The 2018-2022 Comprehensive Economic Development Strategy was adopted by the NETEDD Board of Directors on .
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The Northeast Texas Economic Development District, Inc. (NETEDD) was created in 1966 to facilitate the flow of Economic Development Administration grant and loan funds into the northeast Texas region, which currently includes Bowie, Cass, Delta, Franklin, Hopkins, Lamar, Morris, Red River and Titus Counties. The geographical area of almost 5,732 square miles is home to approximately 283,978 people.

The NETEDD is a non-profit corporation governed by a Board of Directors composed of representatives from throughout the nine counties. Board members are appointed by each County Judge and represent a cross section of the region’s population and economic interests. The mission of the Board is to promote the diversification of the economic base and the growth, development and retention of business and industry within the nine-county region.

Due to locally-based economic development organizations and initiatives throughout the service area of the NETEDD, the District’s economic development program places an emphasis on providing a supportive role to entities focused on economic development within the region such as chambers of commerce, business associations, local government and economic development departments. While the NETEDD strives to be aware of economic development needs and potential projects in the area that will enhance the local economic base, the District’s role in the implementation of such projects is limited.
Background Summary

Taking a more in depth look into where the NETEDD Region has come from in the past two decades to allow us to better predict where NETEDD will be in 5-15 years. Where the NETEDD region is located has an impact on economic growth. Aging communities need upgraded infrastructure. Rural areas with aging population and educated younger citizens migrating to larger cities with higher paying jobs are at risk economically. Meeting the needs of today's job market through education and advanced training has become a challenge of every technological industries.

**Geography**

Where in the world is Pecan Gap? Located in two counties, Pecan Gap is about 13 miles northwest of Cooper.

**Population**

Growing old in the Sulphur River Basin. The median age for the NETEDD region is 39.4, or 4.5 years above the state's.

**Economics**

By the numbers for the numbers. How is commerce adjusting to the aged population.
NETEDD, as a region, has experienced a growth trend since 2010. However, it is widely expected that the region will begin to decline in population in the coming years. This is in part due to the aged population and outward-migration of younger workers due to lack of industry in the region. The region's population was 281,947 in 2010, and the population estimate for 2018 is 283,978. However, by 2040 it is projected to decline to 270,725. Older adults (65 plus) make up approximately 18% of the current population.
Although many of the rural communities and rural portions of the NETEDD counties continue to be dependent upon agriculture and commuting to employment, in the last 5 years the unemployment rate has decreased within the Region by 2.53%. The NETEDD Region average is 4.81% compared to the U.S. average of 3.10%. Red River County had the largest decrease (5.14%) in unemployment followed by Lamar County (4.76%). Morris County had less of a decrease (1.83%) but job prospects should increase with the reopening of U.S. Steel in Lone Star. Training and jobs to meet the demands of tomorrow’s labor force are the challenges that employers face to retain quality employees.

Campbell's Soup in Lamar County and U.S. Steel in Morris County.
As of the 2018 Texas Education Agency Snapshot for Region 8 there are 47 school districts with 56,088 students enrolled. This is a decrease from the 2013 Snapshot of 56,741 students. NETEDD is home to Texas A&M University - Texarkana and a number of community colleges including Northeast Texas Community College, Paris Junior College and Texarkana College, all of which continue to provide vocational and professional training in the region. Businesses are coordinating training programs with colleges to obtain specialty trained employees. This type of training works well in welding, computer technology, specialty machine operations, and many technological specific jobs. Today’s workforce is becoming very specialized in computerized technology in many fields and the challenge is to insure quality training is available.
Opportunity Zones: an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment.

Localities qualify as opportunity zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service.

NETEDD contains 25 opportunity zones

Opportunity Zones by county
- Bowie - 7
- Cass - 4
- Delta - 1
- Franklin - 1
- Hopkins - 3
- Lamar - 5
- Morris - 3
- Red River - 0
- Titus - 1
Opportunity Zones

Opportunity Zone Information

Opportunity Zones, created under the 2017 Tax Cuts and Jobs Act, are a federal economic development tool focused on improving the outcomes of communities across the country, especially in areas that have suffered from disinvestment over many years. Opportunity Zones are designated low-income census tracts where tax incentives are available to groups or individuals who invest in an Opportunity Fund (i.e., an investment vehicle for injecting money in an Opportunity Zone) and hold their capital gains in Opportunity Zone-related assets or property. The NETEDD Region contains 25 Opportunity Zones. By investing in Opportunity Zones, investors stand to gain a temporary deferral on their capital gain taxes if they hold their investment for at least 5 years, and a permanent exclusion from a tax on capital gains from the Opportunity Zones investments if the investments are held for 10 years. For more information on the basics of Opportunity Zones and Opportunity Funds visit https://opportunityzones.hud.gov or see https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx.

Opportunity Zone Community Playbook

To maximize the possibilities of the Opportunity Zones within the Region, the communities will need a strong economic development plan in place with a clear vision for the future that identifies important assets and challenges as well as engaged key stakeholders. “EDA believes that encouraging the desired private sector investment requires an understanding of the Opportunity Zones and the communities in which they reside from a regional perspective”. Many of the recommendations on how communities should make the most of their Opportunity Zones (see the Local Initiatives Support Corporation (LISC) Opportunity Zones Community Playbook at http://lisc.org/opportunity-zones/community-partners-playbook/) highlight the importance of planning and stakeholder engagement – convening key players, gathering economic and demographic data on the area, identifying economic assets and challenges, etc. – all of which are important existing elements of the CEDS planning process.
Map created by staff using StatsAmerica.org to identify Opportunity Zones within NETEDD.
### Opportunity Zones by Census Tract

#### Bowie County
- Texarkana
  - 480370104.00
  - 480370105.00
  - 480370108.00
- Hooks
  - 480370113.00
- Redwater
  - 480370114.01
- Maud
  - 480370114.02
- New Boston
  - 480370115.02

#### Cass County
- Douglassville
  - 480679502.00
- Atlanta
  - 480679504.00
- Linden
  - 480679506.00
- Hughes Springs
  - 480679507.00

#### Delta County
- Cooper City
  - 481199502.00

#### Franklin County
- Winnsboro
  - 481599503.00

#### Hopkins County
- Sulphur Springs
  - 482239506.00
- Como
  - 482239507.00
- Yantis
  - 482239508.00

#### Lamar County
- Paris
  - 482770005.00
  - 482770006.00
  - 482770007.00
  - 482770008.00

#### Morris County
- Naples
  - 483439501.00
- Lone Star
  - 483439502.00
- Dangerfield
  - 483439503.00

#### Titus County
- Mount Pleasant
  - 484499503.00
Bowie County

Board of Directors
Judge: Hon. Bobby Howell

Median Age: 38
Median Household Income: $45,554
Per Capita Income: $25,355
Poverty Rate: 17.9%
Unemployment Rate: 4.75%

Bowie County is the most populous within NETEDD’s domain. Bowie County acts as a corridor to and from Texas with Interstates 30, 69, & 49 and U.S. Highways 59, 67 & 82. Bowie County is fortunate that TexAmericas Center (TAC) is centrally located in the county. TAC owns one of the largest mixed-use industrial parks in the United States which services the four-states market. Bowie County has 7 Opportunity Zones; three of which are located within Texarkana’s city limits, one includes the TexAmericas Center.

For other resources available in the county click the links below

- Bowie County
- Texarkana EDC
- TexAmericas
- AR-TX REDI
- Texarkana Chamber of Commerce
- New Boston Chamber
- DeKalb Industrial Foundation
- Nash Industrial
Cass County

Board of Directors
Judge: Hon. Becky Wilbanks

Median Age: 44
Median Household Income: $42,167
Per Capita Income: $22,545
Poverty Rate: 18.5%
Unemployment Rate: 5.71%

Cass County shares a number of attributes as Bowie County, though on a smaller scale. Cass County is rich in economic resources including transportation needs served by Hwy 59 which is in the process of becoming part of the Interstate 69 system, by State highways 8, 11, 77, and 155, and by two rail lines, the Missouri Pacific and the Louisiana and Arkansas; 937 square miles of the East Texas timberlands, heavily forested with a great variety of softwoods and hardwoods; 20 to 30% of the land considered prime farmland; rich mineral resources including ceramic clay, granite, industrial sand, oil, gas, iron, and lignite coal. Cass County has 4 Opportunity Zones in or around Atlanta, Douglassville, Hughes Springs and Linden.

