

Guide to Texas Economic Development Programs

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Introduction

Economic development is about luring companies to a particular community. New jobs bring new homes, retailers and service providers, all of which translates into business for real estate agents. Real estate professionals can play an active role in promoting their communities and encouraging economic development by understanding what programs are available and what attracts businesses to particular communities. What factors do companies consider when deciding where to locate a facility? What kinds of local, state and federal programs would benefit small communities? What programs target larger communities? What role can a real estate agent play in the process?

Factors Considered for Site Location

The most important factors in a location decision are community, labor, transportation, utilities and land and buildings. These evaluation criteria may vary slightly depending on the business and the decision makers. For example, in addition to the community factors listed, the company president may want a high-quality golf course nearby.

Community

Management wants a good quality of life for transferred employees, including good schools, neighborhoods, parks and recreational activities. Good commercial air service is important. The company will want convenient access to an airport so employees can fly out for both business and personal reasons. The community must have industrial services ranging from delivery firms (UPS, Fed-X, Airborne) to suppliers.

Labor

Many jobs created will be filled by workers hired from within the commu-

nity. Companies often consider the availability of skilled workers, which may mean a quick startup. They prefer not to have to establish and implement training programs.

Companies also need numerous unskilled workers, ranging from clerks to warehouse personnel. Officials want to know the prevailing wage for those positions in a community.

No company wants a high employee turnover rate. It is expensive to find and train employees. Companies also want to see good worker-management relations. Strikes or other worker-management problems raise concerns and may require explanation.

Transportation

In some cases, companies will locate near a sister plant. Officials want to be close to customers, as this lowers costs to get their product to market. Company officials may want to locate near customers who have just-in-time inventory requirements, meaning that they require the company to deliver products quickly.

If the company ships goods, access to an interstate highway network, rail service or both are important selling points.

Utilities

Many industries require large amounts of power and look for low-cost electricity. If the production process requires energy and fuels, the company will look for low-cost energy fuels. Companies that are planning to build facilities look for low utility connection fees.

Land and Building

Constructing a new facility is costly. Companies will be looking for low-cost land and low building costs.

Tax Incentives

Tax incentives can be used to encourage businesses to locate in an area. Some communities use economic development taxes to make infrastructure improvements, while others offer businesses reduced taxes. The types of programs described here are identified as local, state or federal.

Economic Development Sales Tax (Local)

Purpose. This program produces income for local communities. Community officials then provide

funds to assist businesses in locating and expanding in their areas.

Use of Funds. In Texas, 378 cities assess an economic development sales tax. This tax can be up to one-half cent and can be used for a variety of purposes that promote the expansion of local commerce.

Eligibility. Communities must vote to approve the economic development sales tax. Each Texas city is eligible to pass the tax if the new combined local sales rate would not exceed 2 percent, and the city is not part of a rapid transit authority.

Since 1979, Texas has allowed cities to form economic development corporations to attract businesses and create job opportunities. In 1989, the legislature amended The Development Corporation Act of 1979 to allow eligible cities the option of adopting a dedicated sales and use tax (called a 4A tax) to fund industrial development projects.

Legislation in 1991 provided cities with a second form of sales tax (4B tax) to improve their appeal as places to live, work and visit. Eligible cities may adopt either 4A or 4B taxes or both. As of July 1, 1998, 384 Texas cities had adopted an economic development sales tax or taxes. Of these cities, 124 adopted a 4A tax, 212 adopted a 4B tax, and 48 adopted both 4A and 4B taxes.

Terms. The sales tax is collected by the state, then distributed to local governments.

Process. The municipality holds a referendum vote, and the taxpayers must approve the additional tax.

Case Study. A survey published in *Texas Town and City* magazine identified the ways in which Texas cities have used the sales tax for economic development. The five basic categories for which cities have used these funds are business attraction, incentives, land and building purchase, infrastructure upgrades and training and education.

Cities using the sales tax to attract business do so in a number of ways. Advertising, promotion and marketing with chambers of commerce or industrial foundations are popular. Others participate in trade shows, send out newsletters and advertise on billboards. The primary purpose of this use is to let businesses know about a community.

Business incentives may include revolving loan funds, loan guarantees, loan or interest forgiveness, relocation grants, rent subsidies, outright cash payments and other grants. These funds provide direct assistance to the business locating or expanding inside the city.

