



BEDC/BMDD Annual Report, 2016

Prepared for: Brownwood City Council & BMDD Board of Directors

February 21, 2016

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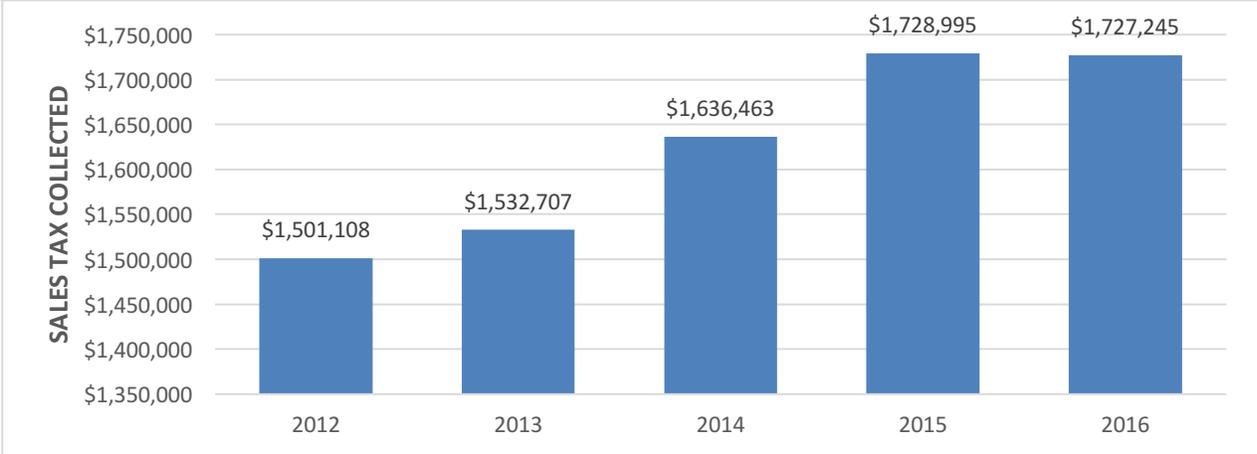
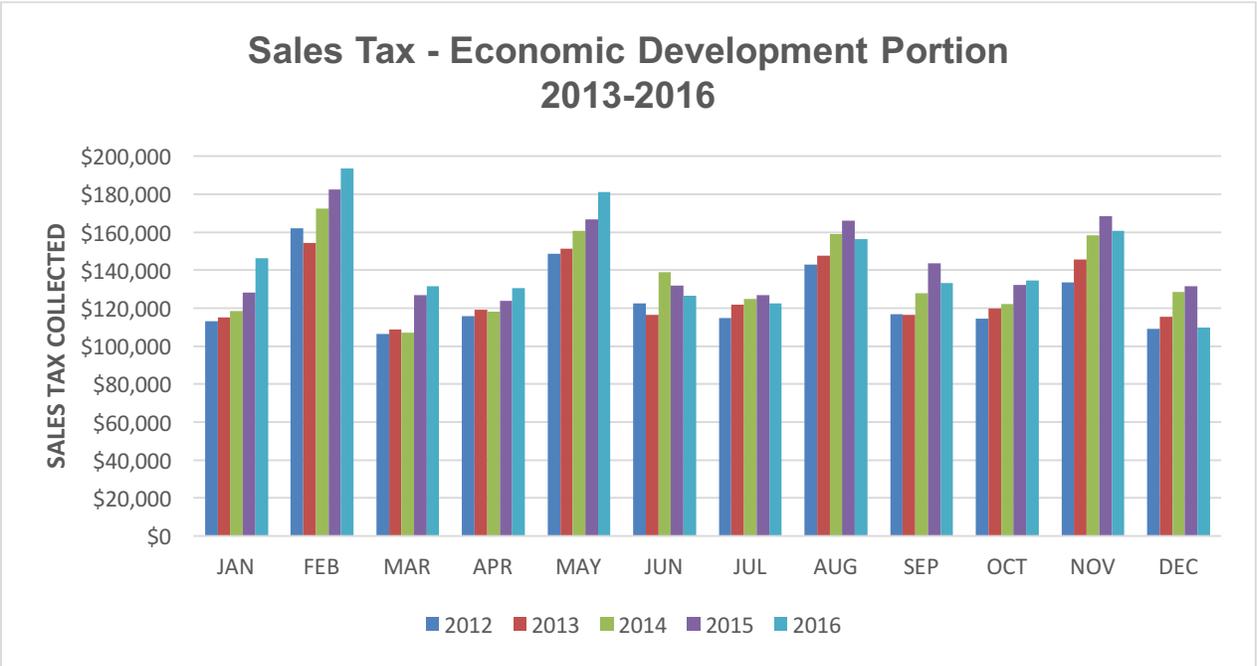
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Economic Indicators

Sales Tax

The BMDD receives .5% of the 2% local sales tax for economic development. City of Brownwood **sales tax remained steady in 2016 at a total of \$1,727,246.00 from a record high total in 2015 of \$1,728,995.00**. Multiple factors account for having a second year of stable sales tax, including additional new retail businesses, increased consumer spending, full lake levels and continued decreases in unemployment. Steady sales tax is a positive indicator of a strong growing economy.

