



BMDD Annual Report, 2017

Prepared for: Brownwood City Council & BMDD Board of Directors

Table of Content

Economic Indicators

Sales Tax	2
Employment	3
New Business Activity	4
Residential Sales and Construction	5
Hotel Occupancy Tax	6
Annual Building Valuation	7

2017 Recap

Background & Agreements	8
About the BMDD	10
Annual Plan of Work, Principles & Policies	11
New Projects & Workforce Development	12
Entrepreneurship/Small Business Development, Marketing & Awards	13

Challenges and Issues

BMDD Financials

Partnerships and Affiliations

Local	16
Regional	16
State and National	16

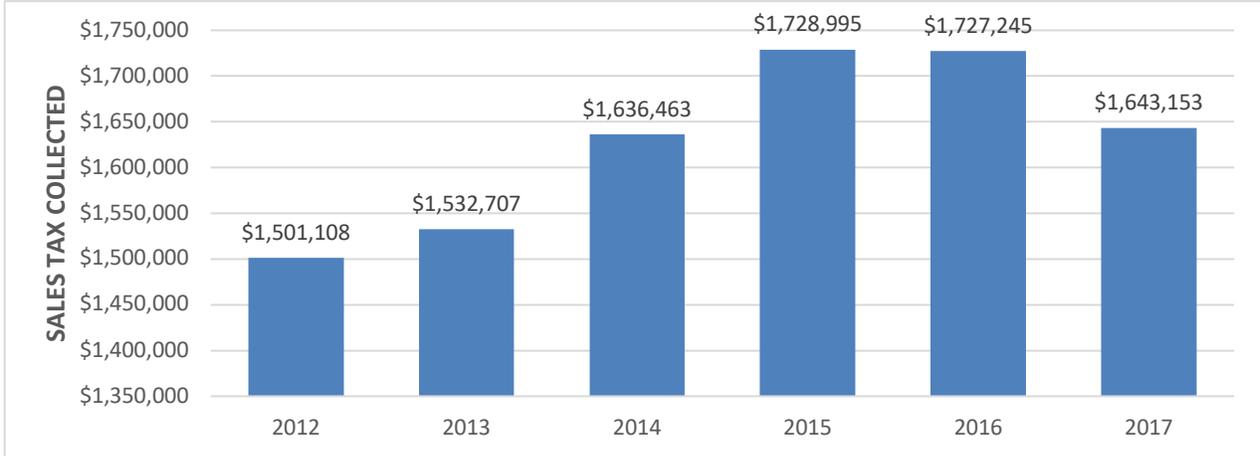
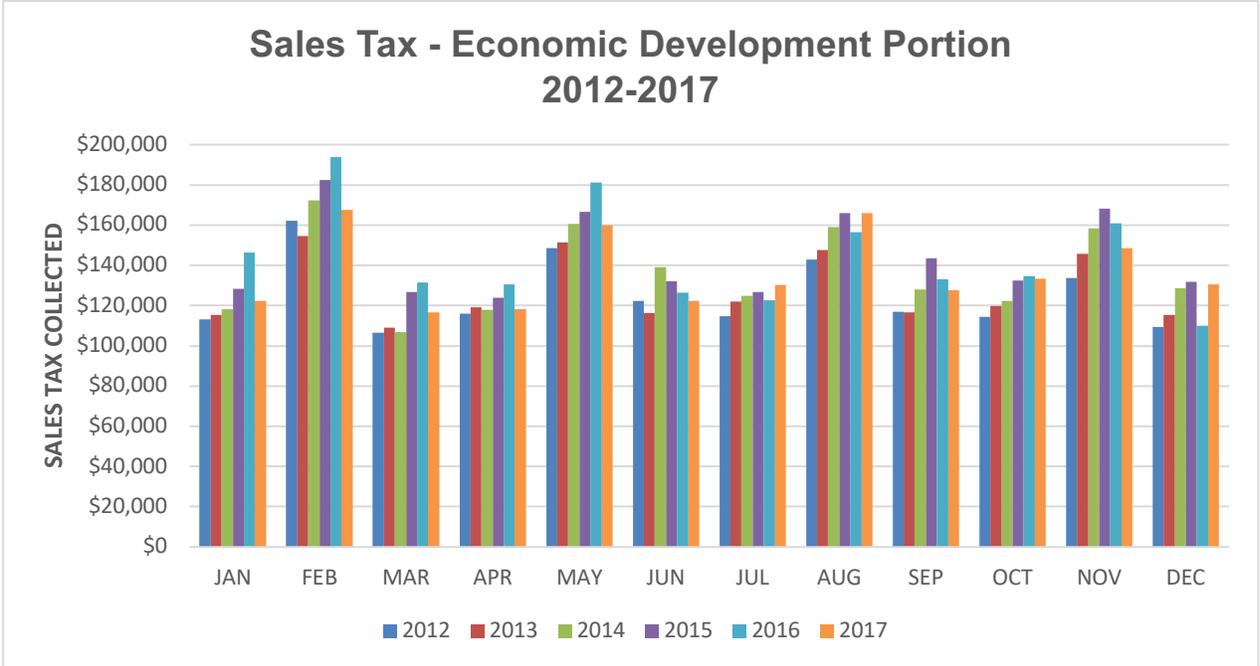
Contact Information

