



CDFA Texas Financing Roundtable Webcast: State Financing Programs for Economic Development in Texas

The Broadcast will begin at 2:00pm CST (3:00pm EST).

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While you're waiting, check out some upcoming CDFA events...

Fundamentals of
Economic Development
Finance WebCourse



January 27-28, 2016
Daily: 12-5pm (EST)

CDFA BROWNFIELDS
TECHNICAL ASSISTANCE
PROGRAM
PROJECT MARKETPLACE



Intro Bond
Finance WebCourse



February 24-25, 2016
Daily: 12-5pm (EST)



State Financing Programs for Economic Development

Katie Kramer

Vice President

Council of Development Finance Agencies

Columbus, OH

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State Financing Programs for Economic Development

The screenshot shows a GoToWebinar interface with two main sections. The top section is titled 'Audio' and contains the following text: 'Audio Mode: Use Telephone Use Mic & Speakers', 'Dial: +1 484 589 1011', 'Access Code: 159-541-997', 'Audio PIN: 8', and 'If you're already on the call, press #8# now.'. The bottom section is titled 'Questions' and contains a text input field with the placeholder text '[Enter a question for staff]' and a 'Send' button. The interface also includes a 'File View Help' menu at the top and a 'Test webinar Webinar ID: 844-857-840' section at the bottom.

Using your telephone will give you better audio quality.

Submit your questions to the panelists here.



State Financing Programs for Economic Development

This webcast is designed to provide accurate and authoritative information in regard to the subject matter covered. It is available with the understanding that CDFA and the panelists are not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

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State Financing Programs for Economic Development

Speakers

Nicole Sidoff

Strategic Business Development Manager
Texas Enterprise Fund
Office of the Governor

Joe Morin

Manager
Economic Development Bank
Office of the Governor

Robert Wood

Associate Deputy Comptroller
Texas Comptroller of Public Accounts

Rick Rhodes

Administrator
Office of Rural Affairs
Texas Department of Agriculture

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TEXAS ECONOMIC DEVELOPMENT COUNCIL



State Financing Programs for Economic Development

Nicole Sidoff

**Strategic Business Development Manager
Texas Enterprise Fund, Office of the Governor
Austin, TX**

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top business destination: texas →



#1 Best State for Future Job Growth and Economic Climate



Gold Shovel: 2015, 2014, 2013, 2012, 2008
Silver Shovel: 2011, 2010, 2009, 2007



Top State for Infrastructure, Exports, Natural Gas Production & Renewable Energy



CEOs Name Texas Best State for Business for 11th Year in a Row



Site Selection Governor's Cup: 2014, 2013, 2012, 2010, 2005, 2004



America's Top State for Infrastructure, 2nd Best State for Business

TEXAS BESTS

Business Startups (U.S.)

Austin, #7, 2014

Business Tax Climate

Texas, #10, 2015

Business, Best State

Texas, #1, 2014

College Graduates, Best for (U.S.)

Austin, #3, 2014

Cost of Living, Lowest (U.S.)

Harlingen, #1

Wichita Falls, #8

Temple, #9, 2014

Economic Climate

Texas, #1, 2014

Energy Prod., Natural Gas

Texas, #1, 2014

Energy Prod., Oil

Texas, #1, 2014

Energy Prod., Wind

Texas, #1, 2014

Engineering Schools (U.S.)

UT-Austin, #10

TAMU, #11, 2015

Engineers, to be hired (U.S.)

Houston, #2, 2013



economy & workforce



12th LARGEST WORLD ECONOMY

If Texas were a nation, it would rank as the 12th largest economy in the world based on GDP, ahead of Australia, Mexico, Spain, South Korea and many others.



13 MILLION PRODUCTIVE WORKERS

Texas has the second largest civilian workforce in America – 13 million industrious people.

FORTUNE

54 FORTUNE 500

Fifty-four of the nation's leading companies base their headquarters in Texas.



#1 JOB CREATOR

Texas led the nation in job creation in 2014 with 457,900 new jobs added.



#1 EXPORTER

In 2014 Texas exported \$288 billion in goods to destinations all over the world, leading the nation for the 13th year running.