For other resources available in the county click the links below

- Cass County
- Atlanta EDC
- Linden EDC
- Queen City EDC
- Atlanta Area Chamber
Delta County

Board of Directors
Judge: Hon. Jason Murray

Median Age: 40
Median Household Income: $42,759
Per Capita Income: $25,004
Poverty Rate: 22.9%
Unemployment Rate: 3.44%

Delta County has the smallest population in the NETEDD. Delta County’s economy significantly relies on agriculture, in-transit consumerism, and tourism despite the aged population. Delta County has the tourism/economic benefit of Lake Cooper. Thousands of acres of parks and wildlife management areas surround the lake. The park sits where the Tallgrass Prairies and Post Oak Savannah ecosystems meet inviting tourists to the area annually. There is 1 Opportunity Zone in Delta County.
Franklin County

Board of Directors
Judge: Hon. Scott Lee

Median Age: 43
Median Household Income: $45,086
Per Capita Income: $25,602
Poverty Rate: 15.0%
Unemployment Rate: 4.49%

Franklin County has a welcoming attitude of a "perfect blend of country living and developing business atmosphere". While Franklin County is the 8th smallest county in the State of Texas, it has been among the top counties in dairy and broiler production. Franklin County is known for Lake Cypress Springs (lakecypresssprings.org), a reservoir lake used for recreation, municipal, and industrial purposes. Lake Cypress has 20 subdivisions surrounding the lake and is home to 6 parks. Franklin County has 1 Opportunity Zone.

For other resources available in the county click the links below

- Franklin County
- Mt. Vernon EDC
- Franklin County Chamber
- Franklin Texas Agrilife Extension
Hopkins County

Board of Directors
Judge: Hon. Robert Newsom

Median Age: 40
Median Household Income: $48,691
Per Capita Income: $26,267
Poverty Rate: 17.9%
Unemployment Rate: 3.55%

Hopkins County has a steady growing population in the southwest corner of NETEDD. As the population grows, the employment rate continues to increase. Agricultural, industrial, and consumer manufacturers serve as the primary economic stimulus for the county. The City of Sulphur Springs is in a prime location for business growth with I-30, and Hwy’s 11, 19, & 154 as they travel from North, South, East and West. There are 3 Opportunity Zones in Hopkins County, including Sulphur Springs, Como and Yantis.

For other resources available in the county click the links below

- Hopkins County
- Sulphur Springs EDC
- Hopkins County Chamber of Commerce
Lamar County

Board of Directors
Judge: Hon. Brandon Young Bell

Median Age: 40
Median Household Income: $43,335
Per Capita Income: $23,833
Poverty Rate: 17.8%
Unemployment Rate: 4.08%

Lamar County’s population is the second largest in the NETEDD. The rural nature of the county land is primarily dependent on agriculture; 49% of which is devoted to crops, 36% to pasture, and 12% to woodlands. Beef, dairy, hay, soybeans, wheat, corn, and sorghum are the chief agricultural products. Lamar is fortunate to be part of North East Texas Trails with Trail de Paris (http://traildeparis.org/) where Parks, Gardens, Trails, and Campsites are enjoyed by many. Lamar County has 5 Opportunity Zones with the City of Paris containing four of the Opportunity Zones.

For other resources available in the county click the links below

- Lamar County
- Paris EDC
- Paris Chamber
- Paris SBDC
Morris County

Board of Directors
Judge: Hon. Doug Reeder

 Median Age: 42
Median Household Income: $40,650
Per Capita Income: $23,438
Poverty Rate: 15.7%
Unemployment Rate: 8.01%

Morris County once again sees the light of day with the revitalization of U.S. Steel (formerly Lone Star Steel) located in Lone Star. More jobs at the Steel plant will bring businesses back to neighboring towns of Daingerfield, Omaha and Naples. The impact of jobs at U. S. Steel will have a reach that impacts more than Morris County. Neighboring counties will be impacted as the plant is brought back to full capacity. There are 3 Opportunity Zones in Morris County.
Red River County

Board of Directors
Judge: Hon. L.D. Williamson

Median Age: 47
Median Household Income: $37,513
Per Capita Income: $21,656
Poverty Rate: 16.5%
Unemployment Rate: 5.41%

Red River County has experienced minimal decline through the last decade. The entire northern border is the Red River and the southern border is the Sulphur River. Mineral resources in the county include oil, gas, clay, industrial sand, and chalk. No Opportunity Zones are identified in Red River County.
Titus County

Board of Directors
Judge: Hon. Brian Lee

Median Age: 30
Median Household Income: $48,024
Per Capita Income: $20,533
Poverty Rate: 19.3%
Unemployment Rate: 5.34%

Titus County has experienced a steady increase of population and employment since 2013. Their Chamber of Commerce and Visitors Council strives to “inspire business leadership, promote regional tourism, and enhance quality of life in Mount Pleasant and Titus County”. It should be noted that Titus county has the youngest median age in the NETEDD domain. By working with the Mount Pleasant Young Professionals and engaging an emerging group of young leaders who are committed to personal growth, career advancement, civic engagement, and service, the Chamber is enhancing the economic growth of Titus County. There is 1 Opportunity Zone in Titus County.
Economic Resiliency

A. Economic Changes

Economic ups and downs continue in the Northeast Texas Economic Development District (NETEDD). The decline in the dairy industry continues to plague the rural portions of Hopkins and Franklin Counties. Sulphur Springs and Paris have seen industries come and go. Morris County is rebounding with the renewal of U.S. Steel (formerly Lone Star Steel). Texarkana and Bowie County benefited during the past several years from the expansion of Cooper Tire in Texarkana, Arkansas and from several businesses moving into TexAmericas Center (an Opportunity Zone) located in New Boston. The NETEDD region as a whole continues to work together to maximize resources, share information, and share positive economic information.

Because of the location of this region between Dallas and the Port of Shreveport, its central location between the east and west coasts of the U.S., and the fact that it lies within the north-south transportation corridor connecting Mexico and eastern half of the U.S., our region has drawn attention from numerous industries in regards to sites for distribution centers. A trade zone at TexAmericas Center west of Texarkana will be an attraction for the region. The plans for proposed Interstate 69 and completion of Interstate 49, the upgrade to U.S. 59, and the availability of U.S. 271, U.S. 259, U.S. 82 and several state highways should increase the attractiveness of this region for distribution centers and other industries dependent upon access to major highways. Continued expansion of area airports will be an important part of this growth as will development of large industrial parks near major transportation corridors.

Developing new and expanding industrial opportunities will produce the benefits of creating new jobs, and increased tax base and business opportunities, and new and expanding industrial development. These new developments, however, propose some significant challenges to the NETEDD region:

1. Providing regional development coordination and technical assistance
2. The need for new infrastructure
3. The need for business financing capital
4. Workforce Development and technical training
5. Available housing and improved infrastructure
The availability of municipal utilities, business capital, and a trained labor force are vital for this region to sustain its current and future economic growth. These challenges are constantly on the forefront of the governing bodies of the counties/ the cities/ and the EDC’s of the NETEDD region. The demand for federal assistance programs, such as those administered through EDA, is increasing and outpacing available federal funding. Local communities continue to search for additional resources and ways to leverage existing resources such as public-private partnerships and creative financing vehicles, to ensure that challenges and costs for tomorrow’s economic growth is met.