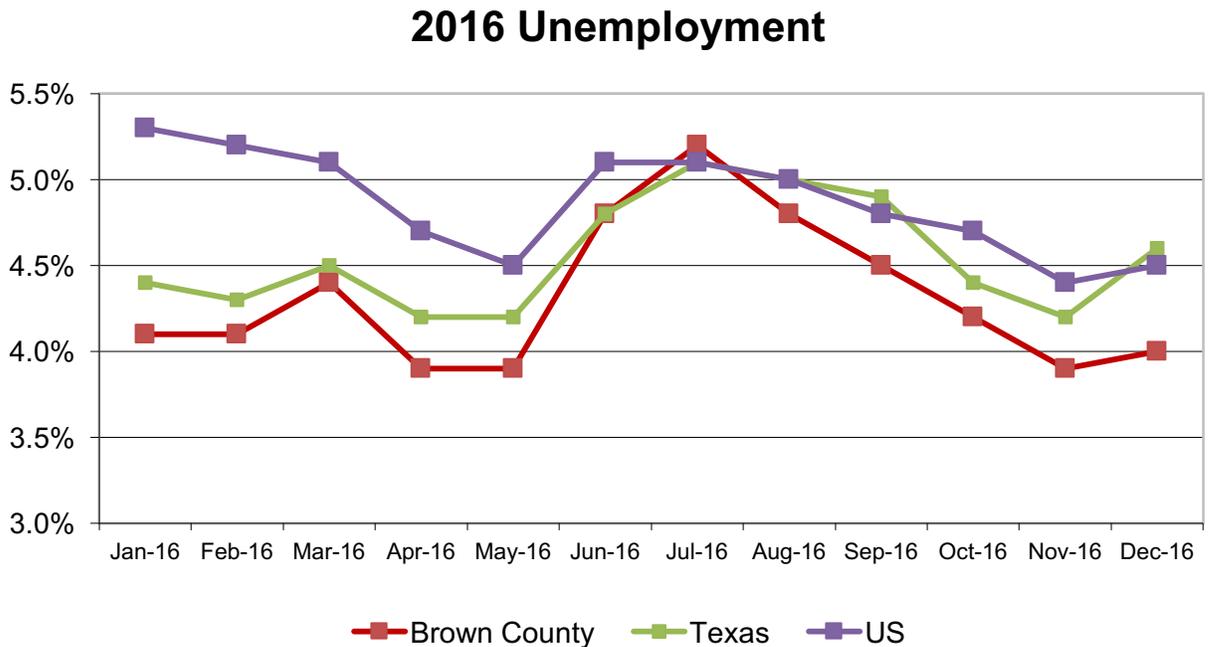


The Texas Comptroller reports monthly sales tax. Monthly reports reflect activity from two months prior, meaning that January numbers represent November sales activity.

Employment

A major indicator of employment data is unemployment claims. In 2016, Brown County's unemployment rate was once again lower than state and national figures. December unemployment in Brown County was **4%**.

Ten out of twelve months reported unemployment at less than 5%. **The 2016 average unemployment rate for Brown County was 4.3%**, which was lower than the Texas average of 4.6%, and lower than the national average of 4.9%. This is a positive indicator of a stable economy.

