

NEW BRAUNFELS ECONOMIC DEVELOPMENT CORPORATION (NBEDC)

FUNDING GUIDELINES

In October 1995, the citizens of New Braunfels, Texas approved the 3/8 cent sales tax for community and economic development projects. Provisions governing the NBEDC are found in Chapters 501, 502 and 505 of the Local Government Code.

I. ELIGIBLE PROJECTS

A. Company projects must first fall within the approved NAICS codes established by the Texas Legislature, and may be amended in future legislative sessions. In general, these companies will typically be manufacturing, warehousing/distribution, data processing, telecommunications services, home/regional office operations, certain financial services, research and development, information services, correctional institutions, water supply development, and other codes that result from subsequent amendments to the original House Bill 2912. Also included are projects in the mining, forestry, and agricultural occupations (see NAICS sector codes in Chapter 501.002). NBEDC members may prioritize their job creation category preferences from time to time.

B. The Texas Legislature created a second threshold used to determine eligibility for sales tax funding – the jobs must be “primary” in nature. The definition given is the following:

“Primary Job means a job that is available at a company for which a majority of products or services of that company are ultimately exported to regional, statewide, national, or international markets infusing new dollars into the local economy.” For the most part, this definition eliminates retail and services from funding under the sales tax program for economic development.

C. Both new and existing companies are eligible for funding under this program.

D. Projects in New Braunfels and in the extra-territorial jurisdiction (ETJ) of New Braunfels are eligible. However, projects in the ETJ must have the approval of the Comal County Commissioner’s Court. As allowed by state law, NBEDC may participate in multiple jurisdictional projects of a significant size and nature.

E. The NBEDC may provide funding for projects that support the overall economic development business climate. These projects may include, but are not limited to: marketing, educational support/training, business incubation, or special studies related to economic development initiatives. However, the funds expended for the projects above must be to attract or retain primary employers that meet the NAICS designated codes.

F. Under special circumstances, job retention projects may be funded in order to assure the continuation of an existing business. A very compelling case must be made by the company that, without assistance, they would cease operations in New Braunfels.

II. WAGE RATES & BENEFITS

A. NBEDC will give priority consideration for projects that provide above-average wages for trained employees. For the purpose of defining “above-average wages,” NBEDC will use the Texas Workforce Commission’s Labor Market Information figures for the most recent annual average county wage. Eligible projects creating or retaining existing jobs paying less than the average county wage may be funded, but at a lower rate of reimbursement per job. (As an example, a company introducing a new employment sector may be given special consideration for a lower “trained” wage level to help advance this new economic sector.) Wage levels will be evaluated on a per job basis.

B. NBEDC will consider whether the company provides a benefit package – particularly health insurance for employees – when determining the value of proposed jobs being created.

III. FUNDING FOR THE 3/8 CENT SALES TAX DOLLARS

The allocation of funds for business development projects may be for grants or loans. The method of payment for the incentive – loan or grant – will depend on various factors including the company’s financial stability, available working capital, cost/benefit analysis and economic benefit to the community.

IV. LEVEL OF JOB CREATION OR RETENTION ASSISTANCE

Grants from NBEDC have typically been in a range of \$2,000 to \$7,000 per new job created. NBEDC has provided greater incentives in circumstances when companies move or increase headquarter operations in or to New Braunfels, offer highly paid positions for skilled employees, or introduce a new skill-set opportunity with high pay/benefits to our labor market. As a general rule, the amount of incentive dollars should not exceed 50% of the total project cost. An economic impact analysis and financial analysis is required of any request for funding, and the NBEDC Board of Directors maintains the discretion to adjust the level of incentive accordingly.

V. JOB CREATION THRESHOLDS

Projects that meet the NAICS codes and provide “primary” jobs, should also meet the minimum job creation and investment thresholds established by NBEDC. They are the creation of at least 5 new full-time jobs at or above the average county wage and new infrastructure investment of at least \$125,000. NBEDC members may waive one or both of these thresholds when designing a performance-based incentive that is expected to be paid out at some future date when the thresholds are met. NBEDC may also waive these thresholds in the case of job retention projects, or when the assistance of NBEDC would help fund a new equipment purchase for a company that would increase their productivity and their competitiveness in the marketplace.

