



Develop**Abilene**
DEVELOPMENT CORPORATION OF ABILENE

TEDC CEDA Award (Hartmann's, Inc)

INNOVATIVENESS

Hartmann's, Inc. is an Abilene-based precision parts manufacturer. Since 1955, the family owned, company has built a strong reputation for meeting project timelines and exceeding quality expectations. Hartmann's Inc. produces precision parts for a broad array of industries, including aerospace and aviation, automotive, and diesel and medical device. Over its 65-year history, Hartmann's, Inc. has maintained long-term contracts with many Fortune 500 companies, informally being touted as "the best little machine shop in Texas". Most notably, Hartmann's has been a Tier 1 supplier for Cummins Engine for over 30 years, additionally has contracts with Johnson and Johnson Vision Care and Emerson Automation.

As Hartmann's, Inc.'s demand increased, so had its needs for expansion. As a result of their successes, Hartmann's, Inc. had outgrown their production facility and planned on moving their headquarters to Jacksonville, Florida. In order for Hartmann's, Inc. to keep its headquarters and operations in Abilene, they needed to find a larger facility that could not only fulfill their immediate needs, but also allow them to achieve long-term growth.

DevelopAbilene – our umbrella brand for the partnership between the Development Corporation of Abilene (DCOA) and multiple local organization that work together to increase capital investment and job creation in Abilene – has built a longstanding relationship with Hartmann's, Inc. over the years through our Business Retention and Expansion (BRE) program. Hartmann's, Inc.'s need for additional capacity became increasingly evident to the DevelopAbilene team. Determined to help Hartmann's, Inc. expand their operations in Abilene, the DCOA offered to sell Hartmann's, Inc. an existing manufacturing facility located in Abilene's Five Points Business Park. Hartmann's, Inc. could have chosen either Building A, a 100,000 square foot facility, or Building B, a 40,000 square foot facility.

Although the 40,000 square foot facility would have worked for Hartmann's, Inc.'s short-term expansion needs, DevelopAbilene's understanding of Hartmann's, Inc.'s business enabled us to forecast their long-term growth needs. DevelopAbilene knowledgeably coached the company and guided their understanding of the benefits of moving to the 100,000 square foot facility, which would fulfill their expansion needs for years to come. To help Hartmann's, Inc. purchase the larger facility, the DCOA crafted a creative financing package that included a lease-to-own, 0% interest loan, with a balloon payment at the end of 10 years. Additionally, the DCOA gave Hartmann's, Inc. a \$900,000 incentive up front to use towards moving expenses.

The DCOA's innovative financing package will allow Hartmann's, Inc. to invest \$12 million towards the purchase of the building, renovations, and equipment they need to maintain their current workload and to build additional capacity for new contracts. The building will serve as Hartmann's, Inc.'s



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corporate headquarters as well as their manufacturing operation – a win for both Hartmann’s, Inc. and the city of Abilene.

TRANSFERABILITY

DevelopAbilene’s BRE program empowers us to establish and maintain good relationships with existing, local Type A companies. Through this program, we are able to stay abreast of companies’ business goals, workforce needs, and challenges. Our relationship with Hartmann’s, Inc. through our BRE program is a great example of how we were able to realize their expansion challenges and provide a solution. Other economic development corporations can incorporate this type of program to better support their own local Type A companies.

Additionally, economic development organizations in communities at risk of losing a local Type A business due to expansion challenges and associated costs could easily replicate the financial piece of the DCOA’s deal with Hartmann’s, Inc. Instead of relying on traditional financial institutions to supply a high-interest business loan, economic development corporations could allocate sales tax dollars to a company in the form of a 0% interest loan, an adjusted payment schedule, and a balloon payment due at the end of an agreed upon number of years.

COMMUNITY COMMITMENT AND LEVERAGE

The retention of Hartmann’s Inc. required coordination and collaboration of multiple local entities. The DevelopAbilene Team guided Hartmann’s to engage the assistance of the Small Business Development Center to help prepare projections for the company’s growth. This analysis further validated the Company’s need to move to the 100,000 square foot building. Hartmann’s utilized an Abilene based bank, First Financial Bank to secure financing for their equipment purchases, leveraging long-term relationships.

This economic development incentive package received unanimous approval by Abilene’s City Council, which served as the final seal of approval for our community. Hartmann’s, Inc.’s incentive was very beneficial to the community, utilizing public/private participation to create and finalize the deal. The creation of Hartmann’s lease-to-own incentive required both economic sales tax dollars and creative financing. Leveraging multiple local entities including, the City of Abilene, the Abilene Industrial Foundation and its Board, the Small Business Development Center and First Financial Bank, Hartmann’s, Inc. signed an incentive that included a zero percent interest loan with a balloon payment at the end of 10 years. Hartmann’s, Inc. also received \$900,000 to offset moving expenses for their relocation to Building A in Five Points Business Park.

The DevelopAbilene team identified an infrastructure issue that directly affected the utility of the Five Points Business Park, specifically, Hartmann’s new facility on the North side of the park. The DCOA leverage the opportunity to secure outside funding to conduct necessary infrastructure upgrades through the EDA Public Works and Economic Adjustment Assistance Program Grant which required



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support from the City of Abilene. The DCOA applied for the grant in a third of the time it is projected to take and received the EDA Public Works and Economic Adjustment Assistance Program Grant to upgrade the road infrastructure in Five Points Business Park. The DCOA utilized these outside dollars to conduct necessary infrastructure upgrades, allowing the sales tax dollars go further for both Hartmann's, Inc. and the community. These upgrades will increase connectivity in the park, improving the park's functionality and marketability.

MEASURED OBJECTIVES

The critical objective of this project was the retention of Hartmann's Corporate Headquarters in Abilene, Texas. The secondary objective was to expand the company's presence, from both a facility and job perspective, in the community. The incentive required the retention of 27 full-time employees and creation of 70 additional jobs over the next seven years with an average salary of \$51,034. Increasing their square footage by 60% and more than doubling their number of employees, will enable the company to double their current production providing ample capacity to service their existing customers and sign with new customers.

Furthermore, the sale of a publicly-owned building to a privately-owned company returned the property to a taxable status, adding ad valorem taxes into the community. Additionally, this incentive returned economic development sales tax dollars to the community and resulted in an estimated total of \$1,874,339 in net benefits for the city, county, and school district. This incentive is anticipated to contribute \$342,510 in sales tax benefits, \$1,375,657 in real property taxes, and \$1,152,102 in FF&E property taxes back to Abilene's tax base.

SECONDARY BENEFITS

This expansion project provided Hartmann's, the additional capacity to pursue more contracts with Fortune 500 companies, securing their presence in Abilene for the foreseeable future. The EDA grant awarded to the DCOA to update the road infrastructure in the DCOA owned Five Points Business Park enables the DCOA to continue developing one of Abilene's economically distressed areas in a manner which ultimately increases prosperity and quality of life in Abilene. Throughout the course of this project, the DevelopAbilene team strengthened the BRE program and learned how to work more efficiently and effectively. The DevelopAbilene Team rallied around this project, leveraging partnerships, local resources, assets and outside funding opportunities to secure Hartmann's future in Abilene.