\$67.5 BILLION TRAVEL SPENDING

Texas has the third largest share of domestic travel revenue – \$67.5 billion generating 568,000 jobs.



economic development in Texas

- **Office of the Governor – Economic Development & Tourism Division**
 - Business Development
 - Economic Development Bank
 - Tourism
 - Film Commission
 - Music Office
 - Workforce Investment Council
 - Governor’s Commission for Women
- **TexasOne** – public-private partnership of the Texas Economic Development Corporation that markets the state in a dynamic and competitive manner.
- Work with community partners to attract investment and create jobs in Texas.



incentives

Texas Enterprise Fund

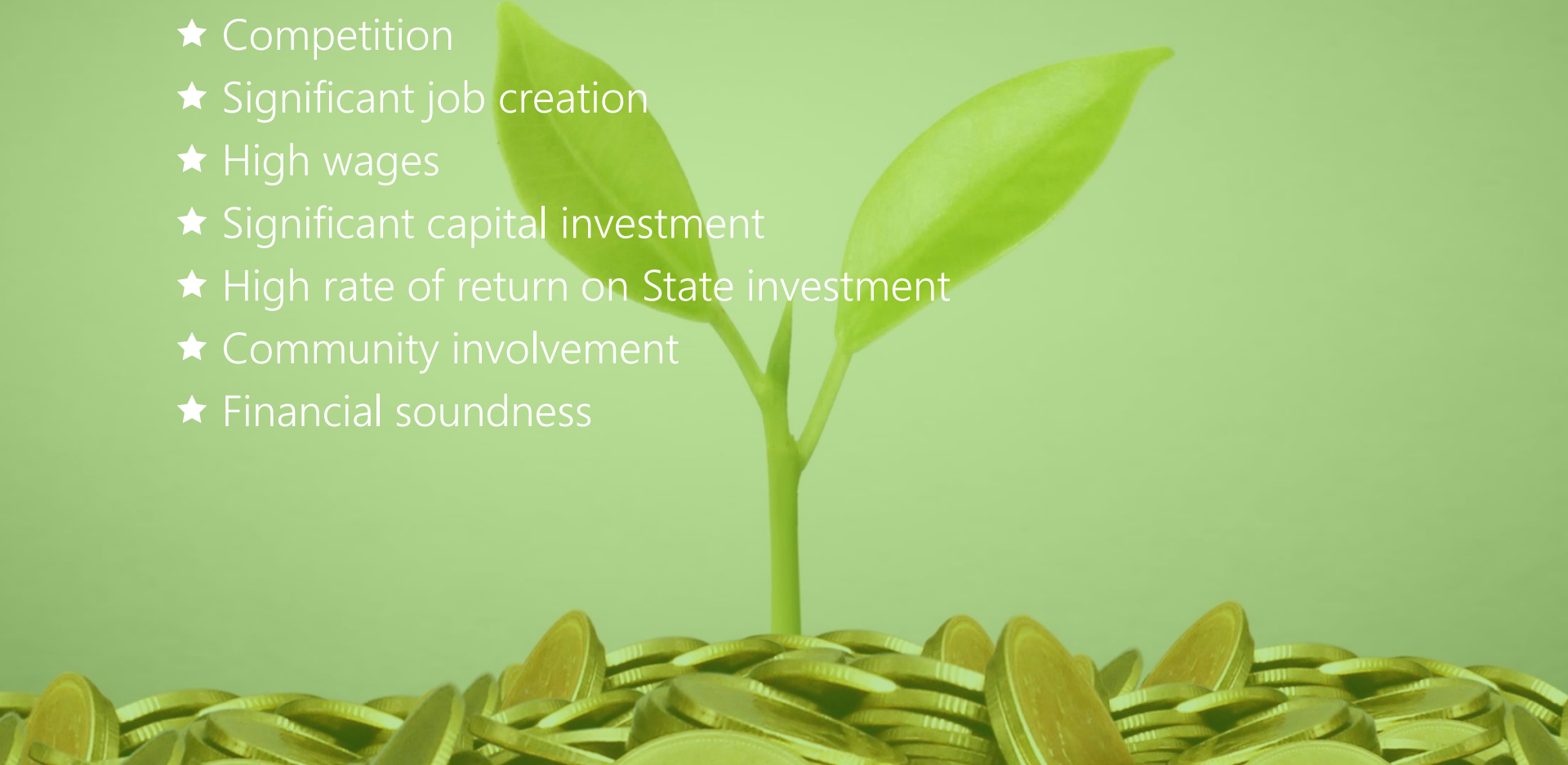
- ★ The Texas Enterprise Fund is the largest “deal-closing” fund of its kind in the nation.
 - ★ The 78th Texas Legislature established the Texas Enterprise Fund (TEF) to provide financial resources to help strengthen the State’s economy.
 - ★ The fund is a cash grant used as a financial incentive tool for projects that offer significant job creation and capital investment where a single Texas site is competing with another viable out-of-state option.
- 



