



City of Deshler, Nebraska

Local Option

Economic Development Plan

Pursuant to the Local Option Municipal Economic Development Act
Nebraska Rev. Stat. §§18-2701 to 18-2738

OVERVIEW

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.

The City of Deshler recognizes that there is ongoing competition between municipalities to appeal to potential businesses to begin or expand in our community. The City of Deshler also believes that implementing the ability to fund economic development through a Program such as this will enhance our edge in this competition. By implementing the Economic Development Plan ("the Plan"), Deshler hopes to be effective to enhance existing businesses as well as promote new businesses.

Deshler is a community located in Thayer County. A 1% sales tax was voted on and passed in 2019. The 2020 year was the first year Deshler received funds from said sales tax. With a population of 750, we are centered around the industry of agriculture. Our biggest industry is a center pivot manufacturer employing over 350 people. We support two K-8 schools, one 9-12 Class D high school, as well as two preschools. Recently, a survey given to all Thayer County 9-12 graders indicate their intent to return to this area in their future. Securing a strong community for them is a focal point for the City's economic plan.

1. GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY

Deshler'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 Deshler.

Economic diversification will continue to be a critical priority for Deshler'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 Deshler to make a start with a new business.

2. STATEMENT OF PURPOSE, GENERAL INTENT AND GOALS

It is the intent of the City of Deshler to implement an economic development program, with the purpose and goals of which will be:

- To develop a great quality of life for the citizens of Deshler.
- To enhance a strong development of individuals in the workforce.
- To develop community resources.
- To attract new capital investments.
- To expand and improve the City's infrastructure.
- To ensure economic stability for the City of Deshler.
- To broaden the overall tax base.

The City of Deshler created a Strategic Plan as a guide for the City's future. This plan is intended to assist the City in soliciting input for the sustainability and enhancement of the future goals and developments of the City.

3. BUSINESSES ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THE PROGRAM

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. Manufacturing

2. Research and development
3. Processing, storage, transport, or the sale of goods or commodities in interstate commerce
4. Sale of services in interstate commerce
5. Headquarters facilities related to a Qualifying Business
6. Telecommunications including services providing advance telecommunications capabilities (defined as high speed, broadband telecommunications capabilities)
7. Tourism-related activities
8. Retail
9. Production of films, including feature, independent, and documentary films, commercials, music videos, and television programs.
10. Construction or rehabilitation of housing
11. Early childhood care and education programs
12. Any other business deemed as a Qualifying Business in the Local Option Municipal Economic Development Act or through future action of the Nebraska Legislature.
13. Any business shall be considered a Qualifying Business even though it derives its principal source of income from activities other than those set out in this section.

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.

The Local Option Municipal Economic Development Act has been changed in several Nebraska Legislative sessions since it was signed into law on June 3, 1991. It is reasonable to presume the law will change during Deshler's Economic Development Program. To stay current with Nebraska Statutes, the City of Deshler retains the right to

amend this Economic Development Program to add or remove a Qualifying Business. Such amendments can only be made after a public hearing and a majority vote of Deshler's City Council.

4. ELIGIBLE ECONOMIC ACTIVITIES:

An Eligible Activity under the Economic Development Program is any activity that provides direct or indirect financial assistance to a Qualifying Business, which includes but is not limited to the following:

1. Direct loans or grants to Qualifying Businesses to be used for fixed assets or working capital or both
2. Loan guarantees for qualifying businesses
3. Business/Industry recruitment, expansion, and retention activities
4. The purchase of real estate, options for such purchases, and the renewal or extension of such options
5. Technical assistance to businesses, to include but not limited to job training, marketing assistance, management counseling and training, financial packaging, engineering assistance, and business plan development
6. Public works improvements essential to the location or expansion of a qualifying business
7. Expenses for locating or relocating a qualifying business in the area
8. Rehabilitation of commercial buildings or potential commercial buildings
9. The authority to issue bonds pursuant to the Act
10. Grants for job training or specialized training for qualifying businesses.
11. Tourism related activities
12. Skilled workforce recruitment incentives and grants/loans to provide relocation incentives for new residents
13. Grants, loans, or funds for rural infrastructure development as defined in Neb. Rev. Stat. §66-2102
14. Equity investment in a Qualifying Business

15. The authority granted under Neb. Rev. Stat. §18-2710.02 involving the making of grants or loans for the construction or rehabilitation for sale or lease of housing as part of a workforce housing plan.
16. Paying salaries and support of City staff to implement the Economic Development Program or paying expenses of contracting the administration to an outside entity.
17. All other activities eligible and allowable under the Act to achieve and serve the intent of the Economic Development Program.

