

**CITY OF AINSWORTH, NEBRASKA**

**ECONOMIC DEVELOPMENT PROGRAM**

*(Update to previous program adopted by the City Council October 8, 2007  
and approved by voters on November 20, 2007)*

**To be Considered for Adoption by the City Council on \_\_March 9\_\_\_\_\_, 2022  
and Presented for Approval by Ainsworth Voters on \_\_\_\_\_August 9\_\_\_\_\_, 2022**

In 1990, Nebraska voters enacted a constitutional amendment 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 the Local Option Municipal Economic Development Act. The City of Ainsworth recognizes and adopts the findings of the legislature (§18-2702, paraphrased):

1. There is a high degree of competition among states and municipalities in our nation in their efforts to provide incentives for businesses to expand or to locate in their respective jurisdictions;
2. Cities in Nebraska are hampered in their efforts to effectively compete because of their inability under Nebraska law to respond quickly to opportunities or to raise sufficient capital from local sources to provide incentives for the provision of new services or business location or expansion decisions which are tailored to meet the needs of the local community.
3. The ability of a municipality to encourage the provision of new services or business location and expansion has a direct impact not only upon the economic well-being of the community and its residents but upon the whole state as well; and
4. There is a need to provide Nebraska cities with the opportunity of providing assistance to business enterprises in their communities, whether for expansion of existing operations, the creation of new businesses, or the provision of new services, by the use of funds raised by local taxation when the voters in the municipality determine that it is in the best interest of their community to do so.

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. 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.

Since 2010, when Brown County had a nearly fourteen (14%) population decrease, Brown County experienced a mild population loss of three percent (3%) or less each year. The previous several decades showed frequent and sustained periods of economic difficulty, and an eroding retail, commercial and trade base. More recently, the area has realized significant growth, especially in the areas of household

incomes, income tax filings, and levels of employment. Today, Ainsworth is well-positioned to capitalize on “quality of life” issues by attracting visitors, new businesses, and new residents to enjoy its many advantages.

## **I. GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY**

Ainsworth's community and economic development strategy involves building on our strengths to promote existing industries, 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 Ainsworth.

Economic diversification will continue to be a critical priority for Ainsworth's Economic Development Program. The recruitment of new businesses from outside and development of new businesses from inside the city will strengthen diversification. 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. A small business development program can establish the city as a nurturing environment for small business and as a center for economic opportunity.

The City of Ainsworth recognizes that a strong, educated, and skilled labor force is necessary to maintain and grow existing and recruit new business and industry. The successful marketing of Ainsworth as a center for opportunity is important to the city's effort to expand its labor force and attract new residents. Ainsworth is uniquely located to become a strong business and service center as well as a hub for recreation and entertainment. In turn this atmosphere can encourage people with skills and ideas to move or return to Ainsworth as productive members of the labor force.

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

## **II. STATEMENT OF PURPOSE, GENERAL INTENT AND GOALS**

It is the intent of the City of Ainsworth, Nebraska, to continue an Economic Development Program, the purpose and goals of which will be: to retain jobs and make existing businesses more competitive and profitable; to create new jobs and generate employment opportunities; to expand labor markets in Ainsworth and Brown County; to attract new capital investment to the community; to broaden the tax-base; to enhance business by supporting and facilitating city infrastructure necessary for the location or expansion of business and industry; to increase tourism attractiveness; and to provide economic diversification to ensure economic stability and vitality for the community of Ainsworth and the surrounding area.

No Economic Development Program can anticipate every significant development or circumstance. 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 Ainsworth's Economic Development Program. In order to stay current with Nebraska Statutes, and to provide the greatest possible flexibility and room for growth, the City of Ainsworth retains the right to amend this Economic Development Program wherever permitted by law when such amendment pertains to changes made to the Local Option Municipal Economic

Development Act or to other statutes that affect Ainsworth's Program. Such amendments can only be made after a public hearing and a majority vote of Ainsworth's City Council.

