



**GENERAL POLICY AND PROCEDURES**  
**for**  
**LOAN & GRANT PROGRAMS**  
**and**  
**PUBLIC SECTOR PROJECTS**

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# JUNCTION TEXAS ECONOMIC DEVELOPMENT CORPORATION LOAN & GRANT PROGRAMS & PUBLIC PROJECTS GENERAL POLICY & PROCEDURE GUIDANCE

## Overview

The Junction Texas Economic Development Corporation (JTEDC) has established loan and grant programs which provide financial resources to small business owners and entrepreneurs. These programs promote the development and expansion of Junction businesses, thereby increasing employment opportunities and improving economic stability. Funds may also be provided for public sector projects.

## Types of Financial Assistance

- ***Performance-Based Grants:*** This program funds a portion of fixed assets, infrastructure, and working capital for new or expanding businesses. It also requires that certain conditions be met to obtain a grant. For example, a grant would be contingent upon the creation of a specific number of new jobs or retaining specified jobs that would otherwise be terminated.
- ***Business Incentive Grants:*** This program funds a portion of rent and utilities (electricity, water, sewer, gas, trash pick-up, and Internet service) for new or expanding businesses for up to one year. It also requires that certain conditions be met to obtain a grant. For example, a grant would be contingent upon the creation of a specific number of new jobs or retaining specified jobs that would otherwise be terminated.
- ***Revolving Loan Fund:*** In 2012, the JTEDC obtained a USDA grant for the purpose of establishing a revolving loan fund for local entrepreneurs who create jobs. Funds may be used for equipment purchases, working capital, or construction/renovation of buildings. A financial institution must first decline the applicant before he/she applies for a loan from the JTEDC. Note that a denial may be for a variety of reasons and not necessarily lack of credit worthiness.
- ***Public Sector Projects:*** Under Type B rules, the JTEDC may provide funds for public sector projects that serve a community's social purpose and improve the quality of life for its citizens.

## Priority of Economic Development Projects

### ***Priority One: Private Sector Projects***

- Creates new private sector "primary jobs".
- Adds value to the community's property tax base and results in the collection of additional property tax.
- Results in increased sales tax collections.

**Priority Two: Hybrid Projects**

- More akin to a public sector project but can bring more business to the community; thereby, benefiting local businesses and resulting in the collection of additional sales taxes.
- Brings additional business to existing businesses, creates conditions favoring the creation of new businesses, and results in the collection of additional sales tax.

**Priority Three: Public Sector Projects**

- Does not create new private sector primary jobs.
- May remove a property from the community's tax base.
- Adds to the responsibility of the City by creating additional workload for current employees, by necessitating the hiring of more staff, and/or by mandating the upkeep and care of a property or facility.
- Primarily serves a community social purpose.

<b>Criteria to Judge Project's Suitability</b>
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**Public vs Private Funding of Projects**

1. Are private lenders available and willing to finance the proposed project? If yes, why are funds being sought from the JTEDC? If not, why should the JTEDC assist with project financing?
2. Will public funding for a project compete unfairly with a private sector entity already conducting or planning to undertake the activity to be funded?
3. Will public funding assist a private sector entity in getting a project off the ground, becoming profitable and creating new permanent jobs?
4. Will the cost of the project deplete JTEDC funds that would otherwise be available for other economic development projects?

**Job Creation**

1. How many new temporary jobs will be created by the project?
2. How many new permanent jobs will be created by the project?
3. Will the project help current workers avoid unemployment?
4. Will the project result in a net increase in the number of permanent private sector jobs in our community?
5. What type of new jobs (type and salary) will be created?
6. Will the project require an increase in the number of city or county employees? Will it result in an increased workload for current employees of these government entities?

### **Financial Impact**

1. In total, excluding the collection of new taxes, how much new money will the project pump into the local economy on an annual basis?
2. Will additional ad-valorem taxes be collected as a result of the project? If so, how much in new additional taxes will be collected annually?
3. How much additional sales tax will be collected annually as a result of the project?
4. Will the project promote tourism? If so, how many visitors will be attracted to the project?
5. If the project requires construction, what percentage of the materials and labor will be obtained locally?

### **Role of City and County Governments**

1. What infrastructure will local governments be required to provide as a result of a project?
2. What costs will local governments become responsible for, including the requirement to hire new employees, as a result of the project?