Cities may choose to develop a business park that includes land, infrastructure and buildings. City officials may then decide to lease or sell those facilities to qualified businesses promising to meet specified hiring quotas. The funds may be used to provide infrastructure upgrades, including water and sewer line extensions, or construction of bridges or rail spurs in industrial or commercial areas.

Job training and education programs may be specifically geared toward a company's needs. Local technical schools and community colleges often aid in this effort. City officials also may inform the company about small business development centers and workforce development resources available locally.

Many communities provide a variety of services, depending on the type of company that needs assistance. In many cases, the level of assistance depends on the level of funds the economic development entity has available. In bigger cities with larger sales tax funds, a wider variety of incentives are offered because of the higher level of funds available.

Amarillo, for example, generates more than \$8 million per year through economic development taxes. McAllen generates more than \$6 million per year. While smaller cities do not have that level of funding, they may have time available to focus more closely on the specific needs of individual companies.

For further information, contact the Texas Department of Economic Development Office of Business Services at 512-936-0260 or e-mail at Buserv@tded.state.tx.us.

Community Empowerment Program (Federal)

Purpose. The Community Empowerment Program became law in August 1993. The goal of this program is to create self sustaining, long-term economic development in areas with

high poverty, unemployment and general distress. Businesses locating in an empowerment zone may qualify for tax credits equal to 20 percent of the first \$15,000 of wages or training expenses. Businesses also may be eligible for a \$20,000 federal tax deduction on investments in the empowerment zone.

Eligibility. Only two Texas areas were selected for funding during round one and two of the program: Brownsville-Harlingen-McAllen and the rural Rio Grande Valley. Applications consist of comprehensive strategic plans developed with the active participation of low-income community residents.

For more information, contact the U.S. Department of Agriculture EZ/EC Team at 800-645-4712 or by e-mail at ezec@urdev.usda.gov.

Enterprise Zone (State)

Purpose. This program is designed to induce capital investment and creation of new jobs in economically distressed areas. Businesses locating in an enterprise zone may qualify for a variety of local and state incentives, including tax reductions and refunds and regulatory relief.

Use of Funds. More than 140 Texas cities and counties have enterprise zones. Many cities have more than one zone. Local governments may provide a variety of incentives as inducement for businesses to expand or locate in enterprise zones (contact the city or county for available incentives). The state also provides incentives, including:

- refund of sales and use taxes on purchases of machinery and equipment, building materials, labor for rehabilitation of existing buildings and electricity and natural gas purchased for use in the enterprise zone (refunds are based on \$2,000 for each new permanent job created with a maximum refund of \$1.25 million or \$250,000 per year over a five-year period);
- the franchise tax reduction can be taken when the annual report is filed for each year of the five-year designation and is based on the amount of capital investment resulting from the project (the project's taxable capital may be

reduced by 50 percent of the capital investment made in the enterprise zone or the apportioned earned surplus income may be reduced by 5 percent of the capital investment made in the enterprise zone) and

- in addition to tax incentives, businesses also are eligible for priority and preference for other state programs and services, such as the Smart Jobs Program (see page 7.)

Eligibility. A community may nominate an area to be an enterprise zone if the area's unemployment rate is at least 1.5 times the state average or if the area has had a population loss of at least 12 percent during the last six years or a 4 percent loss during the last three years. The area must also meet one other secondary criterion of:

- low income,
- poverty,
- deteriorating structures,
- substantial loss of business or jobs,
- declared a state or federal disaster area or
- increased juvenile crime.

A business must be nominated to receive benefits. The city is the normal nominating body, and the state must then approve the nomination. To be eligible, the business must be located within the zone, and at least 25 percent of new employees must live in the zone or be economically disadvantaged.

Terms. For a business to be eligible to receive benefits from the state and local government, it must meet one or more of the following criteria. The jobs must be located in:

- an enterprise zone,
- an adversely affected "defense-dependent" city,
- an area where the unemployment rate is 1.5 times greater than the statewide average,
- a county with a population less than 75,000 or
- an area where at least 25 percent of all the employees are economically disadvantaged as defined by Section 2303.402 Texas Government Code.

Process. The business' leaders meet with city or county officials to

determine if the project is eligible for nomination. The government agency submits an application to the Texas Department of Economic Development for state tax benefits, and the state reviews the application and scores the nominations submitted. The Economic Development Governing Board decides which nominated projects will be designated as enterprise projects. After being so designated, the business may apply to the Texas Comptroller of Public Accounts for a refund of certain state sales and use taxes, based on new jobs created.

