

Latest Trends in Economic Development

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City Attorneys
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About the TEDC...



**LARGEST
ASSOCIATION OF
ECONOMIC
DEVELOPERS**



**ESTABLISHED IN
1961**



**920 MEMBERS
REPRESENTING
OVER 625
COMMUNITIES**



**GOVERNED BY A
30-MEMBER
BOARD**

Who We Are



**EDUCATION/
CAREER
DEVELOPMENT**



**RESOURCES/
PUBLICATIONS**



ADVOCACY



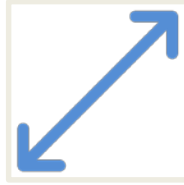
**CONFERENCES /
NETWORKING**



**AWARD
PROGRAMS**

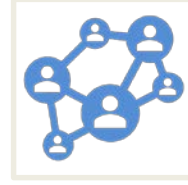
What We Do

Why Are Economic Development Corporations Important?



Diversification

Recruitment of new industries, and diversifying the tax base allows a community to be less vulnerable to fluctuations in the economy, and is better equipped to rebound from a relocation or closure of a major employer.



Control Ones Own Destiny

A comprehensive economic development program that focuses on seeking high-quality, primary jobs, gives a community control of its own destiny the economy and environment it envisions for its citizens.



Competition

Communities compete not only with neighboring cities, regions or states....they are competing globally for jobs and capital investment.

Why Communities Invest in Economic Development



Source: California Association for Economic Development

Why Local Control is Important for Economic Development



The degree to which local leaders, institutions, and governing bodies can make independent or autonomous decisions about the governance and operation of their community and its citizens.

The Economic Impact of the ED Sales Tax, Type A & Type B

For more than 30 years, the economic development sales tax has helped bring billions of dollars of new investment to Texas... the most important difference-maker in the history of economic development in our state.

Over 20 percent of the net new jobs generated in Texas over the past 30 years have involved efforts funded by the economic development sales tax.

A primary reason for Texas' economic success is tireless efforts by local economic development professionals across the state who rely on funds provided by the sales tax for economic development to compete for quality corporate locations, expansions and retentions.

The Perryman Group estimates that the fiscal benefits to the State of Texas from projects facilitated by the by economic development sales tax include **\$7.1 billion** per year, with **\$4.9 billion** per year to local taxing entities.

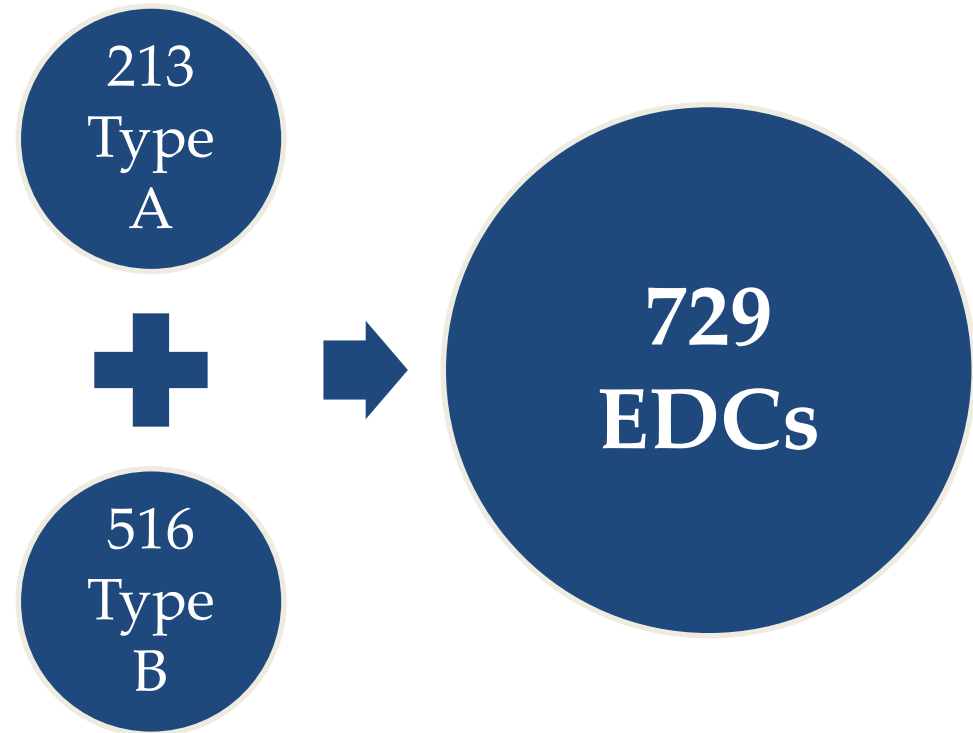
Every dollar in economic development sales tax paid by taxpayers yields **\$131.84 in output and \$82.42 in income.**