### **III. ELIGIBILITY**

#### **A. Eligible Activities**

Eligible activities under the Economic Development Program may include, but shall not be limited to, the following:

- 1) A revolving loan fund from which low interest or performance-based loans, loan guarantees, or grants for fixed assets or working capital or both.
- 2) Grants for or acquisition and/or construction of public works improvements and infrastructure which are essential to the location or expansion of, or the provision of new services by, a qualifying business.
- 3) The purchase of real estate, options for such purchases, and the renewal or extension of such options.
- 4) Grants or loans to qualifying businesses for job training.
- 5) Grants or loans to qualifying businesses to provide relocation incentives for new residents
- 6) Loan guarantees for qualifying businesses.
- 7) Purchases of real estate, options for such purchases and the renewal or extension of such options;
- 8) The issuance of bonds as provided for in the Local Option Municipal Economic Development Act.
- 9) Small business development, including efforts to assist existing businesses to expand their markets and compete more successfully, as well as facility improvement grants/incentives.
- 10) Recruitment to bring a qualifying business into the area.
- 11) Assistance with identification and acquisition of local resources for business development, including site location and improvement.
- 12) Provision or support of job training or labor force enhancement programs in conjunction with area businesses and educational institutions.
- 13) Grants or loans for the construction or rehabilitation for sale or lease of housing for persons of low or moderate income.
- 14) Grants, loans, or funds for rural infrastructure development as defined in Nebraska Rev. Stat. §66-2102.
- 15) Grants or loans for the construction or rehabilitation for sale or lease of housing as part of a workforce housing plan.
- 16) Grants, loans or funds for early childhood infrastructure development.

- 17) Payments for salaries and support of city staff to implement the economic development program or the contracting of such to an outside entity.

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 Ainsworth 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 Ainsworth as competitive as possible in that market place, and in the creation of new jobs in the area, the City of Ainsworth retains the right to include as eligible activities those additional activities allowable by law.

## **B. Eligible Businesses**

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, including services provided advanced telecommunications capability.
- 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) A business that derives its principal source of income from early childhood care and education programs.
- 11) A business that derives its principal source of income from retail trade, except that no more than forty percent of the total revenue generated pursuant to the Local Option Municipal Economic Development Act for an economic development program in any twelve-month period and no more than twenty percent of the total revenue generated pursuant to the act for an economic development program in any five-year period, commencing from the date of municipal approval of an economic development program, shall be used by the city for or devoted to the use of retail trade businesses. For purposes of this subdivision, retail trade means a business which is principally engaged in the sale of goods or commodities to ultimate consumers for their own use or consumption and not for resale.

- 12) A business shall be a qualifying business even though it derives its principal source of income from activities other than those set out in this section, as long as the Ainsworth population is two thousand five hundred inhabitants or less as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census.
- 13) 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 an economic development 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.

Qualifying business does not include a political subdivision, a state agency, or any other governmental entity, except as allowed for rural infrastructure development as provided for in subsection (4) of §18-2705.

#### **IV. REVOLVING LOAN FUND**

##### **A. Types of Financing Available**

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

Details of the operation of the revolving loan fund are set out in *Appendix A*.

#### **V. REAL ESTATE & INFRASTRUCTURE**

The Program provides for the acquisition of industrial and commercial land and the development of supporting infrastructure. The attraction of a new business or industry may require an incentive to ensure its location in Ainsworth. 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.

Eligible activities include the purchase directly or indirectly 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 Ainsworth and will be identified through local analysis by the City of Ainsworth and/or the Program Administrator/Director. Identified sites may be considered for option or purchase and further development.

In addition, funds made available under the Program may be used to provide new or improved infrastructure for these sites or other sites to make them attractive to new or expanding businesses. Assistance may take the form of construction, direct or indirect subsidies, rebates, or otherwise. Eligible infrastructure improvements will include, but not be limited to, street, storm drainage, water, sewer, gas, or electric utilities. Infrastructure improvements and costs may extend beyond the corporate limits of the City of Ainsworth. However, as practical, the city will pursue annexation of infrastructure supported and developing areas outside of the current corporate limits in order to sustain the city's economic stability by expanding its tax base.

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 Ainsworth, Nebraska.

These sites and facilities will improve the attractiveness of Ainsworth, 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 the local option sales tax may be used for the purchase and development of additional land and may be used for all other eligible activities.

The initial beneficiary of an improved site and/or infrastructure must be a qualifying business. Said business may or may not be known at the time of the investment. Therefore, should funds derived from the Local Option Municipal Economic Development Program be used for the acquisition and/or improvement of a site for the purposes of attracting a prospective business, and should a business locate on the site thereafter, first said business must be approved by the Program Administrator/Director and City Council as a qualifying business.

