

City of Kerrville
4B Sales Tax Funding Request
Guidelines and Procedures

4B Funding from the Economic Improvement Corporation

Both the Economic Improvement Corporation Board of Directors (EIC) and the Kerrville City Council must approve expenditures of 4B funding. Before a project may be considered and awarded funds, the attached application must be completed and submitted to:

Kerr Economic Development Corporation (KEDC)
1700 Sidney Baker, Ste 100
Kerrville, Texas 78028
(830) 896-1157

KEDC will review the application to determine if the application is complete and if the project would create a desired economic development effect.

All actions of the EIC are subject to the Development Corporation Act of 1979 (Article 5190.6 Vernon's Civil Statutes, Section 4B and now codified in Chapters 501, 502, and 505 of the Texas Local Government Code). The EIC is a legal entity with statutory authority to spend economic development sales tax dollars ("4B Revenues"). The Corporation is city-chartered and governed by a Council-appointed board of directors. The EIC is a 4B Corporation and may fund "projects" focused on the creation of "primary jobs" and / or to provide an economic benefit to the City of Kerrville, as well as "Quality of Life" projects. Application approvals are subject to funding availability.

Types of Projects

The Economic Improvement Corporation will consider applications for:

1. **Direct contributions to business development;** projects should include support of retention, expansion, or recruitment, resulting in public economic benefit, and economic and demographic analyses used for policy development.
2. **Participation in Public Infrastructure;** Projects that are found by the EIC Board of Directors to be required or suitable for infrastructure necessary to promote or develop new or expanded business enterprises (Section 501.103 of the Texas Local Government Code).
3. **Quality of Life;** Quality of Life projects which are owned by the City of Kerrville upon completion; or, where funding is requested for the construction of private (which includes non-profit) development projects, but only if the resulting facility is accessible or open to the public; both such Quality of Life projects indirectly result in economic benefits.

General Process for Applications

1. Application will be submitted to the KEDC.
2. Once the application is complete, a “GO Team” meeting will be scheduled.
3. If the application is considered feasible, the KEDC Board will review the application (*Business Development projects only*).
4. The EIC will consider the application. The EIC may:
 - a. approve the application and direct a funding agreement to be drafted and presented at the next EIC meeting in conjunction with holding a public hearing,
 - b. request the application be revised and resubmitted, or
 - c. not approve the application. If this occurs, the application process is considered complete and the application will not move forward.
5. Once the public hearing is held and the funding agreement is approved, the funding agreement will be presented to the City Council for final approval. The City Council may:
 - a. approve the funding agreement,
 - b. request the funding agreement be revised and resubmitted, or
 - c. not approve the funding agreement. If this occurs, the process is considered complete and the funds will not be approved.
6. Once the funding agreement is approved by the both the EIC and City Council, funding will not be available until 60 days after the date the public hearing was published.

Note – this is a general guide only and the process may take several months to complete. Procedures may change without notice.

Business Development and Participation in Public Infrastructure Projects

Mission and Goals of Business Development and Public Infrastructure Projects

It shall be the mission of the City, EIC and KEDC in administration of these Guidelines and Procedures to promote, encourage, and enhance the creation and retention of jobs which retain and / or expand the City tax base and economy through granting business incentives which assist in the retention, expansion and recruitment of Primary Employers.

A primary employer is any business in which at least 51% of its goods and / or services are sold to customers that are located outside Kerr County, Texas and / or are in one of the following three digit NAICS codes: 31-33 Manufacturing, 42 Wholesale Trade, 48-49 Transportation and Warehousing, 52 Finance and Insurance, 54 Professional and Technical, or 55 Management of Companies (as defined by Texas Legislature HB 2912, 2003 Regular Session); or is a supplier who supplies at least 70% of its non-retail goods and/or services to local primary employer(s) that are located outside of Kerr County, Texas.

Business Incentives are economic incentives for a Primary Employer to induce the creation or retention of primary jobs and Capital Investment that may include, but not limited to job, land, facilities, equipment and infrastructure grants or reimbursements for new facilities or modernizations of current facilities to be determined by the EIC and the City Council.

