

# **CITY OF LEXINGTON, NEBRASKA**

## **ECONOMIC DEVELOPMENT PROGRAM**

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

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

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

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

Lexington's community and economic development strategy involves building on our strengths to promote existing industries and the retention of jobs and the 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; building economic diversity; and ensuring economic stability and viability for Lexington.

Economic diversification will continue to be a critical priority for Lexington's economic development program. The recruitment of new business from outside and development of new business from inside the city will strengthen diversification. A small business development program can establish the city as a nurturing environment for small business and as a center for economic opportunity. This atmosphere, in turn can encourage people with skills and ideas to move or return to Lexington 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 Lexington as a center for opportunity is important to the city's effort to expand its labor force and attract new residents.

The City of Lexington 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 Lexington, Nebraska as competitive as possible in that market place the community will strive to use all financial and human resources available in a partnership with federal, state, municipal, and private entities.

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

It is the general intent of the City of Lexington, Nebraska to implement an economic development program, the purpose and goals which will be: to create well-paying jobs for the citizens of Lexington; to expand labor markets of Lexington and Dawson County; to attract new capital investment to the community to broaden the tax base; to retain existing jobs and make existing businesses more competitive and profitable; and provide economic diversification to ensure economic stability and vitality for the City of Lexington and surrounding areas. The success of the program will be measured by the number of jobs created and retained for the length of the program, the total dollars of capital investment in the community, and finally the growth in total valuation in the City. Each project will be based on its own merits, but priority will be given to jobs created and/or retained at or above the average wages and benefits for the community. The plan will be consistent with other comprehensive development and redevelopment plans for the City.

## **ELGIBILITY**

### Eligible Activities

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

1. Job credits for full-time jobs created (full-time jobs defined as 2000 hours) to include grants, which are subject to job credit performance.
2. Grants or loans for public works improvements essential to the location or expansion of a qualifying business.
3. The purchase of real estate, options for such purchases, and the renewal or extension of such options.
4. Contracting with an outside entity to implement any part of the program, as necessary.

5. The provisions of technical assistance to businesses such as marketing assistance, management counseling, preparing financial packages, engineering assistance, etc.
6. Expenses for business recruitment activities.
7. Direct loans or grants to qualifying businesses for fixed assets or working capital or both.
8. Expenses for locating a qualifying business into the area.
9. Equity investment or loan guarantees in a qualifying business.
10. The authority to issue bonds pursuant to the Act.
11. Grants or loan agreements for job training.
12. Rehabilitation of commercial buildings or potential commercial buildings.
13. Small business development including expansion of existing business.
14. Tourism related activities.
15. Direct loans or grants to qualifying businesses for the construction or rehabilitation for sale or lease of housing as part of a workforce housing plan. (attached as Exhibit A)
16. 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 Lexington 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 Lexington 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.

#### 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, including services providing advanced telecommunications capability.
7. Tourism related activities.
8. The production of films, including feature, independent, and documentary films, commercials, and television programs.
9. The construction or rehabilitation of housing.
10. Retail trade, except that no more than forty percent of the total revenue generated pursuant to the Local Option Municipal Economic Development Act in any twelve-month period and no more than twenty percent of the total revenue generated in any five-year period, shall be used by the City of Lexington for or devoted to the use of retail trade businesses. For purposes of this section, 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.

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

A qualifying business need not be located within the territorial boundaries of the city if the City Council determines that there is a clear economic benefit to the city. Eligible qualifying businesses may apply more than once and receive program benefits more than once.

## **BUDGET**

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

### Proposed Source of Funding

The source of public funds for Lexington's Economic Development Program will be \$167,500 annually (approximately 1/8<sup>th</sup>) of the City of Lexington's existing 1% Local Option Sales Tax. The City will be subject to the limitation that no city of the first class shall

appropriate more than four million dollars in any one year. The City of Lexington shall not appropriate an amount in excess of the amount approved by the voters at the election, which approved the Economic Development Program. The restrictions on the appropriation of funds from local sources of revenue shall not apply to the re-appropriation of funds, which were appropriated but not expended during the previous fiscal years. If, after five full budget years following initiation of the approved Economic Development Program, less than fifty percent of the money collected from local sources of revenue is spent or committed by contract for the Economic Development Program, the governing body of the City shall place the question of the continuation of the City's Economic Development Program on the ballot at the next regular election.

Time Period for Collection of Funds and Proposed Total Collections

The Program tax collection will be in effect from May 1, 2020, to April 30, 2030, a ten-year period. The total amount to be collected from the sales tax is \$1,675,000 over the ten-year period. However, uncommitted funds and revenues including but not limited to repayment of loans, return on investments, fees for activities such as loan guarantees, and sales proceeds from properties, may continue to be used for activities contained within the Economic Development Program as such shall be available.