incentives

Texas Enterprise Fund

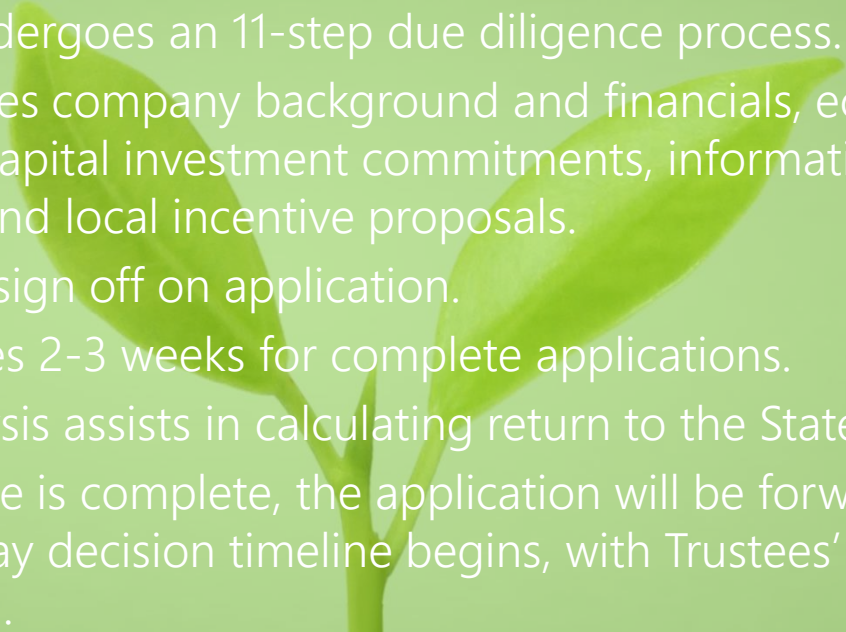
★ Projects that are eligible to apply for TEF support must meet the following criteria:

- ★ Competition
 - ★ Significant job creation
 - ★ High wages
 - ★ Significant capital investment
 - ★ High rate of return on State investment
 - ★ Community involvement
 - ★ Financial soundness
- 

A graphic consisting of three vertical bars of increasing height, followed by a large dollar sign (\$) inside a square frame. A white arrow points from the top of the frame to the right, extending across the top of the slide.

incentives

Texas Enterprise Fund

- 
- A green seedling with two leaves growing out of a pile of gold coins.
- ★ Encourage community/company/consultant to reach out to EDT prior to submitting an application.
 - ★ Each applicant undergoes an 11-step due diligence process.
 - ★ Application includes company background and financials, economic impact analysis, job and capital investment commitments, information about competing sites, and local incentive proposals.
 - ★ Community must sign off on application.
 - ★ Due diligence takes 2-3 weeks for complete applications.
 - ★ Cost-benefit analysis assists in calculating return to the State.
 - ★ Once due diligence is complete, the application will be forwarded to the Trustees and 30 day decision timeline begins, with Trustees' option to request a 14 day extension.

A bar chart with three bars of increasing height, followed by a large dollar sign. A white line connects the top of the bars to the right, ending in an arrowhead.

incentives

Texas Enterprise Fund

- ☆ Governor, Lieutenant Governor, and Speaker of the House must unanimously agree to offer a TEF award.
 - ☆ Project must remain competitive throughout application period.
 - ☆ Awardees have 180 days to sign a TEF contract from the date of award offer letter.
 - ☆ New contract to meet SAO requirements and improve transparency and accountability.
 - ☆ Contract includes job, wage, and capital investment commitments.
 - ☆ Project announcement in conjunction with the Governor's Office.
- 
- A green seedling with two leaves growing out of a pile of gold coins. The background is a light green gradient.



incentives

Texas Enterprise Fund

- ☆ To date, TEF has invested over \$580 million and closed the deal on projects committing to create over 78,000 new jobs and more than \$26 billion in capital investment.
- ☆ Award amounts range from \$3,000 - \$10,000 per job, with average of about \$6,500.
- ☆ More jobs, quicker ramp-up, and higher wages = larger per job award amounts.
- ☆ Balance of TEF for FY 2016/2017 is currently about \$111 million.