Real Estate

If and when real estate is to be purchased or optioned by the City under the Economic Development Program, the real estate will be identified based upon (a) the needs of a particular Qualifying Business, (b) suitability for the potential needs of Qualifying Businesses not yet identified, or (c) suitability for the development of workforce housing. Such determinations of suitability shall be made by the City Council at a public meeting. All such real estate shall be property zoned with no excessive easements, covenants, restrictions, or other encumbrances. Any proceeds received by the City from the future sale of such real estate shall be returned to the Economic Development Fund for reuse under the Program.

5. WORKFORCE HOUSING PLAN

This Economic Development Plan will create a Workforce Housing Plan 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. Thayer County Economic Development recently conducted a housing study (hereafter referred to as the “Housing Study”). The Housing Study focused on Thayer County which includes the City of Deshler. The Housing Study found that current housing supply in the City and the County was deficient in numbers as well as quality. In short, the City is in a housing shortage.

B. The Workforce Housing Plan is intended to include all single-family housing and market rate multi-family housing. The Workforce Housing Plan may include special provisions for housing of low- or moderate-income person.

C. Due to the lack of available housing within the City of Deshler and Thayer County, existing businesses struggle with recruiting new employees.

D. Construction costs have peaked and the cost of providing infrastructure for

housing (to include street, sewer, and other utilities) are adversely affecting the ability to find housing for persons seeking new or rehabilitated housing in the City of Deshler.

For purposes of funding the construction or rehabilitation of workforce housing under the Plan, the City shall base low- and moderate-income standards upon existing federal government guidelines or standards for qualifying any federal housing assistance program, as such levels may be modified for local and regional economic conditions and income levels.

To the extent the Workforce Housing Plan addresses the construction or rehabilitation of housing for low- or moderate-income persons, the City shall consider the following factors in establishing the appropriate adjustments to income of persons seeking to participate:

- i. The amount of income of the person which is available for housing needs;
- ii. The size of the family to reside in each housing unit;
- iii. The cost and condition of existing housing available in the City;
- iv. Whether the person or any member of the person's family who will be residing in the housing unit is elderly, infirm, or disabled;
- v. The ability of the person to compete successfully in the private housing market and to pay the amounts the private enterprise market requires for safe, sanitary, and uncrowded housing; and
- vi. Such other facts as the City determine relevant to the conditions facing persons seeking new or rehabilitated housing in the City.

6. FUNDING AND PRELIMINARY BUDGET

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

There will be established a separate fund that is not tied to or comingled with general funds of the City of Deshler. The separate fund may include (1) funds from local public funds, as described below, (2) earnings from investments from such separate fund, (3) loan payments from outstanding projects, (4) proceeds from the sale or rental of real estate assets purchased by the City for the economic development program, and (5) proceeds from the issuance or sale of revenue bonds as described below. Funds may be rolled over from year to year.

The length of time the program will be in existence will be for fifteen (15) years, beginning upon the adoption of an ordinance of the City of Deshler within 45

days after voter approval of the economic development program, and ending on June 1, 2037.

Public Funds

The City of Deshler's source of public funds for Deshler's Economic Development Program will be one-third of the total local option sales tax (1%) collected in one year's time. If approved by the voters, this will remain in force for a period of fifteen (15) years. At that time, the Plan can be reviewed, updated, amended, and voted again by the community. Based on current sales tax revenue, the amount to be collected from public funds is estimated to be \$25,000 per year, totaling \$375,000 over the fifteen (15) year period.

Bond Authority

Deshler 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. To take advantage of such an opportunity, the City of Deshler shall have the ability to issue bonds for purpose of this program. These bonds will be retired by future sales tax receipts. The Deshler City Council may authorize the issuance of bonds to carry out the economic development program, following a public hearing.