The goals of the City, EIC and KEDC in administration of these Guidelines and Procedures are to:

- Create and retain primary jobs,
- Expand the City tax base and economy, and
- Strengthen and diversify primary employers within the local economy.

Principles and Guidelines

In making a determination regarding business incentives under these Guidelines and Procedures, the City, EIC and KEDC shall take into consideration the following non-exclusive list of principles and guidelines, if applicable, as factors in its determination:

- The payoff period of a business incentive to the City,
- The number of primary jobs added or retained by the primary employer,
- The average or median gross annual pay and any benefits for each primary job added by the primary employer,
- Whether the potential recipient of business incentives would otherwise locate in Kerrville without the business incentive,
- The type and amount of capital investment by the primary employer,
- The type of the proposed business venture,
- The potential impact on public infrastructure and resources,
- The financial strength of the primary employer,
- Whether the primary employer is consistent with target markets,
- Whether the primary employer is compatible with the community
- The contributions pledged to the primary employer, if any, by the State of Texas, any other governmental entity, KEDC or any other person, entity or association.

Nothing in this section shall be binding upon the City, EIC or KEDC, but is presented for reference by any prospective primary employer. Moreover, the factors listed herein are not an exclusive list. Each determination shall be determined on a case-by-case basis taking into account the factors deemed relevant by the City, EIC and KEDC to that particular project.

Business Incentives Authorized

The EIC and City will contemplate the use of all incentive options available to create an appropriate incentive package tailored for each prospect on a case-by-case basis.

Primary Employer Business Incentives

Authorized Facilities - A capital investment for a facility may be eligible for business incentives by a funding agreement if it creates or retains primary jobs for a primary employer. Incentives may be granted for land or capital investment related to either new facilities, improvements to existing facilities for the purpose of modernization, expansion, for capital investment necessary for the retention of an existing primary employer, or for relocation expenses.

The following types of property shall be ineligible for business incentives: inventories, supplies, tools, furnishings or other forms of movable personal property (not including capital production equipment), vehicles, vessels, aircraft, deferred maintenance investments, improvements to real property which have an economic life of less than 10 years, with the exception of the City or EIC, property owned or used by the State of Texas or its political subdivisions, or by any organization owned or directed by a political subdivision of the State of Texas.

Periodic Certification - The business incentive agreement shall require periodic certification of capital investment as required by the funding agreement.

Completion of Facility Construction - The completion of facility construction or installation of capital investment shall be deemed to occur in the earliest of the following events (as determined by the City and EIC):

- When a certificate of occupancy is issued for the project,
- When commercial production of a product or provision of a service is achieved at the facility,
- When the architect or engineer supervising construction issues a certificate of substantial completion, or some similar instrument, or
- Two years after the date of the funding agreement.

Wage Requirement - In determining an incentive based on new primary jobs, the following matrix shall be considered:

New Gross Payroll	Incentive per New Primary Job
<\$30,000 per new primary job	Up to \$3,000 per new primary job
\$30,000-\$40,000 per new primary job	\$3,001 to \$5,000 per new primary job
\$40,000-\$50,000 per new primary job	\$5,001 to \$9,000 per new primary job
>\$50,000 per new primary job	Up to \$10,000 per new primary job

Job Creation Qualification - Unless there are extraordinary circumstances, in order to be eligible for business incentives, the planned capital investment shall create or retain and maintain the minimum of 10 full time (2,080 hours / year) permanent, primary jobs within one year of an effective date as set out in the agreement.

Minimum Capital Investment Qualification - In order to be eligible for business incentives, the planned capital investment must exceed \$200,000 in new plant, infrastructure, site prep and equipment.

Schedule of Incentives - The implementation schedule of any and all incentives shall be determined on a case-by-case basis to include periods of one or more years.

Universal Requirements

Project Implementation - An authorized project funded by a business incentive must be implemented within two years of the date of the effective date of the funding agreement.