Case Study. The City of Amarillo has more than 171,000 people. The city and Economic Development Corporation provide numerous incentives to assist in business creation and expansion. Amarillo has chosen to add local tax incentives to the state incentive package available only within the enterprise zone.

The City of Amarillo offers tax abatements on the increase in value of real property improvements for nonresidential, nonretail and nonoffice businesses locating in or expanding in the enterprise zone. City officials are working to promote the development and expansion of manufacturing, commercial, wholesale, warehousing and distribution businesses. Abatement is based on the increase in value from real property improvements based on the number of employees hired.

Amarillo also offers a local sales tax refund for qualifying businesses within the enterprise zone. The sales tax refund is available on building and construction materials purchased in Amarillo for use in construction, expansion or renovation of a structure. A business is eligible for a refund of \$10,000 of the purchase price or value of the machinery or building material for each qualified employee hired and remaining on the payroll for a period of one year or more. To qualify, a business must hire a minimum of three permanent employees.

Development fees associated with the expansion or location of a qualifying business will be rebated at a rate of \$40 per new employee hired within one year. Water and sewer frontage and tap fees are rebated at a rate of \$100 per new employee hired by the business within one year.

Amarillo offers at-cost street, easement and alley abandonment within the enterprise zone. The city also may provide no-cost professional engineering services related to streets, water and sewer development. The assistance is provided by the city's Public Works and Utilities Divisions.

For those businesses whose employees have limited means of transportation, the city may establish special bus routes and services. The assistance provides transportation from residential areas within the zone to the business location.

For further information, contact the Texas Department of Economic Development Office of Business Services at 512-936-0260 or e-mail Buserv@tded.state.tx.us.

Freeport (Federal)

Purpose. This program allows exemption from inventory property taxes on goods exported from Texas and encourages export-minded manufacturers and distribution centers to locate in a community.

Use of Funds. Inventory property taxes on goods exported from Texas are exempt from taxation.

Eligibility. Any business within the freeport area that meets the terms outlined below is eligible.

Terms. The exemption applies to business' inventories on January 1 that:

- are or will be forwarded out of Texas within 175 days of the date the items are acquired or brought into Texas;
- are in Texas for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes and
- remain under the business' continuous ownership from the time the items are brought into the state, acquired in the state or until they are forwarded out of the state.

Process. The local taxing unit, unless legislative action was taken before 1990, automatically allows for a freeport exemption. If the taxing unit denied the freeport exemption, they can choose to reenact it. Once the exemption is in place, it cannot be removed.

Case Study. The Alliance Development in north Fort Worth, now the fastest growing corporate community

in the United States, uses the freeport designation to attract manufacturing and assembly businesses. In this case, the city, county and school district have granted tax exemption to the freeport inventory.

Alliance has 8,600 acres for business and transportation developments. In 1997, 11 new corporate residents added 2.7 million square feet of office and warehouse space.

The freeport inventory tax exemption has worked as an incentive to attract top businesses to the Alliance Development. As a result, retailers, homebuilders and supporting services built facilities in the surrounding area.

For further information, contact local government officials.

Foreign Trade Zone (Federal)

Purpose. The purpose of a foreign trade zone (FTZ) is to allow products to be brought into the area duty-free. Once the products are in the zone, they can be assembled, processed, packaged or stored. Twenty-six FTZs are located in Texas, most along the Mexico border and the Texas coast. The others are near airports.

Under zone procedures, the usual formal customs entry procedures and payments of duties are not required on the foreign merchandise unless and until it enters customs territory for domestic consumption, at which point the importer generally has the choice of paying duties at the rate of either the original foreign materials or the finished product. Domestic goods moved into the zone for export may be considered exported on admission to the zone for purposes of excise tax rebates.

Use of Funds. Businesses are exempt from duty charges if they meet the following terms.

Eligibility. FTZs are established through Congress. The U.S. Customs Office oversees the zones. Businesses are eligible if they are located within an FTZ.

Terms: An FTZ is a freeport regulated by U.S. Customs.

- Duties are charged only if the product is distributed into the domestic market.
- No duties are owed on labor, overhead or profit attributed to production operations within the zone.