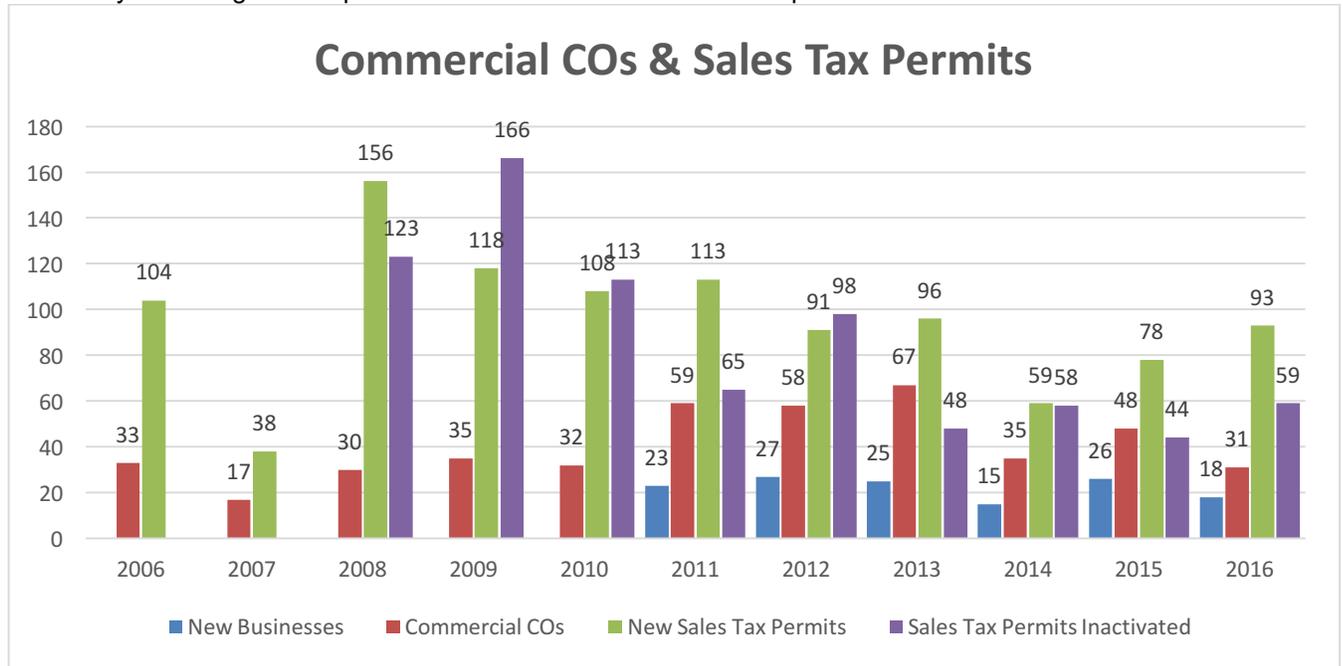


The Texas Workforce Commission reports Brown County employment information monthly, based off of data from the Bureau of Labor Statistics.

New Business Activity

Certificates of Occupancy (CO) for commercial properties are issued for new buildings or after a remodel, expansion, or a change in classification. In 2016, 93 commercial COs were issued, of which 18 were for new businesses.

Sales tax permits are issued by the State Comptroller's office to individuals or businesses engaging in sales. The difference in sales tax permits over COs indicates the large number of "home based" or non store-front businesses applying for permits. Sales Tax Permits Inactivated represents businesses that are no longer in business due to either it changing ownership or closing down the business completely. Historically, a slow economy encourages entrepreneurship and small business start-ups.



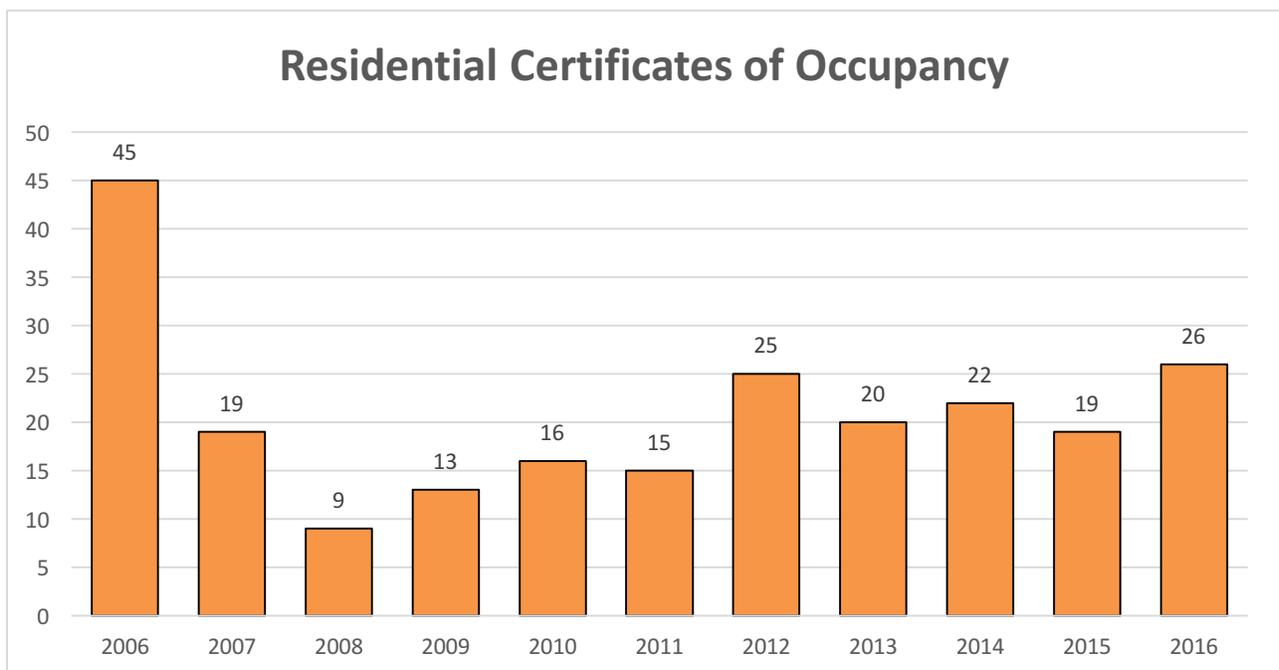
COs are issued by the City of Brownwood Development Services Department and represent activity inside the city limits. New businesses were not tracked prior to 2011. Sale Tax Permits issued and inactivated permits are tracked by the State Comptroller.

