

November 19, 2015

Seward Economic Development Program - LB 840 Application Review Board
November 19, 2015 - 5:30 p.m.
Municipal Building - Council Chambers, 142 North 7th Street, Seward, Nebraska

The meeting was called to order at 5:30 p.m., with the following members present: Patricia Johnson, Ellen Beck, Jessica Kolterman, Barbara Pike, John Owens, Ann Underwood, Patricia Coldiron (5:32 p.m.); Absent: None. Also in attendance were: City Administrator Bruce Smith, Seward County Economic Development Director Jonathan Jank, Shane Baack and Deputy Clerk/Finance Director/Assistant Treasurer Marilyn D. Varner recording minutes.

1. MINUTES - OCTOBER 27, 2015

Moved by Pike , seconded by Owens, that the October 27, 2015 minutes be approved.

Aye: Johnson, Owens, Beck, Kolterman, Underwood, Pike
Nay: None
Absent: Coldiron. Motion carried.

2. FINANCIAL REPORTS

Moved by Pike, seconded by Johnson, to approve the financial reports from October 31, 2015.

Aye: Johnson, Owens, Beck, Kolterman, Underwood, Pike
Nay: None
Absent: Coldiron. Motion carried.

3. SEWARD HOTEL GROUP LLC - CHANGE OF PERSONAL GUARANTOR

Shane Baack, 134 Maple Street, reviewed that he was asking the Board to consider a change of personal guarantor. The agreement would remove Shane and Abbie Baack from the personal guarantee of Seward Hotel Group LLC and add John and Vickie Porior in their place.

Mr. Baack explained that his personal happenings in the last year have required him to make some changes. The Cobblestone Hotel and Suites has been doing very well, particularly in the last three months with three different constructions projects in progress around Seward, business has been good.

John Porior has been a part of hotel management for at least 20 years, with a strong financial background (real estate portfolio). Mr. Smith felt that if the lending banks involved with Seward Hotel LLC were willing to approve the change in guarantor, the Board would probably be fine approving this change.

Moved by Kolterman, seconded by Pike, that the Novation Agreement for Seward Hotel LLC removing Shane and Abbie Baack and adding John and Vicki Porior regarding the Personal Guarantee be approved.

Aye: Underwood, Pike, Johnson, Coldiron, Owens, Beck, Kolterman
Nay: None
Absent: None. Motion carried.

4. PROGRAM GUIDELINES

The LB 840 Guidelines which were compiled in July, 2014 (but never formally approved) were reviewed. Discussion on these guidelines included the following:

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The City Administrator performs initial review of an application, a meeting date/time is set and then the Board reviews. The financial analysis performed by City third-party firm was mentioned, in that sometimes an analysis may be required, but in some cases, the financial information is relatively simple & does not require further work. The Board felt this decision could be left to the Administrator's discretion. Submittal of tax returns was felt to be extremely personal and possibly could be eliminated, since a personal financial statement should include enough information to process an application.

In the past, the Board included at least one member with a financial background who could help in analyzing reports. A suggestion was made that future appointments to this Board could include a financial person (not necessarily a bank officer, as this creates potential conflict if an applicant is obtaining a loan from that particular bank).

LB 840 funding is sometimes the last "gap" to get a business going, so making the process more restrictive may not be beneficial to applicants. When business loans are granted and then consequently fail, City LB 840 funding is probably the last loan to receive any payback.

Board members felt it was a good idea for applicants to have at least two months' cash reserve before granting a loan. Grants versus loans were also discussed, with Board members feeling that the possibility of donations should not be completely eliminated from the guidelines. Depending on the amount, timing, etc. of the application, a grant could be awarded.

Jonathan Jank was asked if he assisted applicants to develop a business plan. Mr. Jank responded that he sometimes refers applicants to the economic development entrepreneurial group, which includes professional business coaches. He uses economic development guidelines and assists with the application process. He speaks to many people who seem to be interested in developing a business, but usually, not too many follow through with a plan.

Loan interest rates were discussed with the Board feeling that a consistent rate should be established for all loans. In the past, the Board has discussed a rate of fifty percent of prime. The members also felt that zero percent loans could be granted, depending on circumstances.

Job creation was discussed as criteria for receiving loans. In the past, several Board members felt very strongly that grants/loans should be tied to job creation. Members now feel that applicants are sometimes small businesses and have only one or two job positions, so job creation was not necessarily a requirement for receiving funds.

Community improvement is an important aspect tied to local businesses. Sometimes small businesses find it difficult to meet Federal requirements (i.e. American with Disabilities Act renovations) and this is possibly an area where LB 840 funds could play a role.

The question of when Board members can publicly talk about an application was reviewed. Some applicants may be hesitant to apply for LB 840 funding, since their financial information then becomes public information and is discussed at a public meeting. Mr. Smith will do some research as to the type of information which should be included in the application (i.e., what other cities request) for future meeting discussion. The Board can also go into executive session to discuss financial information, if the need arises.

One idea expressed was that the Board could set aside a certain amount (i.e. \$100,000.00) of LB 840 funds to spur local development, such as in the downtown business area.

Board members were urged to review the guidelines and ideas, with a future meeting being held to further compile this list.

5. MOTION TO ADJOURN

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The meeting was adjourned at 6:12 p.m. in a motion by Underwood, seconded by Pike. All members present voted aye.