- Goods can be stored indefinitely.
- State and local excise taxes on personal property do not apply.

Process. The U.S. Customs Office contracts out zone maintenance and administration to public or private entities. In many cases, the city or local economic development corporation manages them.

Case Study. Galveston is home to FTZ 36. Established in 1978, the zone is operated by the Port of Galveston. The site includes 800 acres of unimproved land on Pelican Island and 223,000 square feet of warehouse space on port property.

As of August 2000, no companies occupied the zone. This zone normally handles merchandise storage. The zone can be used for light manufacturing or warehousing, the latter of which has been the primary use to date. The last merchandise handled in the zone was palletized magnesium ingots originating in Mexico.

For more information, go to the U.S. Customs Service's web site at <http://www.customs.treas.gov>, or contact the local government in the community where the FTZ is located.

Public Improvement District (Local)

Purpose. The purpose of a public improvement district (PID) is to provide a source of funds for improvements within a district of a city. Improvements vary from providing security to new street lighting.

Use of Funds. Funds generated from increased taxes can be used to fund any improvements in the district. The use of funds must be established before the district can be created.

Eligibility. Any area within a city willing to pay increased taxes to gain public improvements is eligible.

Terms. The district within the city must agree to an increase in the assessed tax rate. This money is used to pay for public improvements within the area.

Process. The local government, in cooperation with the improvement area, agrees to pass a public improvement district. The city governing body then votes for the creation of a PID, which is authorized for a five-year period.

Case Study. In 1993, the City of Austin created a PID downtown,

initiated by the private sector. A petition was submitted to the city along with a service plan. City officials then agreed to authorize a PID at a rate of ten cents per \$100 valuation. The Downtown Austin Alliance, made up of property owners and tenants downtown along with other interested parties, administers the PID funds. For fiscal year 1996–1997, the PID received \$779,476.

The funds are used for a variety of programs. The Downtown Austin Rangers, a patrol unit, reports situations to the police department. First Tuesday Downtown is an evening event that provides entertainment for the entire family. The PID also funds noontime concerts, graffiti removal from private buildings and litter removal from sidewalks, curb and gutters. The project also includes the Great Streets Program that funds downtown sidewalks and trees. This program has given the downtown area a source of funds for improvements. Contact local government officials for more information.

Reinvestment Zone (State)

Purpose. Reinvestment zones are an economic development tool that allows for tax abatements or tax increment financing. Since 1981, 1,190 reinvestment zones have been established across the state.

Use of Funds. The designation as a reinvestment zone allows taxing districts to implement tax increment financing or to offer tax abatements.

Eligibility. Cities and counties in Texas are eligible.

Terms. A reinvestment zone is established for as long as five years and may be renewed for an additional five years.

Process. A municipality designates a reinvestment zone by local ordinance.

Case Study. According to the State Reinvestment Zone Registry, a total of 229,866 Texas jobs have been created through the use of reinvestment zones. In 1996, 18,600 jobs were created through these zones.

New Braunfels created 280 jobs in 1996, bringing total jobs since the reinvestment zone was first implemented to 1,662. Plano created 1,700 jobs in 1996 for a total of more than 14,000 jobs.

Every reinvestment zone has recorded job growth, although some

smaller cities have had small increases. Oldham created three jobs in 1996, the first time job creation occurred in their reinvestment zone. Pearland created 100 jobs in 1996, also the first time jobs had been created inside the zone.

For further information, contact the Texas Department of Economic Development

Office of Business Services at 512-936-0260.

Tax Abatements (Local)

Purpose. This program is designed to stimulate major new construction and renovation-rehabilitation in a specified area of a city.

Use of Funds. City, county and school district officials may choose to participate in the abatement of taxes on a property for an extended period. More than 300 Texas cities offer tax abatements. Since 1981, a total of more than 1,400 tax abatements have been offered.

Eligibility. Any business located in a community that offers tax abatements may apply. Local regulations may place certain restrictions on applicants. Abatements are normally limited to basic businesses. Basic businesses include manufacturers, warehousing and research and development.

Terms. Taxes are abated on the property for a specified period. If only the city participates, the city's portion of the property tax is abated. If the city and county agree to the abatement, taxes are waived by both entities. If the city, county and school district agree to the abatement, all taxes on property are abated for the specified period.

Process. The governing body, city, school district or county meets with the other participating taxing districts to decide which will participate. The governing body then approves the application for the abatement of property taxes.