Preliminary Budget

The basic preliminary budget is:

Administration (10%)	\$37,500
<u>Expenditures for Eligible Activities:</u>	<u>\$337,500</u>
Total	\$375,000

7. INVESTMENT OF ECONOMIC DEVELOPMENT FUNDS

The Program Administrator will establish a separate Economic Development Fund. The City's designated financial institution shall be used to hold the funds. The money from the Economic Development Fund shall not be comingled with any other City fund. Any money in the Economic Development Fund not currently required or committed for the purposes of Economic Development shall be invested by the Program Administrator on behalf of the City.

In the event that the Economic Development Plan is terminated, any funds not committed will be transferred as provided by the statute to the General Fund of the City and will be used in compliance with the Act. If there is any conflict between this plan and the State Statutes, the State Statutes will control.

The City shall provide for an annual, outside, independent audit of the Economic Development Program by a qualified private auditor. The auditor shall not, at the time of the audit or for any period during the term subject to the audit, have any contractual or business relationship with any Funded Business or any financial institution directly involved with a Funded Business. The results of the audit shall be filed with the City Clerk and made available for public inspection during normal business hours.

8. APPLICATION PROCESS

The Application Process is set forth in this section. Any Qualifying Businesses may apply for Economic Development Program funds as follows:

- A. Obtain an application from the office of the City of Deshler, 305 E Bryson Ave., PO Box 189, Deshler, NE 68340. The Program Administrator is available to answer questions.
- B. Submit the completed application with all attachments required or requested in the application together with all information as set out below to the office of the City of Deshler.
- C. The application will be reviewed by the Program Administrator and the Application Review Committee, and upon completion of the review; the committee will make a final decision on the project to be recommended to the City Council for official approval.
- D. The Program Administrator will notify the applicant of the decision of the committee.

The City of Deshler may appoint the City Clerk/Treasurer to serve as the Program Administrator. The City of Deshler may also choose to contract with another qualified entity (herein referred to as "Program Administrator"),

The Administrator shall be responsible for (1) generally administering the Program, (2) monitoring all reports required of Funded Businesses, and (3) assisting the Application Review Committee and the Citizen Advisory Review Committee (as provided below) by providing necessary information. Program Administrator will review applications and requests for direct financial assistance in the order of which they are received by Program Administrator.

The 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.

For a Qualifying Business to be considered for Program benefits, the Qualifying Business shall first become an “applicant” by applying to the City for assistance. The application shall contain information as required by the Plan and any additional information as requested by the Administrator and/or the Application Review committee (as explained below).

Upon receipt of an application, the Program Administrator shall make a preliminary determination as to whether: (1) the applicant is eligible as a Qualifying Business; (2) the proposed activities are eligible; (3) the applicant has no legal actions underway that may significantly impact its capacity; and (4) the applicant’s business complies with the provisions of the application guidelines.

Once the Program Administrator makes the preliminary determinations above, the application is referred to the Application Review Committee. The Application Review Committee shall review the application, including any financial information furnished, and shall provide recommendation to the Administrator concerning negotiations with the applicant. Once the Application Review Committee has completed its review, and following any negotiations conducted by the Program Administrator, the Application Review Committee shall make a recommendation that: (1) the application be approved; (2) the application be disapproved; (3) the Application Review Committee is not able to make a recommendation on the applicant due to a lack of information or other factors cited by the Application Review Committee; or (4) the application be referred to the City Council for a determination of funding as set forth below.

Approval or disapproval will be based on whether the applicant is able to show; (1) eligibility for funding; and (2) that the type of level of assistance will not unduly enrich the business or be unreasonable in relation to the public benefit to be achieved from the funding. If the recommendation is for disapproval or if the Application Review Committee is unable to make a recommendation, it shall provide reasons for its decision.

All approved recommendations from the Application Review Committee shall be submitted to the City Council for consideration of funding. The Application Review Committee may also refer to the City Council certain applications, in its sole discretion, where it is unable to make a recommendation, in making its determination, the City Council shall generally not be presented with any information which has been determined by the Administrator or Application Review Committee as confidential.

An applicant which has been awarded funding under the Program shall thereafter be referred to as a “Funded Business”.