Over the next five (5) years, NETEDD, in conjunction with ATCOG, will continue to expand its involvement in creating solutions to the following challenges:

- **Development of skilled and technological workforce** by-way of enhanced cooperation and support between North East Texas workforce Commission, new/existing employers and regional educational institutions
- **Creation of meaningful jobs** in an economically depressed region by attracting new businesses to the region that offers higher skilled and higher wage jobs
- **Continuation of business incentives and competitively priced financing** for existing and new small businesses in the region by offering SBA loans, SBDC training, Microloans, RLF loans, SCORE assistant, Workforce Commission cooperation and other services that promote small business retention and growth
- **Solicitation of increased public sector subsidies** for economic assistance to develop infrastructure, industrial parks and other public works projects
- **Preservation and protection of the environment** while encouraging economic development by management of water resources, remediation of Brownfields sites and control over existing and proposed waste disposal facilities
- **Maximizing the Opportunity Zones** within the NETEDD region to apply for available federal funds
Economic Resiliency

B. Hazards & Mitigation

Northeast Texas Economic Development District (NETEDD) partners recognizes the importance of planning for hazards in their cities and/or counties. To remain in compliance with 44 CFR Part 201, all of the NETEDD region participates in the Texas Standard Mitigation Plan (at a minimum). The State of Texas Hazard Mitigation Plan is updated every 5 years. Goals of the State Plan are to reduce or eliminate hazardous conditions that (1) cause loss of life, (2) inflict injuries, (3) cause property damage, or (4) degrade important natural resources. Objectives are to (a) implement activities that assist in protecting lives by making homes, businesses, infrastructure, critical facilities, and other property more resistant to natural hazards; and (b) improve hazard assessment information to make recommendations for discouraging new development in areas vulnerable to natural hazards. (2) Public Awareness Objectives are (a) develop and implement education and outreach programs to increase public awareness of the risks associated with natural hazards; and (b) provide information on tools, and funding resources to assist in implementing mitigation activities. (3) Natural Systems Objective is to preserve, rehabilitate, and enhance natural systems to serve natural hazard mitigation functions. (4) Partnerships and Implementation Objective is to encourage leadership within public and private sector organizations to prioritize and implement local, county, and regional hazard mitigation activities. (5) Emergency Service Objectives are to (a) establish policy to ensure mitigation projects for critical facilities, services and infrastructure; (b) strengthen emergency operations by increasing collaboration and coordination among public agencies, non-profit organizations and business; and (c) integrate natural hazard mitigation activities with emergency operation plans and procedures.
Economic Resiliency

Hazard Mitigation Plans

Each of the counties have individual Hazard Mitigation Plans. In order to be in compliance with 44 CFR, local mitigation plans have to be updated every 5 years. Updated plans allow the counties the ability to participate in program funding when needed, which is outside of the funding that is allowed with the State of Texas Hazard Mitigation Plan. One of the greatest challenges facing the counties every five years is the ability to apply and receive grant funding to assist with the extensive updating requirements of a plan update. Some of the NETEDD region plans have expired due to funding constraints.
Responding to the economic changes and needs outlined in the previous sections requires an organizational framework that categorizes those trends and leads to development responses. The CEDS utilizes a SWOT Analysis (Strengths,Weaknesses, Opportunities, and Threats) to identify areas within the region that could have an economic impact on NETEDD. Visions and Plans are derived from the SWOT analysis and goals and objectives are determined for a period of time. Analysing something as simple as a chart can bring to light that “Education” for instance can play a role in Strength, Weakness, Opportunity, and Threat in a Region yet be such a vital part of economic development.

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<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tr>
<td>● Accessible higher <em>education</em></td>
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<td>● Available workforce</td>
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<td>● Good water resources</td>
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<td>● Land Development opportunities</td>
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<td>● Growth Potential in Agribusiness, Logistics and Ecotourism</td>
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<td>● Affordable Housing</td>
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<td>● Transportation Corridors</td>
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<tr>
<td>● Good natural resources</td>
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<tr>
<td>● Adequate hospitals and other medical</td>
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<tr>
<td>● Inadequate and aging infrastructure (broadband, roads &amp; water)</td>
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<tr>
<td>● Skilled and Technological Workforce</td>
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<td>● Funding for technological <em>education</em></td>
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<tr>
<td>● Creation of Meaningful Jobs</td>
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<tr>
<td>● Providing Regional Economic Coordination</td>
<td></td>
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<tr>
<td>● Providing Regional Technical Assistance</td>
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<tr>
<td>● Per capita income is lower than state and nation</td>
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<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
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<tr>
<td>● I-369 development</td>
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<tr>
<td>● Multiple <em>education</em> avenues</td>
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<tr>
<td>● Workforce Available for Training</td>
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<tr>
<td>● Business Incentives and Public Sector Subsidies</td>
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<tr>
<td>● Farming and Agriculture Food Co-op Opportunities</td>
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<tr>
<td>● Interstate commerce from roads and rail</td>
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<tr>
<td>● Lack of funding required for infrastructure updates</td>
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<tr>
<td>● Inability to compete w/ higher paying areas (in state)</td>
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<tr>
<td>● Outmigration of <em>educated</em> students to higher paying quality jobs</td>
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<tr>
<td>● Economy and Business Closures</td>
<td></td>
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<tr>
<td>● Uncontrolled population changes - Census</td>
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Visions & Plans

THEME 1: INCREASE INVOLVEMENT WITH LOCAL GOVERNMENTS AND BUSINESSES TO PROMOTE ECONOMIC DEVELOPMENT OF THE REGION.

The Ark-Tex Council of Governments (ATCOG) is a voluntary association of local governments established under State law for the purpose of promoting intergovernmental cooperation and strengthening local units of government within Bowie, Cass, Delta, Franklin, Hopkins, Lamar, Morris, Red River, and Titus Counties, Texas and Miller County Arkansas. The ATCOG, through its Regional and Economic development departments, provides services within our region to promote the expansion of existing underutilized properties and newly planned developments which benefits the citizens within the region. While working in conjunction and partnering with the Northeast Texas Economic Development District (NETEDD) to encourage economic growth, the region has experienced progressive job creation and ongoing economic development.

THEME 2: MAKE AFFORDABLE FINANCING TO BUSINESSES IN REGION FOR EXPANSION

Developing new and expanding industrial opportunities will produce the benefits of creating new jobs, an increased tax base and business opportunities, and new and expanding industrial development. Development poses significant challenges for our region such as (1) providing regional economic coordination and technical assistance (2) the need for new infrastructure (2) the need for business financing capital, and (4) workforce development and technical training. The availability of business capital and a trained labor force are vital for this region to sustain its current and future economic growth. These challenges must be met for Northeast Texas to remain attractive to existing and new industry and to remain competitive with other regions, both nationally and internationally.
Visions & Plans

THEME 3: ADEQUATE INFRASTRUCTURE FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL GROWTH

Texarkana, Texas (Bowie County) and Paris, Texas (Lamar County) the two MSA’s in the region, are both experiencing steady and robust economic development. Texarkana, the largest MSA in the NETEDD Region, has undergone major infrastructure activity as a result of the expansion of Interstate activity by the Texas Department of Transportation (TxDOT) and consequently will continue to be a major and more efficient thoroughfare for traffic from Little Rock and Dallas. However, many of the rural communities and rural portions of the Region, are increasingly experiencing the detrimental impact of high unemployment, out migration, reducing per capita income and increasing poverty rates. The staff of NETEDD continues to be diligent in its efforts to promote the retention, creation and increase in employment levels in the Region it serves, as well as meeting the goals and objectives in its Comprehensive Economic Development Strategy (CEDS). Job retention and creation is the primary focus of NETEDD, and this objective is being supported through EDA Economic Development and Public Works grants, EDA RLF Loans, TxCDBG grants, and other RLF loans and grants.