History and Origin of the Texas Economic Development Sales Tax

More than 30 years ago, legislative leaders envisioned a tax that would help Texas communities ramp-up their economic development efforts...

Truly local control.

The economic development sales tax has been the single most important tool for economic development purposes in Texas



When it Comes to the Economic Development Sales Tax...Our Philosophy is...

We support the law's original intent...economic and community development. Otherwise, the ED Sales Tax could be threatened. The law may deteriorate into a special interest/project or local municipal services tax.

**At that point,
who.....**

- Works to retain existing businesses in the community
- Works with new business prospects and entrepreneurs
- Plans and builds the business parks
- Markets your community for new business investment

TEDC's Position on the ED Sales Tax Law Has Been Consistent for over 30 years

We **oppose** expansion into areas with existing tax funding support, such as...



**PUBLIC
HOSPITALS**



LIBRARIES



**PUBLIC
SCHOOLS**



**COMMUNITY
COLLEGES &
UNIVERSITIES**

We believe strongly in local control and the flexibility the law provides in meeting local economic development needs. Likewise we believe the law should be left along...
Because it is working.

Key Trends Among Economic Development Organizations...

Economic development has shifted from focusing solely on business attraction

Fostering public-private partnerships with existing community organizations

Supporting business retention and expansion, entrepreneurship

Partnerships with workforce development, real estate, higher education, etc.

In Texas, the Very Best EDCs....



- Generally, have a measure of independence from their councils...yet, work collaboratively with them
- Board members typically represent the business community and are the facilitators of cooperation between the business community, the EDC and the Council
- Are apolitical, but when political situations occur, they solve these situations in a collaborative fashion
- Are all about policy and guidance and remain apart from the day-to-day operations
- Are creative in use of the term “project”
- Do everything in their power to fund their projects under existing law

Local Economic Development Incentives

Types of Local Incentives for Economic Development Purposes

Chapters 380 and 381 - Texas Local Government Code

380

- City agreement with private entities for economic development
- Used to spur economic growth
- Loans, bond, infrastructure improvements and other expenses related to development

381

- County agreement to support economic development
- More limitations than cities
- Both 380/381 require reporting to Texas Comptroller's Office.

Types of Local Incentives for Economic Development Purposes

Chapters 311, 312 and 313 - Texas Local Government Code

311

- Zones created by a municipality to help finance costs of redevelopment and promote growth
- Established in areas that would otherwise not attract sufficient market development in a timely manner.
- Encourage development to move forward at a faster pace
- Proven to jumpstart increased property values and long-term tax collections through tax reinvestments.