Case Study. Over time, participation by independent school districts (ISDs) has declined because of changes in state law. Before 1986, 97 percent of ISDs participated in tax abatements. By 1996, that number had dropped to 9 percent.

The length of the tax abatement has increased over time as well. In 1996, 60 percent of all tax abatements were for more than five years. The median

length of a tax abatement agreement is seven years. The amount of the tax abatement has changed. Before 1996, more than 70 percent of tax abatements were a full 100 percent abatement of taxes. In 1996, less than 20 percent of tax abatements were for 100 percent of the tax.

Industrial projects are most likely to receive an abatement. Of all abatements offered in 1996, 51 percent were for industrial projects. Commercial projects made up 33 percent, and residential projects were 11 percent of the tax abatements.

For more information on tax abatements, contact local government officials.

Tax Increment Financing (Local)

Purpose. This program is designed to stimulate major new construction and renovation-rehabilitation in a specified area of a city.

Use of Funds. Funds raised from property value increases are reinvested in the neighborhoods where the property taxes were generated. Funds may be used for a variety of purposes, including infrastructure repairs and construction and the addition of street elements such as lighting and sidewalks. Funds also may be used for:

- capital costs for construction of public works,
- acquisition or construction of buildings or equipment for lease to private users,
- financing costs related to the project,
- real property assembly costs,
- professional service costs associated with the project,
- administrative costs associated with the project,
- relocation costs and
- organizational costs.

Eligibility. Any area within a community that has low-to-moderate-income households or has experienced blight and neglect may apply.

Terms. Taxes are frozen at the current level after the passage of the tax increment financing district. In other words, taxes generated for the general fund of the taxing agency remain the same. As reinvestment in the area occurs, the property values increase and the incremental property taxes are then used to fund improve-

ments in the neighborhood. The district may last as long as ten years, and all funds raised in the district must be spent within the district.

Process. The governing body meets with the other taxing entities to decide if it will participate, then passes the tax increment financing district through the city council.

Case Study. Wichita Falls developed a tax increment financing zone in 1986. The area encompasses a portion of downtown, the city's medical center and the regional park. Most of the area is located along the Wichita River. The tax increment financing zone expires in 2008.

Since 1986, six major projects have occurred. The funds are used to pay between 10 and 15 percent of a private project's cost. More than \$450,000 has been spent on projects. Another \$275,000 is available for projects at this time. One project was the renovation of a building for Walgreen's Pharmacy. The city paid \$15,000 for a landscaping project that was completed in 1991.

For more information on tax increment financing, contact local government officials.

Loan Programs

In addition to tax incentives, a number of loan programs are available to assist businesses locating and expanding in Texas.

SBA 404 Loan Program (State)

Purpose. This program provides small businesses with loan funds to finance and equip business expansion.

Use of Funds. Funds may be used to finance and equip new buildings, facility expansion and acquisition of needed equipment.

Eligibility. Any small business planning an expansion project is eligible. A small business is any for-profit business with a tangible net worth of less than \$6 million and net profit after taxes of less than \$2 million.

Terms. The Small Business Administration (SBA) 504 loan provides 40 percent of the funding needed, 50 percent is provided by the local bank and 10 percent by the company. This program provides financing for fixed assets at a fixed interest rate at less

than market rates. Loan maturities range from ten to 20 years.

Process. The Certified Development Corporation (CDC) acts as an intermediary between the business, the lender and the SBA in the loan process. The CDC will package, process and service loan applications.

Case Study. Select Elastics of America had plans to expand in McAllen but lacked the needed funds. The company manufactures narrow elastic used in underwear and lingerie and is the leading supplier to international apparel companies. A \$3 million loan was provided to equip the company's new McAllen facility. Officials expect the new facility to create 400 jobs.

For further information, contact the Texas Department of Economic Development

Office of Business Services at 512-936-0260.

Small Business Linked Deposit Program (State)

Purpose. This program is designed to create and/or retain jobs and induce investment in economically distressed areas by providing economic benefits and removing certain governmental regulations for businesses locating in these areas.

Eligibility. The borrower must be one of:

- an historically underused business whose ownership is at least 51 percent African-American, American-Indian, Asian-Pacific-American, Hispanic-American or female;
- a child-care provider;
- a nonprofit corporation or
- a small business that employs fewer than 100 full-time employees and is independently owned.