Acknowledgements	17
------------------	----

Economic Indicators

Sales Tax

The BMDD receives .5% of the 2% local sales tax for economic development. City of Brownwood **sales tax declined in 2017 at a total of \$1,643,153 a decrease of 5.11% from 2016.**



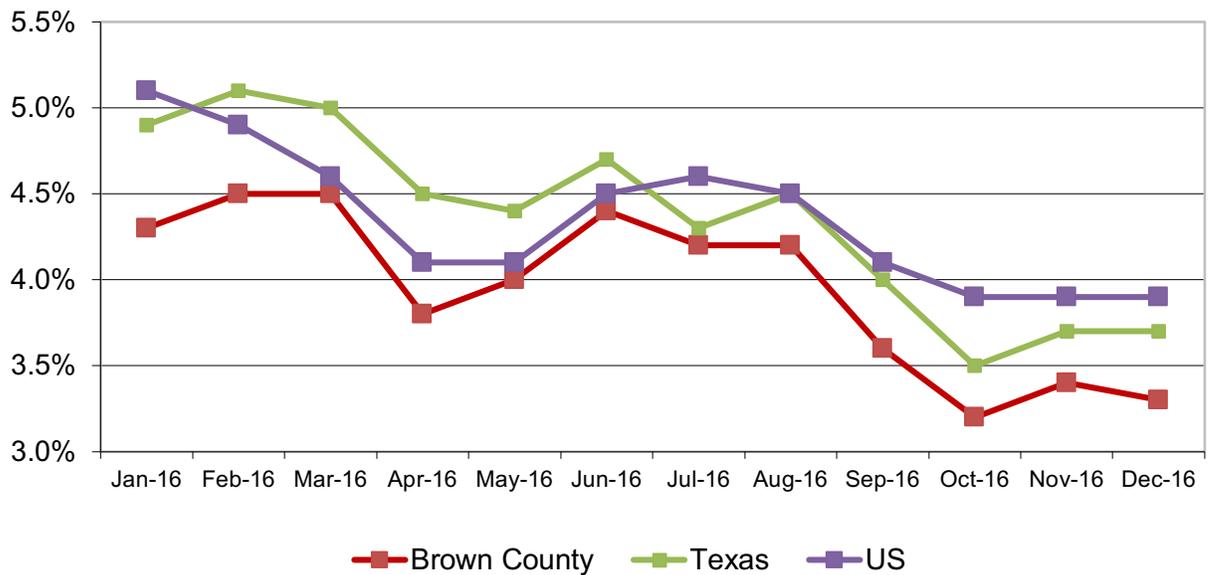
The Texas Comptroller reports monthly sales tax. Monthly reports reflect activity from two months prior, meaning that January numbers represent November sales activity.

Employment

A major indicator of employment data is unemployment claims. In 2017, Brown County's unemployment rate was once again lower than state and national figures. December unemployment in Brown County was **3.3%**.

The 2017 average unemployment rate for Brown County was 3.9%, which was lower than the Texas average of 4.4%, and lower than the national average of 4.3%. A low unemployment rate is a positive indicator of a stable economy.