## **VI. HOUSING FOR LOW-INCOME OR MODERATE-INCOME PERSONS**

In order to qualify for funding related to housing for low-income or moderate-income persons, qualifying persons must fall into the HUD Section 8 income guidelines in effect at the time the application is made.

In determining appropriate adjustments to the income of persons seeking consideration in this portion of the Economic Development Program, the City shall consider the following:

- 1) The amount of income of the person which is available for housing needs;
- 2) The size of the family to reside in each housing unit;
- 3) The cost and condition of housing available in the City;
- 4) Whether the person or any member of the person's family who will be residing in the housing unit is elderly, infirm or disabled;

- 5) 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
- 6) Such other factors as the City determines which are particularly relevant to the conditions facing persons seeking new or rehabilitated housing in the City.

**VII. WORKFORCE HOUSING PLAN**

The current housing stock in the City, including both single-family and market rate multi-family housing is shown in the tables below.

| Age of Housing Stock - Ainsworth, 2017  |             |
|---|-------------|
| Year Unit Built                         | Units       |
| <b>2014 or Later</b>                    | 0 (±9)      |
| <b>2010 – 2013</b>                      | 7 (±8)      |
| <b>2000 – 2009</b>                      | 57 (±30)    |
| <b>1990 – 1999</b>                      | 77 (±45)    |
| <b>1980 – 1989</b>                      | 44 (±35)    |
| <b>1970 – 1979</b>                      | 175 (±60)   |
| <b>1960 – 1969</b>                      | 180 (±60)   |
| <b>1950 – 1959</b>                      | 54 (±32)    |
| <b>1940 – 1949</b>                      | 69 (±32)    |
| <b>1939 or Earlier</b>                  | 385 (±81)   |
| <b>Total Housing Units</b>              | 1,048 (±79) |
| <i>Source: ACS Estimates, 2013-2017</i> |             |

| Vacancy Status – Ainsworth, 2010                     |           |
|--|-----------|
| Type of Unit   | Units     |
| <i>Vacancy Rate</i>                                  | 16.3%     |
| <i>Total Housing Units</i>                           | 961       |
| <i>Total Vacant Housing</i>                          | 157       |
| <i>For Rent</i>                                      | 2         |
| <i>Rented, Not Occupied</i>                          | 2         |
| <i>For Sale Only</i>                                 | 10        |
| <i>Sold, Not Occupied</i>                            | 4         |
| <i>For Seasonal, Recreational, or Occasional Use</i> | 13        |
| <i>Other Vacant</i>                                  | 86        |
| <i>1939 or Earlier</i>                               | 385 (±81) |
| <i>Source: Census Bureau, 2010</i>                   |           |

This Workforce Housing Plan shall also include housing for persons of low or moderate income under Neb. Rev. Stat. §18-2710.01 according to the guidelines in Section VI above.

In determining approval of applications related to Workforce Housing, the City shall consider the following:

- 1) If the housing is new construction, existing or will need remodeling;
- 2) Emphasis shall be placed on rehabilitation of dilapidated or nuisance properties;

- 3) The cost and condition of housing available in the City;
- 4) If the housing will be sold or rented to workforce of a certain sector that is lacking in the City;
- 5) Is the housing likely to be purchased by individuals in needed workforce sectors;
- 6) Such other factors as the City determines which are particularly relevant to the conditions facing persons seeking new or rehabilitated housing in the City.

## **VIII. PROPOSED BUDGET**

The program budget must be developed annually and may be modified from time to time by the Program Administrator/Director and approved by the City Council. It is important to note that in the field of economic development, it is impossible to anticipate every condition or requirement. The city shall 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**

Upon approval by the voters, the Ainsworth Economic Development Program will be funded by a one-half percent local option sales tax. The full amount of such tax collected shall be subject to appropriation for program purposes, provided that appropriations in any one year shall not exceed the restrictions imposed by law (Neb Rev. Stat. § 18-2717, as amended). Currently, annual appropriations may not exceed four-tenths of one percent of the taxable valuation of the city, or a maximum of three million dollars in any one year. Any excess funds above this amount shall be appropriated to the general fund of the city on an annual basis. This transfer to the General Fund of the City on an annual basis is for infrastructure, parks, community promotion and public safety purposes.