Use of Funds. Funds may be used for working capital and the purchase, construction or lease of land, buildings and equipment.

Terms. The minimum loan amount is \$10,000, and the maximum loan amount is \$250,000.

Process. This program is a partnership between the State of Texas Treasury, approved lenders and the Texas Department of Economic Development. The Texas Department of Economic Development can assist

the borrower in locating a local bank to participate in the program.

For further information, contact the Texas Department of Economic Development, Office of Business Services at 512-936-0260.

Texas Capital Access Fund (State)

Purpose. This program is designed to increase the availability of financing for businesses and nonprofit organizations that face barriers in accessing capital.

Use of Funds. Loans may be used for working capital or the purchase, construction or lease of capital assets, including buildings and equipment used by the business.

Eligibility. Applications are accepted from lenders only. A business owner interested in receiving a loan must apply through an eligible bank. To be eligible, a borrower must be:

- a small business (100 or fewer employees),
- a medium business (100 to 500 employees) or
- a nonprofit organization and
- located within the state or have at least 51 percent of its employees located in the state.

Terms. The lender determines the loan terms. There is no minimum or maximum loan amount, only a maximum amount that the state will provide to the financial institution's reserve fund. The borrower must contribute 2 to 3 percent of the loan amount. The lender must match the borrower's contribution.

The state will contribute an amount equal to the combined contribution of the borrower and lender or 200 percent of the combined amount if the project is locating in an enterprise zone or if it is for day-care center operation. The state contribution may not exceed 8 percent or \$35,000 of the loan in an enterprise zone or for day-care providers. The limits are 6 percent or \$35,000 for any other applicant.

Process. The lender must submit an application to the Texas Capital Access Fund.

Case Study. McKinney is home to Encore Wire Corporation, a manufacturer of copper and electrical wire for building interiors. In 1996, the company employed 290 people. Encore Wire planned to expand but

needed assistance from the city and state. The Texas Capital Fund was used to help the company obtain a loan to complete the expansion.

In March 1997, the company purchased 25.6 acres adjacent to its existing manufacturing facility. The expansion includes a 360,000-square-foot complex for a mill and warehouse. The plant will add 100 jobs.

For further information, contact the Texas Department of Economic Development at 512-936-0223 or e-mail craigp@tded.state.tx.us

Texas Leverage Fund (State)

Purpose. This program is designed to provide an "economic development bank" offering an added source of financing to communities with an economic development sales tax.

Use of Funds. This award may be used to pay eligible project costs.

Eligibility. Applications are accepted from communities that have an economic development sales tax.

Terms. The maximum loan amount is four to five times the annual sales tax revenues expected to be generated by the new expansion up to as much as \$3 million. The loan must be repaid within 15 years. Interest rates are at the prime lending rate, and financing terms may be negotiated. The funds can be used for interim, long-term or gap financing.

Process. Businesses should approach the local economic development corporation for financial assistance. The corporation determines if financing is appropriate and then agrees to pledge the sales tax collections. An application for funding is submitted to the Texas Department of Economic Development, which then provides a response within ten business days from receipt of a completed application.

For further information, contact the Texas Department of Economic Development, Office of Business Services at 512-936-0260 or e-mail Buserv@tded.state.tx.us

Texas Small Business Industrial Revenue Bond Program (State)

Purpose. This program provides tax-exempt financing to fund land and depreciable property for eligible industrial or manufacturing projects, allowing the local government to form

an industrial development corporation to obtain federal income tax-exempt bonds for property and buildings. The development corporation leases, sells or loans the facility to the business.

Use of Funds. This award may be used to pay eligible costs of the purchase of buildings and property. It allows businesses to borrow funds at the tax-exempt interest rate, producing substantial savings in interest payments.

Eligibility. Applications are submitted to the state from local industrial development corporations only.

Terms. The maximum loan amount is four to five times the annual sales tax revenues up to \$3 million. The loan must be repaid within 15 years. Interest rates are at the prime lending rate, and financing terms may be negotiated. Funds can be used for interim, long-term or gap financing.

Process. The local industrial development corporation issuing the bonds for a project must pass a Declaration of Official Intent Resolution if the bonds are tax-exempt. This allows the business entity to immediately begin incurring eligible costs that may be reimbursed with bond proceeds. The local industrial development corporation must pass a bond resolution whether the bonds are taxable or tax-exempt. This resolution approves the project, sets the bond amount and makes findings required by state law.