THEME 4: EDUCATION AND WORKFORCE

The NETEDD Region has a less well-educated workforce than state averages. While somewhat equal numbers hold a high school diploma, the percentage with Associate’s and Bachelor’s degrees or higher educational levels is significantly less than state averages. In Titus counties, more than 25% of adults over the age of 25 do not have a high school diploma. To the extent that education relates to skills, these low education levels results in low wages and high poverty rates for the region. Consequently, average annual wages continue to be significantly lower in the NETEDD Region than all state comparison areas. The local High Schools and Community Colleges work together with students to help prepare them for the workforce. Quality education and quality training are vital to meet the needs of today’s fast moving industries.
Visions & Plans

THEME 5: DISASTER RECOVERY and ECONOMIC RESILIENCE

Establishing economic resilience in a local or regional economy requires the ability to anticipate risk, evaluate how that risk can impact key economic assets, and build a responsive capacity. As one of the most distressed parts of the State, the NETEDD Region will continue to be plagued with many economic challenges in the coming years. However, resolutions of these challenges are attainable with the support from the following partners and advocates:

- U.S. Economic Development Administration
- U.S. Department of Agriculture
- Small Business Administration
- Housing and Urban Development
- Environmental Protection Agency
- Homeland Security
- Ark-Tex Council of Governments
- Workforce Solutions Northeast Texas
- Texas Department of Economic Development
- Texas Office of Rural and Community Affairs
- Texas Department of Agriculture
- County Officials
- City Officials
- Economic Development Corporations
- Housing Authorities & Affordable Housing Developers
- Educational Institutions
- Private Foundation
The Northeast Texas Economic Development District is fortunate to have stakeholders who are committed to their communities and desire to contribute to the implementation of this CEDS. The NETEDD Board of Directors is comprised of a group of stakeholders from throughout the region’s local governments to ensure that the diverse perspectives and interests in the region are reflected, as well as to give the NETEDD efficacy in implementing the CEDS.

The Action Plan will be utilized as a tool for the Northeast Texas Economic Development District. The CEDS will guide the District with tools provided by the Strategic Direction and Action Plan as identified by the NETEDD Board of Directors. Below, the Board identifies the actions necessary to reach the Strategic Direction. As such, at the end of the calendar year, the District’s performance will be evaluated by the Board of Directors. The methodology in place will determine the effectiveness of the performance measure (PM) and whether the set targets were achieved.

I. Development of a skilled and technical workforce by-way of enhanced cooperation and support between the North East Texas Workforce Commission, new/existing employers and regional educational institutions.

II. Creation of higher paying and meaningful jobs in an economically depressed region by attracting new businesses to the region that offers higher skilled and higher wage jobs.

III. Continuation of business incentives and competitively priced financing for existing and new small businesses in the region by offering SBA loans, SBDC training, RLF loans, SCORE assistant, Workforce Commission cooperation and other services that promote small business retention and growth.

IV. Solicitation of increased public sector subsidies for economic assistance to develop infrastructure, industrial parks and other public works projects.

V. Preservation and protection of the environment while encouraging economic development by management of water resources, remediation of Brownfields sites and control over existing and proposed waste disposal facilities to improve infrastructure.

VI. The NETEDD will meet in conjunction with coordinate with other divisions of ATCOG to discuss the Hazard Mitigation Plan and find ways to provide community assistance and become familiar with how the Mitigation Plan will work.

VII. Participate in the establishment of coordinated leadership plan for disaster recovery to include a plan for short, intermediate, or long-term recovery needs.
<table>
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<th>Goals</th>
<th>Measurable Outcomes</th>
<th>Objectives</th>
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<tbody>
<tr>
<td><strong>THEME 1: PROMOTE ECONOMIC DEVELOPMENT</strong></td>
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<tr>
<td>Increased involvement with local governments and businesses to promote economic development of the region.</td>
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</table>
## Goals | Measurable Outcomes | Objectives

### THEME 2: MAKE AVAILABLE AFFORDABLE FINANCING

**Make available affordable financing to businesses in region for expansion.**

- Number of loans outstanding in NETEDD RLF, SBA 504, ETRAP RLF, Chapman & RLF portfolios.

**Source of economic development finance programs for small businesses and local Economic Development Corporations.**

**Maximize loans for businesses in Opportunity Zones**

- Number of loans for businesses in Opportunity Zones

**To increase economic growth in low income areas**

**Educate Communities on the availability of 504 and RLF’s available through the CDC and the benefit of low interest financing**

- Number of education units provided

**Increase the opportunities for communities to participate in low interest financing**
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<td>Development of higher educated, skilled and Technological workforce ready to fill the employment needs of new and existing businesses.</td>
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RESOLUTION:

NORTH EAST TEXAS ECONOMIC DEVELOPMENT DISTRICT, INC.
BOARD OF DIRECTORS

WHEREAS, the members of the North East Texas Economic Development District, Inc. (NETEDD) having reviewed and approved the 2018–2022 Community Economic Development Strategy (CEDS) for new format and electronic version,

NOW, THEREFORE BE IT RESOLVED THAT THE NETEDD 2018–2022 CEDS IS APPROVED THIS 30th DAY of APRIL 2020

BY:

L.D. Williamson, President
North East Texas Economic Development District, Inc.
INTRODUCTION

Under Title IX of the Public Works and Economic Development Act of 1967, as amended, the Economic Development Administration, herein after called EDA, may assist distressed areas experiencing long-term economic deterioration or areas threatened or impacted by severe economic dislocation. The Revolving Loan Fund Plan was developed in accordance with EDA Directive No. 17.07 dated 7/10/89 and the updated EDA Guidelines dated March 14, 2018. As adopted, the RLF Plan has become the Standard Operating Procedure for the North East Texas Economic Development District, Inc., herein after called NETEDD in administering a revolving loan fund program in areas experiencing long-term economic deterioration, and/or severe economic dislocation. Both exemplified in part by high or excessive unemployment rates relative to surrounding areas and the state. The Revolving Loan Plan is divided into two parts. The first covers the strategy of the RLF Plan and the second covers the operational procedures.

PART I. THE REVOLVING LOAN FUND STRATEGY

(i) Comprehensive Economic Development Strategy Overview

The North East Texas Economic Development District (NETEDD) consists of nine counties in the “Right Corner of Texas” or the far northeastern part of the state. This eleven-county region including Bowie, Cass, Delta, Franklin, Hopkins, Lamar, Morris, Red River and Titus counties, covers a geographical area of almost 5,732 square miles and is home to approximately 283,978 people. A merging of CTEDD and NETEDD RLF’s from EDA and an evaluation of distressed counties in the adjacent areas resulted in an additional twenty-one (21 counties added to our service areas. These additional 21 counties for EDA RLF funding include Bell, Bosque, Camp, Coryell, Eastland, Erath, Falls, Freestone, Gregg, Harrison, Hill, Johnson, Limestone, McLennan, Marion, Milam, Navarro, Panola, Somervell, Upshur in Texas, and Miller County in Arkansas. The aforementioned counties are served by five (5) different CEDS. In an effort to maintain the purpose of the funding, NETEDD staff will review the CEDS and annual updates for each of the areas covered.

In consideration of the size of the district, the Board and staff relied on a variety of resources and partners to obtain input into the 2018 Comprehensive Economic Development Strategy (CEDS) Report. Meetings with partners were used as a springboard to evoke discussion of economic development issues affecting the region. These partners provide the information that is an integral part of this report and include:
Community and Private Sector Participation

- Members of the North East Texas Economic Developers Roundtable (NETEDR) were vital to the initial planning process. The Roundtable is a group of professionals interested in economic development in North East Texas. The professionals come from city, county, and state governments, private developers and consultants, utilities, non-profits, and quasi-governmental units such as Councils of Governments and River Authorities. The regular, open meetings are held in different communities in the district and serve as a forum for the exchange of ideas and information related to economic development in North East Texas. The Roundtable’s website http://therightcorner.com/ contains information about available sites for development and community profiles for the region.
- Elected officials from counties and cities in NETEDD region were involved in the process,
- City managers/Economic Development Administrators/Chambers of Commerce staff and Board members were involved,
- Northeast Texas Workforce Commission Staff and Board members were primary contributors,
- The Ark-Tex Council of Governments staff and board members were an essential source of information,
- Local Community Leaders from Educational and Religious organizations provided information concerning their communities,
- Major Business Owners from various areas within the Region gave input and information.