Location or Residency Requirement - The City will prefer projects be located within City limits or its extraterritorial jurisdiction (ETJ) with voluntary provision for annexation, provided the ability to be annexed is met within 10 years. Projects outside of the City limits must be approved by the Kerr County Commissioners Court. Facilities constructed in the ETJ must be built to minimum City standards, to include building codes and public improvements standards.

'Buy Local' Provision - Each recipient of business incentives shall additionally agree to use best efforts to give preference and priority to local manufacturers, suppliers, contractors, and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operating efficiency or quality. For the purposes of this provision, the term 'local' is used to describe manufacturers, suppliers, contractors, and labor shall include firms, businesses, and persons who reside in or maintain an office within Kerr County, Texas.

Insurance Requirements - Each recipient of business incentives shall carry workers' compensation insurance and / or other appropriate liability insurance coverage as the EIC determines is appropriate.

Application - KEDC will accept applications for projects at any time. Applications will not be considered until complete. Applicants must be available to present projects at EIC & City Council meetings, as needed.

Contents of Application - The application process shall consist of a completed application form accompanied (when applicable) by: five years annual financials that include profit and loss statements, balance sheets, cash flow statements, IRS reporting forms, pro forma, a general description of proposed capital investments to the facility, a descriptive list of the improvements or program for which business incentives are requested, a list of the kind, number and location of all proposed improvements of the property, a map and property description, and a time schedule for undertaking and completing the proposed improvements or programs. In the case of a modernization or expansion project, a statement of the assessed value of the existing facility as stated by the Kerr Central Appraisal District, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial or other information as the EIC and / or KEDC deems appropriate for evaluating the financial capacity and other relevant factors of the applicant. The applicant will be allowed to address and explain in writing any negative findings before action is taken on a funding agreement.

Feasibility Impact Study - After receipt of a completed application, KEDC may cause to be performed a study of the feasibility and economic impact using an independent

consultant selected by KEDC. If both parties agree, KEDC may share costs with the applicant of performing the study. If performed, this study shall include, but not be limited to, an estimate of the economic effect of the business expansion.

No Business Incentives if Construction has Commenced - No funding agreement shall be approved if the application was filed after the commencement of any construction, alteration or installation of improvements related to the proposed facility modernization, expansion or new facility.

“GO Team”

An executive team (“GO Team”) will evaluate and review applications based on:

1. Compliance with legal requirements (with necessary assistance from the City Attorney),
2. Funding Availability,
3. Consistency with the Comprehensive Plan, Capital Improvement Plan, Airport Master Plan and Parks Master Plan,
4. Economic impact analysis results*, including a return on investment and the break-even point (as affected by the extent of developer participation), job creation impact, and impact on the tax base,
5. Project status; for example, projects already under construction.

The “GO Team” will consist of the Deputy City Manager, , designated EIC Board Member, and the Executive Director of the Kerrville Economic Development Corporation. Additional members of staff may be added to the “GO Team” where appropriate depending on the nature and location of the project.

Upon review of the application and support documents, the “GO Team” will make a report to the EIC. KEDC will then notify the applicant of the next available EIC meeting for a project presentation.

The EIC may direct a public hearing to be scheduled and a funding agreement to be drafted. The EIC and the City Council must both approve the funding agreement. Public infrastructure improvement projects will be placed in the Capital Improvements Plan, and when complete, the project is owned by the City.

The EIC reserves the right to determine the eligibility of a project and the terms and conditions of any funding agreement. Nothing herein shall be construed to limit the authority of the EIC to examine each application for business incentives before it on a case-by-case basis and determine in its sole and absolute discretion whether the proposed project should be granted any business incentive, whether it complies with these Guidelines and Procedures, is feasible, and whether or not the proposed business incentives will be to the long term benefit of the City. The final decision regarding any business incentive agreement shall be made by the City.

Clawbacks

Each agreement shall contain clawback provisions established on a case-by-case basis to ensure the primary employer is meeting the benchmarks established in the funding agreement.