The unit of government on whose behalf the local industrial development corporation was created must pass a resolution approving the corporation's resolution and the project. All terms of the bond sale are negotiated among the appropriate parties and all documents are prepared by legal counsel.

The industrial development corporation submits applications to the Texas Department of Economic Development and the Attorney General's office. The applications may be submitted simultaneously. When all approvals have been granted, the industrial development corporation can issue the bonds and finance the project from the proceeds. The Texas Department of Economic Development requires an application fee of \$500 to \$25,000.

For further information, contact the Texas Department of Economic

Development, Office of Business Services at 512-936-0260 or e-mail Buserv@tded.state.tx.us

Grant Programs

Texas offers several programs that provide direct grants to communities to be used to help local businesses. These programs provide a portion of the project cost and are normally matched with funds from the business or the community.

Smart Jobs Program (State)

Purpose. This program provides businesses with grants to train their employees. The program was designed to provide flexible funding for various types of training, including on-the-job, classroom and computer-based training.

Use of Funds. Grants may only be used to pay for expenses related to direct training in job-related basic skills, job-related occupational skills and administrative costs. Tuition, fees, books, classroom materials and instructor wages are all eligible costs. Administrative and travel reimbursements are limited to 10 percent of the projects' direct training-related costs.

Reimbursements can occur monthly or quarterly and are up to 75 percent of the contract grant. At the end of a 90-day retention period the remaining 25 percent of the grant funds will be distributed.

Eligibility. A company is eligible if it has been in business for at least one year and has at least one employee. In addition, the company must demonstrate financial viability and be current on state tax obligations.

Terms. The maximum award is \$1.5 million per fiscal year. The amount is limited to a maximum of 10 percent of the trainees' median annual wages. The maximum grant amount can be exceeded if one or more of the following criteria are met:

- the business has fewer than 100 employees or less than \$1 million in annual gross receipts;
- the jobs are located in an enterprise zone;
- the jobs are located in an adversely affected, defense-dependent city;
- the jobs are located in an area where the unemployment rate is

1.5 times greater than the statewide average;

- the jobs are located in a county with a population less than 75,000 and
- at least 25 percent of all the employees are economically disadvantaged as defined by Section 2303.402, Texas Government Code.

Process. Applications are reviewed within ten business days after the date of receipt. The executive director acts on the completed application within 30 business days.

Case Study. Samsung Semiconductor was interested in opening its first U.S. facility in Texas. The company was looking for a location with a highly educated workforce, low taxes, access to customers and community support for its factory. The City of Austin, Travis County and the Texas Department of Commerce put together a competitive incentive package.

The Texas Department of Commerce provided \$2 million or \$2,000 per employee for Samsung to train the 1,000 new hires it needed for its Austin semiconductor facility. Today, the Samsung facility is having a significant impact on the local economy, creating 2,000 to 3,000 jobs. It increased the annual sales tax revenue by \$9 million and will increase property taxes by \$80 million over ten years.

For further information, contact the Texas Department of Commerce, Smart Jobs Program, at 512-936-0550. Applications can be downloaded from the Smart Jobs website at <http://www.tded.state.tx.us/smartjobs/>.

Texas Capital Fund Infrastructure Program (State)

Purpose. This program provides financial assistance to smaller communities. Funds can be used for public infrastructure for businesses that commit to create and/or retain permanent jobs for low-to-moderate-income workers.

Use of Funds. This grant may be used to provide funding for construction of new public infrastructure, including:

- purchase of real estate related to infrastructure,
- water and sewer lines,

- drainage channels and retention ponds,
- road improvements,
- natural gas lines,
- landfills and incinerators,
- electric, telephone and fiber-optic lines,
- traffic signals and signs,
- harbor-channel dredging and
- railroad spurs.

Eligibility. Applications are only accepted from communities. The community must have nonentitlement status (meaning it is small enough that it does not automatically receive a set amount of funding).

Terms. The maximum award is \$750,000, and the minimum award is \$50,000, including administrative costs. The award may not exceed 50 percent of the total project cost. A minimum of 10 percent equity investment by the business benefited is required.

Process. Applications are considered three times a year. The 2000 deadlines for submission were April 25, August 25 and December 20. Applications are scored and placed in descending order for a feasibility analysis. Before funds are awarded, a thorough credit analysis and site visit are conducted to determine financial feasibility and program eligibility.