STRENGTHS

The strengths that were reported for the NETEDD region in the 2013 CEDS Report continue in 2018 as strong attributes for the region:

- Affordable housing,
- Good water resources,
- Available land for development,
- Available workforce,
- Existing educational institutions such as universities, community colleges, and technical schools,
- Good natural resources,
- Location along transportation corridors/crossroads for major highways,
- Adequate hospitals and other medical facilities,
- Fairly good industrial diversity,
- Growth potential in agribusiness, logistics and ecotourism.

WEAKNESSES

Many of the weaknesses that were reported in 2013 continue to plague the NETEDD region as well in 2018:

- Relatively low wage levels,
- Higher than state average mortality rates, illiteracy rates and poverty rates,
• Aging population [According to Texas Dept. of Aging estimates, approximately 14% of those over the age of 60 live in poverty],
• Unemployment rates are higher than state average,
• Disability rates are higher than state average,
• Per capita income is lower than state and nation,
• Average value of owned homes is low,
• Educational attainment rates are low,
• Shortage of highly skilled labor,
• Job growth is slow,
• New business growth is low,
• Infrastructure is aging and inadequate,
• Public transportation and air transportation are inadequate,
• There are environmental concerns in some areas.

GROWTH SECTORS

The logical growth sectors for the NETEDD economy include healthcare, forest products and added value agriculture and distribution centers because of geographic location and transportation opportunities. Some of the Industry Clusters that exist or could exist in the region include:

• Forest products,
• Added value forest products manufacturing,
• Petroleum,
• Poultry,
• Medical Districts,
• Manufacturer, Trucking Facilities and Distribution Centers,
• Prison Facilities

NETEDD REGIONAL BACKGROUND ECONOMICS

The overall economy in the NETEDD Region continues to grow slowly, but naturally at a higher momentum, in the more populated communities with interstate highway or corridor highway access. Communities with attributes such as Texarkana (Bowie County), Paris (Lamar County), Sulphur Springs (Hopkins County) and Mt. Pleasant (Titus County) have all seen the benefits of multiple industrial and retail expansions and relocations over the past five years. Unfortunately, many of the rural communities and rural portions of the NETEDD counties, which continue to be dependent upon agriculture and commuting to employment, are still plagued with high unemployment and stagnant population growth or population decline.

The vision for North East Texas has changed little from the days of Representative Wright Patman. He was credited with saying that he wanted to see residents in his part of Texas earn at the national average, be educated at the national average, and have fewer than the national average living below the poverty level. North East Texas has made changes and improvements but our vision remains to have a workforce that is competitive nationally, earn wages at the national average, and relieve the burden of poverty from as many residents as possible.
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<td>Development of higher educated, skilled and technological workforce ready to fill the employment needs of new and existing businesses.</td>
<td>Increase in per capita income, decrease in unemployment, and increase in skilled and semi-skilled jobs.</td>
<td>Raise standard of living for residents of the region by emphasizing higher education &amp; technical skills as a route to higher wages.</td>
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<td>Adequate infrastructure for residential, commercial, and industrial growth.</td>
<td>Increased accessibility &amp; capacity of basic utilities, growth in industrial parks and other public works needs.</td>
<td>Decrease in the number of residents living at or below the national poverty rate in substandard housing; increase per capita income through additional job creation and retention.</td>
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(ii) **The Business Development Strategy**

The business development strategy is already well documented in the NETEDD CEDS Report and the Ark-Tex Regional Development Company (ATRDC) Annual Report (SBA Certified Development Company). The NETEDD staff has a close working relationship with the business sector in designing and implementing the business development strategy that initially enabled NETEDD to determine the need for an RLF and define the types of RLF investments that would
be most effective in complementing other types of business assistance in supporting the objectives of the CEDS program.

A priority objective is to provide technical assistance and financing to help small & medium sized manufacturing plants start-up, expand, or increase productivity. Increased use of technology and expansion of markets through exporting are strategic objectives to help keep local firms competitive.

Types of assistance identified and targeted in Northeast Texas include: 1) Management & business assistance from Small Business Development Centers (including ATRDC/NETEDD); 2) Production and Engineering assistance from Texas Manufacturing Assistance Center network stationed in Longview; 3) Seminars in International Trade co-sponsored by NETEDD and the North east Texas Economic Developers Roundtable; and 4) Financial assistance provided by NETEDD/ATRDC.

The following are among those activities for which a loan may be made from the RLF:

- The establishment or expansion of businesses engaged in commercial, industrial or agricultural activities, such as farming, manufacturing, construction, sales, service;
- The establishment or expansion of cooperatives engaged in the production and marketing of farm products, equipment, or supplies; the manufacture and sale of industrial, commercial or consumer products; or the provision of various commercial services;
- Business or job retention;
- Small business development;
- Private sector job creation; and
- Promotion of economic diversification, e.g. targeting firms in growth industries that have not previously been part of a community's economic base

Prohibited uses of RLF capital are listed below. See 13 CFR 307.17(b).

Acquire an equity position in a private business;
- Subsidization of interest payments on an existing RLF loan;
- Provide for borrowers' required equity contributions under other Federal Agencies' loan programs;
- Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
- Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit or any investment unrelated to the RLF; or
- Refinance existing debt, unless:
  - The RLF Recipient sufficiently demonstrates in the loan documentation a “sound economic justification” for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities). For this purpose, reducing the risk of loss to an existing lender(s) or lowering the cost of financing to a borrower shall not, without other indicia, constitute a sound economic justification; or
RLF Capital will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF Capital may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within a reasonable period of time, as determined by EDA, following the date of refinancing.

(iii) The Financing Strategy

Banking institutions throughout the NETEDD generally have conservative lending policies. Financial institutions almost uniformly showed gains in deposits and these statistics contrasted to other area economic indicators; viz., excessive unemployment rates and losses in personal income, and loan to deposit ratios generally in the fifty percent (50%) range indicate conservative lending policies.

In general, area lenders are reluctant to participate in high risk ventures or provide needed long term financing. Normally, local lending institutions require a 20 percent to 30 percent equity investment for applicants in a relatively strong financial position and with sufficient managerial experience in the industry or business. For new ventures and closely held companies, the equity requirement may be as much as 50 percent, if the loan is considered at all. Specialized equipment and technology based loans for manufacturers needing to upgrade to remain globally competitive are hard to finance conventionally. The NETEDD RLF in conjunction with the area banks has been successful in filling this need.

Most of the area lending institutions are innovative and utilize applicable loan supplement programs as needed; SBA-7 (a), SBA-504, and loan guarantee programs from the SBA and the USDA. The NETEDD RLF has proven to be another valuable financial tool that helps marginal projects become more attractive to private lenders by reducing the amount of exposure.

The utilization of the NETEDD RLF has strengthen the economic base of the areas within the District which suffer from severe economic distress. The NETEDD RLF Plan has worked with local economic development organizations with emphasis on Bowie County to help diversify away from defense facilities and recover from associated job losses.

Some areas have more on-going economic development activities than others, but the problems causing economic distress are present in all areas. This economic distress is reflected by out-migration, unemployment and underemployment, loss of personal income, lack of industrial diversification and lack of facilities and capital to stimulate and sustain economic development. It must be noted that the levels of distress are chronic and fluctuate directly with the rise and fall of economic activity within NETEDD's major industries; hospitality, defense and related industries.

