

# Economic Development Tools

Bill Longley

TML Legal Counsel



# What is Economic Development?



# Property Tax Abatement

- Detailed legal process to enter into agreement spelled out in Tax Code Chapter 312
- Only affects increase in appraised value
- 10-year maximum term
- Most controversial economic development tool
- What about other taxing entities?

# Tax Increment Financing

- Business pays full taxes; revenue earmarked for improvements
- Due diligence on part of city is necessary
- Different taxing entities can pay different percentages into increment fund

# Sales Tax Abatement

- Three methods:
  - Neighborhood Empowerment Zone
  - State Enterprise Zone
  - Grant under Ch. 380 of Local Government Code



# 380 Grants

- Broadest economic development tool
- Allows grants or loans of public funds or personnel
- Must adopt a “program” before entering agreement
- Limitations

# Land as Economic Development



- Land not included in Chapter 380
- Hard to channel land through an EDC
- Notice and bidding laws

# Economic Development Corporations

- Funded by dedicated sales tax revenue
- Type A vs. Type B EDCs
  - Type A EDCs cannot spend on retail economic development; primarily fund projects that attract “primary jobs”
  - Type B EDCs can fund commercial and retail projects in cities under 20,000 in population or less than \$50,000 in annual tax receipts.
  - Both may spend on infrastructure that promotes business, including retail.



# Municipal Development Districts

- Type B EDC on steroids
- MDD sales tax may be levied in ETJ
- MDD board consists of 5 members



# Street Maintenance Sales Tax

