

CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
DECEMBER 21, 2010 AGENDA

Subject:	Type:	Submitted By:
APPLICATION FOR CDBG FUNDING — ePOWER ENGINE SYSTEMS, LLC	RESOLUTION ORDINANCE ◆ RECEIVE/FILE	ANN BIRCH COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS

A public hearing has been scheduled for Council to consider an application from ePower Engine Systems, LLC, for CDBG funds.

FISCAL IMPACT

The project involves a CDBG award of \$505,000 from the Nebraska Department of Economic Development to the City, \$5,000 of which is for the City's costs administering the grant, and \$500,000 of which is to be loaned to the applicant for working capital.

RECOMMENDATION

Conduct public hearing; no further action required at this time.

BACKGROUND

The Sarpy County Economic Development Corporation has been working to assist in locating a facility for ePower Engine Systems, LLC. The Company has identified a building located at 7030 S. 110th Street as its desired location and would like to lease that space for this purpose. ePower Engine Systems has developed a diesel/electric drive system that will be used to provide significant diesel fuel savings to the large over-the-road trucking companies. The company has finished the first "test" truck and patented this unique design. It reduces diesel fuel consumption and carbon footprint by close to 65% on Class 8 trucks. The system is reaching approximately 15 mpg with current industry averages of around 5.5 mpg. This is a very significant number for the transportation industry. All of the components used in the ePower systems are already produced by well-known international companies. Because of that, the company does not have the issues associated with a new product development for each of these individual components. Each component is readily available as an off-the-shelf item and its cost is a known factor, up front. What is unique about the ePower design is its method in which these components are utilized.

The application amount is for \$505,000, with \$500,000 to be provided to ePower in the form of a performance-based loan and \$5,000 to be used by the City for general administration of the project. Conditions of funding for the company are to provide an additional \$822,000 in owner's equity and corporate financing and to create and maintain 20 new jobs at the facility for two years from the date of

the award. At least 51% of all new jobs at the facility are to be taken by persons from low-to moderate income households.

CDBG Program regulations require that units of local government including cities or counties must serve as the applicants for CDBG funding. As this project will be located in the City of La Vista's jurisdiction we are being asked to serve as the applicant and to pass through the funding from NDED to the business. Upon approval of the application by NDED, the City will obtain adequate security from NDED and the business to protect its financial interests while serving in this capacity. The project will need to be administered by a certified CDBG administrator, and it is planned that staff from Metropolitan Area Planning Agency (MAPA) will provide this service.

Program regulations require that a public hearing be conducted on the application prior to its approval by the City Council, and that public comments be included with the application materials. A copy of the draft application is included in the packet.

Following tonight's public hearing, remaining business information will be shared with the Department of Economic Development, and department staff will prepare a Memorandum of Understanding (MOU) for the application outlining potential terms of financing, along with City responsibilities under the project. Prior to consideration of a resolution authorizing action on this application by the Council, the MOU will be reviewed by the City Attorney and by MAPA with changes incorporated as necessary. Jake Hansen, Community Development Manager with MAPA, will be present at the Council meeting to answer any questions.

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APPLICATION FOR ECONOMIC DEVELOPMENT

CATEGORY

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
Nebraska Department of Economic Development (DED)

