ability of the City to attract new businesses or impairs the ability of existing businesses to recruit new employees. In connection with the Workforce Housing Plan:

- A. In 2014, RDG Planning & Design completed for the City a Community Housing Study with Strategies for Affordable Housing (the "Housing Study"). The Housing Study found that the current housing stock in the City, including both single-family and market rate multi-family housing, was deficient with a need for larger, more affordable housing units to meet the demand of families, as well as a need for housing rehabilitation for homes that are cost effective for such activity.
- B. The Workforce Housing Plan is intended to include all single-family housing and market rate multi-family housing. No special provisions for housing for persons of low or moderate income are provided for.

- C. Due to the lack of available housing within the City, existing businesses have difficulty in recruiting new employees. The Plan encouraged the creation of a Housing Partnership in order to take the lead role to design and implement a Workforce Housing Assistance Program for local major employers to become directly involved with assisting their employees in securing appropriate and affordable housing, with the eventual goal of becoming homeowners in Valentine.

- D. Construction costs, and the cost of providing infrastructure for housing to include streets and utilities are adversely impacting the ability of housing for persons seeking new or rehabilitated housing in the City.

- E. The Plan provided that there is a need for expanded housing options that include safe, decent and affordable housing and rehabilitation or demolition of distressed housing structures. Future housing activities should be directed towards providing the local workforce and first-time homebuyers with a variety of housing options through both new construction and the moderate- or substantial rehabilitation of current housing stock.