### **Other**

1. Can the project be funded legally under existing law?
2. Would the proposed project duplicate an activity that is already in place and functioning effectively?
3. What will the project's impact be on Main Street and downtown Junction?
4. What effect will the project have on local housing – i.e. is the current housing inventory adequate or will additional housing be needed to accommodate new workers and their families?
5. Are there likely to be any adverse consequences resulting from the project – i.e. will the environment be harmed or will the water resources of the community be oversubscribed?
6. Will any indirect economic benefits result from the project?
7. Will the project benefit the overall public good? If so, how?

### **Application Process for Obtaining JTEDC Financial Assistance**

1. A full and complete application must be submitted to the JTEDC office for review by the JTEDC Finance Committee prior to submission to the full board. See the application package for more information.
  - New businesses must have a business plan and financial projections. Applicant should also present a cost estimate for the entire proposal, explain other sources of capital, and detail use of JTEDC funds.
  - Existing businesses must submit a written narrative of current business operations and any planned changes to products and services presently offered. In addition to the previously listed items, this application must also include federal income tax returns and profit/loss statements for the prior three (3) years.

- Analysis will consider the issues contained in the “criteria to judge a project’s suitability” section of this document, the financial viability of the proposal, the applicant’s prior work experience, and the applicant’s willingness to enter into a performance contract. If the applicant is an existing business, the committee will also consider the past history of the business.
  - At the time of the application, applicants shall disclose in writing the existence of any business or personal relationships with members of the JTEDC board, City of Junction employees, or City Council.
2. When the Finance Committee completes its review and analysis of all pertinent information, the application will be forwarded to the JTEDC Board for its consideration.
  3. If the board determines by majority vote to *pursue* the project, the following will occur:
    - A notice of public hearing by the JTEDC on the proposed project will be published in a newspaper of general circulation in the city. This notice must be published at least ten (10) days prior to the hearing date.
    - The JTEDC will hold a public hearing on the project, typically the next regularly scheduled meeting after the notice is posted.
    - After the project has been considered at a public hearing and after sixty (60) days have passed since the first published notice of the project, the Board will vote at its next regularly scheduled or called meeting to undertake the project, provided that the City Council is not required to call an election pursuant to Texas Local Government Code Sec. 505.160.
    - Pursuant to Texas Local Government Code Sec. 505.159(b), a public hearing may, but is not required to be held, if the proposed project is authorized by Subchapter C of Chapter 501 of the Texas Local Government Code. However, pursuant to Texas Local Government Code Sec. 505.158(b), projects that (1) require an expenditure of more than \$10,000, and (2) include the land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the Board to promote new or expanded business development, must be specifically authorized by the City Council by a resolution approved after giving the resolution at least two separate readings.
    - The JTEDC board shall determine by a majority vote whether or not the application shall be undertaken.
    - If approved, the Board will present the project proposal to the City Council for action. If approved by the Council, the Board may then make expenditures related to the project and conduct the oversight necessary to ensure the successful and legal implementation of the project.
    - Upon JTEDC board approval, a letter of commitment will be provided to the applicant.
    - If approved by the City Council, the applicant must sign a Performance Agreement acknowledging the terms and conditions of economic assistance.
    - Funds are disbursed in accordance with the disbursement of funds guidance for each respective financial program. See separate policies in the Appendix section.

4. Upon assistance approval, applicant may be required to place a JTEDC sign, furnished by the JTEDC and viewable by the public, for the duration of the project.

**Note:** The time required to complete the above process will vary with each proposal, but an applicant should anticipate that the procedure may take up to 120 days before final action is taken on a project proposal.

### **Conditions for Approval**

1. As noted herein, the applicant will be required to sign a Performance Agreement if the application is approved by the JTEDC Board and the City Council, as required by *Texas Local Government Code Sec. 501.158*. This Agreement outlines the responsibilities of the applicant to the JTEDC, including the creation of jobs and specifies the terms under which repayment must be made if the business does not meet the performance requirements specified in the Agreement. It also details the duties of the JTEDC to the applicant.
2. The Performance Agreement will include certain language which specifies that the business does not and will not knowingly employ undocumented workers (which statement will also be in any application for the subsidy). The Performance Agreement will also require repayment of the subsidy not later than the 120th day after receiving notice from the JTEDC, at the specified rates and terms of interest, if the business is convicted of federal immigration violations under 8 U.S. Code Section 1324a(f).
3. In addition, the grant applicant will be asked to sign a promissory note to ensure repayment of a grant according to the guidelines of the Performance Grant Policy and terms of the Agreement. If the business is incorporated, the owner will also be asked to sign a personal guaranty.
4. The JTEDC will file a lien on the subject assets financed by JTEDC funds. The lien will be released when the applicant has complied with the terms of the Performance Agreement.