

**CITY OF LA VISTA  
MAYOR AND CITY COUNCIL REPORT  
MAY 21, 2013 AGENDA**

<b>Subject:</b>	<b>Type:</b>	<b>Submitted By:</b>
STATUS OF ACTIVITIES, CDBG LOAN — EASYWAY INTERNATIONAL, LLC	RESOLUTION ORDINANCE ◆ RECEIVE/FILE	ANN BIRCH COMMUNITY DEVELOPMENT DIRECTOR

**SYNOPSIS**

A public hearing has been scheduled as part of the CDBG program requirements in order to complete the Easyway International, LLC, project.

**FISCAL IMPACT**

None.

**RECOMMENDATION**

No action is required.

**BACKGROUND**

On December 15, 2009, the City Council authorized the application for a Community Development Block Grant for the Easyway International, LLC, project. On April 6, 2010, the City Council authorized the execution of a contract between the City and the Nebraska Department of Economic Development for administration of the grant. On April 20, 2010 the City Council authorized the Mayor to execute the loan documents and other project-related documents for this project. On January 17, 2012 the City Council approved an extension of the loan time of performance for the company to satisfy the job creation requirements.

A public hearing is required as part of the CDBG program in order to complete the project. The items to be discussed include a general description of the completed activities, a summary of expenditures, description of the remaining work, and a summary of any changes to the project scope and timeline since the original public hearing which was conducted at the time of the application.

Attached is a report from Jake Hansen; see items (A) through (D) for information pertaining to the public hearing on the Easyway project. Also attached is a copy of the monitoring report from DED.

LaVista City Council Meeting  
Public Hearing Information for CDBG Funds  
Tuesday, May 21, 2013; 7:00 PM  
LaVista City Hall

**Project Number 09-ED-007- Easyway International**

**(A) A GENERAL DESCRIPTION OF ACCOMPLISHMENTS TO DATE**

Easyway International has utilized company and CDBG funds for working capital assistance aiding in the creation of permanent, full-time jobs at its LaVista administrative facility. As of December 31, 2012, the company had created fourteen new jobs, with eleven of those jobs being held by persons from low-to-moderate income households.

**(B) A SUMMARY OF ALL EXPENDITURES TO DATE**

To date, the City and the company have expended \$498,474 in local funds and \$502,793 in CDBG funds. Of the funds expended, \$996,947 was spent for working capital by the company and \$4,500 was spent for general grant administration.

**(C) A GENERAL DESCRIPTION OF THE REMAINING WORK**

Work on the project has been completed and project monitoring has been conducted. Project closeout is the only remaining activity.

**(D) A GENERAL DESCRIPTION OF CHANGES MADE TO THE CDBG PROJECT BUDGETS, PERFORMANCE TARGETS, ACTIVITY SCHEDULES, PROJECT SCOPE, LOCATION, OBJECTIVES, OR BENEFICIARIES**

The City and DED have approved two time extensions for this project, making the project end date December 31, 2012. Additionally, DED has accepted the company's creation of fourteen jobs on the project by the end date, revised from fifteen jobs as agreed in the project contract.

**Project Number 10-ED-002- Graepel North America**

**(E) A GENERAL DESCRIPTION OF ACCOMPLISHMENTS TO DATE**

Graepel North America has utilized company and CDBG funds for equipment purchases aiding in the creation of permanent, full-time jobs at its LaVista administrative facility. As of March 1, 2013, the company had created twelve new jobs, with seven of those jobs being held by persons from low-to-moderate income households.

**(F) A SUMMARY OF ALL EXPENDITURES TO DATE**

To date, the City and the company have expended \$1,632,395 in local funds and \$452,411 in CDBG funds. Of the funds expended, \$2,080,308 was spent for equipment purchases by the company and \$4,498 was spent for general grant administration.

**(G) A GENERAL DESCRIPTION OF THE REMAINING WORK**

The company has some additional equipment to procure and will hire two more employees in the coming months. Once those activities have been completed the project will be closed out.

**(H) A GENERAL DESCRIPTION OF CHANGES MADE TO THE CDBG PROJECT BUDGETS, PERFORMANCE TARGETS, ACTIVITY SCHEDULES, PROJECT SCOPE, LOCATION, OBJECTIVES, OR BENEFICIARIES**

Graepel is requesting a no-cost time extension for completion of this project, taking the performance end date from October 13, 2012 to October 13, 2013. There have been no other changes to the project.



Dave Heineman  
Governor

## STATE OF NEBRASKA

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March 14, 2013

Douglas Kindig, Mayor  
City of La Vista  
8116 Park View Blvd.  
La Vista, NE 68138

RE: CDBG #09-ED-007 – Easyway International, LLC - Monitoring Report

Dear Mr. Kindig:

This is a summary of the monitoring review conducted March 6, 2013 at the city's offices on the above grant. Jake Hansen of MAPA and Ann Birch made the files available and provided information during the review. I also made a site visit to Easyway and met with Don Guo, to review the project's progress and accomplishments. The status for each program area that was monitored is reported.

#### National Objective Compliance

The proposed National Objective for this project was LMJ (low-moderate-income jobs) and the proposed job-creation requirements were 15 new jobs, of which at least 51% were to be held by low-to-moderate income (LMI) persons.

The business has employees complete an income survey. The data on the Final Project Status Report and Job Creation Report indicates the business has 14 jobs of which 11 are held by LMI persons, which is a rate of 78%. This number meets the requirements of primarily benefitting LMI persons.

Our Department will consider the 14 jobs created as satisfactory performance in order to close out this grant, but it is our understanding that the business is still actively trying to hire the 15<sup>th</sup> person.

#### Project Progress

The business location and start up was completed during the CDBG contract period which was from February 23, 2010 to February 23, 2012. The project was extended twice to allow additional time for job creation, and the final extension date was to December 31, 2012. The business was to create 15 jobs, and the final reports submitted indicate the business created 14 and is seeking to hire one more person.

The total CDBG award was \$505,000, of which \$500,000 was to be loaned to the business and \$5,000 was for grant administration expenses. The city has draw down and expended \$502,793 leaving a balance of \$2,027 of which \$1,527 is eligible for the business and \$500 is for grant administrative expenses.

#### General Files \*Response needed

The grant files were complete and contain the necessary documents. The city held a public hearing on the application, and then the Department issued a Notice of Approval on February 23, 2010 and a Release of Funds on April 14, 2010.

**\*The city needs to conduct a second public hearing on the project, and Mr. Hansen indicated he would arrange this for the spring of 2013. Please provide evidence and minutes of the public hearing when completed.**

#### Environmental Review

The environmental review record identified the project as starting with a Categorical Excluded, Subject to determination. After completing the Statutory Checklist, it was determined there were no circumstances which required compliance with any other Federal laws and authorities, so the city completed a Finding of Exempt Activity for the project.

#### Financial Management

Internal Control and Cash Management. The city has submitted Requests for Funds that total \$502,793. The CDBG funds were sent electronically from the state to the city for all requests. The payments made were authorized by the city council. I tested a sample of the transactions and found the city paid out the CDBG funds in a timely manner, with the exception of \$117,592 from draw down #1. The delay was explained as difficulty getting the business set up in the accounting system as a vendor, and having an authorized person from the business.

Accounting Records. The city maintained documentation of project costs and administrative costs in their files, and provided documentation with each draw down. Matching funds were injected into the project at the correct ratio. The balance of CDBG funds that remain available to draw down is \$2,027 of which \$1,527 is for the business, and \$500 is for grant administration expenses.

Program Income. There has been no program income received from this project as the CDBG loan to the business has forgivable terms. No payments have been made and the loan will be forgiven when / if the business fulfills project conditions.

#### Procurement

The city is a member of MAPA, so no procurement of services was required for grant administration.

#### Professional Services Contracts

The city executed a grant administration contract with MAPA after the Notice of Approval. Applicable CDBG terms and conditions were included in the \$5,000 contract.

#### Civil Rights

Program Beneficiaries: The business had employees complete an income survey that includes questions on race and gender. This data was reported on the Project Status and Job Creation Reports.

Employment Policy: The city has equal opportunity guidelines and written personnel policies that were approved by the city.

Fair Housing: The city adopted a Fair Housing resolution December 16, 2009 and has designated the city clerk as the Fair Housing Coordinator.

Section 504: The city's Civil Rights and ADA Compliance team reports that their Transition Plan was updated October 12, 2012.

#### Legal Files/Loan Documents \*Question of Performance

The city, business, and DED executed a Memorandum of Understanding that identified the terms and conditions of the CDBG financing for the project and the performance requirements for the business. The city and business executed a Loan Agreement and Promissory Notes that totaled \$500,000. The CDBG loan was structured as a Forgivable Loan subject to performance to be determined by the city.

**\*The file contained a Security Agreement dated May 11, 2012, however there was no evidence any security instruments were filed to secure the CDBG loan. Provide an explanation of how the loan is secured and copies of any documentation.**

#### Job Requirements

The proposed job-creation requirements were 15 new jobs to be maintained for 36 months. According to Status Reports and the Final Job Creation Report submitted, the company created 14 jobs. MAPA staff

made on-site visits during the contract period to verify employment levels. I made a visit to the business and met with Don Guo to review employment levels. Payroll records provided indicated the business had 14 persons at the end of 2012, which is consistent with the Final Job Creation Report. Mr. Guo provided evidence of the business's actions to advertise and post available positions in an effort to hire additional employees and fill vacant positions. Our Department was satisfied with the 14 jobs created and actions to hire the 15<sup>th</sup>.

Summary

This report identified one response needed related to the city holding another public hearing, and one Question of Performance related to how the CDBG loan is secured. Please provide a written response to these items by April 16, 2013. All other sections of this review were satisfactory. There are \$2,027 of CDBG funds remaining in this grant that are eligible to be drawn down as described in sections above.

The city will need to submit Request(s) for Funds if you intend to draw down remaining funds and submit a Final Financial Report as well to close out this grant.

I would like to thank Jake Hansen, and city staff for making the files available and Don Guo for meeting with me and providing a tour of the business.

If you have questions, please contact me at (402) 471-3763 or [dave.honz@nebraska.gov](mailto:dave.honz@nebraska.gov).

Sincerely,



Dave Honz  
Community and Rural Development Division  
Nebraska Department of Economic Development

cc: Ann Birch  
Don Guo, Easyway International  
Jake Hansen, MAPA  
CDBG Project File 09-ED-007