2016 Unemployment

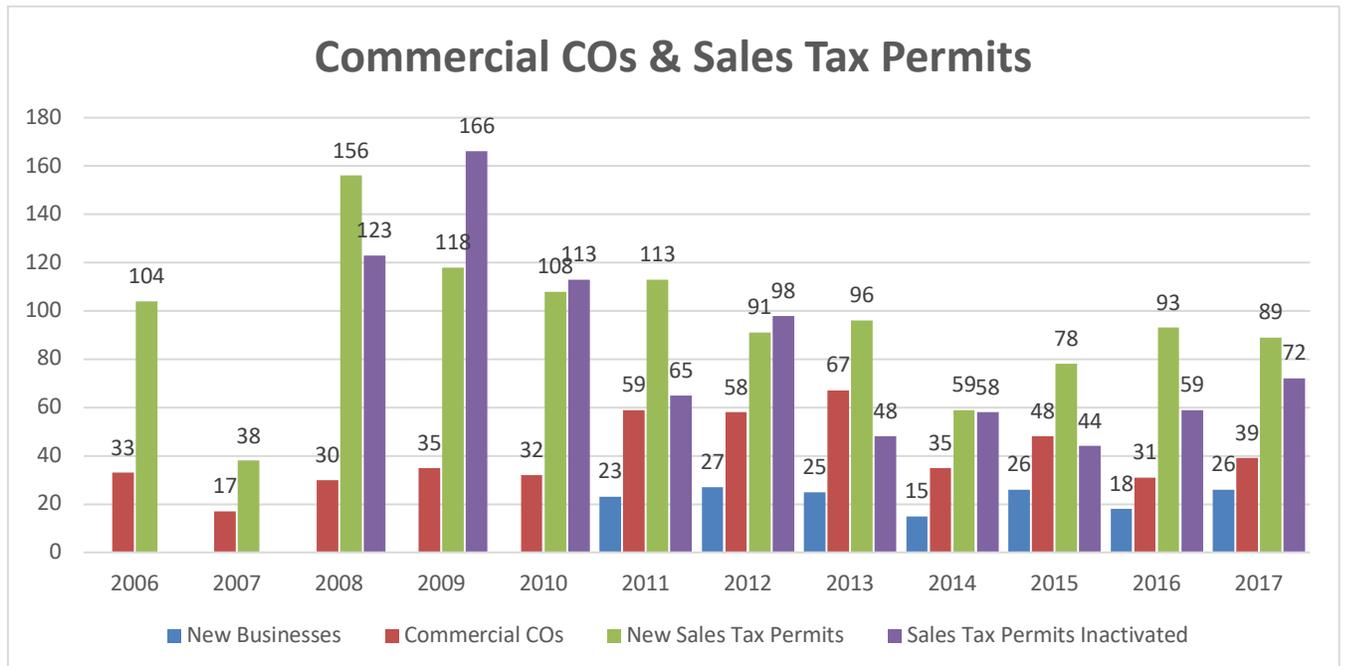


The Texas Workforce Commission reports Brown County employment information monthly, based off of data from the Bureau of Labor Statistics.

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 2017, 39 commercial COs were issued, of which 26 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.