Real Estate Sales and Construction

Real estate sales within the City of Brownwood in 2016 were 321. Resulting in a 14% increase compared to real estates sales in 2015.



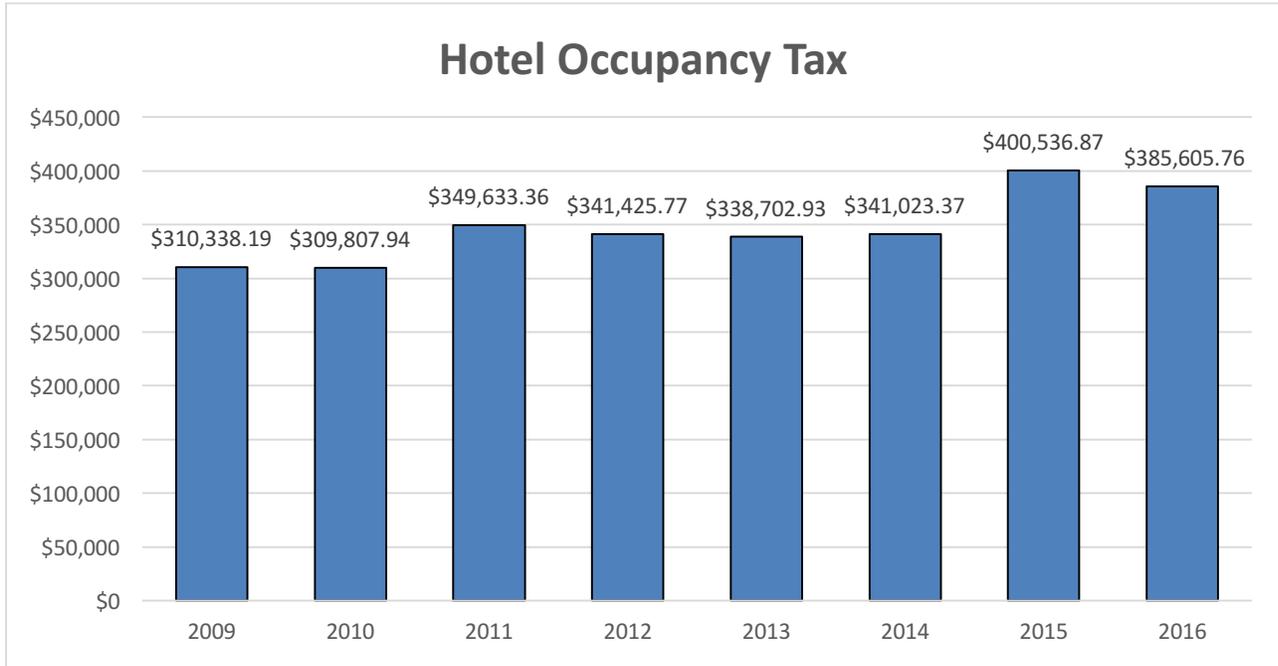
Certificates of Occupancy (CO) for residential properties are issued for new residential construction or substantial renovation. **In 2016, 26 residential COs were issued inside the city limits, of which 20 were newly built housing units.**



Residential sales are tracked by the Brownwood Board of Realtors. Certificates of Occupancy are issued by the City of Brownwood Development Services Department, and represent activity inside the city limits.