State Financing Programs for Economic Development

Joe Morin

Manager

Economic Development Bank, Office of the Governor

Austin, TX

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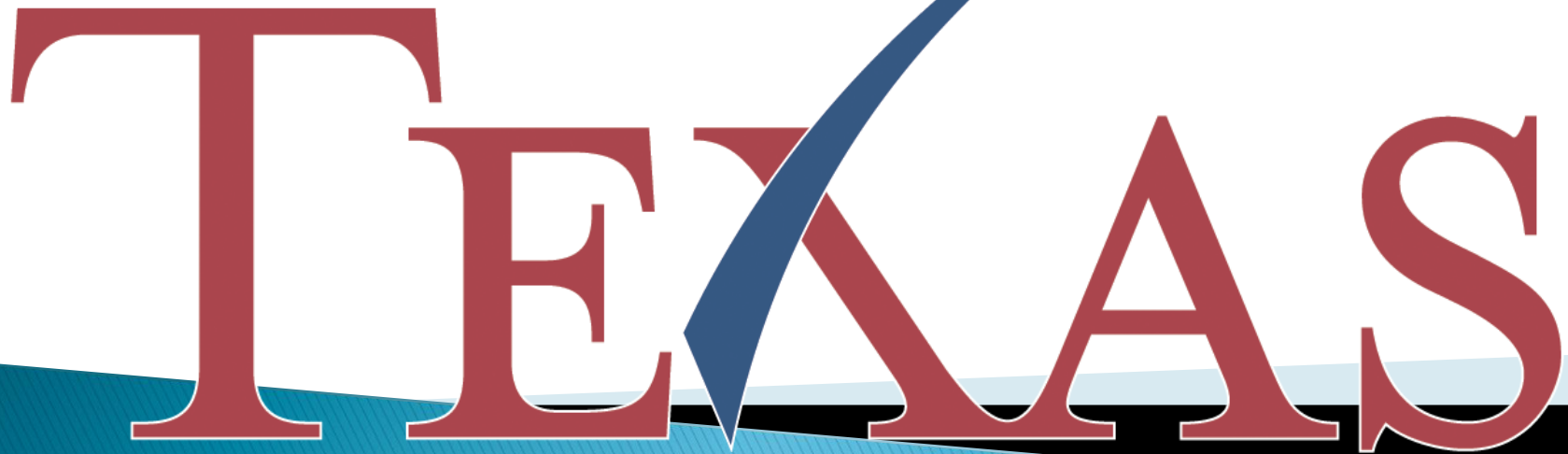
TEXAS ECONOMIC DEVELOPMENT COUNCIL

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**OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM**

Economic Development Bank

The word "TEXAS" is written in a large, red, serif font. A thick, blue, curved swoosh starts from the top right of the letter 'A' and curves upwards and to the left, ending near the top of the letter 'T'. The background features a blue gradient with a subtle diagonal line pattern.