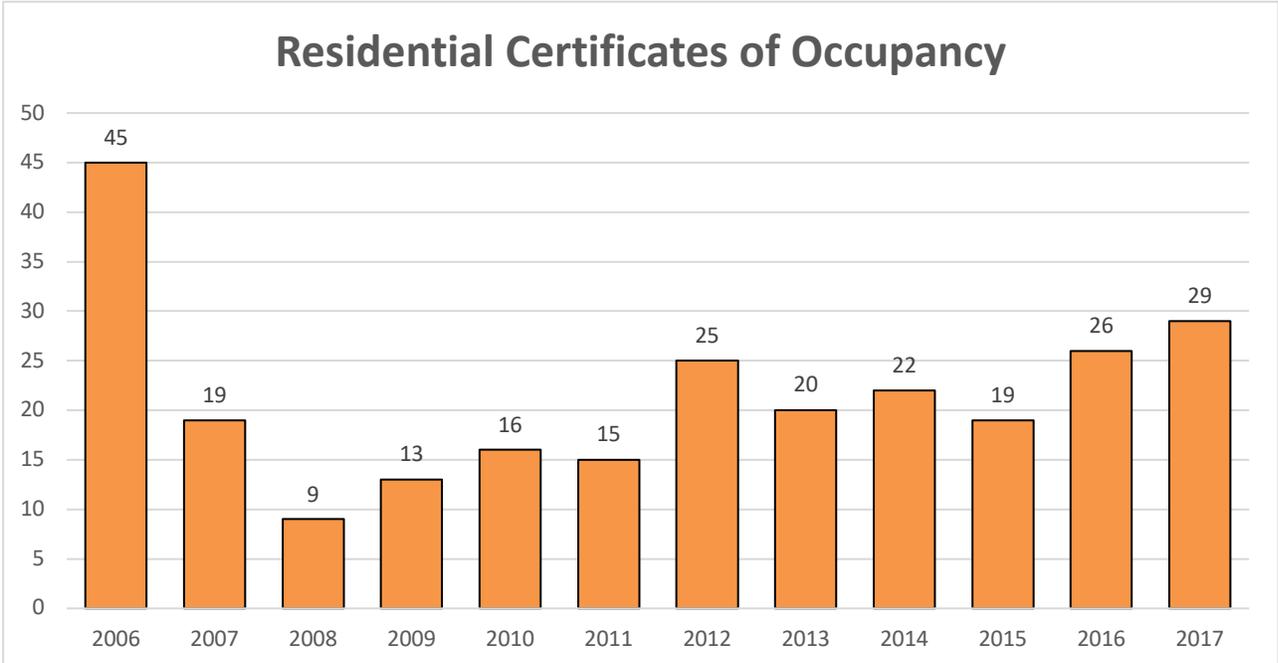
COs are issued by the City of Brownwood Development Services Department and represent activity inside the city limits. New businesses were not tracked prior to 2011. Sale Tax Permits issued and inactivated permits are tracked by the State Comptroller.

Real Estate Sales and Construction

Real estate sales within the City of Brownwood in 2017 were 391. Resulting in a 22% increase compared to real estates sales in 2016.



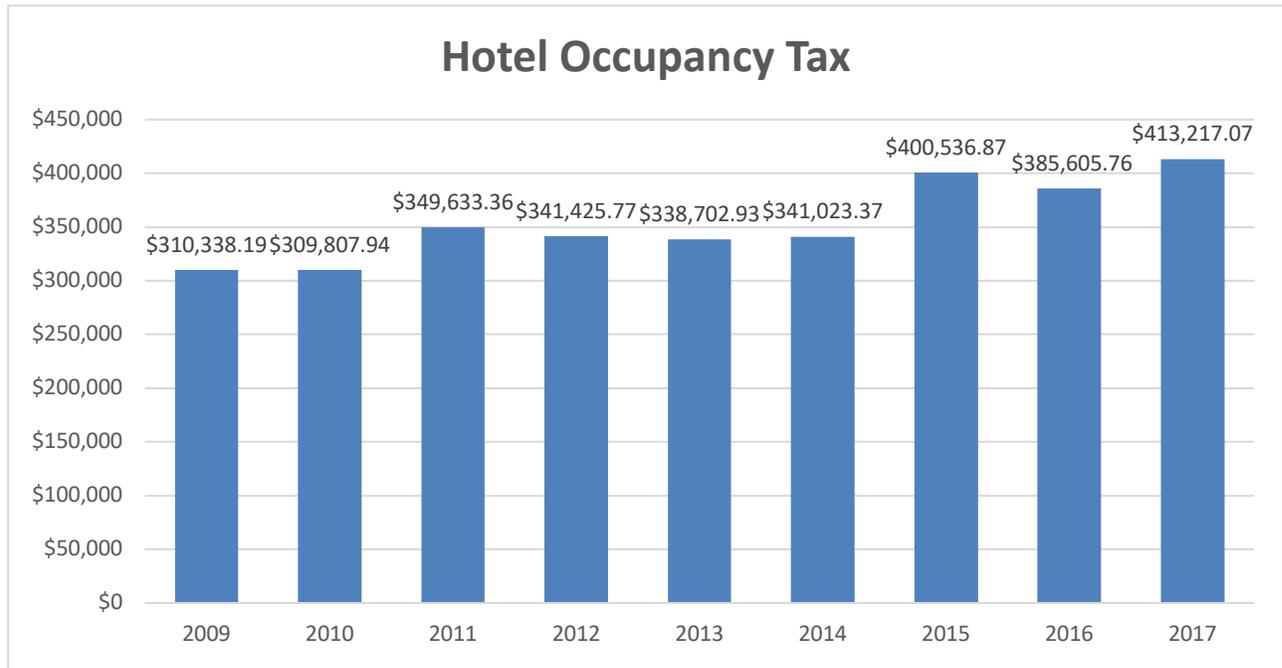
Certificates of Occupancy (CO) for residential properties are issued for new residential construction or substantial renovation. In 2017, 29 residential COs were issued inside the city limits, of which 15 were new construction.