If approved by the voters, this tax will remain in force for a period of fifteen-years, beginning on January 1, 2023. The local option sales tax will go out of existence on December 31, 2038. The total amount to be collected from a one-half percent sales tax will vary with taxable sales within the jurisdiction. Initial projected revenue is based on actual 2021-22 fiscal year sales tax generation at one-half percent, with the conservative assumption of a two percent annual growth factor over the 15-year period.

Actual appropriations and expenditures for all aspects of the program are dependent upon the volume of taxable sales within the city, and are subject to statutory restrictions as outlined above.

As it is possible that the city will bond for certain economic development projects, it is required that the term of this Program and the associated local option sales tax, not be reduced/shortened by any means, as such may limit the city's ability to satisfy required annual bond payments.

The repeal of the ordinance and the discontinuation of the economic development program shall be subject only to the provisions of any contracts related to the economic development program and the rights of any third parties arising from those contracts existing on the date of the election. Any funds collected by the city under the economic development program and unexpended for that program on the date of its repeal and any funds received by the city on account of the operation of the economic development program thereafter shall be deposited in the general fund of the city.

| Sales Tax Revenue Projections    |          |                    |
|----------------------------------|----------|--------------------|
| Year                             | % Change | .5% Tax Total      |
| 2023                             | 2%       | \$186,000          |
| 2024                             | 2%       | \$189,720          |
| 2025                             | 2%       | \$193,514          |
| 2026                             | 2%       | \$197,385          |
| 2027                             | 2%       | \$201,332          |
| 2028                             | 2%       | \$205,359          |
| 2029                             | 2%       | \$209,466          |
| 2030                             | 2%       | \$213,656          |
| 2031                             | 2%       | \$217,929          |
| 2032                             | 2%       | \$222,287          |
| 2033                             | 2%       | \$226,733          |
| 2034                             | 2%       | \$231,268          |
| 2035                             | 2%       | \$235,893          |
| 2036                             | 2%       | \$240,611          |
| 2037                             | 2%       | \$245,423          |
| <b>Total 15-Year Collections</b> |          | <b>\$3,216,576</b> |

**B. Bond Authority**

Ainsworth 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, Ainsworth has the ability to issue bonds. Future sales tax receipts can then be utilized to retire these bonds. However, as indicated in the previous section, bonding that is dependent on local option sales tax revenues, should fall within the term of the approved Economic Development Program, which shall not be reduced/shortened. The City Council may authorize the issuance of bonds to carry out elements of the Economic Development Program following a public hearing.

**IX. APPLICATION PROCESS**

The intent of the City of Ainsworth is to implement the program and may contract with an outside entity, to facilitate the Economic Development Program (herein referred to as "Program Administrator/Director"). Submission of program 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/Director.

- 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 Ainsworth 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/Director and/or Sales Tax Loan committee.

The Program Administrator/Director will review applications and requests for direct financial assistance in the order in which the Program Administrator/Director receives them. Application review and approval, or disapproval, by Program Administrator/Director will be based on project feasibility as determined by review of the applicant's business plan and other requested information by Program Administrator/Director and the potential future economic benefit to the community of Ainsworth.

The Program Administrator/Director 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 by the Sales Tax Loan Committee to the City Council.

The City of Ainsworth may at any time terminate the contractual relationship with the Program Administrator/Director. In the event of termination of the contractual relationship between the City and the Program Administrator/Director, 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 II**

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/Director, Sales Tax Loan Committee and the applicant, the project will be submitted to the City Council for its review and approval, and recommendation to the City Council for the funding/expenditure. The City Council will consider the overall benefits to the community, and will provide the Program Administrator/Director a decision that fits within the time frame suitable to meet the business requirements of the applicants.

The City Council will confirm funding is available to support the approval recommendation based on the pertinent information supporting the recommendation. Once approved, the

Program Administrator/Director will take the necessary actions to execute the agreements made.

**X. CONFIDENTIALITY OF BUSINESS INFORMATION**

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/Director primarily responsible for their safe-keeping; and
- C. A requirement that personnel involved in the program sign a statement of confidentiality regarding all personal and private submittals by qualified businesses.

**XI. 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/Director**

- 1) Shall have primary responsibility for implementation of this Program and supervision of day-to-day program activities, including but not limited to:
  - a. Coordinating efforts with other agencies and individuals to promote area development, including tourism and recreation, community redevelopment, housing, as well as manufacturing and retail enterprises.
  - b. Actively recruiting new business prospects and providing assistance to existing businesses and program applicants.
  - c. Coordinating efforts to disseminate information about the program and the area to prospective businesses and the general public, using electronic and print media.
  - d. Coordinating efforts to provide for sustainable city development and related infrastructure that supports the capacity for maintaining and growing the community.