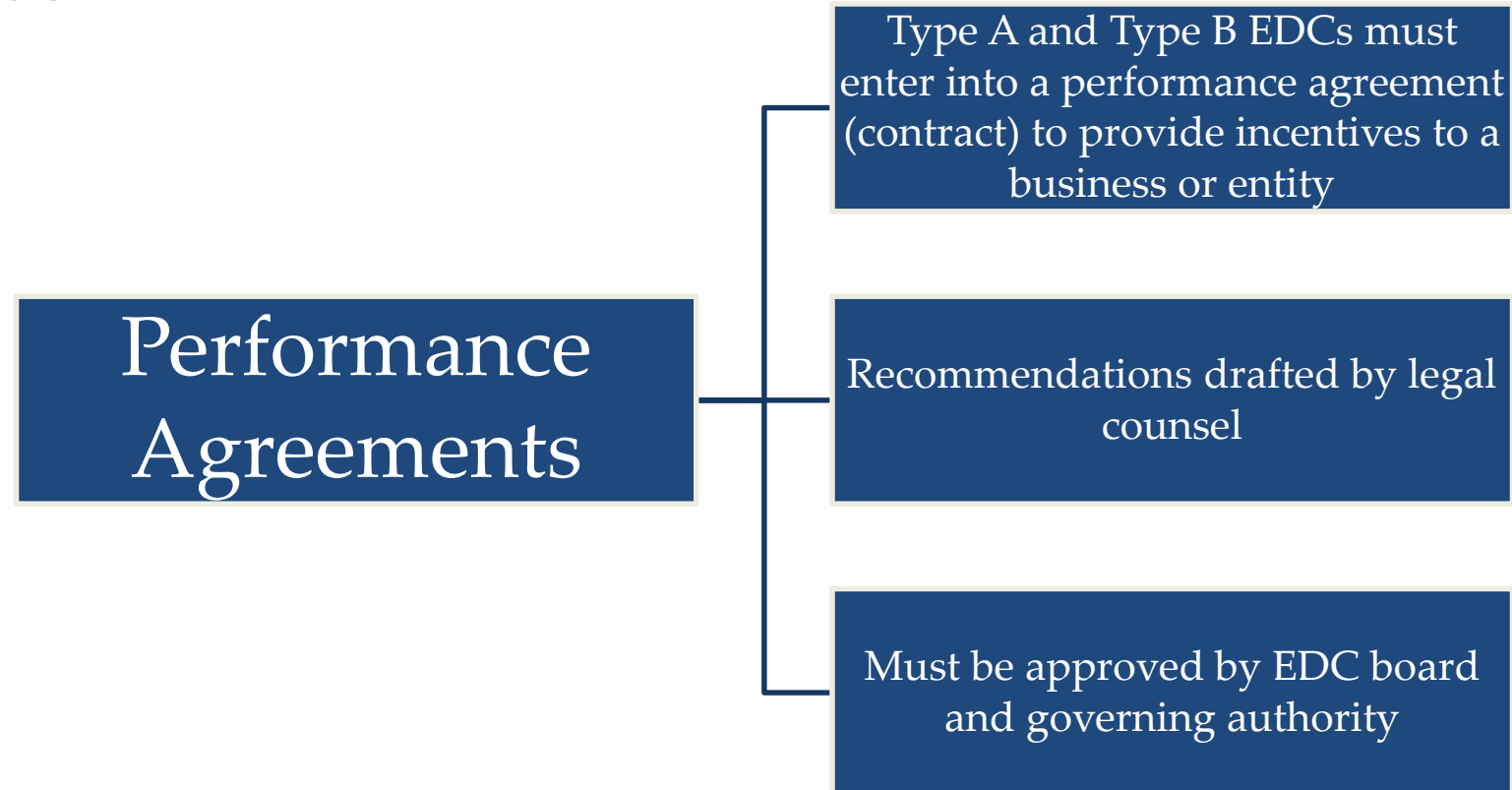
312

- Tax abatement limited to 10 years
- Allows business to pay reduced amount of property taxes on land, improvements or both
- Used to attract new business and also to retain and support expansion of existing business