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

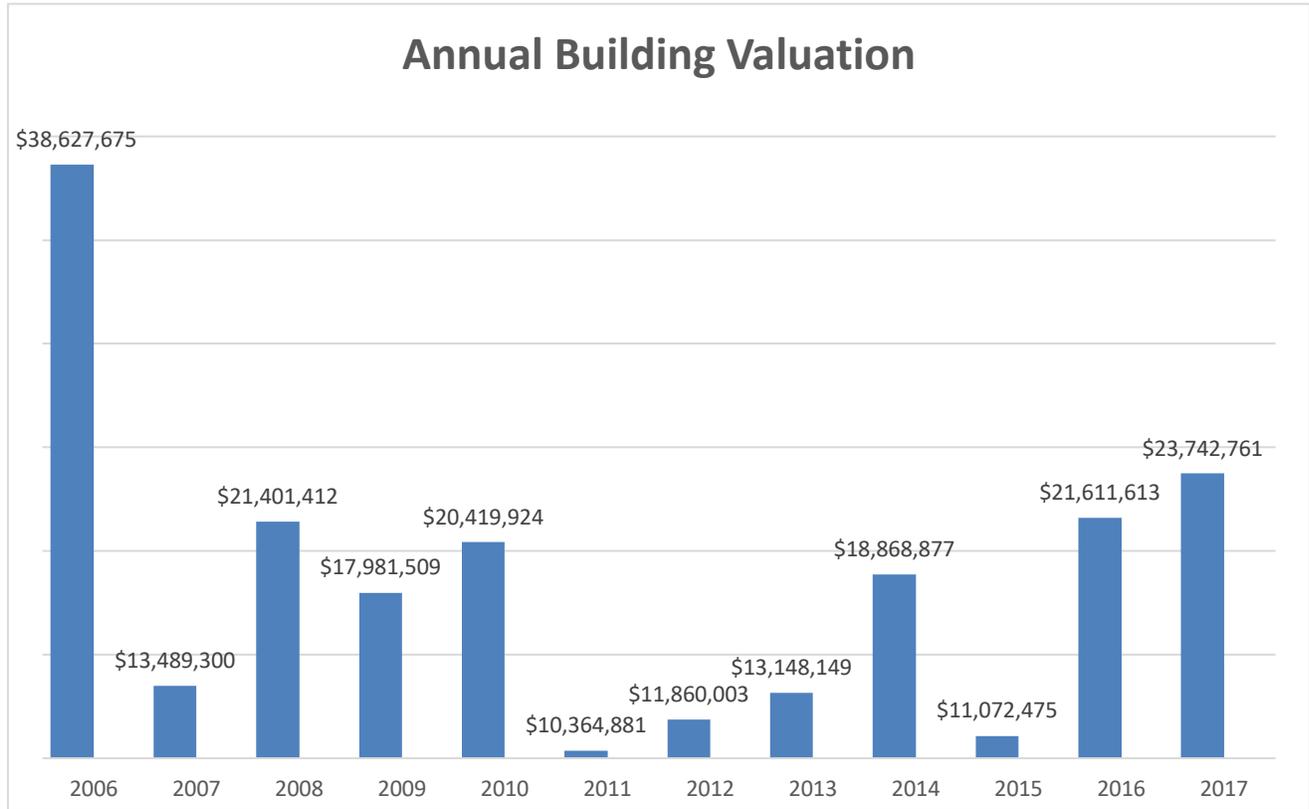
Local Hotel Occupancy Tax is 7% in the City of Brownwood and reflects leisure and business travel in the area. **The local Hotel Occupancy Tax collected in 2017 had an increase of 7.2% from 2016.**



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 2017, The City of Brownwood Annual Building Valuation totaled \$23,742,761 a **9% increase** from the previous year total of \$21,611,613.