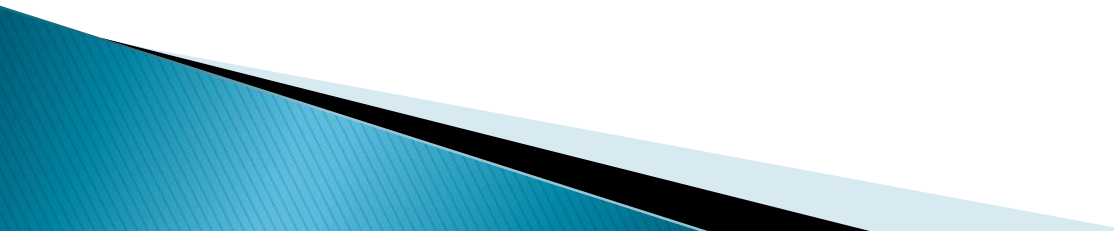
TEXAS

WIDE OPEN FOR BUSINESS™

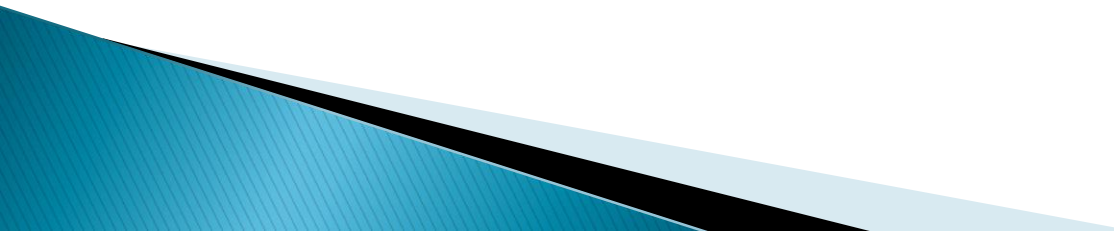
Overview

The Bank provides incentives to businesses wishing to relocate to or expand in Texas, as well as assistance to local communities in accessing capital for economic development.

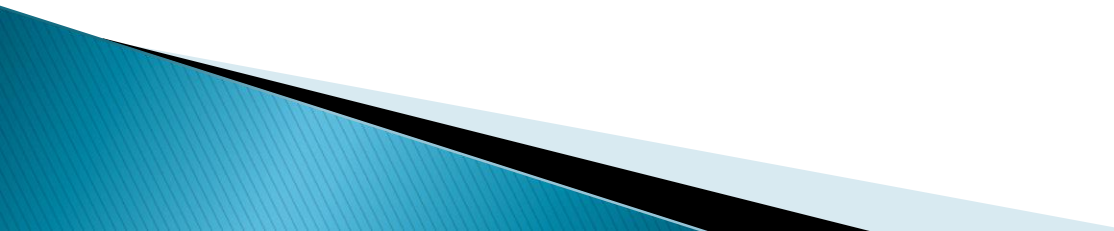
Finance Programs

- **Texas Leverage Fund**
 - **Industrial Revenue Bonds**
 - **Product/Small Business Development Fund**
 - **Capital Access Program**
- 

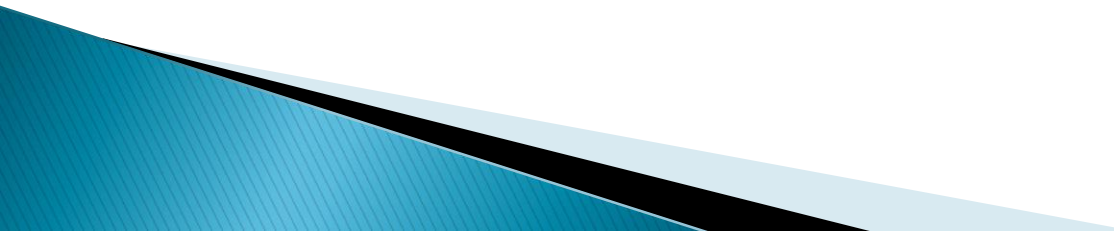
Texas Leverage Fund

- ▶ Loan program available to communities that have adopted a Type A or B Economic Development Sales Tax
 - ▶ Loans are secured by future sales tax revenues
 - ▶ Economic Development Corporations (EDCs) are eligible to borrow up to \$5 million, and for up to 15 years.
 - ▶ Low cost variable rate financing, currently ~3.50%
 - ▶ Eligible projects may include land, buildings, machinery and equipment for manufacturing and industrial operations, as well as sports, athletic, entertainment and public park purposes and events.
- 

Industrial Revenue Bonds

- ▶ The local EDC is the issuer of the bonds.
 - ▶ Texas Bond Review Board administers allocations.
 - ▶ Project eligibility: Small Issue Manufacturing & Exempt Facility Bonds
 - ▶ Up to \$10MM can be issued for Small Manufacturing Projects. Other projects including waste remediation may qualify.
 - ▶ The Bank primarily has an oversight role.
- 