Administration

Access to Facility - The funding agreement shall stipulate that employees and / or designated representatives of the EIC, and / or the City and KEDC Executive Director will have access to the facility or program during the term of the funding agreement for inspection to determine if the terms and conditions of the funding agreement are being met. All inspections will only be conducted in such manner as to not unreasonably interfere with the construction and / or operation of the facility or program. Inspections will be made with one or more representatives of the owner and in accordance with safety standards.

Periodic reviews - Funding agreement reviews will be conducted periodically by KEDC to ensure that the owner is in compliance with the provisions of the funding agreement. If the owner is not in compliance or is in default, then the appropriate provision of the funding agreement will be enforced to recover any business incentives paid to the owner, unless the owner remedies the default on or before the conclusions of any cure period.

Right to Modify or Cancel - Notwithstanding anything herein or in any funding agreement to the contrary, the EIC may cancel or modify the funding agreement if the owner fails to comply with the funding agreement.

Quality of Life Improvement Projects

Projects which, include land, buildings, equipment, facilities, and improvements found by the (EIC) board of directors to be required or suitable for use for professional and amateur sports, including children's sports, athletic, entertainment, tourist, convention, and public park purposes and events, including stadiums, ball parks, auditoriums, amphitheaters, concert halls, parks and park facilities, open space improvements, museums, exhibition facilities, and related store, restaurant, concession, and automobile parking facilities, related area transportation facilities, and related roads, streets, and water and sewer facilities, and other related improvements that enhance any of the items described by this section (Section 505.152 of the Texas Local Government Code). Interested businesses, individuals, or non-profit groups are required to complete an application and provide appropriate documentation of the project.

The “GO Team” will evaluate and recommend projects based on the following criteria:

1. Compliance with legal requirements (with necessary assistance from the City Attorney),
2. Funding Availability,
3. Consistency with the Comprehensive Plan, Capital Improvement Plan, Airport Master Plan and Parks Master Plan,
4. Project status; for example, projects already under construction.

The EIC may direct a public hearing to be scheduled and a funding agreement to be drafted. The EIC and the City Council must both approve the funding agreement.

The EIC reserves the right to determine the eligibility of a project and the terms and conditions of any funding agreement. Nothing herein shall be construed to limit the authority of the EIC to examine each application before it on a case-by-case basis and determine in its sole and absolute discretion whether the proposed project should be granted any funding, whether it complies with these Guidelines and Procedures, is feasible, and whether or not the proposed grant will be to the long term benefit of the City. The final decision regarding any business incentive agreement shall be made by the City.

The City of Kerrville Economic Improvement Corporation meets monthly at the Kerrville City Hall, Council Chambers, 701 Main Street, Kerrville, Texas. For additional information visit the City’s website at www.kerrvilletx.gov or call (830) 257-8000.

APPLICATION FOR 4B SALES TAX FUNDS

CITY OF KERRVILLE ECONOMIC IMPROVEMENT CORPORATION

Both the Economic Improvement Corporation Board of Directors (EIC) and the Kerrville City Council must approve all expenditures of 4B funding. Before a project may be considered and awarded any funds, the attached application must be completed and submitted to:

Kerr Economic Development Corporation
1700 Sidney Baker, Ste. 100
Kerrville, TX 78028
(830) 896-1157

All actions of the EIC are subject to the Development Corporation Act of 1979, article 5190.6 Vernon's Civil Statutes, Section 4B (now codified in Chapters 501, 502, and 505 of the Texas Local Government Code). The EIC is a legal entity with statutory authority to spend economic development sales tax dollars. The Corporation is city-chartered and governed by a Council-appointed board of directors. The EIC is a 4B Corporation and may fund "projects" focused on the creation of "primary jobs" and / or to provide an economic benefit to the City of Kerrville, as well as "Quality of Life" projects. Application approvals are subject to funding availability.

APPLICATION SECTION 1 - DEFINITIONS

Business Incentives - Economic incentives for a Primary Employer to induce the creation or retention of primary jobs and Capital Investment that may include, but not limited to job, land, facilities, equipment and infrastructure grants or reimbursements of new facilities or modernizations of current facilities to be determined by the EIC and the City Council.

