

JTEDC Financial Assistance

This is a summary of the types of financial assistance offered by the JTEDC for the purpose of economic development in the City of Junction.

The JTEDC favors making financial assistance available for low impact development projects. This type of development means economic activity that will not harm the natural environment, destroy a rural way of life or create large and costly demands for city and/or county provided services.

Types of Financial Assistance

- **Loans** – this term is self-explanatory. (Generally, the JTEDC does not favor making loans, preferring instead to rely on the banking community to make such financing arrangements.)
- **JTEDC Loan Guarantee Program** – see existing policy and guidelines governing the operation of this program on pages 25-27.
- **Performance-Based Grants** – these grants can be for 100% of costs, but a matching grant (e.g., 90/10, 75/25 or 50/50 match) is preferred. A performance-based grant requires certain conditions be met in order to obtain a grant. For example, a grant would be contingent upon the creation of a specific number of new jobs, retaining specified jobs that would otherwise be terminated, creating a specified level of new payroll in the community, and/or making facility investments totaling a specific amount of dollars within a specified period.
- **Texas Leverage Fund** – under this program, the Texas Department of Economic Development loans funds directly to an Industrial Development Corporation (IDC). Cities may leverage their economic sales tax to borrow up to four or five times their anticipated annual proceeds from the Section 4B sales tax, usually up to \$3 million. Loan proceeds may be used to pay eligible costs of projects. Projected sales tax revenues must be pledged by the IDC to cover annual debt service.

There are other incentives that could be offered by the City of Junction if the City's elected officials determined to do so. For example, incentives of this type include waiving fees for City permits, waiving charges for water and sewer service or abating property taxes for economic development purposes.

JTEDC Assistance Applicable to Different Project Types

The JTEDC has identified three types of projects (see below) that it will support. The priorities assigned by the JTEDC for providing assistance for such projects are as follows:

Priority 1 – the most favored type of projects;

Priority 2 – less desirable than Priority 1 projects, but clearly better than Priority 3 type projects;

Priority 3 – projects of a public nature.

Private Sector Projects (Priority 1): These projects create new private sector jobs, add value to the community's tax base, and result in the collection of additional sales tax. Examples of such projects are profit-making businesses with "primary jobs" (see definition of "primary jobs" on page 42 of the Handbook on Economic Development Laws for Texas Cities, included in this packet and also found by clicking: www.oag.state.tx.us/AG_Publications/pdfs/econdevhb2008.pdf).

- Types of Financing Available for Priority 1 Projects:
 - Loan Guarantees
 - Performance-Based Grants

Hybrid Projects (Priority 2): These projects are more akin to a public sector project, but can bring more business to a community, thereby benefiting local businesses and resulting in the collection of additional sales tax. In addition to bringing additional business to existing businesses, it can create conditions favoring the creation of new businesses and the collection of additional sales tax. It is likely to result in a property being removed from the tax base, and may or may not require the hiring of additional city employees, depending on how the project is structured. An example of such a project would be a visitor center operated for the purpose of bringing new visitors to the area.

- Types of Financing Available for this Type of Project:
 - Performance-Based Grants

Public Sector Projects (Priority 3): These types of projects do not create new private sector jobs, remove property from the community's property tax base, usually add to the responsibilities of a local government, and serve primarily a community social purpose. Depending on the type of project, it could result in the collection of some additional sales tax. An example of such a project would be a community recreational facility.

- Types of Financing Available for this Type of Project:
 - Performance-Based Grants