

HearneTx Economic Development Corporations

HEARNE TRADITIONAL INCENTIVE PROGRAM

The **purpose** of economic development is to give greater and greater numbers of people greater access to wealth and to increase the tax base of Hearne, Texas in order to provide higher quality public services to citizens.

The **focus** of economic development is to diversify the economic base, thereby increasingly cushioning our community against economic shocks.

The **HEDCs** achieve these goals by assisting in the creation and retention of **primary jobs** and **increasing income** coming into the community from outside its market area.

“Primary” jobs are defined as jobs which produce goods and services in excess of what can be consumed in the local marketplace. For example, Hearne manufacturers produce more trailer frames than can be “consumed” by Robertson County residents. The trailer frames are “exported” to another market (e.g. Waco) and money is returned to Hearne for this product.

Income types that economic developers attempt to increase into their communities are **export income** derived from the production of goods and services and **primary income** derived when the local market has an “attraction” (sports venue, convention center, museum, etc.) which draws visitors who spend money in the local marketplace.

Traditionally, **HEDC-Type A** funding targets industries that are primary job creators or improvements to our municipal airport and industrial park. **HEDC Type B** funding is used for any Type A project as well as "related infrastructure" that relates to and enhances the use, value, or appeal of our community facilities and attractions. This includes any store, restaurant, on-site hotel, concession, automobile parking facility, area transportation facility, road, street, water or sewer facility, park, or other on-site or off-site improvements.

Hearne Economic Development Corporations (HEDCs)

are the legal entities with the statutory authority to spend economic development sales tax dollars. In January of 1997, the eligible voters of the City of Hearne, Texas, approved a ballot proposition authorizing a sales tax and creation of a non-profit corporation, governed by Sections 4A and 4B of the Development Corporation Act of 1979, as amended, and currently authorized pursuant to Chapters 501, 504 and 505 of the Texas Local Government Code. Corporations are now referred to either as “Type A” or “Type B” depending on the type of economic development sales tax uses approved by local voters. Each Corporation is governed by a city-appointed board of directors.

Chapters 501, 504 and 505, Local Government Code is the section of Texas law that contains the rules governing the use of the economic development sales tax, including eligible uses of tax revenues and procedures that must be followed to enact the tax. The economic development sales tax statute was previously located in 5190.6 Vernon’s Civil Statutes.

How to apply

Step 1 - Letter of Intent (LOI)

If you think your business project meets the economic development criteria for our traditional incentive program, you need to start with a brief review of your intentions. Your project will receive a cursory review by the City/HEDC Attorney to determine if it indeed is eligible for HEDC funding as guided by Chapters 501, 504 and 505 of the Local Government Code. Depending on the project size and scope, additional reviews by our City Public Works Director and/or Engineer may be necessary.

Letter of Intent (LOI) is a brief summary of your project. It is not a vague exploration of an idea. It is assumed that you have already thought through your proposed project (including a budget!) and are just presenting an abbreviated description. It should be able to stand alone. If the reviewer reads nothing else they should know what you want to do from reading this letter. Make it clear what you want the reader to do; for example, consider assistance in funding the project via direct business incentives or provide targeted infrastructure, etc.

It should include who you are and what will make this project a successful economic development project for City of Hearne. Please succinctly describe the nature of the company including the plans for expansion/growth/relocation as well as the job creation associated with the project and the level of private investment.

For your convenience, you may complete the template in appendix, then copy and paste on your company's letterhead.

Do not exceed two pages.

Step 2 Application

If our attorney confirms your project's eligibility, you will then complete a more thorough application (Appendix A). Treat this process as if you are applying for a bank loan. Complete and accurate information is important.

A business plan and timeline for your project should also be submitted. The City of Hearne is anxious for you to succeed, but we need to understand your business model and anticipated timeline. Please be sure the critical elements are included. It is assumed through your market research there is a real need for your product or service, and you have developed a meaningful approach to achieve your goals. The simplified business plan outline is from Score.org (Table 1) and is just one of many available on the internet that may be used as a guide.

Your application will be reviewed by the Board and a recommendation forwarded to the City Council. If the City Council approves the Type A or Type B funding, your application and business plan will be sent to the City/Board Attorney to draft a performance agreement between you and the HEDC. Please seek your attorney's advice. When mutual agreement has been reached, the draft performance agreement shall be sent to the City Council for final approval before parties are required to sign. Once approved and signed, the project may commence.