Product Development/Small Business Funds

- ▶ Asset based loans secured by real property or equipment.
 - ▶ Supports technology and small business projects.
 - ▶ Loan proceeds may be used to: develop, commercialize or develop new products; fund capital expenditures; expand working capital.
 - ▶ Not a “Lender of Last Resort” program. Riskier projects may require credit enhancement or other risk mitigation structure.
- 

Capital Access Program

- Established to support businesses and nonprofits that face barriers in accessing capital.
- Use of proceeds includes working capital and the purchase, construction, or lease of capital assets, including buildings and equipment.
- To be eligible, a borrower must be:
 - A small or medium-sized business(499 employees or less);
 - Or a nonprofit organization; and
 - Domiciled in this state or have at least 51% of its employees located in this state
- No minimum or maximum loan amount.

Other Bank Programs

- **Texas Enterprise Zone Program**
 - **Defense Economic Readjustment Zone**
 - **Governor's University Research Initiative**
 - **Events Trust Funds (3)**
- 

Economic Development Bank 2015 Accomplishments

- ❖ **Funded 52 New Projects Statewide That:**
 - **Supported 5,340 New Jobs Across the State of Texas**
 - **Retained 14,291 Jobs for Existing Texas-based Businesses**
 - **Produced Over \$9 Billion in Capital Investments**
 - **Provided Over \$30.7 Million in Tax Refunds**
 - **Provided Over \$7.3 Million in Financing to Local Entities**

Economic Development Bank Team

Terry Zrubek, Director

Joe H. Morin, Manager

Melissa Avelino, Product/Small Business Fund

Joseph O'Bell, Governor's University Research Initiative

Gene Cervenka, Industrial Revenue Bonds

Zack Scott, Enterprise Zone Program

Matt Berry, Texas Leverage Fund Program

Whitney Smith-Nelson, Events Trust Funds

Website: www.TexasWideOpenforBusiness.Com

Phone: (512) 936-0100



State Financing Programs for Economic Development

Robert Wood

**Associate Deputy Comptroller
Texas Comptroller of Public Accounts
Austin, TX**

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Presentation to the

Texas Webcast on State Financing Programs

January 20, 2016

Presented by:
Robert Wood
Associate Deputy Comptroller
Texas Comptroller of Public Accounts

Chapter 313 – The Texas Economic Development Act

1. Tax Code, Chapter 313
2. Provides for a 10 year limitation on M&O taxes for certain industries
3. Agreements are between the school district and the company
4. Comptroller's office must approve the application and agreement
5. Minimum limitation amounts vary by school district size, and range from \$10 million to \$100 million

Chapter 313 – Overview continued

6. School District is responsible for compliance, with additional job compliance reporting and penalties at the state level

7. School District is responsible for compliance, with additional job compliance reporting and penalties at the state level

Chapter 313 – Overview continued

8. CPA must make specific findings in order to approve an application
 - a) That the applicant is likely to generate, before the 25th year following the limitation start, enough M&O tax revenue and other tax revenue to the state to offset the M&O tax lost as a result of the agreement
 - b) That the limitation is a determining factor in the applicant's decision to invest capital and construct the project in the state

Chapter 313 – Overview continued

9. Statute provides for several kinds of payments from the company to the school district
 9. Hold-harmless payments
 10. Supplemental payments
 11. Extra-ordinary payments
10. Audit of 3 agreements annually by SAO
11. 259 agreements (as of last report)
 9. 45% manufacturing
 10. 53% renewable energy
12. Statute currently expires 12-31-2022

State Sales Tax Exemption for Qualified Data Centers

1. Tax Code 151.359
2. Temporary State Sales Tax Exemption
3. Applicable to state sales tax; not local
4. Declaration - facility meets or will meet requirements
5. Agreement –
 1. create qualifying jobs
 2. minimum capital investment
6. No property value limitation - Tax Code Chapter 313

Data Centers

1. Data Center -- single building that meets certain specific requirements
 - a. Single occupant of qualifying data center
 - b. No sublease to third party of any real or tangible personal property located within the area designated as the qualifying data center
2. Create minimum 20 qualifying jobs on or before 5th anniversary of certification date
 - a. Wage and other requirements
3. Capital investment of at least \$200 million in the specified qualifying data center by 5th anniversary of certification date

