

Economic Development Tools

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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