Table 1. Simplified Business Plan Outline is from Score.org

- TITLE PAGE
 - Your Company's Name, Address, Phone, Fax, email, and web site address.
 - List contact information for someone to answer questions about the plan.
- NON-DISCLOSURE AGREEMENT
 - May be needed if plan is to be shown to others
- EXECUTIVE SUMMARY
 - One to three page highlight of business concept
 - Management expertise and market potential
 - Sales and profit forecast and financing needed
- OPERATIONS
 - Describe business specifically; products or services.
 - How is the product/ service produced and delivered?
 - Location and size of facility; capacity to produce.
 - Equipment and space required vs. that available.
 - Suppliers you intend to use.
- **LIST YOUR OBJECTIVES WITH ESTIMATED COMPLETION DATES**
(This initial time line is important when projecting the terms of your performance agreement. Be specific in opening and hiring expectations.)
- MANAGEMENT
 - Type of organization: sole proprietorship, partnership, LLC, or corporation.
 - List manager(s) names, addresses, and phone numbers
 - Describe each manager's experience and expertise.
 - List the duties of each manager; including job descriptions.
 - Show the number of employees.
- MARKETING
 - Describe your target segment.
 - List primary competitors; their strengths/ weaknesses.
 - Determine your unique competitive advantages.
 - Price your product or services.
 - Apportion funds for advertising, business cards, sales literature.
 - Decide how contacts will be made.
 - Decide who will make them.
- FINANCIAL
 - Develop budgets, projected cash flow, profit/ loss statements and balance sheets.
 - Estimate funds required for your business and what sources you may approach.
 - Determine insurance needs, and price estimates for appropriate coverage.
 - Open a separate bank account just for the business.
- OTHER
 - Hire, on a per hour basis, an accountant and lawyer
 - Acquire all necessary licenses and permits; make sure you know zoning requirements.
 - Get to know local bankers, and choose one.

Step 3 – Direct/Indirect Incentive Draw

Your performance agreement will state exactly how much direct incentive the HEDC will provide for you to become part of Hearne’s Business Community. This may be in direct reimbursements to you or indirect incentives in terms of targeted infrastructure to accommodate your project. For direct reimbursement, you must show proof of task completion with paid receipts/invoices showing the actual dollars spent. Direct incentives will never be paid in advance of approval and completion of work described in performance agreement.

Release of Payment begins with the HEDC Board’s recommendation to the City Council for payment approval. The City Financial Officer will then process check payment based on completed of documentation.

Step 4 – Performance Agreement Compliance

Your performance agreement will state the terms of “repayment” of any HEDC incentive offered – direct or indirect. Generally, incentives are subject to an agreed amount of total project investment, a progressive target for full employment of a defined number of employees, and a continuation of business for a given number of years.

Important: You are required to provide annual proof of your compliance to the performance agreement to receive “repayment credit” as outlined. Failure to comply will initiate a breach in our agreement and the HEDC will seek an appropriate remedy.

Step 5 – Completion of Performance Agreement

Your business is so appreciated. We hope you will continue to thrive as a successful business partner and employer in Hearne, Texas. As your performance agreement term expires, the HEDC will issue a letter of completion with our sincere gratitude for you choosing Hearne as your business location. Upon completion of your initial project, we hope you are ready to expand. You will be eligible to apply for additional incentives when you are ready. Always happy to assist in your success.

HEARNE ECONOMIC DEVELOPMENT CORPORATIONS

TYPE A / TYPE B

209 Cedar Street

Hearne, Texas 77859

hedc@cityofhearne.com

979-279-3461

John Naron, City Manager

APPENDIX

*Letter of Intent
Application*

(Company Letterhead)

(Date)

Hearne Economic Development Corporation – Type A/B
209 Cedar Street
Hearne, Texas 77859

RE: Intent to Apply For Hearne Economic Development Incentive Program

Dear *(ED Manager/City Manager)*:

This letter is *(name of company's)* letter of intent as required pursuant to the Hearne Economic Development Incentive Program, HEDIP.

On *(Date)*, my company met / spoke with *(Representative from the City of Hearne)* to discuss the HEDIP and the various incentives available.

(Please succinctly describe the nature of the company including the plans for expansion/growth/relocation as well as the job creation associated with the project and the level of private investment. Do not exceed two pages.)

(Company Name) is therefore requesting that you accept this letter as the formal letter of intent required under the Hearne Economic Development Incentive Program (HEDIP).

Sincerely yours,

*(Company representative &
Contact information)*

**HEARNE 4A/4B SALES TAX BOARDS
APPLICATION FOR ASSISTANCE**

If you apply for a credit card account, car loan, home mortgage, or business loan, prospective lenders will need to obtain important information about you before loaning you money. The same thing holds true of people & businesses applying for a grant or loan through Hearne's 4A & 4B Sales Tax Boards. Since these boards are funded by local sales tax proceeds, proposed projects must be carefully evaluated to protect taxpayer funds.

State law identifies permissible ways in which 4A & 4B funds may be used to promote local economic development. Local Sales Tax Boards ARE NOT LEGALLY REQUIRED to fund every project which falls within state guidelines. Rather, these local boards are charged with the responsibility of carefully evaluating proposed projects by making certain expenditures fall within permissible state purposes; making sure expenditures are in the best interests of the local community; protecting the need to have economic development funds available for a variety of different projects; reviewing educational, employment, & professional experience information to determine whether an applicant is a viable economic development prospect with a proven track record demonstrating he or she is capable of handling a project of the type & scope proposed.