DED USE ONLY
Application Number
10-ED-
Date Received

2010

PART I. GENERAL INFORMATION

TYPE OR PRINT ALL INFORMATION

1. APPLICANT IDENTIFICATION			2. PERSON PREPARING APPLICATION		
Applicant Name City of LaVista			Name Jake Hansen		
Mailing Address 8116 Park View Blvd.			Address MAPA; 2222 Cuming		
LaVista	NE	68128	Omaha	NE	68102-4328
(City)	(State)	(ZIP)	(City)	(State)	(Zip)
Telephone Number	(402) 331-4343		Telephone Number	(402) 444-6866 x226	
Local Government Contact	Ann Birch		Federal Tax ID # / SS# 47-0522862		
Fax Number	(402) 331-4375		Email Address	jhansen@mapacog.org	
Federal Tax ID Number 47-6050031			Application Preparer (check one)		
DUNS Number (Local Government) 054561071			<input type="checkbox"/> Local Staff	<input type="checkbox"/> Out-of-State Consultant	
Email Address ABirch@cityoflavista.org			<input checked="" type="checkbox"/> Economic Development District	<input type="checkbox"/> Non-Profit Organization	
			<input type="checkbox"/> In-State Consultant	<input type="checkbox"/> DED Staff	
3. DEVELOPMENT CATEGORY					
<input checked="" type="checkbox"/> Direct Loan <input type="checkbox"/> Job Training <input type="checkbox"/> Spec Building/Park <input type="checkbox"/> Public Works <input type="checkbox"/> Entrepreneur Development					
4. APPLICATION TYPE					
<input checked="" type="checkbox"/> Individual <input type="checkbox"/> Joint (List other applicants in box #6)					
5. FUNDING SOURCES					
CDBG Funds Requested \$ 505,000					
Matching Funds \$822,000					
Other Funds \$ 0					
Total Project Funds \$ 1,327,,000					
<i>(Round amounts to the nearest hundred dollars.)</i>					

6. PROGRAM SUMMARY: Brief narrative description of the project for which CDBG funds are requested.

The City of La Vista is requesting \$505,000 in CDBG funding to provide working capital assistance to ePower Engine Systems, who is proposing to lease a property located at 7030 South 110th Street for the purpose of assembling diesel/electric drive systems to be retrofitted on Class 8 trucks. Activities for which federal funds would be utilized include provision of working capital assistance to the applicant business. Within two years of project initiation, ePower will invest approximately \$822,000 in working capital and operating expenditures at the site, and will create 20 new FTE jobs.

7. CERTIFYING OFFICIAL: Chief elected officer of local government requesting CDBG funds

To the best of my knowledge and belief, data and information in this application are true and correct, including any commitment of local or other resources. This application has been duly authorized by the governing body of the applicant following an official public hearing. This applicant will comply with all Federal and state requirements governing the use of CDBG funds.

Signature in ink

Typed Name and Title

Date Signed

Attest

Pamela Buethe, City Clerk

Typed Name and Title

Date Signed

SUBMIT THE ORIGINAL OF THE ENTIRE APPLICATION (no additional copies are required) TO:

Nebraska Department of Economic Development
Division of Community and Rural Development
PO Box 94666 - 301 Centennial Mall South
Lincoln, NE 68509-4666
(402) 471-3119 (800)426-6505 Fax (402) 471-8405

Individuals who are hearing and/or speech impaired and have a TDD, may contact the Department through the Statewide Relay system by calling (800) 833-7352 (TDD). The relay operator should be asked to call DED at (800) 426-6505 or 402-471-3119.

PART II. FUNDING SUMMARY

(Round amounts to the nearest hundred dollars.)

Activity Code	CDBG Funds	Matching Funds	Other Funds	Total Funds	Sources of Matching or Other Funds
0010 Acquisition					
0020 Planning ¹					
0070 Public Fac. & Improvements					
0230 Streets					
0250 Storm Sewers					
0270 Sanitary Sewers					
0290 Sewage Treatment					
0310 Water Source/Well					
0330 Water Distribution					
0350 Water Storage					
0370 Flood & Drainage Facilities					
0600 ED Infrastructure Development					
0690 Fixed Assets / Land and Building					
0691 Speculative Building / Park					
0700 Direct Financial Assistance to For-Profit Biz					
0710 Job Training					
0730 Working Capital	\$500,000	\$822,000	\$0	\$1,322,000	ePower
0750 Fixed Assets / Machinery & Equipment					
0770 Fixed Assets / Leaseholds Improvements					
0780 Entrepreneur Development					
0791 Microenterprise Lending					
0181 General Administration	\$5,000	\$0	\$0	\$5,000	N/A
1000 TOTAL PROGRAM COSTS	\$505,000	\$822,000	\$0	\$1,327,000	

¹ Only allowable as an Activity when associated with a Speculative Park project.