Case Study. San Patricio County is located along the Gulf Coast near Corpus Christi. In summer 1994, an infrastructure award was granted to fund channel dredging. The award was for \$800,000 and was matched by \$1 million from Aker Gulf Marine, an offshore drilling structure manufacturer. The company expansion created 37 new jobs.

For further information, contact the Texas Department of Economic Development at 512-936-0223 or e-mail finance@tded.state.tx.us

Texas Capital Fund Real Estate Development Program (State)

Purpose. This program provides financial assistance to smaller communities. Funds can be used for real estate development to assist businesses that commit to create and/or retain permanent jobs for low- and moderate-income workers.

Use of Funds. This award may be used to provide funding for acquisi-

tion, construction and rehabilitation of real estate.

Eligibility. Applications are only accepted from communities. The community must have nonentitlement status (meaning it is small enough that it does not automatically receive a set amount of funding).

Terms. The maximum award is \$750,000, and the minimum award is \$50,000, including administrative costs. The award may not exceed 50 percent of the total project cost. Other requirements include:

- a minimum of 10 percent of the total project cost must come from the business benefited, if the business has operated for three or more years (33 percent minimum investment for businesses operating less than three years),
- the applicant must retain ownership of the property for five years,
- the business must remit to the community a monthly lease payment equal to the award amount divided over a maximum of 240 months and
- the lease agreement with the business must be for three years or until the contract between the applicant and business is terminated.

Process. Applications are considered three times a year. Submission for 2000 was April 25, August 25 and December 20. Applications are scored and placed in descending order for a feasibility analysis. Before funds are awarded, a thorough credit analysis and site visit are conducted to determine financial feasibility and program eligibility.

For further information, contact the Texas Department of Economic Development at 512-936-0223 or e-mail finance@tded.state.tx.us

Other Programs

Many other programs are available that are not grant, loan or tax programs. At the local level, a wide variety of programs exist.

Site Selection Assistance (State)

Purpose. This program helps businesses find an appropriate site or existing building to meet operational needs.

Eligibility. Any business looking to locate or expand a Texas facility is eligible.

Terms. This service includes responding to routine inquiries about the Texas business climate, providing general information on state programs, arranging contact with other state agencies as needed, coordinating site visits and making contact with appropriate economic development professionals in communities throughout the state. Leads are disseminated electronically to a network of Texas communities and regional allies.

Process. Contact the Texas Department of Economic Development, which will assist and refer the business to the appropriate local agency as necessary.

Case Study. In 1992, Intel contacted the Commerce Department for site selection assistance. The company had conceptual expansion plans at that time. Over the next several years, the Commerce Department maintained contact with decision makers within Intel.

The Commerce Department provided information on the business climate and state and local incentive programs, including information on taxes, bond financing, enterprise zones, permitting processes and workforce training. Intel narrowed its search to the Fort Worth area. The Commerce Department continued to work with the company and the City of Fort Worth to close the deal.

In 1996, Intel announced Fort Worth as the site of a new \$1.3 billion wafer fabrication plant. As of August 2000, construction has not yet begun on this facility that will employ between 800 and 1,200.

For further information, contact the Texas Department of Economic Development, Corporate Expansion & Recruitment at 512-936-0256.

Career Center (Local)

Purpose. This program's goal is to produce educated workers who are equipped for the world of work. Students gain skills in high-demand employment areas.

Eligibility. The community college, high school or community organization sets eligibility guidelines.

Case Study. The Ector County Independent School District decided to provide a nontraditional educa-

tional experience for students in the grades ten through 12. The students can study and work in a business-like atmosphere to set personal goals and explore career opportunities.

The career center is a freestanding building located on campus near the administration offices. The building more resembles an office than a traditional high school building. In addition to an academic report card, students receive a daily grade on appearance, attitude and punctuality.

Career options are wide and include computer technology, culinary arts, construction, nursing, drafting and marketing. The Odessa Chamber of Commerce notes that the program shows companies that are considering expanding or locating in Odessa an educated and skilled labor force and that trained employees are in the pipeline.

Measurable results of the program include a graduation rate 40 percent more than average, 85 percent of

graduates who are employed in positions with above average wages and 85 percent of parents saying they would send another child to the Career Center.

For more information contact, a local high school or community college.