The following financial policies are presented to serve a standard by which individual loans are tested and evaluated in order to achieve the goals and objectives of this plan:

1. Working capital loans will not exceed 50% of the total amount of loans in the RLF Portfolio;
2. Loan size - Minimum $10,000 up to a Maximum of $300,000;
3. In general, principal and interest will be amortized over the life of the loan. However, in order to encourage participation in a direct fixed asset loan by other lenders and investors, the RLF loan principal may be payable after other loans made in connection with the project have been repaid in full. It must be noted that each loan will be negotiated on an individual basis in order to generate maximum impact;

4. The interest rate on RLF loans will follow the rates allowed by the RLF grant. The minimum interest rate will be limited to four (4) percentage points below the current money center prime rate quoted in the Wall Street Journal or the maximum interest rate allowed under State law, whichever is lower, but will not be less than four (4) percent. However, should the prime interest rate exceed fourteen (14) percent, the minimum RLF interest rate may be limited to ten (10) percent if this would compromise the ability of the RLF to implement the overall financing strategy. The target rate will be the amount current money center prime rate fixed over the life of the loan;

5. Moratoriums on RLF principal may be established for the short run as needed in order to meet the credit needs of the borrower and further the goals and objectives of the RLF Program;

6. Wherever possible, the NETEDD will always strive to take a superior lien position. However, the Board may take a lien position for the RLF which may be subordinate and made inferior to lien or liens securing other loans made in connection with the project, in order to achieve the RLF goals. In determining the collateral requirements, NETEDD, in conjunction with participating lending institutions, will consider the merits and potential economic benefits of each individual loan request. RLF loans will be secured by liens and/or assignments of rights and benefits of the mortgagor. In projects involving fixed asset loans, the RLF will normally require collateral such as liens on the fixed assets, evidenced by loan documents to include but not be limited to notes, mortgages and deeds of trust, and security in interest;

7. A loan origination fee of 1.5% targeted for each loan.

The following items are needed for standard loan application and processing:

- Financial Information and Credit Report Authorization and Release Form
- CAIVRS Disclosure Form
- SAMS Clearance
- Personal History Form
- Personal Financial Statement Form
- Standard Loan Application
- Business Financials and/or projections (as needed)

**Civil Rights Requirements**

The NETEDD RLF will comply with all Department of Commerce and Economic Development Administration regulations under Title VI of C.R. Act of 1964, Section 112 of Public Law 92-65, Section 504 of the Rehabilitation Act of 1973, and Age Discrimination Act of 1975 all as amended. Any other applicable non-discrimination law(s). NETEDD RLF will require the same Assurances of Compliance from all loan recipients.

All applicants will be required to submit a policy statement that such applicant shall not discriminate against employees or applicants for employment on the basis of race, creed, religion,
national origin, sex, handicap, or political belief or affiliation. Applicants will be required to post a non-discrimination notice in areas where such notice will be seen by employees and applicants. Such notice will provide information for persons to report such discrimination who feel they have been discriminated against by the applicant. Loan recipient compliance will be monitored semi-annually and will require corrective action as necessary. Corrective action may require applicants to submit a work force analysis showing hiring patterns of affected groups and projected employment figures aimed at remedying underutilized minorities.

The NETEDD RLF shall not discriminate against loan applicants on the basis of race, color, national origin, religion, or sex. All applicable statutes, executive orders, requirements, and regulations pertaining to non-discrimination will be adhered to by NETEDD RLF.

The NETEDD RLF will require assurance in writing from loan recipients that affirmative action in the area of contracting will be taken to involve minority and/or female owned businesses.

The NETEDD RLF will work to further the cause of minority business development by encouraging applicants for funding by NETEDD RLF. The NETEDD RLF will work with minority business organizations, such as the Texarkana Black Chamber of Commerce, the local Service Corps of Retired Executives (SCORE) and the local Small Business Development Center, and other organizations working for minority business development, and encourage their referrals of potential loan applicants.

Monitoring of loan recipients on a regular basis will be used to ensure compliance. If patterns of discrimination are found with a loan recipient, and efforts to force corrective action are unsuccessful, the loan will be classified as a problem loan and if corrective action is not taken the loan may be declared in default of loan covenants.

The standards outlined below reflect the expected achievement of the RLF portfolio. Individual loans will generally conform to these standards but may vary depending on the economic benefits, both direct and indirect, to be achieved by each loan as long as cumulative results of the portfolio generally meet specified standards.

- The overall cost per job is targeted at the SBA rate of one job created for every $65,000 loaned though in some instances cost per job will be less than the indicated amount. This amount will be adjusted periodically to coincide with the SBA job creation requirement. The cost per job requirements tended to focus on the quantity of jobs rather than the quality of jobs. Increased costs of upgrading plant and equipment to keep pace with advances in technology to remain competitive makes the job retention a worthy public policy objective. The maximum loan to any single borrower is set at $300,000, with EDA approval.

- Due to the high level of long-term unemployed and underemployed workers in the NETEDD area, 50% of the new jobs created will be targeted at the long-term unemployed and/or underemployed workers.

- The RLF will continue to focus on economic base jobs or basic value-added jobs. These type of jobs tend to have a more positive impact on the area than do service jobs. A manufacturing job usually generates additional cash flow which creates market demand
and generates additional supplier and service jobs. Most of the dislocated workers in NETEDD filled basic job slots and were classified as semi-skilled and skilled industrial workers. RLF loan activity will be targeted but not limited to replenishing these types of jobs which will have the most economic impact on the area. The target ratios for semi-skilled and skilled workers are: Industrial - 60%, Commercial - 40%, Entry level -25%, Semiskilled -25%, Skilled - 50%.

- There is a gap in the lending practices of the local lending institutions for commercial loans less than $25,000. The local lending environment generally views the smaller loans as unprofitable ventures due to the cost of servicing the loans. The revolving loan fund will be used to address this weakness in the local lending environment while keeping the same priorities as larger loans. However, since the local lending institutions have an aversion to making the smaller loans, there will probably not be any private leveraging of the RLF funds. This will probably result in the RLF financing 100% of the project. This leveraging shortfall will be made up by leveraging the larger loans in an amount that should make the overall portfolio average in the 3 - 5:1 range.

- The rates of private sector dollars to be leveraged by the RLF Portfolio will be set at an overall average of two to one (2:1). It is expected a majority of the loans will leverage private sector funds in the 3-5:1 range.

- All loan applications will be analyzed with maximum positive impact on the economy considered the primary factor. As such, the ratio of public/private borrowers and locally owned or outside concerns are irrelevant. RLF loans must be used for purposes which result in private sector job creation or retention and contribute to the economic development of the area. Loans will normally finance industrial or commercial activities including light manufacturing and service industries where opportunities for private sector jobs are the greatest, and will emphasize direct job creation or retention, location or expansion of established business, new start-up or the retention of business. In some instances, indirect job creation may be considered on a low priority basis, but only with significant impact on the economy.

- Proclamation of the RLF will insure that the program is known to all potential loan applicants including minorities and women. Through the judicious use of the RLF, financing can be provided to those businesses and industries that indeed offer the most long-term gains for the area. The NETEDD can insure maximum gains for various areas by tailoring to meet the different needs of each locale.
• In small rural areas, revolving loan financing would most likely be to labor intensive industries offering the quickest relief to severe unemployment problems. In the larger, more urbanized areas, financing would be targeted at developments which would leverage major business expansions and start-ups providing a continuing source of new jobs. Every effort will be made to insure that the loan portfolio will increase the tax revenues in all eligible areas involved with the RLF program.

• The NETEDD Loan Committee and the loan candidate will be appraised of the state and federal statutes concerning civil rights and environmental regulations. Loan reviews and applications will require statutory compliance as a part of the terms and conditions of the loan.

The required selection criteria that financing is not otherwise available will be applied to all loans. The economic impact criteria are that the business be classified as a basic industry or other value-added business or support to a value-added business.

The staff will make an annual report to the NETEDD RLF Committee to assess the performance of the RLF in accomplishing its stated economic adjustment objectives and to modify the RLF Plan as needed and recertify the plan.

PART II. OPERATIONAL PROCEDURES

(i) Administrative Procedures

Staff of NETEDD, including contract labor, will be responsible for the identification and development of appropriate financing opportunities, providing business and financial counseling, performing environmental review compliance, and loan management. NETEDD staff will also render loan servicing functions which will include, but not be limited to, performing credit analysis, loan write-ups and recommendations to the Committee, loan processing, collections and servicing, handling defaulted loans and foreclosures, and compliance with grant requirements. Loan closings and foreclosures will be handled by outside legal counsel. Loan procedures and documents are in compliance with the RLF Administrative Manual.

The NETEDD RLF loan committee is composed of the NETEDD President and some of the ATRDC Executive Board (which also reviews SBA 504 program loans). This structure allows for administrative efficiency and competency in loan reviews. This loan committee is composed of five members who are representative of the public and private sector as well as minority representation. Members with business experience that might have a conflict of interest on a particular project must abstain from voting on that project. The board has members with bank lending experience and at least one of those members must be present for each loan decision. Quorum is set at three members and there must be a quorum to vote on a project.