Exhibit A**Participation Identification and Project Summary****1. Name of Business: ePower Engine Systems, LLC**Address: 7030 South 110th StreetOmaha, NE 68128
(City) NE (Zip)Telephone No. (402) 680-9547Fax No. (402) 289-2113Contact Person: Russell A. KnudsenDUNS Number (Business) 962282963**3. Business Type** Start-Up Existing Business Buy-Out Spec Building / Park**5. Project Location:** Within the City Limits of (Name of City) _____ Outside the City Limits, but within the Zoning Jurisdiction of (Name and City) LaVista, NE _____ Outside the Zoning Jurisdiction of (Name of City) _____ in (County) _____ Located in county (not in incorporated areas.) _____Zoning Action Required? Yes No Project in 100 yr. floodplain? Yes No If zoning action is required, please attach an explanation. Attach a legal description of the project's location. Attach a map of the applicant's jurisdiction, identifying the areas in which the project activity will occur.**6. Ownership Identification**

A. Name %

Please see attached

B. Percentage of Company Owned by:

Women 0 %Minorities 0 %Disabled Persons 0 %**7. Affiliated Businesses**A. Does the Company have a Parent or Subsidiary? Yes No

If Yes, Identify Name: _____

Address: _____

City: _____ State: _____ Zip: _____

B. Do the Owners of the Company have an Ownership interest in any Other Company? Yes No

If Yes to Either A or B Identify Below:

Company Name

Relationship

% Owned

Jay BowmanMilitary Packaging, Inc.100%

8. Project Participation Identification: Identify All Entities Participating with the Financing of the Project.

A. Financial Institution(s)

Name: Not applicable

Address: _____

(City) _____ (State) _____ (Zip) _____

Contact Person: _____

Title: _____

Telephone: () _____

C. Source(s) of Equity/Investment Capital

Name: ***PLEASE SEE ATTACHED***

Address: _____

(City) _____ (State) _____ (Zip) _____

Telephone: () _____

B. Other Local, State or Federal Financing Sources

Name: Not applicable

Address: _____

(City) _____ (State) _____ (Zip) _____

Contact Person: _____

Title: _____

Telephone: () _____

Name: _____

Address: _____

(City) _____ (State) _____ (Zip) _____

Telephone: _____

9. State the project's overall objective, including a brief history of operations to date:

ePower engine systems, LLC has developed a diesel/electric drive system that will be used to provide significant diesel fuel savings to the large over-the-road trucking companies. ePower has finished the first "test" truck and patented this unique design. It reduces diesel fuel consumption and carbon footprint by close to 65% on Class 8 trucks. ePower is reaching approximately 15 mpg, with current industry averages around 5.5 mpg. This is a very significant number for the transportation companies and the economy of our country. All of the components used in the epower system are already produced by well-known, old-line, very large international companies. Therefore, ePower does not have the issues associated with a new product development for each of these individual components. Each component is readily available as an off-the-shelf item and its cost is a known factor upfront. What is unique about the ePower design is it's method in which these components are utilized.

The company has a total of five partners who have invested \$522,000 and two investors who have invested \$300,000 of subordinated debt for a total of \$822,000 invested into this project. The company is in the early testing stages of its product and is considering several assembly locations in addition to the one proposed in LaVista.

ePower engine systems, llc – PARTNERS

<u>NAME</u>	<u>OWNERSHIP</u>
Jay Bowman 10 Thornhill Drive Florence, KY 41042 859-992-6837	20%
Gaylen Gordy 2439 County Road 111 Georgetown, TX 78626 512-762-6047	20%
Andrew Claypole 456 Leet Road Edgeworth, PA 15143 412-225-7969	20%
Bruce Ligo 539 Dorchester Drive Seven Fields, PA 15143 724-766-7031	20%
Andrews National Associates, LLC P. O. Box 540698 Omaha, NE 68154 402-660-6339	20%

Exhibit A

Item 7B - Other Ownerships Interests

<u>NAME</u>	<u>Company Name</u>	<u>OWNERSHIP</u>
Jay Bowman 250 Aristocrat Drive Florence, KY 41042 859-992-6837	Military Packaging, Inc	100%