This application must be filed with a Hearne 4A or 4B Sales Tax Board prior to filing a building permit, beginning construction, or expending funds for which assistance is sought. Applications submitted after work is done or expenditures have been made will not be considered.

The following information is suggested for all projects requesting economic development assistance. Enter "NA" if the information requested is not applicable. Incomplete applications will not be considered. After receipt of the application, 4A/4B may require additional information relating to the financial capabilities or other qualifications of the applicant/business.

ATTACHMENT SUGGESTIONS

The following items might be attached to this application:

- Detailed list of improvements (including equipment)
- Financial statements for the last three years
- Financial statement for the last quarter
- Plat/map of property
- Business plan
- Tax certificate

APPLICATION SUBMISSION INFORMATION

Submit the completed application by mail or in person to:

**HEDC
209 Cedar Street
Hearne, Texas 77859**

APPLICANT INFORMATION

Applicant / Business Name		
Mailing Address		
City	State	Zip Code
Business Phone	Fax Number	Mobile Phone
E-Mail Address		Web Site Address

ECONOMIC DEVELOPMENT ASSISTANCE REQUESTED

4A or 4B Funding Request / Justification As Permissible Expense
to be filled-in by 4A/4B
Amount Of Financial Assistance Requested
Explanation / Justification
Other Assistance Requested (e.g., infrastructure improvements, tax abatements)
Explanation / Justification

PROJECT INFORMATION

Description Of Project			
NAICS Code		NAICS Description	
to be filled-in by 4A/4B		to be filled-in by 4A/4B	
Property Address		Legal Description	
Value BEFORE Improvements			
Land	Building	Equipment	Inventory
Value AFTER Improvements			
Land	Building	Equipment	Inventory
Fees			
Building Permit	Electricity	Water	Sewer
Environmental Inspection Fees & Abatement Costs			
Asbestos	Phase I		Phase II
Project Development Time Frame			
Start (month/year)		Complete (month/year)	
Licensed Contractors Doing Work			
Building	Electrical	Plumbing	Other
Name	Name	Name	Name
Address	Address	Address	Address

UTILITIES INFORMATION

Electricity	
Average Monthly Usage	Cost Of Needed Infrastructure
	\$ to be provided by City Of Hearne
Water	
Average Monthly Usage	Cost Of Needed Infrastructure
	\$ to be provided by City Of Hearne
Waste Water	
Average Monthly Usage	Cost Of Needed Infrastructure
	\$ to be provided by City Of Hearne

STREET / HIGHWAY INFORMATION

City Streets	
Names Of Affected Streets	Cost Of Needed Infrastructure
	\$ to be provided by City Of Hearne
Highways	
Names Of Affected Highways	TxDOT Approval Obtained?

EMPLOYMENT INFORMATION

# Employees		Annual Payroll		% Previously Unemployed	
# Hourly Employees	Average Hourly Wage	# Salaried Employees	Average Annual Salary		

SALES TAX INFORMATION

Direct Local Sales Tax (2%) (from your business alone)	
Current Amount Generated	Future Amount Generated / Year
\$	\$
Indirect Local Sales Tax (2%) (your business brings into the community)	
Current Amount Generated	Future Amount Generated / Year
\$	\$
Projected Annual Sales	Percent Subject To Sales Tax
\$	

TOURISM INFORMATION

Will this project have tourism impacts? (Yes / No) If Yes, Please Explain.

HOTEL / MOTEL TAX INFORMATION

Hearne Hotel/Motel Tax (7%)	
Current Amount Generated / Year	Future Amount Generated / Year
\$	\$
Robertson County Hotel/Motel Tax (2%)	
Current Amount Generated / Year	Future Amount Generated / Year
\$	\$

CERTIFICATION

I certify that the information submitted in this application, including attachments, is true, correct, & complete. Omissions or submission of incorrect information will render this application invalid. Hearne's 4A/4B Sales Tax Boards may keep this application whether or not it is approved.

By signing below, I authorize Hearne 4A/4B to check my credit history & to answer questions others may ask 4A/4B about my credit record. I understand that I must update information at 4A/4B request if my financial condition or the condition of the business changes.

I certify that I, the business, or a branch or department of the business does not knowingly employ undocumented workers. I further understand that should I or the business be convicted of a violation under 8 U.S.C. 1324a(f), I or the business shall repay the amount of the assistance with interest, at the rate & according to the other terms provided by an agreement under Section 2264.053, not later than the 120th day after the date 4A/4B notifies me or the business of the violation.

Applicant's Signature

Date Signed

Date Received By Hearne 4A/4B:
