

Legislation Text

File #: 20-531, Version: 2

Presenter/Contact

*Jeff Jewell, Director of Economic and Community Development
(830) 221-4621 - nbtexas@nbtexas.org*

SUBJECT:

Approval of a resolution amending the Chapter 380 Economic Development Agreement with HD Supply Facilities Maintenance, Ltd.

BACKGROUND / RATIONALE:

If approved, this Amendment to the Chapter 380 Economic Development Agreement reduces the percentage rebate from the City to the Company from 50% to 33.3%. Chapter 380 agreements allow the City to make grants or loans of public dollars to private entities. Since 2006, HD Supply and the City of New Braunfels have maintained a Chapter 380 agreement that provided a 50% annual rebate of all sales tax received by the City from the Company. This agreement was renewed for another 10-year period in 2015 and maintained the same principal terms of the agreement.

Concurrently with this amendment, the NBEDC approved a project expenditure that would increase its sales tax rebate rate from 50% to 100% for a two-year period. Consequently, the EDC will assume a portion of the City's obligation to HD Supply under the original Chapter 380 Economic Development Agreement between the City and HD Supply. Taken together, these actions maintain the same overall 50% tax rebate to HD Supply, but allocates a larger share of the rebate from the economic development sales tax while the City's general fund obligation is reduced. The overall increase in general fund revenues for FY 2020 and 2021 are earmarked for pandemic response programs such as the Small Business Resource Grant. Most of the City's FY 2020 sales tax collections that would have been rebated to HD Supply under the current agreement are now earmarked for funding Chapter 380 agreements as part of the Small Business Recovery Grant Program during fiscal year 2020. A summary of the proposed amendment is provided below:

Entity	Sales Tax Rate	Current Rebate (50%)	Proposed Amendment
City of New Braunfels	1.125%	.5625%	.375%
NBEDC	.375%	.1875%	.375%
Totals	1.5%	.75%	.75%

and the amendment to the Performance Agreement between the New Braunfels Economic Development Corporation ("EDC") and HD Supply, and the EDC will enable the City to fund the proposed COVID-19 Small Business Resource Grant Program; and

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

<input checked="" type="checkbox"/>	Yes	Strategic Priorities	Maintain fiscal stability of City operations
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FISCAL IMPACT:

The amendment will reduce the percentage rebated from the General Fund to HD Supply and result in an increase of \$550,000-\$700,000 annually for the two-year period.

STAFF RECOMMENDATION:

Staff recommends approval of the Resolution