

# City's Economic Development Choices

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# Property Tax Abatement

## Tax Code Chapter 312

A local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years.

- Procedure:
  1. Adopt participate in tax abatement resolution
  2. Adopt Guidelines & Criteria
  3. Public Hearing
  4. Designate Reinvestment Zone
  5. Written Notice of intent to enter tax abatement agreement
  6. Adopt tax abatement agreement
  7. Other taxing units may or may not enter tax abatement agreement

School Districts: Tax Code Chapter 313



# Tax Increment Financing

## Tax Code Chapter 311

A tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a designated area known as a reinvestment zone.

- The cost of improvements to the reinvestment zone is repaid by the future tax revenues of each taxing unit that levies taxes against the property.
- Each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue gained as a result of improvements within the reinvestment zone.
- Due diligence on part of city is necessary

# Sales Tax Abatement

## *Three methods:*

- **Neighborhood Empowerment Zone** (Local Government Code Chapter 378): A neighborhood empowerment zone is an area designated within a municipality that is created to promote affordable housing; increased economic development; enhanced quality of social services, education or public safety; or the rehabilitation of affordable housing in the zone.
- **Texas Enterprise Zone** (Government Code Chapter 2303): enables local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state.
- **Chapter 380 Agreements** (Local Government Code Chapter 380): More detail on next slide



# 380 Agreements

## Local Government Code Chapter 380

Grant cities and counties broad discretion to make loans and grants of public funds or the provision of public services, at little or no cost, to promote all types of business development including industrial, commercial and retail projects.

- Broadest economic development tool
- Allows grant or loans of public funds or personnel
- Must adopt a “program” before entering agreement
- Ensure public purpose is served
- Can use only current funds
- Compliance with city charter provisions & local polices
- Review for Conflict with city bonds & grant documents



# Economic Development Corporations

## Local Government Code Chapters 501 – 505

Cities can adopt a sales and use tax and establish a Type A or a Type B economic development corporation, or both, to administer the tax funds.

- Requires an election to create.
- Type A EDCs mainly fund manufacturing and industrial projects that attract “primary jobs”.
- Type B EDCs mainly fund “quality of life” projects, as well as any projects a Type A EDC can fund.
- City oversees and approves all expenditures.

# Municipal Development Districts

## Local Government Code Chapter 377

Cities can hold an election in all or part of a city, including its extra territorial jurisdiction, to create the district and to adopt a sales tax to fund it.

- Type B EDC on steroids, i.e. can do same projects that a Type B EDC w/o the procedure.
- Only can be spent in the district.
- Considered a political subdivision.