The staff of the NETEDD will serve as the initial contact person for all NETEDD RLF applicants. If a prospective applicant appears to meet the criteria for a loan, the staff shall provide the prospect with a loan application packet, and assist them as necessary to comply with the requirements of
the application. When completed the application and all supporting documentation will be returned to the NETEDD office where the staff will examine it for completeness as well as further eligibility screening.

**Credit Reports**

The credit analysis of the loan application is a process designed to determine whether the loan applicant has adequate financial resources to repay the loan as outlined in the application. NETEDD utilizes the generic loan application used by the Ark-Tex Regional Development Co., Inc., (an SBA chartered Certified Development Company), to obtain all of the information needed for a thorough credit analysis of the proposed project. The credit analysis of this information will answer the following questions:

- Is cash flow sufficient to repay the loan?
- Is working capital adequate, or have adequate sources of working capital been identified?
- Is the balance sheet satisfactory?
- Do trends and projections support the loan request?
- Is the loan being recommended?

All information submitted to commercial financial institutions will be made available to NETEDD to ensure completeness, and when necessary NETEDD may use outside credit analysts to supplement analysis done by the staff. It is anticipated that the assistance of the RLF Committee members with loan experience will greatly enhance the analysis of each loan, and these individuals will be asked to take an active role in this phase of the loan process.

**Appraisal Reports**

Appraisal reports commissioned by the participating financial institutions shall generally be used by the RLF. If the financial institution does not need a formal appraisal and the RLF feels one is needed for its protection, a licensed appraiser shall be utilized.

**(ii) Environmental Review**

NETEDD will require written certification and conformance with all applicable state and federal guidelines concerning environmental review. NETEDD will develop and implement an environmental review process in accordance with the intent of the National Environmental Policy Act of 1969, as amended (P.L. 91-190), as implemented by the "Regulations" of the President's Council on Environmental Quality (40 DFR Parts 1500-1508). An Environmental Review Record (ERR) will be established for each loan, and the applicant or borrower must comply with all RLF environmental requirements.

In administering the RLF, NETEDD will maintain procedures to comply with applicable environmental laws and statutes including, but not limited to, the following:

- The Clean Air Act, as amended (42 U.S.C. 7401 et seq.).
- The Federal Water Pollution Control Act, as amended (U.S.C. 1251, et seq.).
Executive Order 11988, Floodplain Management (May 24, 1977), and regulations and guidelines issued thereunder by the Economic Development Administration.
The Wild and Scenic Rivers Act, as amended (16 U.S.C. 1271, et seq.).
The Resource Conservation and Recovery Act of 1976
All state and local environmental requirements will be applicable along with Federal standards.

Reasonable assurances must be provided by the applicant that the loan proceeds will not be used to substitute for private capital. These assurances will include execution of the Bank Commitment Letter and Bank Certification of Surplus Asset Unavailability. In addition, personal financial statements will be reviewed in order to determine the availability and accessibility of private capital.

In determining collateral requirements for each loan the Board will give consideration to each project's individual merits and the economic benefits derived from the project. The Board shall generally follow the guidelines listed below in making this determination.

- Fixed asset loans shall be limited in duration to the useful life of the fixed asset or the collateral securing the loan
- The equity requirement for each project will generally be 20% of the total project cost.
- In order to encourage the participation of other lenders in a fixed asset loan he NETEDD may take a subordinate position to others loans made in connection with the project.
- Loans for working capital will normally be secured by liens on inventories, receivables, or other assets available. Such liens may be subordinate only to existing liens of record and other loans involved in the project.
- In addition to the above types of security NETEDD may also require security in the form of assignment of patents and licenses, the acquisition of hazard insurance, and any other form of security deemed appropriate by the NETEDD RLF Board.
- If determined appropriate the NETEDD RLF Board may require life insurance on key persons be assigned to NETEDD RLF loan. Personal guarantees will also be required from principal owners.

The equity requirement for each project involving a new company will generally be 20% of the total project cost either for working capital or fixed asset loans. Equity requirements for existing companies may be lower if the company has a substantial equity position.
When determination is made concerning eligibility the staff will prepare a written and oral report for the NETEDD RLF Loan Committee covering:

- Eligibility
- Credit worthiness
- Collateral recommended
- How prospective loan will help NETEDD RLF meet program objectives
- How prospective loan will fit with loan portfolio guidelines
- Any special Loan conditions that are recommended
- Any other information deemed pertinent to the review process
- Recommendation on approval or disapproval of the application

If the loan is recommended for disapproval, the report should also indicate how the loan might be modified to make it an acceptable package for the NETEDD RLF Loan Committee to approve. The report should also indicate other potential sources of funding if the loan is denied, and what steps the staff will take to assist the applicant in these alternative processes.

The loan write-up is presented to the NETEDD RLF Loan Committee along with an oral staff presentation and recommendation. Following the presentation, the Committee will consider each application and vote on the recommended action. Minutes are kept of all Committee meetings. Loan applicants are notified of the decision immediately following the meeting and a written confirmation will follow.

A copy of a bank deposit slip will be required to document any equity requirement of the applicant. A loan commitment letter from the participating financial institution will be required for closing. Where applicable, the following documents must be provided at or prior to closing any loan:

**Borrower Provides to NETEDD:**

- Articles of incorporation and bylaws for borrower
- Corporate resolution authorizing borrower's President to execute loan documents
- Certificate of Good Standing from the Comptroller of Public Accounts
- Certificate of Existence from Secretary of State
- Lease agreement with property owner
- Landlord's lien waiver
- Legal description of property occupied by owner
- Life insurance on borrower in the amount of the loan (to be assigned to NETEDD-RLF as additional collateral for the loan)
- List of current employees by name and job title for job certification
- Evidence of equity injection
- Disclosure agreement letter
- Appropriate fire, extended coverage or liability insurance (policy or binder) on equipment, materials to be purchased with loan proceeds listing NETEDD-RLF as Loss Payee.
- Funds sufficient to cover closing costs including, but not limited to, legal/attorney fees, filing fees, lien searches, other fees included in closing costs such as appraisal fees or environmental assessment fees
Loan Disbursement

After addressing loan requirements and securing collateral (as necessary for each individual loan), loan disbursement is paid out in the form of a single lump sum payment via check and delivered to the borrower or sent via FedEx with signature required.

The NETEDD-RLF is responsible for the administration, monitoring, compliance, and the servicing of the total loan project from loan inception through full payment. The NETEDD-RLF has general collection, investing, disbursing, individual loan accounting and reporting responsibilities. The NETEDD-RLF also has responsibility for monitoring, administration, and overall reporting requirements. The NETEDD-RLF is responsible for taking whatever steps are necessary to bring delinquent loans current, and to take any other steps necessary to protect NETEDD-RLF capital.

The NETEDD-RLF is responsible for all aspects of administration, monitoring and servicing. This will include the following tasks:

- Periodic visits to the borrower to review the condition and maintenance of the collateral as well as compliance with any special provisions.
- Obtain and analyze the borrower's annual financial statements and review the results with the borrower.
- Monitor the loan agreement for defaults in covenants.
- Negotiate with the borrower if changes in terms, conditions, or covenants of the loan become necessary.
- Notification of default and initiating foreclosure proceedings and taking whatever steps are necessary to safeguard collateral.

It is the intent of the NETEDD-RLF to work with each borrower to ensure fulfillment of the loan obligations and to protect the interests of the NETEDD-RLF.

Borrowers are required to submit reports as requested to prove job creation in line with the RLF commitment. The borrower is required to submit Financial Statements in accordance with each borrower's loan terms and conditions. The NETEDD-RLF staff makes periodic on-site visits to check the status of collateral. The NETEDD-RLF staff also contacts the borrower periodically to identify any potential problems the business might be having.