Proposed total collections for the program from local sources:

<u>Year</u>	<u>Estimated Collection</u>
1	\$167,500
2	\$167,500
3	\$167,500
4	\$167,500
5	\$167,500
6	\$167,500
7	\$167,500
8	\$167,500
9	\$167,500
10	<u>\$167,500</u>
<b>Total</b>	\$1,675,000

Preliminary Annual Budget for the Program:

Annual Estimated Funds Collected	\$167,500
Expenditures	
Loan and Grant Programs	\$102,500
Other Eligible Activities	\$ 50,000
Recruitment/Development	<u>\$ 15,000</u>
<b>Total</b>	\$167,500

## Bond Authority

Lexington 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, Lexington should have the ability to issue debt per state statute. Future sales tax receipts then retire the debt. The City Council may authorize the issuance of bonds to carry out the economic development program following a public hearing.

## **APPLICATION PROCESS**

The intent of the City of Lexington is to administer the Economic Development Program with existing City Staff. The administration of the program will fall under the responsibility of the City Manager (herein referred to as “Program Administrator”).

### Phase 1

Phase 1 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 costs.
3. A completed City of Lexington 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 the Program Administrator will be based on project feasibility as determined by review of the applicant’s business plan and other requested information. The potential future economic benefit to the community of Lexington will also be evaluated.

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

In the event the City desires to replace the Program Administrator, the above-described responsibilities may be carried out by a contracted entity, by and economic development specialist hired by city or other existing city staff.

## Phase 2

Phase 2 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 application will be submitted to the City Council for its review and approval. The City Council will consider the overall benefits to the community and its deliberation and will provide the Program Administrator a decision that fits within the time frame suitable to meet the business requirements of the applicants. Once approved, the Program Administrator will take the necessary actions to execute the agreements made.

### **ADMINISTRATION OF ECONOMIC DEVELOPMENT PROGRAM**

It is the intent of the program that the majority of the funds are 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:

1. Program Administrator:

- Will be responsible for the day-to-day activities of administering the program.
- Assists applicants and conducts active recruiting for potential applicants.
- Provides someone to serve as ex-officio, non-voting member of the Citizen Advisory Review Committee who will provide that committee with necessary advice and information.

2. Citizen Advisory Review Committee:

-A group of citizens who are registered voters of the City, appointed by the Mayor and subject to approval of the City Council, who will review the functioning and progress of the economic development program and advise the City Council with regard to the program.

-Committee organization will consist of:

- \*Not less than five nor more than ten members.
- \*At least one individual with expertise or experience in the field of business, finance or accounting.
- \*A City official or employee responsible for the administration of the economic development program who will serve as an ex-officio member.

-No member of the committee shall be an elected or appointed city official, a member of any planning commission created under section 19-925, 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.

-The Citizens Advisory Review Committee will meet regularly as required to review the program and will report to the City Council annually on its findings and suggestions at a public hearing called for that purpose.

### 3. City Council:

-Will have final authority on expenditure of funds in support of the economic development program.

-Will select a Program Administrator and approve the membership of the Citizens Advisory Committee.

-Will have ultimate responsibility for the economic development program.

### Process to Ensure 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 business 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:

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

### **PURCHASE OF REAL ESTATE OR OPTION TO PURCHASE**

If and when real estate is to be purchased or optioned by the City under the Program, it should meet the following general criteria:

1. Be properly zoned with no excessive easement, covenants, or other encumbrances.
2. Should conform and be able to be re-zoned to comply with the City or County's Comprehensive Plan.
3. Can be located either within or outside of the City limits.
4. The proceeds from the future sale of such land would be returned to the City's Economic Development Fund for reuse for activities eligible in the Program.



## **INVESTMENT OF ECONOMIC DEVELOPMENT FUNDS**

The City will establish a separate Economic Development Fund.

1. All funds derived from local fund sources of revenue for the Economic Development Program, any earnings from the investment of such funds, any loan payments, any proceeds from the sale by the City of assets purchased by the City under its Economic Development Program, or any other money received by the City by reason of the Economic Development Program, shall be deposited into the Economic Development Fund.
2. No money in the Economic Development Fund shall be deposited in the General Fund of the City except as provided by statute.
3. The City shall not transfer or remove funds from the Economic Development Fund other than for purposes prescribed in the Act and this plan.
4. The money from the Economic Development Fund shall not be commingled with any other City funds.
5. Any money in the Economic Development Fund not currently required or committed for the purposes of Economic Development shall be invested as provided in Section 77-2341 R.R.S. Nebraska.
6. In the event that the Economic Development Program is terminated, any funds remaining will be transferred as provided by statute to the General Fund of the City and will be used on an installment basis to reduce the property tax levy of the City as provided by the Act.
7. If there is a conflict between this plan and State Statute, the State Statute will control.

## **PROGRAM AMENDMENTS**

This Program shall only be amended to:

1. Add a type of qualifying business to those that are eligible to participate in the economic development program or removing a type of qualifying business from those that are eligible to participate in such program if such addition or removal is recommended by the citizen advisory review committee.
2. Make corrective changes to comply with the Local Option Municipal Economic Development Act.

3. Make corrective changes to comply with any other existing or future state or federal law.

Any such amendments to the Program shall be made by the City Council only after it (a) gives notice of and holds at least one public hearing on the proposed amendments, and (b) approves the proposed amendments by a two-thirds vote of the members of the City Council.