Capital Investment - The increase in the assessed value of an eligible property as a result of 'expansion' or 'modernization' of an 'existing facility' or construction of a 'new facility'.

City - City of Kerrville, Texas

Clawback - That provision in a Funding Agreement, which states how and to what extent any incentive payments from public funds must be repaid if the stated Performance Standards are not met.

Current Payroll - The company's total expenditure for all employees for the month immediately preceding this application multiplied by 12.

Deferred Maintenance - Improvements necessary for continued operations which do not improve productivity or are preformed to meet regulatory obligations.

Economic Life - The number of years a property improvement or manufacturing / processing equipment is expected to be in service in a facility.

EIC - Kerrville Economic Improvement Corporation

Employee Benefit - Incentives offered to employees and paid for by the employer such as health care coverage, vacation, etc. If an employee pays 30% of the cost, or more, it should not be considered a “benefit” for purposes of this application.

Facility - Property Improvements completed or in the process of construction which together compromise an integral whole, as well as new fixed machinery and equipment. Includes an existing building purchased for expansion or relocation

Full Time Job - The employment of a person for a minimum of 35 hours per week and offering that person all those benefits adopted by company policy for Full Time Employees. Major stockholders or immediate family members should not be included in this number when considering “New Full-Time Jobs Created.”

Funding Agreement - A written contract designed to protect the interest of local taxpayers by putting a businesses’ job creation or capital investment commitments in writing and by linking the payment of any financial incentive to the business fulfilling its written commitments (i.e. clawbacks).

Hourly Wage - The gross amount paid to the employee for each hour worked not including the Employer’s portion of FICA or FWH. Benefits should not be included in this figure, but should be listed separately under the compensation per employee section of the application.

KEDC - The Kerr Economic Development Corporation

Modernization - The replacement and upgrading of existing facilities which increase the productive input or output, updates the technology or substantially lowers the unit cost of the operation, and extends the economic life of the facilities. Modernization may result in from the construction, alteration or installation of buildings, structures, fixed machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing, repairing or the completion of deferred maintenance.

New Facility - Property previously undeveloped which is placed into service by means other than in conjunction with an expansion or modernization.

Owner - The owner of a facility or program subject to business incentives. If the facility is constructed on a leased property, the owner shall be the party which owns the property subject to the business incentive. A lessee or other interested third party may, at the discretion of the City, be required to join in the execution of the Agreement but shall not be obligated to assure performance of the party receiving the Business Incentive.

Part-Time Job - A person working less than 35 hours per week. Major stockholders or immediate family members should not be included in this category when completing the application under New Part-Time Jobs Created.

Public Capital Project - Improvements owned and maintained by the City of Kerrville included in the Capital Improvement Plan and funded by the capital budget.

Payoff Period - The amount of time in years that it will take the EIC and the City to recover the costs of business incentives from additional revenues it will receive from the facility.

Primary Employer - A business in which at least 51% of its goods and / or services are sold to customers that are located outside Kerr County, Texas and / or are in one of the following three digit NAICS codes: 31-33 Manufacturing, 42 Wholesale Trade, 48-49 Transportation and Warehousing, 52 Finance and Insurance, 54 Professional and Technical, or 55 Management of Companies (as defined by Texas Legislature HB 2912, 2003 Regular Session); or is a supplier who supplies at least 70% of its non-retail goods and/or services to local primary employer(s) that are located outside of Kerr County, Texas.

Submittal Date: ___/___/___

ORGANIZATION

Applicant Name

Address City State Zip

Phone Alt. Phone Fax

Website

PROJECT CONTACT

Contact Person Name Title

Address City State Zip

Phone Alt. Phone Fax

Email Address

Amount of Funding Requested: \$ _____

Please include a cover letter and supplemental information as deemed appropriate that:

- clearly states the mission statement of the organization(s),
- what the requested funding shall be used for,
- pertinent financial information (costs, revenues, percentage of funding request of total budget and financial history), and
- other information, as requested.