Hotel Occupancy Tax

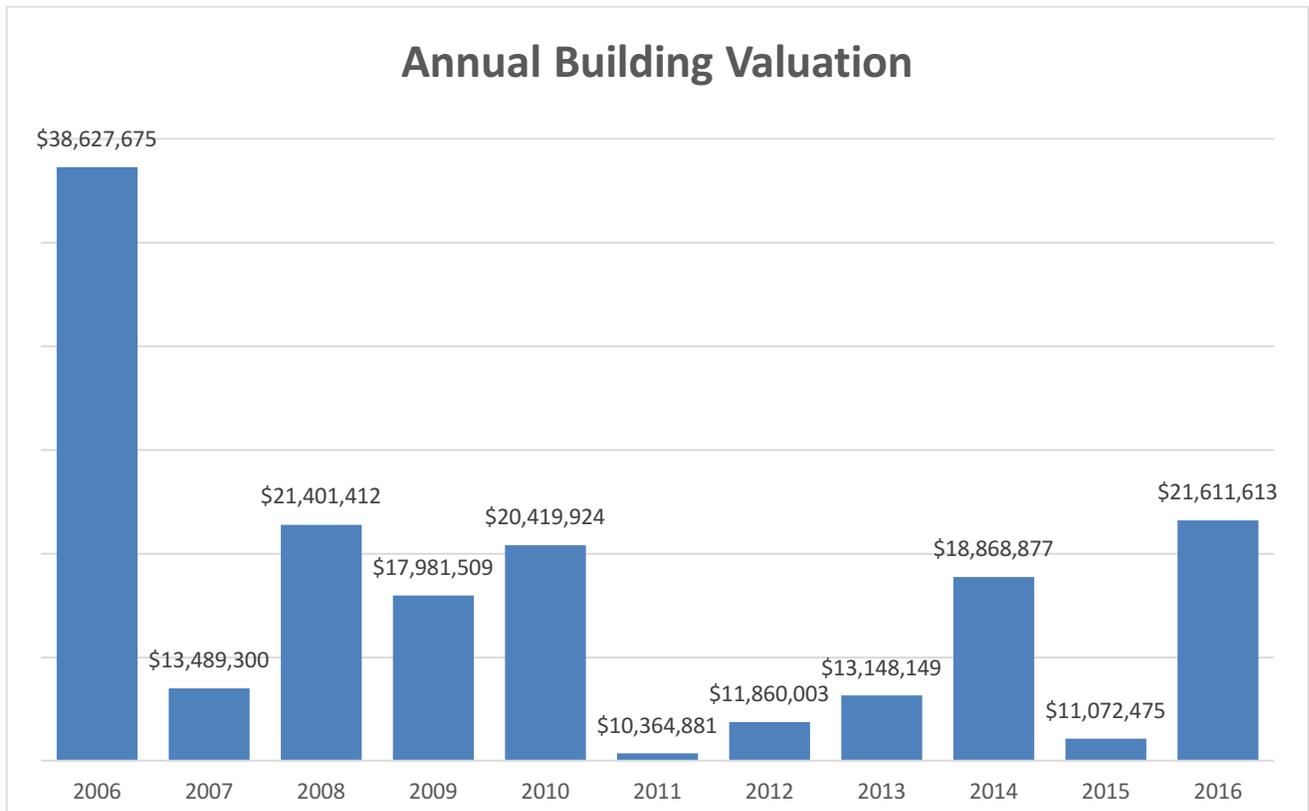
Local Hotel Occupancy Tax is 7% in the City of Brownwood and reflects leisure and business travel in the area. **The local Hotel Occupancy Tax collected in 2016 had a decrease of 3.7% from 2015.**



The local Hotel Occupancy Tax is collected by the City of Brownwood for hotels and motels inside the city limits.

Annual Building Valuation

Annual Building Valuation are tracked by the the City of Brownwood Development Services Department and represents residential, commercial, and infrastructure construction inside the city limits. In 2016, The City of Brownwood Annual Building Valuation totaled \$21,611,613 a **95% increase** from the previous year total of \$11,072,475.



**2006 includes large bond passed by Brownwood Independent School District.*

2016 – A YEAR OF CHANGE

The Brownwood Municipal Development District (BMDD) was created by voters in May of 2016. The Brownwood Municipal Development District is a non-profit organization to promote, assist, stimulate, and enhance economic and community development in Brownwood. The BMDD is funded through a ½ cent sales tax and is governed by a 5-member Board of Directors who are appointed by the City Council.

It is the mission of the BMDD to aid the City of Brownwood and interested private or public entities in making the community a better place to live, work and do business. In so doing, the BMDD may help develop and finance any permissible project as defined in Chapter 377 of the Texas Local Government Code and that benefits, strengthens, and diversifies the economic base of Brownwood. The BMDD contains elements of both economic and community development. These elements must work together for our community to thrive and grow.