There shall be no limit to the number of times a Qualifying business may apply for assistance. Applications shall be received until all funds anticipated for the Program have been committed. The decision of whether Program funds shall be granted, including the timing and amount and the allocation of funds where there are not sufficient funds to fulfill the request of all qualified applicants, is at the sole discretion of the City.

9. INFORMATION REQUIRED

Depending on the type of loan/grant, the Qualifying Business should expect to provide the following information before the Application Review Committee considers any application:

- A. Basic information requested in the application provided by the City of Deshler.
- B. Business description (verification of Qualifying Business)
- C. Business plan
- D. Income statements and financial statements for prior three (3) years
- E. Tax returns for prior three (3) years
- F. Pro forma of expected financials for next three (3) years
- G. Financing requirements and commitments from other financial institutions or investors in the business
- H. List of key management employees and their skills and experience
- I. Current employment numbers and projected employment after funding
- J. Assets and equity available as collateral for funding assistance
- K. Credit reports for owners, investors, and key personnel
- L. Articles of incorporation, bylaws, corporate resolutions, and meeting minutes

Applicants are advised that the City's lending and collateral requirements are based upon the circumstances and financial condition of each applicant. For example, to secure a direct loan to a Qualifying Business, the City may require a mortgage or deed of trust against real estate, lien against certain business assets, and/or personal guarantees from owners.

Each business and each application is different. These requirements may be modified by the Program Administrator on a case-by-case basis.

10. CONFIDENTIALITY

In the process of gathering information about a qualifying business, the city may receive information about the business that 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 of Deshler may take the following steps to ensure the confidentiality of the information it receives pursuant to Neb. Rev. Stat. §18-2715 (4) and §84-712.05:

- 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.
- C. A requirement that personnel involved in the program sign statements of confidentiality regarding all personal and private submittals by qualified businesses.
- D. Sensitive financial records are to be kept confidential by the Program Administrator and analyzed by the Program Administrator or an agreed upon third party, not to be shared with the City Council without the explicit consent of the company and/or individuals.
- E. On a case-by-case basis, meeting in closed session and exclusion of application materials from mandatory disclosure as public records

11. ADMINISTRATION

It is the intent of the program that most 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. Four separate groups share the administration of the program. These are:

A. Program Administrator

- 1. Responsible for the day-to-day activities of administering the program.
- 2. Primary point of contact for applicants on the program, the application process, and additional financial documents needed for the application process
- 3. Coordinates with applicants, Citizen Advisory Review Committee, Application Review Committee, and City Council to ensure timely review of completed applications

B. Citizen 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 regarding the program.

2. Committee organization will consist of:
 - i. Five (5) members appointed by the mayor and approved by the City Council. 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 member on the committee must have expertise or experience in the field of business, finance, or accounting.
 - iii. The Program Administrator will serve as ex-officio member.
3. The Citizen 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. Application Review Committee

1. Reviews and analyzes confidential financial information to make an educated evaluation of the viability of the project to the City Council.
2. Ensures applications are processed, reviewed, and brought before the City Council in a timely manner.
3. Committee organization shall consist of:
 - i. The Application Review Committee shall consist of three (3) to seven (7) members.
 - ii. Members shall have some level of economic development, lending, business, and/or accounting expertise.
 - iii. 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.
 - iv. Members are not required to live within the Deshler city limits.

D. City Council:

1. Exercises final authority on expenditure of funds in support of the economic development program.
2. Provides ultimate responsibility and oversight for the economic development program.

12. PROGRAM REVIEW PROCESS

To provide assurance that all applicable laws, regulation, and requirements are met by the City and all Funded Businesses, the City shall require annual reports, in the form to be prescribed by the Administrator, from all Funded Businesses unless the circumstances of the grant are such that annual reports are not appropriate, and the City determines that annual reports will not be necessary at the time of the grant. In addition, the Administrator may conduct reviews of Funded Businesses as the Administrator deems appropriate.

13. AMENDMENT

This plan shall be amended only to (1) add or remove a Qualifying Business, to the extent recommended by the Citizen Advisory Committee, (2) make corrective changes to comply with the Act, or (3) make corrective changes to comply with other state or federal laws. Any such amendment shall first require notice and a public hearing and shall be approved by a 2/3 vote of the members of the City Council. No other amendment shall occur without submitting the proposed changes to a new vote of the registered voters of the City, except as otherwise permitted by law.