Exhibit B**PROJECT FINANCING AND USE OF LOAN PROCEEDS**

I. Project Financing	Amount	Percent Project Cost	Annual Debt Service	Maturity	Interest Rate	Lien Position
1. CDBG Share of Project Cost	\$505,000	38%	\$ 47,200 (50% forgivable, 50% repayable)	5 years	0%	UCC/Deed of Trust on Equip.
2. Private Sector Financial Institution	\$0	0%	\$			
Other (ePower)	\$300,000	22%	\$0			
Total Private Sector Financing	\$		\$			
3. Other Federal Sources	\$0		\$			
4. Equity Injection	\$522,000	40%	\$			
5. TOTAL PROJECT FINANCING	\$1,327,000	100%	\$47,200			

Exhibit C**Job Creation / Retention Information**

1. Total full time equivalent positions as of July 2010: 2
(date)

2. Total new full time equivalent positions being **created** from the project which will be filled for one year or longer. 20

3. The total number of **retained** FTEs that will result from the project for which notification of lay-off or termination has occurred, or is apt to occur (provide explanation) if the project is not carried out. Classify retained FTEs as follows: 0

a. Total jobs known to be currently held by LMI people.
For each employee, submit the Employee Certification Form or _____

b. Total number of jobs that can reasonably be expected to become available through turnover to LMI persons within a two year period from an award of CDBG funds. The number of jobs should be based upon the historical turnover rate for each of the past two years converted to FTE positions. _____

4. (For seasonal hiring only). Total new full time equivalent positions being created from the project which will be filled for 3 months or longer. N/A

5. Provide a job description for each new position. Complete all information for each job title and identify the number of positions to be created. (Use the attached list for job titles) See below

6. Describe training and recruitment opportunities that would make the retained jobs available to LMI persons. All CDBG funded projects may use Nebraska Workforce Development for their recruiting of new employees to assist in the documentation of first consideration being given to low and moderate income persons. Nebraska Workforce Development will obtain and keep on file for verification the necessary information about the person to determine low and moderate income status. The distance from residence and availability of transportation to the employment site should also be considered in determining whether a particular low and moderate income person can seriously be considered an applicant for the job.

7. Complete the projected hiring schedule for positions expected to become available through turnover.

Job Descriptions

No. of FTE Positions to be Created / Retained	Job Title	Skills (describe)	Education (indicate HS education, specialized training, 4-yr degree, other)	Experience (No. of yrs)	Wage / Salary	Benefit Package
1	Manager	Plant Manager	HS Education	3	\$18-\$25/hr	For all employees Health Insurance and Vacation provided.
2	Office/ Clerical	Office Assistant	HS Education	0	\$9-\$11/hr	
1	Sales	Sales Assistant	HS Education	2	\$10-\$12/hr	
1	Office/ Clerical	Technical Support	HS Education	3	\$12-\$15/hr	
1	Manager	Line Mfg. Manager	HS Education	2	\$15-\$18/hr	
2	Crafts-skilled	Line Mfg. Supervisor	HS Education	2	\$12-\$15/hr	
12	Crafts- semi-skilled	Line Mfg. Assistant	HS Education	0	\$9-\$11/hr	

Business Signature – Authorized Person

Date

Russell A. Knudsen, Director of Corporate Finance
Typed Name and Title

STATE OF NEBRASKA
COMMUNITY DEVELOPMENT BLOCK GRANT
EMPLOYEE CERTIFICATION FORM

For use by ePower Engine Systems to meet the requirements of the Nebraska Department of Economic Development and U.S. Department of Housing and Urban Development (HUD).

Dear Employee or Applicant:

Please provide the information requested on this form by so that we can verify to the Nebraska Department of Economic Development that your employment here is achieving the goals of the Nebraska Community Development Block Grant Program. This information is voluntary. Your response should be based upon the earned family income in the county in which you reside. The information will be placed in your confidential personnel file and is available to only a limited number of company officials. The information is subject to verification by officials from the City of LaVista, Nebraska and representatives of the Nebraska Department of Economic Development.

EMPLOYEE or APPLICANT: Please answer questions 1, 2 and 3:

Find your family size and household income level. Count all family members including yourself living at home.