Background

The City of Brownwood conducted an election on May 7, 2016 to terminate the Brownwood Economic Development Corporation (BEDC), a Type A economic development corporation, and concurrently create the Brownwood Municipal Development District (BMDD). The BMDD is funded by a ½-cent sales tax for the purpose of financing economic development, diversifying the economic base of the community, and improving our quality of life.

On June 14, 2016 City Council approved Resolution R-16-11 approving the Dissolution Plan for the Brownwood Economic Development Corporation (BEDC). The Dissolution Plan specified that the BEDC was obligated to continue operations only as necessary to pay the principal and interest on the BEDC's bonds and to meet obligations incurred before the date of the election, and to dispose of the BEDC's assets and apply the proceeds to satisfy the BEDC's bonds and obligations. Any remaining assets of the BEDC were transferred to the City of Brownwood (the "City"), which is the authorizing municipality that created the BEDC, and the existence of the BEDC was terminated. The dissolution plan was signed by Mayor Haynes and BEDC Board President Ryan Reagan and filed with the Texas Secretary of State.

On June 28, 2016 City Council approved appointments to the Brownwood Municipal Development District (BMDD) Board of Directors. The existing Brownwood Economic Development Corporation (BEDC) Board of Directors were appointed to the BMDD Board of Directors. The new BMDD Board of Directors set about the business of approving bylaws, policies and procedures, and developing an Annual Plan of Work and Budget for the newly formed organization.

On September 12, 2016, the Texas Comptroller of Public Accounts, Glenn Hegar, sent a letter to the City Secretary, City of Brownwood welcoming the BMDD to the local sales tax family. When the BMDD local use and sales tax of ½-cent went into effect on October 1, 2016, the BMDD became the 279th Texas special purpose district and the 40th MDD.

On November 22, 2016 City Council approved a Chapter 380 Agreement to convey the assets of the City, arising out of the dissolved Brownwood Economic Development Corporation, to the Brownwood Municipal Development District for economic development purposes. The agreement included:

Agreements

1. Authorization. The City's execution of this Agreement is authorized by the Texas Constitution, Article III, §52-a and by Chapter 380, Texas Local Government Code.
2. City Council Findings. By approval of this Agreement, the City Council of the City finds that each of the factual findings and recitals set forth above are found to be true and correct for all purposes, and are hereby incorporated into the body of this Agreement.

3. Transfer of BEDC Assets. The City hereby authorizes the transfer, conveyance and/or assignment of the following assets to the BMDD:

a. Cash On Hand:

Cash with BEDC on June 30, 2016:	\$1,767,123.83
July sales tax allocation:	\$ 121,172.67
August sales tax allocation:	\$ 155,181.65
September sales tax allocation:	<u>\$ 131,952.28</u>
Total cash on hand	\$ 2,202,311.23

In addition, any additional cash received by the City because of the dissolution of the BEDC, including future sales tax allocations received by the City arising out of the BEDC's one-half of one percent sales tax.

b. Real Property:

Description	Deed Records BCAD		
807 Main - Fire Station	Vol. 177	Pg. 325	50350
FM 45 E	Vol. 1457	Pg. 355	39173
5.716 acres located at 2804 Stephen F. Austin	Vol. 1298	Pg. 459	51415
1.912 acres located at Drisco Drive	Vol. 171	Pg. 28	51423
0.45 acres located at 809 Booker	Vol. 148	Pg. 422	53702
Lot 50x116 located at 808 Booker	Vol. 177	Pg. 325	58704
Lot 45x100 located at 810 Booker	Vol. 177	Pg. 325	58705
0.436 acres located at 2808 Stephen F. Austin	Vol. 1308	Pg. 648	66753
0.3359 acres located at 401 FM 45 E	Vol. 15	Pg. 919	20040158
0.3242 acres located at 401 FM 45 E	Vol. 40	Pg. 553	20040357
0.4182 acres located at 401 FM 45 E	Vol. 50	Pg. 266	20040358
0.2610 es located at 401 FM 45 E	Vol. 40	Pg. 563	20040359

c. Personal Property:

Miscellaneous computers, printers, iPads, furniture and office equipment

d. Receivables/Ongoing Performance Agreements:

Barr Fabrication	\$ 220,388.07
KJD Enterprises	\$ 48,000.00
Superior (warehouse)	\$1,136,126.52
Ratliff Steel	\$ 48,865.89
VRC Technology	\$ 89,556.00
Loadcraft	\$ 160,000.00
Ingram	\$ 300,000.00
United	Ongoing Performance Agreement

e. Leases:

Description	Term
BEDC lease to TG Mercer	Expires 12/31/16

4. Management of BEDC Project Financial Obligations: The BEDC established a reserve/escrow account in the amount of \$1,105,000.00 to pay for the following BEDC Project Financial Obligations:

Leeco	\$340,000.00
3M - MicroPrismatic	\$300,000.00
3M - Silk Surface	\$250,000.00
Wright Asphalt	\$150,000.00
Ranger College	\$ 30,000.00
B &W Carrier, Inc.	<u>\$ 35,000.00</u>
Total Project FOs	\$1,105,000.00

About the BMDD

The creation of the BMDD provides greater flexibility in the way that we can utilize our ½-cent economic development sales tax revenue. We will continue to fund Type A projects, including those already committed to under the Brownwood Economic Development Corporation (BEDC). The Type A sales tax is primarily intended for manufacturing and industrial development to fund land, buildings, equipment, facilities expenditures, targeted infrastructure and improvements for projects including:

- manufacturing and industrial facilities, recycling facilities, distribution centers, and small warehouse facilities;
- research and development facilities, regional or national corporate headquarters facilities, primary job training facilities operated by higher education institutions, job training classes, telephone call centers and career centers not located within a junior college taxing district;
- certain infrastructure improvements that promote or develop new or expanded business enterprises;
- aviation facilities;
- commuter rail, light rail or commuter bus operations;
- port-related facilities, railports, rail switching facilities, marine ports, inland ports; and
- maintenance and operating costs associated with projects.

In addition, the BMDD economic development sales tax can be spent on authorized “development projects,” which include any of the following:

- The MDD tax automatically encompasses any project available to a similarly-sized 4B economic development corporation;
- A convention center facility or related improvements, such as a civic center or auditorium;
- Parking lots for such convention or related facilities; or
- Civic center hotels.

In regard to 4B economic development projects stated in the first bullet point above: The Type B sales tax may be used for any project eligible under Type A rules and several other project types, including quality of life improvements. Type B may pay for land, buildings, equipment, facilities, targeted infrastructure and improvements for:

- professional and amateur sports and athletic facilities, tourism and entertainment facilities, convention facilities and public parks;
- related store, restaurant, concession, parking and transportation facilities;
- related street, water and sewer facilities; and
- affordable housing.

To promote and develop new and expanded business enterprises that create or retain primary jobs, a Type B EDC may fund: To promote and develop new and expanded business enterprises that create or retain primary jobs, a Type B EDC may fund:

- public safety facilities;
- recycling facilities;

- streets, roads, drainage and related improvements;
- demolition of existing structures;
- general municipally owned improvements; and
- maintenance and operating costs associated with projects.

Since the MDD sales tax so closely resembles a 4B economic development sales tax, why didn't Brownwood enact a 4B economic development tax instead?

The advantages that the BMDD has over Type A and Type B are:

- The scope of projects that can be funded with an MDD sales tax is slightly larger than a 4B sales tax.
- The MDD statute does not have the same level of detailed restrictions that the 4B statute does.
- A 4B corporation has a seven-member board. Many 4B cities, particularly smaller cities, find it difficult to locate persons willing to serve on the 4B board.

The Annual Plan of Work and Budget

The funding flexibility that the BMDD provides created some significant challenges in the preparation of the Plan of Work and Budget in our first year of existence. We have some historical data in regard to revenue, the administration of an economic development sales tax organization, and the expenditures we have made in the past for Type A projects that has been utilized in preparation of some parts of the initial budget. However, determining which type of projects we fund and the amount of funds we will budget for each project will be an evolving and ongoing process. A lot of the projects we fund will depend on opportunities that arise throughout the year, as well as on those occasions where we can take advantage of synergisms and momentum in regard to certain projects. Budget projections at this early stage for many of our yet-to-be-determined projects are very imprecise. For those types of projects, we have assigned a very broad category titled Community Development Projects and have allocated dollars to this department. We will then create more specific accounts as the projects are more precisely defined throughout the year.

Principles and Policies

Our Plan of Work and Budget will follow these guidelines:

- The BMDD will continue to be the central contact for economic development activities in Brownwood.
- The BMDD will continue to market Brownwood to industrial, retail, and other prospective businesses.
- The BMDD will remain flexible in regard to how dollars are spent to enhance economic development and our quality of life. Opportunities will be explored as they arise in an ever changing economic environment. The Annual Plan of Work will help determine how dollars are to be budgeted each fiscal year.
- The BMDD Board of Directors and City Council will approve the Annual Plan of Work and budget.
- The BMDD will give priority to projects identified by the City Council that require support. Ideally, these projects will benefit the community as a whole and add to the economy and quality of life in Brownwood.
- The BMDD will set aside funds annually in the budget process to fund traditional Type A projects. Dollar amounts are to be determined and submitted in the annual plan of work. This will include dollars to fund business expansion and retention projects.
- The BMDD has created an escrow fund for the projects initiated under the BEDC until those obligations are completed.
- The BMDD will explore opportunities for Public Private Partnerships.
- The BMDD will pursue additional sources of funding such as grants in addition to funds from the economic development sales tax proceeds.