- e. Soliciting, receiving and evaluating applications/proposals for program activities, and making recommendations to the City Council for appropriate action.
- f. Providing for the operation of the revolving loan fund.
- g. Providing for the operation of other business support programs, including consultation and facade improvement grants/incentives.

The Program Administrator/Director and/or its Director may develop appropriate forms and procedures as needed to promote orderly and effective administration of the Program.

**B. Citizen’s Advisory Review Committee— “The 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) The Review Committee will consist of the following:
  - a. Not less than five or more than ten registered voters of the City who shall be appointed to the committee by the Mayor and approved by the City Council.
  - b. At the discretion of the City Council, specific entities may be assigned to make recommendations for the Mayor’s appointments. Currently the Ainsworth Chamber of Commerce recommends two seats on the committee.
  - c. 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 participates in the decision making process regarding expenditures of program funds.
  - d. At least one individual on the committee must have expertise or experience in the field of business, finance or accounting.
  - e. A City official or employee responsible for the administration of the economic development program appointed by the Mayor and approved by the City Council will serve as an ex officio member of the committee with responsibility for assisting the committee and providing it with necessary information and advice on the economic development program.
- 3) The 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) May contract with a separate entity to act as Program Administrator/Director.

- 3) Will have ultimate responsibility for the Economic Development Program.

## Appendix A

### OPERATION OF THE REVOLVING LOAN FUND

This section will describe details of the operation of the City of Ainsworth Economic Development revolving loan fund. The size and special features of this fund, combined with the requirements defined by the Local Option Municipal Economic Development Act, 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 leading rate for the project at a traditional banking source. 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, UCC filings, 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 Program Administrator/Director, based upon economic impact of the project to the community, and will be approved by City Council.
- 4) 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.
- 5) The Revolving Loan Fund will be audited annually by a selected firm of certified public accountants.
- 6) It is anticipated that the Program can be fully administrated by the Director of Program Administrator/Director 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 Program budget.

#### B. Eligible Applicants

The revolving loan fund can provide loans or loan guarantees to any business eligible for assistance under the Local Option Municipal Economic Development Act. 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) Applications that provide for the expansion or enhancement of existing businesses in Ainsworth or its surroundings.
- 2) New business starts.
- 3) Businesses that in the opinion of the loan committee/economic development board, have unusual potential for growth.
- 4) Businesses that are relocating from outside Nebraska.
- 5) Businesses that provide for important local or regional needs.

**C. Application Requirements**

- 1) Complete an application that may be obtained from the office of the Program Administrator/Director.
- 2) Submit the completed application together with all information as set out below to Program Administrator/Director. The application will then be reviewed by the Program Administration Director and, when deemed complete, the Sales Tax Loan Committee. Upon completion of the review, the committee will make a recommendation on the project to City Council, who will make the final recommendation.
- 3) The Program Administrator/Director will notify any applicant of the decision of the committee/board.

**D. Information Required**

The qualifying business shall provide the following information before the Economic Development Director and the Loan Committee considers any application:

- 1) Sole Proprietorship:
  - a. Submit an approved 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) Business Entity (“S” or “C” Corporation, LLC, LLP or Partnership):
  - a. Submit an approved 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. Entity organization documents as applicable:
    - a. Articles of Incorporation, By-Laws, and Minutes of last meeting for Corporations
    - b. Operating Agreement for LLC or LLP
    - c. Partnership Agreement
  - g. Resolution authorizing loan application and execution of required documents.
  - h. Recent Balance Sheet (signed).
  - i. Credit Bureau Report (CBR) for Shareholders with over 25% ownership.

- j. Other information as requested.

**E. Constitution of Loan Committee**

The Loan Committee shall consist of five members appointed by the City Council. Specific entities may be assigned to make recommendations for the appointments. 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 Brown County residents.

**F. Evaluation and Approval of Assistance of Loan Committee**

The Loan Committee will evaluate each application according to the following criteria:

- 1) Eligibility under the Local Option Municipal Economic Development Act.
- 2) Soundness and credibility of the business proposal.
- 3) If the business fits into one of the priority categories established by the Program 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) Recommendation from the Sales Tax Loan Committee will be final with City Council having final authority.