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

2017 – MDDs FIRST FULL YEAR

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.

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. We now have some BMDD historical data in regard to revenue, the administration of the BMDD organization, and the expenditures we have made in the past year that were utilized in preparation of some parts of the budget. However, determining which type of projects we funded and the amount of funds we budgeted for each project continued to be an evolving and ongoing process. A lot of the projects we funded depended on opportunities that arose throughout the year, as well as on those occasions where we took advantage of synergisms and momentum in regard to certain projects. Budget projections at this early stage of the MDD for many of our yet-to-be-determined projects are very imprecise.

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 work in regard to an events center for Brownwood utilizing the Timmins Building.
- Entered into joint agreement between the City and BMDD with Brent Moseley to provide infrastructure funding for a 34 lot residential development.
- Initiated an agreement between the City and Trafalgar homes for a 122 unit town home development.
- Entered into an agreement with Hendrick Health Systems for a new 20,000 sq. ft. Medical Office Building.
- Entered into an agreement with Wright Asphalt a \$7.5M expansion of their facilities
- Entered into an agreement with Nelson Wholesale for a 56,000 sq. ft. warehouse expansion.
- Approved Building Improvement Incentive Program grants to ten businesses totaling \$119,770.
- Purchased the 35,000 sq. ft. South Park Development Center on 19 acres for \$65,000 for future rail development.
- Hired a Sports Coordinator to market our \$7M Sports Complex and other facilities, adding \$400K to the local economy.
- Worked on the Downtown District to provide funding for various projects including enhanced marketing and banner signage to help better identify downtown.
- Saw the addition of Flour Power, Fiesta Phillipino, Tr3s Leches Bakery, The Basement Salon, That Crane Store, The Vault, Lemon Grass Asian Cuisine, Donut Palace, Harbor Freight, Jolene's Thai Cuisine as a result of the positive business climate we have helped develop.
- Provided additional community marketing resources to help promote Brownwood.

Workforce Development

- Provided funds to Ranger College and TSTC to continue to expand training programs and services in the Brownwood area

Entrepreneurship and Small Business Development

- Through the Brownwood Area Chamber of Commerce, a total of 18 new consultations were conducted which include small business consults to new or prospective businesses and 8 startup consultations, 10 consults with existing 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, City Manager, and Mayor as well as year-round retail recruitment efforts with site selectors, brokers and developers.
- Continued to utilize YouTube, Twitter, Instagram 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

- 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

- Although we have seen great progress, housing continues to be a major challenge in recruiting new businesses. A housing study has been completed, 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.
- Utilization of our sports facilities. Our Sports Coordinator is helping in addressing this challenge.
- Lack of hotels to accommodate sports tournaments and events. Continue to try to recruit hotel developers.
- Lack of readily available retail space that is not encumbered with floodplain, other development issues, or unreasonably high prices.

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 2016-2017 financial were sound. The Audited financial reports indicate that the BMDD's net assets were \$6,686,020 as of September 20, 2017. Total Revenue was \$1,763,307 while total expenditures were \$1,261,416. The Corporation's net assets increased by \$501,891"

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
- Young Leaders of Brown County, President (Marshal McIntosh)
- Chamber of Commerce Tourism Advisory Board, Member (Marshal McIntosh)
- Downtown Advisory Committee (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

Brownwood Municipal Development District
P.O. Box 1389
501 Center Ave.
Brownwood, TX 76801
325.646.9600
www.brownwoodbusiness.com

Guy Andrews, Executive Director
gandrews@brownwoodtexas.gov

Marshal McIntosh, Special Projects & Communication Manager
mmcintosh@brownwoodtexas.gov

Roland Soto, Sports Coordinator
rsoto@brownwoodtexas.gov

Jeanice Padilla, Executive Assistant
jpadilla@brownwoodtexas.gov

Acknowledgements

This report was compiled with the cooperation of:

Guy Andrews, Executive Director-Economic Development

Marshal McIntosh, Marketing Communication Manager

Walter Middleton, City of Brownwood Finance Director

Ray Tipton, Brownwood Area Chamber of Commerce

Brownwood Board of Realtors