New Projects

- Continued coordination of rail project for our industrial park to enhance rail services to Lortscher, Ethos, and VRC Technologies.
- Opened McAlister's Deli, and Cotton Patch Café at the Shoppes at Pecan Bayou
- Initiated Housing Study to determine the need for housing of all types and income levels.
- Contracted for and completed Hotel Market Demand study for Brownwood.
- Visited several events centers in Central and West Texas to determine help determine a strategy for Brownwood.

Workforce Development

- Provided funds to Ranger College and TSTC to continue to expand training programs and services in the Brownwood area
- Consolidated jobs posting page reached over 540,000 page views since launch in December of 2014. www.brownwoodbusiness.com/jobs.

Entrepreneurship and Small Business Development

- Through the Brownwood Area Chamber of Commerce, a total of 20 new consultations were conducted which include small business consults to new or prospective businesses and 13 startup consultations, 7 consults with existing businesses. From these consultations two started new businesses.
- Referred and promoted businesses to the Small Business Development Center office for business plan development and/or to local lenders for financing assistance.
- Promoted alternative financing programs through the Brownwood Industrial Foundation and the West Central Texas Council of Governments.

Marketing

- Attended the International Convention of Shopping Centers (ICSC) trade show in Dallas with the Brownwood Area Chamber of Commerce, as well as year-round retail recruitment efforts with site selectors, brokers and developers.
- Increased BMDD Facebook (@BrownwoodMDD) following by 34%.
- Continued to utilize YouTube, Twitter, and LinkedIn Business Page as social media communication platforms.
- Improved communication by continuing to grow mass e-mail campaign via MailChimp.
- Half page ad in *Texas Wide Open for Business* magazine, the official Economic Development magazine of the State of Texas and quarter page ad in *Brown County Living* magazine.

Awards

- Workforce Excellence Award by the Texas Economic Development Council for Population Category 15,001 - 40,000.
- Merit Recognition for Community Economic Development Award for outstanding achievement in Community Economic Development by the Texas Economic Development Council.

Challenges and Issues

Short Term Challenges

- Housing continues to be a major challenge in recruiting new businesses. A housing study has been initiated, and we will utilize the results to work with builders and developers to provide new housing.
- Workforce shortages continue to be a challenge. The BMDD continues to partner with TSTC, Ranger College, Howard Payne University, The Texas Workforce Commission, and the Brownwood ISD in developing the local workforce.
- Uncertainty in both the pre-election and post-election political environment.
- Utilization of our sports facilities. We have hired a Sports Coordinator to help address this challenge.
- Lack of hotels to accommodate sports tournaments and events. Continue to try to recruit hotel developers.

Long Term Issues

The following are long term issues. The BMDD is actively addressing each challenge.

- Limited housing options and availability.
- Recruitment and retention of young professionals.
- Availability of higher skilled mechanical and technical labor.
- Lack of higher education for area's high demand jobs, such as engineering and nursing.
- Relatively low wages, in comparison to State average.
- Limited retail, restaurants and other lifestyle related businesses.
- Perception of high taxes by major industry.
- Lack of hotels.

BMDD Financials

Fiscal year 2015-2016 financials were sound. The audited financial reports indicate that the BMDD's net assets were \$6,184,129 as of September 30, 2016. Total revenue was \$6,598,031 while total expenditures were \$413,902. The Corporation's net assets increased by \$1,340,037.

Partnerships and Affiliations

Local

- Brownwood Area Chamber of Commerce, Member
- Brownwood Marketing Alliance, Member
- Brownwood Industrial Foundation, Inc., Ad Hoc Board Member
- Rotary Club of Brownwood, Member
- R.E.A.D. Business Development Group, Member
- Young Leaders of Brown County, Vice President (Marshal McIntosh)
- Chamber of Commerce Tourism Advisory Board, Member (Marshal McIntosh)
- Brown County United Way, Board Member (Jeanice Padilla)
- Family Services Center, Board Member (Jeanice Padilla)

Regional

- West Texas Energy Consortium, Member
- Texas Midwest Community Network, Member and Delegate
- West Central Texas Council of Governments, Member
- Workforce Solutions of West Central Texas, Partner
- Small Business Development Center, Tarleton University, Partner

State and National

- Texas Economic Development Council, Member
- International Convention of Shopping Centers, Member

Contact Information

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Brownwood Board of Realtors