The NETEDD-RLF staff shall make periodic monthly reports to the Loan Committee concerning each outstanding loan. The reports shall show the current payment status of each loan. The following procedures will be followed when accounts become past due:

- Accounts become past due when a scheduled payment is ten (10) days past due. A late charge of five percent (5%) will be charged on accounts more than fifteen (15) days delinquent.
- When a loan becomes ten (10) days past due, a late notice will be sent by the staff.
When a loan becomes twenty (20) days past due, the staff will make a personal contact and attempt to determine the reason for the delinquency.

Loans will be classified as problem loans when a payment is not made, when a default on a loan covenant has occurred, or when the borrower's financial statements reveal an adverse change which at some point could cause either non-payment or default.

In working with a borrower to keep the loan in good standing, the NETEDD-RLF staff will maintain frequent contact with each borrower. Any problems and concerns in the above listed areas will be discussed in depth to determine feasible solutions. The Loan Administration Board will be kept fully informed at all times of the status of problem loans and the actions taken by NETEDD-RLF personnel to rectify the problem. If a change in the loan terms can save the loan, the Committee is authorized to make any changes necessary that are in accordance with EDA guidelines.

When a loan becomes ninety (90) days past due and all efforts to find an alternative solution have failed, a loan will be considered in default. Because of the intricacies involved in foreclosures and liquidation proceedings and because of the legal consequences involved, the NETEDD RLF Loan Committee may choose to retain an attorney who specializes in this field to handle this process. The following procedures will also be followed:

- A meeting will be held with the borrower to explain the liquidation procedures.
- Following the meeting, a letter of intent will be sent to the customer and all creditors that there is a delinquency, balance of the loan, interest accrued, etc.
- During the twenty day waiting period the NETEDD-RLF will make arrangements to either move the collateral or arrange for a public foreclosure on premises. Lien searches will also be initiated to confirm NETEDD-RLF's lien position. If necessary, an appraisal would be requested at this time. Taxing authorities would be contacted to determine the mount of taxes due, if any.
- It should be noted that the NETEDD-RLF will try to reach a solution short of liquidation if at all possible. While the NETEDD-RLF must protect the capital in the Fund, it also does not wish to initiate proceedings which may result in the loss of jobs to the community. To the extent that a loan may be restructured or an acceptable alternative arrangement may be reached between the borrower and the NETEDD-RLF, liquidation will be considered a last alternative.

Where applicable, the following documents will be included with each loan file:

1. All loan documents
2. Evidence of equity injection
3. Articles of incorporation
4. Bylaws
5. Charter
6. Corporate resolution authorizing execution of loan documents
7. Certificate of good standing
8. Lease agreement
9. Landlord’s lien waiver
10. Legal description of property
11. Application Package:
   a. Loan application
   b. Business Plan
   c. Personal Financial Statement
   d. Previous three years’ business financial statements
   e. Environmental assessment
   f. Lender commitment letter

12. UCC lien searches
13. UCC filings
14. Disclosure agreements
15. Lender subordination agreement
16. Minutes of NETEDD-RLF board action
17. Life insurance policy
18. Liability insurance policy
19. Fire insurance policy
20. Employment base certification
21. Copy of letter to applicant summarizing terms and conditions
22. Staff Report
23. Invoices for equipment purchased with loan proceeds

**Administrative Procedures**

The NETEDD RLF was established in 1989; therefore, it is not considered a NEW RLF.

Accounts (maintained in a separate bank account for the EDA RLF portfolio) are established within the accounting system in order to clearly identify and audit repayments and interest income from the RLF funds. Monthly general ledgers are prepared for account status. The accounting system allows easy preparation of the reports as required by the EDA. Standard accounting procedures are used to maintain the accounts. The NETEDD-RLF is audited annually to ensure compliance with generally accepted accounting principles (GAAP) and EDA requirements per 13 CFR 301.15(a).

Administrative Costs within acceptable EDA percentages are incurred by staff working to initiate, review and service RLF loans as well as to provide required reporting to the EDA per 13 CFR 307.12. In addition, legal fees may be reimbursed for RLF related services performed. Charges associated with RLF admin costs are reflected on time tracking forms. Actions in compliance with 13 CFR 307.13(b).

Allowable Cash Percentage
NETEDD RLF utilizes finance staff to review the portfolio to ensure compliance with allowable cash percentage standards per 13 CFR 301.17(b).

EDA Reporting
The RLF Plan acknowledges that EDA requires regular reporting based on the scoring of recipient data either annually or semi-annually. Recipient certifies as a part of the report that the RLF is operating in accordance with the RLF Plan and that the information provided is complete and accurate in compliance with 13 CFR 307.14.
Deferment

Deferments are employed as a solution to a temporary problem impacting a borrower's ability to make loan payments, generally during a “verified disaster”. Deferment is only available if loans are current, a Borrower is experiencing a temporary cash flow problem, and a deferment will not harm the Borrower or NETEDD. The goal of deferment is to save jobs and keep the business moving forward.

A. General Requirements

Prior to granting a deferment, NETEDD must obtain, review, and analyze the following documents in order to determine whether the Borrower’s cash flow problem is temporary or a “verified disaster” has occurred that has created the temporary cash flow.

1. A written statement from Borrower outlining the reason(s) for its cash flow problem as well as the reason(s) why the Borrow believes that it is a short-term, rather than a long-term problem.
2. The Borrower’s financial statements for the past 3 months to prove financial stability prior to cash flow deficit or “verifiable disaster”
4. Documentation from management that Borrower qualifies for deferment.

B. Deferment

When a deferment is approved by management, the following options are available:

1. Interest only payments for a period of 3 months, re-evaluated for additional time at the end of 3 months. Principle added to the end of the loan.
2. Re-amortization of loan with reduced interest to lowest interest rate (4%) carried out for maximum of additional seven (7) years.
3. Re-amortization of loan with reduced interest to lowest interest rate (4%) carried out for maximum of additional seven (7) years and interest only payments for a period of 3 months. Principle added to the end of the loan.
4. Businesses with a complete shut down for a period of time due to “verified disaster” may qualify for a short term deferment to be determined by management and a pay-back schedule of interest calculated into loan payments when they resume.
   a. Monthly payments will be increased to pay back the deferred interest
   b. Additional interest payments may be paid during the pay-back period
   c. The deferred interest may be paid in a lump sum at the end of the deferment period
   d. Deferred principal will be paid at the end of the loan
5. Coordinate with Bank for any Borrower that has a 504 loan in conjunction with a RLF loan to align the deferment processes.

See RLF deferment process
Audits

The RLF Plan acknowledges that EDA RLF funds are subject to an annual audit requirement and the full value of the RLF must be shown every year on the Recipient’s Schedule of Federal Expenditures. If the dollar amount of the RLF qualifies the RLF as a major Federal program, the Recipient must ensure that the auditor performs the required Federal audit procedures. See 13 CFR 307.12(b)(3) and RLF Standard Terms and Conditions Part I.F.

(iii) Conflict of Interest

1. NETEDD shall not make loan or grant funds available to a business entity if the owner of such entity is related by blood, marriage, law or business arrangement to any officer or employee of NETEDD or any member of the NETEDD Board of Director’s, or a member of any other committee which advises, approves, recommends or otherwise participates in decisions concerning loans or the use of grant funds (hereinafter referred to as “Other Committee”).

2. No officer, employee, or member of the NETEDD Board of Directors or Other Committee, or person related to the officer, employee, or member of the Board by blood, marriage, law or business arrangement shall receive any benefits resulting from the use of loan or grant funds, unless the officer, employee, or Board member affected first discloses to NETEDD on the public record the proposed or potential benefit and receives NETEDD’s written determination that the benefit involved is not so substantial as to affect the integrity of NETEDD’s decision process and of the services of the officer, employee or board member.

3. An officer, employee, committee member or board member of NETEDD shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other thing of monetary value, for themselves or for another person, from any person or organization seeking to obtain a loan or any portion of the grant funds.

Former board members, committee members and/or officers are ineligible to apply for or receive loan or grant funds for a period of two years from the date of termination of his/her services.

This certification agreement is to be executed by all board members upon their joining the board and prior to their first meeting.