Qualifying Purchases

1. Tangible personal property
 - a. Installation at or incorporation into qualifying data center
 - b. Electricity used at qualifying data center
 - c. Must be necessary and essential to operation

Non-Qualifying Purchases

1. Office equipment or supplies
2. Maintenance/janitorial supplies or equipment
3. Equipment/supplies used primarily in sales/transportation
4. Tangible personal property which received refund under Section 151.429 (Enterprise Projects)
5. Tangible personal property leased < 1 year
6. Taxable services performed on tangible personal property even if exempt by Section 151.3111

“Large” Data Centers (HB 2712, 84R)

1. Tax Code, 151.3595
2. 250,000 square feet total - may be multiple buildings on contiguous parcels of land (regular data centers must be single building)
3. 40 permanent jobs (regular data centers are 20)
4. \$500 million capital investment over 5 years (regular data centers are a minimum of \$200 million)
5. Contracts for at least 20 megawatts of transmission capacity (no similar requirement for regular data centers)
6. Exemption for 20 years for both state and local sales tax (regular data centers is for a maximum of 15 years)

Questions?

Texas Comptroller of Public Accounts
For information - www.TexasAhead.org

Robert Wood

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State Financing Programs for Economic Development

Rick Rhodes

Administrator

**Office of Rural Affairs, Texas Department of Agriculture
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Texas Department of Agriculture

Office of Rural Affairs



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER

Texas Capital Fund (TCF)

Supports rural business development, retention and expansion by providing funds for public infrastructure, real estate development, or the elimination of deteriorated conditions.



Texas Capital Fund (TCF) Economic Development Programs

Stimulate Development

Downtown Revitalization Program

Awards matching grant funds for public infrastructure to foster and stimulate economic development in rural downtown areas.

Main Street Improvement Program

Provides Texas Main Street communities with matching grants to expand or enhance public infrastructure in historic main street areas.



Downtown Revitalization (DRP) & Main Street (MS) Programs

Eligible use of Funds:

- Water & sewer lines
- Streets, curb & gutter, and drainage
- Sidewalks and lights
- Architectural barrier elimination
- Electric & natural gas lines



Texas Capital Fund (TCF) Economic Development Programs

Job Creation

Infrastructure Development

Provides matching grants for infrastructure development to create or retain permanent jobs.

Real Estate Development

Provides a zero-interest loan to fund real estate acquisition or improvements to create or retain permanent jobs.



TCF Infrastructure and Real Estate Programs

- Provides grants for Infrastructure Development or loans for real estate acquisition / improvements to create or retain permanent jobs in primarily rural communities and counties.
- Awards from \$100,000 to \$1,500,000 based on # of jobs created/retained
- Funds for public/private infrastructure
- Encourages new business development and expansion
- Applications accepted on the 20th of each month

Eligible Activities for Public/Private Infrastructure:

- Water & sewer lines and treatment plants
- Streets, curb & gutter, and sidewalks
- Rail Improvements
- Drainage
- Utilities

TCF Infrastructure and Real Estate Programs

Requested Award Amounts	Maximum Cost-Per-Created-Job	Maximum Cost-Per-Retained-Job
\$750,000 or less	\$25,000	\$10,000
\$750,100-\$1,000,000	\$20,000	\$7,500
\$1,000,100-\$1,500,000	\$15,000	\$5,000

For example:

An award of \$750,000 would require 30 newly created jobs

An award of \$1,000,000 would require 50 newly created jobs

An award of \$1,500,000 would require 100 newly created jobs

Jobs for Texas Venture Capital

- ❖ Through funds allocated by the U.S. Department of Treasury, TDA created a Fund-of-Funds.
- ❖ TDA has partnered with seven (7) venture capital fund managers to invest in eligible small businesses.
 - ✓ Fewer than 500 employees
 - ✓ Investments range from \$50,000 - \$5 million
 - ✓ Funds must be utilized in Texas for business purposes (operation, expansion, etc.)
- ❖ Examples of investment include: computer systems, clean energy, medical devices, manufacturing, etc.
- ❖ To date, over \$31 million has been invested 30 Texas companies

Capital For Texas Loan Participation Program

- ❖ Through funds allocated by the U.S. Department of Treasury, TDA is in the process of creating a loan participation program.
- ❖ TDA will partner with Texas CDFIs to provide capital to Texas small businesses.
- ❖ Targeted groups will include rural and underserved communities.
- ❖ Program anticipated to launch March 2016.