VI. PERFORMANCE REQUIREMENT

NBEDC and the City of New Braunfels require that a written contract agreement be signed with the company receiving assistance/incentives. This agreement will stipulate the terms and conditions under which incentives/loans will be paid, including specific performance criteria. The company will agree to refund any incentives that were accepted for jobs and investment that were not created or conditions of

the incentive offer, including performance criteria that were not met as outlined in the written agreement. Repayment of incentives under the above circumstances is required by the State of Texas.

VII. FINANCIAL DUE DILIGENCE

NBEDC will require a business plan to be submitted along with any request for financial assistance. NBEDC will require disclosure of company or organization's financial records for inspection by qualified City staff. Such information will remain with company and will not be disclosed to the public unless required by state law.

VIII. NAICS CODES GOVERNING ELIGIBILITY FOR SALES TAX FUNDING

111:	Crop production
112:	Animal production
113:	Forestry and logging
11411:	Commercial fishing
115:	Support activities for agriculture and forestry
221 through 213:	Mining
221:	Utilities
311 through 339:	Manufacturing
42:	Wholesale trade
48 through 49:	Transportation and warehousing
51:	Information (Excluding 51213 and 512132 – movie theaters and drive in theaters)
523 through 525:	Securities, commodity contracts and other financial investments and related activities, insurance carriers and related activities, funds, trusts and other financial vehicles.
5413, 5415, 5416, 5417, and 5419:	Scientific research and development services
551:	Management of companies and enterprises
56142:	Telephone cell centers
922140:	Correctional institutions

IX. PROCEDURES FOR SALES TAX ASSISTANCE APPLICATION

1. The Company is encouraged to approach NBEDC staff representatives expressing their interest in locating/expanding in New Braunfels and their desire to have economic incentives to do so. Staff will perform a financial review and cost/benefit analysis. Staff will then present to the NBEDC board the request and a staff recommendation.
2. NBEDC will deliberate regarding the request in open and/or executive session, depending on the circumstances and need. NBEDC is also required by law to hold a public hearing on requests for economic incentives. The NBEDC holds its regular meetings on the third Thursday of every month. Requests approved by NBEDC then go to the City Council for their consideration. City Council meets the 2nd and 4th Monday of each month. The incentive requires their approval, and approval can be obtained in one meeting.
3. If approved by the City Council, there is a 60-day comment period from the date notice was first published in the local newspaper for the NBEDC public hearing. This period allows citizens the opportunity to initiate a process to stop the action through a referendum if there is wide opposition to

the funding. It is important that the company start the process well before an expansion is undertaken. The primary purpose of the sales tax program is to provide an incentive for a company to expand (locally) or locate in New Braunfels. A company already under construction is not a good candidate for an incentive, but may be helped with training costs.

4. Projects that would not locate or expand in the City of New Braunfels, but for the incentive, generally have a greater likelihood of approval by the NBEDC Board and City Council.

X. GRANTS OR LOANS FOR QUALITY OF LIFE PROJECTS

A. There are certain projects that do not require the creation of primary jobs, and the NBEDC can provide financial assistance to qualified quality of life projects. In general, the NBEDC can undertake projects related to recreational or community facilities found by the board of directors to be required or suitable for use for professional or amateur sports and public park purposes and events, including tourist, convention, entertainment, parks and park facilities, exhibition facilities and related store, restaurant, concession and automobile parking facilities. In addition, the NBEDC can also undertake projects related to affordable housing. The NBEDC uses the following guidelines for consideration of such projects:

1. The project helps the City of New Braunfels meet one or more goals in its comprehensive plan and/or adopted strategic plan.
2. NBEDC prefers to fund capital costs and will only consider operational costs in special circumstances.
3. NBEDC prefers to provide matching funds to leverage other dollars raised by the requester and will look to funding mechanisms such as challenge grants to achieve this approach.
4. Funds will be dispersed only when the grantee provides invoices of actual costs incurred and after work on products is completed/delivered.
5. NBEDC will require an analysis of the organization asking for the grant or loan including financial ratios, stability, leadership, benefits related to costs, other projects undertaken, etc.
6. Commitments of other funds will need to be verified prior to payments by NBEDC to ensure the grantee's ability to complete the project, both from a financial and management perspective.
7. Project completion timelines will be required.

For more information concerning what projects the NBEDC can undertake that do not require primary job creation, please reference Texas Local Government Code, Chapter 505, Sections 152-158.