HUD Income guidelines for WASHINGTON, DOUGLAS, SARPY, CASS CO., NEBRASKA

(Please ask personnel staff for additional tables if you live in a county not listed above)

Family

Size:

1 PERSON 2 PERSONS 3 PERSONS 4 PERSONS 5 PERSONS 6 PERSONS 7 PERSONS 8 PERSONS

Row A	\$14,800	\$16,900	\$19,000	\$21,100	\$22,800	\$24,500	\$26,200	\$27,900
Row B	\$24,650	\$28,150	\$31,650	\$35,150	\$38,000	\$40,800	\$43,600	\$46,400
Row C	\$39,400	\$45,000	\$50,650	\$56,250	\$60,750	\$65,250	\$69,750	\$74,250

1) My household size is _____ persons.

Please check the box below that represents your **TOTAL** household income **FOR LAST YEAR** in relation to the income levels in rows A, B, and C above. **LAST YEAR my total income was:**

LESS THAN THE AMOUNT IN ROW A
 BETWEEN THE AMOUNTS IN ROWS B AND C

BETWEEN THE AMOUNTS IN ROWS A AND B
 MORE THAN THE AMOUNT IN ROW C

2) Please Check the Box(es) that identify your race:

Single Race:

White
 Black/African American
 Asian
 American Indian/Alaskan Native
 Native Hawaiian/Other Pacific Islander
 Other

Multi-Racial Identifiers:

American Indian/Alaskan Native **and** White
 Asian **and** White
 Black/African American **and** White
 American Indian/Alaskan Native **and** African/American
 Other Multi-Racial

3) Please answer these questions:

Do you consider yourself as being of Hispanic ethnicity?

Yes No

What sex are you?

Female Male

Do you have a disability that is a substantial handicap?

Yes No

Are you a female head of household?

Yes No

Your Name _____
 (please print)

Your Signature: X _____

Date Signed: _____

TO BE COMPLETED BY THE BUSINESS Please indicate job category for which this employee or applicant is being considered: See attached sheet for description of job categories)

Officials or Managers Professional Technicians Sales Office or Clerical
 Craft Worker (skilled) Operatives (semi-skilled) Laborers (unskilled) Service Workers

HUD INCOME GUIDELINES

DODGE COUNTY, NE

Family

Size:

	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
Row A	\$11,950	\$13,650	\$15,350	\$17,050	\$18,450	\$19,800	\$21,150	\$22,550
Row B	\$19,900	\$22,750	\$25,600	\$28,400	\$30,700	\$32,950	\$35,250	\$37,500
Row C	\$31,850	\$36,400	\$40,950	\$45,450	\$49,100	\$52,750	\$56,400	\$60,000

LANCASTER COUNTY, NE

Family

Size:

	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
Row A	\$14,400	\$16,450	\$18,500	\$20,550	\$22,200	\$23,850	\$25,500	\$27,150
Row B	\$24,000	\$27,400	\$30,850	\$34,250	\$37,000	\$39,750	\$42,500	\$45,250
Row C	\$38,400	\$43,850	\$49,350	\$54,800	\$59,200	\$63,600	\$68,000	\$72,350

SAUNDERS CO, NE

Family

Size:

	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
Row A	\$13,650	\$15,600	\$17,550	\$19,450	\$21,050	\$22,600	\$24,150	\$25,700
Row B	\$22,700	\$25,950	\$29,200	\$32,400	\$35,000	\$37,600	\$40,200	\$42,800
Row C	\$36,300	\$41,500	\$46,700	\$51,850	\$56,000	\$60,150	\$64,300	\$68,450

HARRISON, MILLS, POTTAWATTAMIE COUNTY, IA

Family

Size:

	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
Row A	\$14,800	\$16,900	\$19,000	\$21,100	\$22,800	\$24,500	\$26,200	\$27,900
Row B	\$24,650	\$28,150	\$31,650	\$35,150	\$38,000	\$40,800	\$43,600	\$46,400
Row C	\$39,400	\$45,000	\$50,650	\$56,250	\$60,750	\$65,250	\$69,750	\$74,250