Thank you!

For more information about the Texas Capital Fund
please contact Chris Reynolds at 512-936-8163 or
Chris.Reynolds@TexasAgriculture.gov

For more information about Jobs or Capital for Texas
please contact Karen Reichek at 512-936-2450 or
Karen.Reichek@TexasAgriculture.gov



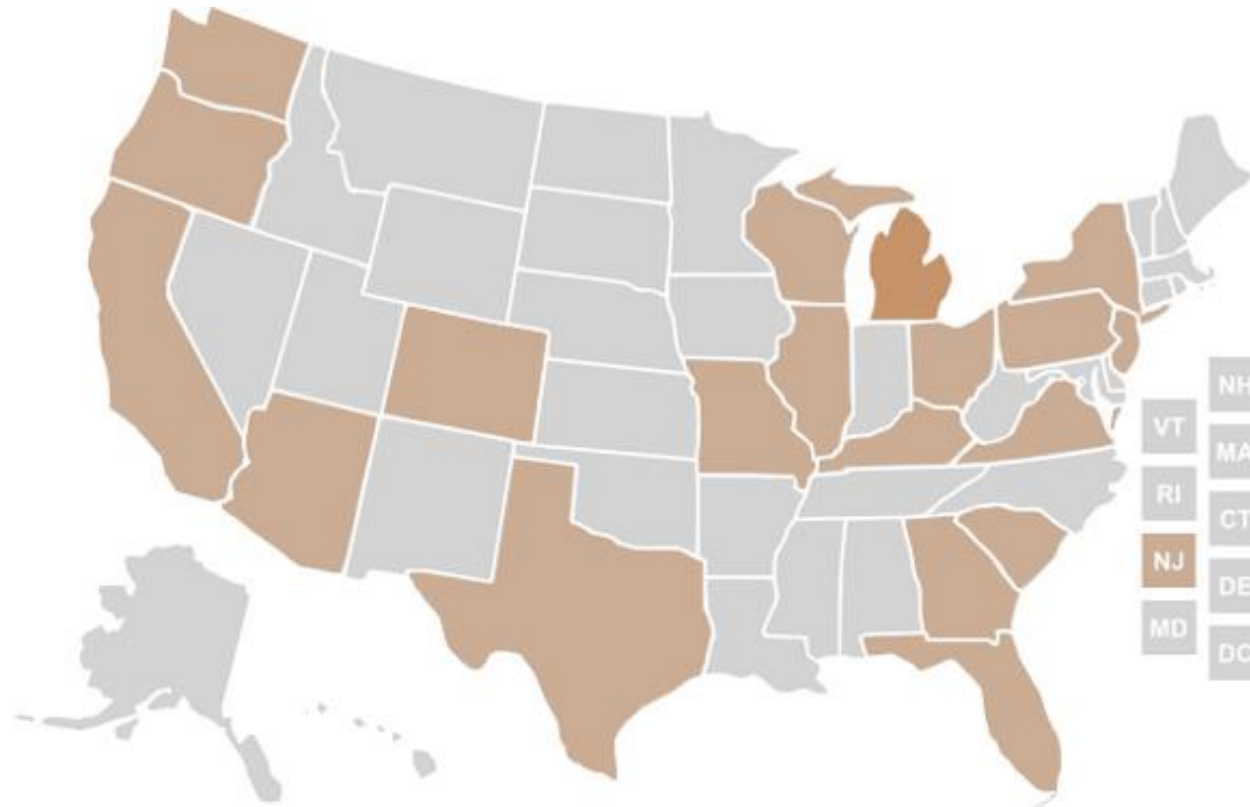
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COMMISSIONER SID MILLER



Audience Questions



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Upcoming Events

Fundamentals of Economic Development Finance WebCourse

Daily 12-5pm (EST)
January 27-28, 2016



CDFA Brownfields Project Marketplace

Daily: 1-5pm (EST)
February 2-4, 2016



Intro Bond Finance WebCourse

Daily 12- 5pm (EST)
February 24-25, 2016



Register online at www.cdfa.net



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