

Del Rio Economic Development Corporation (DREDC) Funding Guidelines

On May 7, 2016, the citizens of Del Rio, Texas approved the 1/8 cent sales tax for community and economic development projects. Provisions governing the DREDC are found in Chapters 501, 502, and 504 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). DREDC 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 Del Rio and in the extra-territorial jurisdiction (ETJ) of Del Rio are eligible. However, projects in the ETJ must have the approval of the Val Verde County Commissioner’s Court. As allowed by state law, DREDC may participate in multiple jurisdictional projects of a significant size and nature.

E. The DREDC 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 Del Rio.

II. WAGE RATES AND BENEFITS

A. DREDC will give priority consideration for projects that provide above-average wages for trained employees. For the purpose of defining “above-average wages,” DREDC 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. DREDC 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 1/8 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

A. Grants: The DREDC may assist in the form of a direct cash grant for performance-based job creation, equipment or personnel moving expenses, lease subsidies, building remodeling, building purchase/lease-back, new construction for a client, site improvements, the establishment of a training program, or any other form of assistance that makes Del Rio more competitive for job creation or retention. Grants are typically in a range of \$2,000 to \$5,000 per new job created or retained. DREDC may provide grants up to \$10,000 per job in circumstances when companies move headquarter operations to Del Rio, offer highly paid positions for skilled employees, or introduce a new skill-set opportunity with high pay/benefits to our labor market.

B. Loan Participation: The DREDC may purchase a participation in a financial institution’s loan. Collateral securing the loan may be shared on a pro-rata basis with the private lender and DREDC, or the private lender may be given a superior lien in the collateral. The DREDC may accept a lower interest rate on its participation balance provided the financial institution agrees to lower the overall interest rate charged to the borrower on a pro-rata basis.

A financial institution requesting loan assistance from the DREDC shall submit their request in the form of a written commitment letter to the DREDC staff for review and provide required financial information.

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 DREDC. They are the creation of at least five (5) new full-time jobs at or above the average county wage and new infrastructure

investment of at least \$125,000. DREDC 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. DREDC may also waive these thresholds in the case of job retention projects, or when the assistance of DREDC would help fund a new equipment purchase for a company that would increase their productivity and their competitiveness in the marketplace.

VI. PERFORMANCE REQUIREMENT

DREDC and the City of Del Rio 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

DREDC will require a business plan to be submitted along with any request for financial assistance. DREDC 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
211 through 213:	Mining
221:	Utilities
311 through 339:	Manufacturing
42:	Wholesale Trade
48 through 49:	Transportation and Warehousing
51:	Information (Excluding 512131 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:	Architectural, Engineering, and Related Services; Computer System Design and Related Services; Management, Scientific, and Technical Consulting

551:	Services; Scientific Research and Development Services; Other Professional, Scientific, and Technical Services
56142:	Management of Companies and Enterprises
922140:	Telephone Call Centers
928110:	Correctional Institutions
	National Security (for the corresponding index entries for Armed Forces, Army, Navy, Air Force, Marine Corps, and Military Bases)

IX. PROCEDURES FOR SALES TAX ASSISTANCE APPLICATION

1. The Company is encouraged to approach DREDC staff representatives expressing their interest in locating/expanding in Del Rio 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 DREDC board the request and a staff recommendation.

To determine an applicant's financial viability, each applicant must provide the appropriate financial information, project description, and any additional information requested by the DREDC. All guarantors must also submit the same information; owners of 20% or more will be required to provide a personal guaranty to the DREDC.

For each request, staff will make an assessment of public benefit and return, amount of assistance requested compared to total project cost, and the applicant's financial viability. Staff may request the assistance of various local businesspersons, commercial bankers, and/or consultants when making the appropriate assessment. Based upon a recommendation from staff, the DREDC Board will decide whether or not to recommend assistance.

2. DREDC will deliberate regarding the request in open and/or executive session, depending on the circumstances and need. DREDC is also required by law to hold a public hearing on requests for economic incentives. The DREDC holds its regular meetings on the first Thursday of every month. Requests approved by DREDC then go to the City Council for their consideration. City Council meets the 2nd and 4th Tuesday 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 DREDC 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 Del Rio. 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 Del Rio, but for the incentive, generally have a greater likelihood of approval by the DREDC Board and City Council.

X. APPLICATION FOR DREDC ASSISTANCE

Applicants requesting assistance, whether through a financial institution or directly, may be required to present the following documents as part of DREDC's Due Diligence:

1. The last three (3) fiscal year-end financial statements and tax returns on the business (if applicable).
2. The most current interim financial statement of the business (dated less than 90 days from the date of application).
3. A current financial statement on all owners of more than 20% of the business.
4. A current financial statement on all guarantors.
5. A short business plan detailing the project and a description of the business.
6. A list of the jobs to be created/retained by the business during the agreed upon time frame, and the anticipated salary and benefits for each job classification.

If assistance is requested in the form of a loan, the following documents would also be required:

7. The financial institution loan officer's analysis and recommendation of the applicant for loan assistance (if applicable).
8. The financial institution's credit history on the borrower and credit reports on cosigners and guarantors.
9. The financial institution's description of the loan's terms and conditions.
10. A list of collateral offered with an estimate of its current market value.

For additional information contact:

Del Rio Economic Development Corporation
109 W. Broadway St.
Del Rio, TX 78840

Telephone: (830) 774-8638
Fax: (830) 774-8542
E-mail: ofernandez@cityofdelrio.com

Note: Proprietary information will be kept confidential to the fullest extent allowed by law. Applicants may request to enter into a Confidentiality Agreement with DREDC staff and/or agents of DREDC.