Continue to Section III

Submittal Date: ___/___/___

ORGANIZATION

Applicant Name _____

Address _____ City _____ State _____ Zip _____

Phone _____ Alt. Phone _____ Fax _____

Website _____

PROJECT CONTACT

Contact Person Name _____ Title _____

Address _____ City _____ State _____ Zip _____

Phone _____ Alt. Phone _____ Fax _____

Email Address _____

Type of Business Structure: Corporation ___ Partnership ___ Sole Proprietorship___

Year Business Started: Year _____ Location _____

Current Employment: Permanent Full-Time _____ Permanent Part-Time _____

Average Production Wage _____

Full-Time Employees receive the following benefits:

Financial Information: Five Years Annual Financials Attached _____
Include: Statement of profit and loss; Balance sheet; Cash Flow Statement; IRS reporting forms, Pro forma

Annual Sales for Corporation / Company \$ _____

This Facility \$ _____

Local Sales Tax paid Annually \$ _____

Current Payroll \$ _____

Has the Company ever filed for bankruptcy protection under Chapter 7 or Chapter 11 of the Bankruptcy Statutes? No () Yes () Details:

SECTION III - PROJECT INFORMATION

This application is for a:

Business Development ()

- Expansion of Existing Facility () or
- New Construction ()
- Other ()

Capital Improvements for Public Infrastructure

- Utilities ()
- Roadways ()
- Other ()

Quality of Life

- Project ()

The proposed improvements are to be located within the following taxing district(s): City of Kerrville () Kerr County () Kerrville ISD () Ingram ISD () Center Point ISD ()

SECTION IV - PROJECT DESCRIPTION

Please attach a statement on company letterhead and signed by an officer of the company (1) fully explaining the nature and scope of the project; (2) describing the proposed site and existing improvements, if any; (3) describing all proposed improvements; and (4) providing a list of eligible improvements; (5) provide a list of

major, fixed equipment along with manufacturer specifications and cost quote from the manufacturer.

Should this project be approved, the Economic Improvement Corporation may require performance criteria as a part of the funding agreement, in addition to this application. The funding agreement is between the Economic Improvement Corporation and the City of Kerrville. Said funding agreement will outline project costs, timelines, other information may be necessary to carry out the project in an efficient manner.

SECTION V – ECONOMIC IMPACT INFORMATION

Part A - Project Investment in Improvements

Total \$ _____
Sq. Footage of New Building (s) _____
Size of Parking _____
Other _____

Part B - Project Investment in Fixed Equipment

(New)\$ _____
Manufacturer of Equipment _____
Anticipated Useful Life of Equipment _____
Purchase Price \$ _____ Installation Cost \$ _____
Anticipated Delivery time from Date of Order _____

Part C - Permanent Employment Estimates- (do not include owners, stockholders or their dependents)

Anticipated Number of New Full-Time Employees as a result of this project _____
Anticipated Number within 12 months of Completion of this project _____
Anticipated Number within 24 months of Completion of this project _____
Typical Job Descriptions or Job Titles _____

Anticipated starting salaries of these employees: (avg.) \$ _____/hour

Part D - Permanent Part-Time Employment Estimates-
(do not include owners, stockholders or their dependents)

Anticipated Number of New Part-Time Employees as a result of this project _____
Anticipated Number within 12 months of Completion of this project _____

Anticipated Number within 24 months of Completion of this project _____
Typical Job Descriptions or Job Titles of these employees: _____

Anticipated starting salaries of these employees: (avg.) \$ _____ / hour

Part E - Payroll Impact

Within 12 months of Project Completion _____ Within 24 months of Project
Completion _____

\$ _____
FTE X Avg. Wage X 40 hrs X 52 wks

\$ _____
PTE X Avg. Wage X 20 hrs X 52 wks

SECTION VI - OTHER ASSISTANCE

Has the Company applied for any State or Federal assistance on this project?

No () Yes ()

Describe:

To the best of my knowledge, the above information is an accurate description of the proposed project details.

Printed name

Date

Title

Signature