313

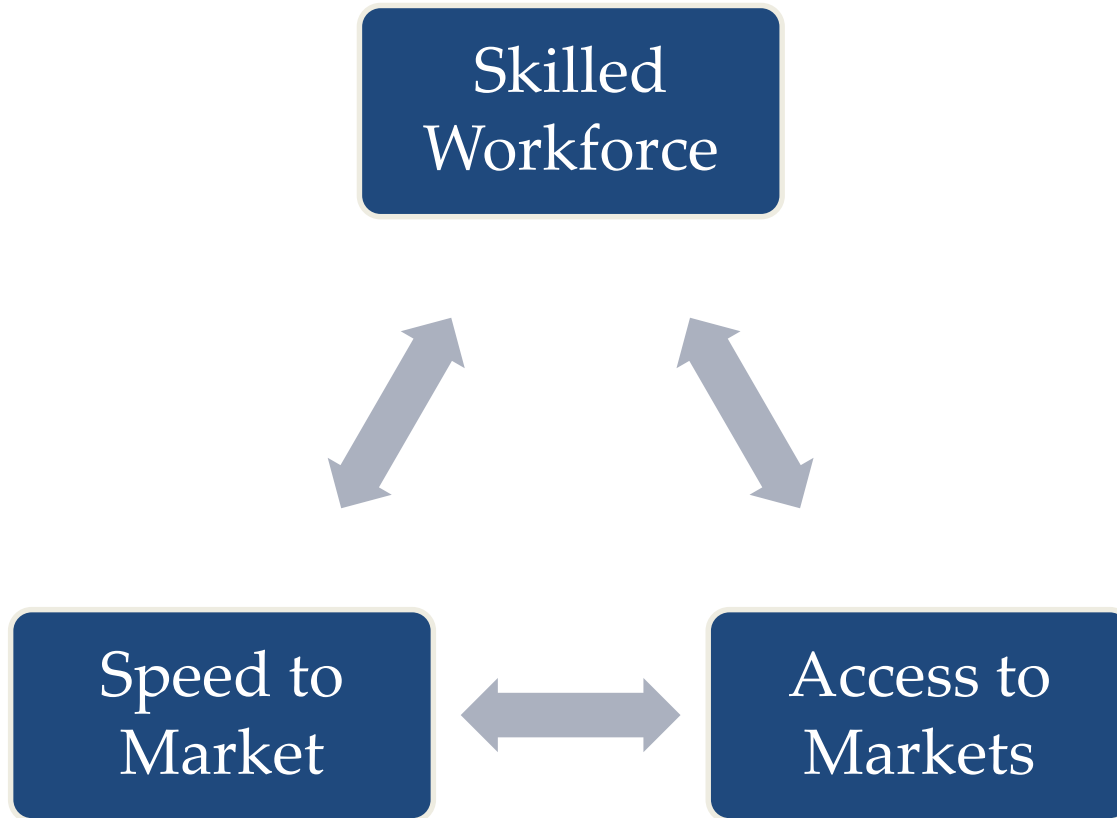
- Tax limitation on property taxes limited to 10 years
- Applies to school district portion of property tax
- Requires agreement with school district where business will be located
- Proven effective to recruiting large capital intensive projects
- Expires December 2022

Importance of Documentation and Due Diligence in Providing Incentives



What's Happening in Economic Development ?

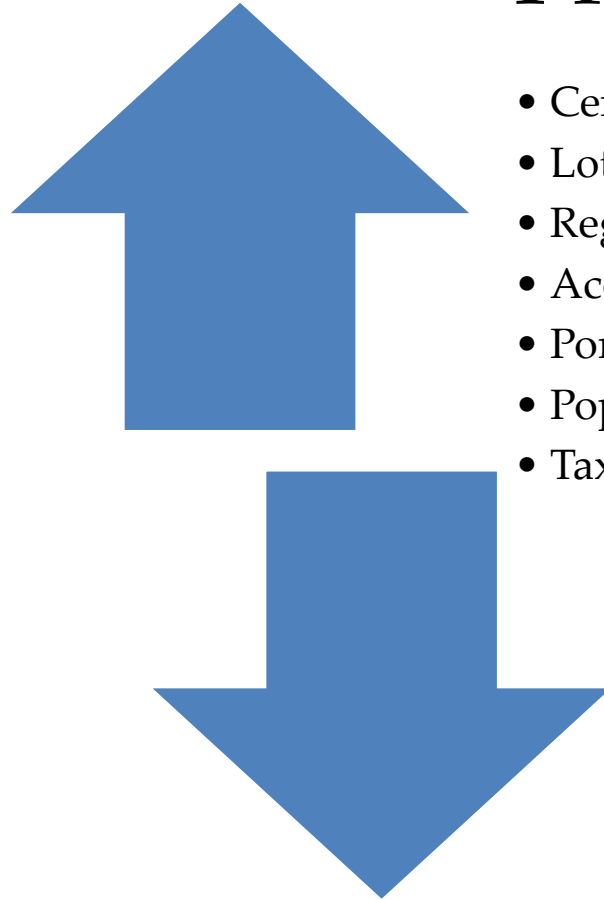
Top 3 Site Selection Factors Affecting FDI...



Other key factors include:

- Costs
- Regulatory Environment
- Government Support
- Technology and Innovation
- Community/Quality of Life

The Texas Perspective....



Pros

- Central location in the continental US
- Lots of land
- Regulatory environment
- Access to markets
- Port
- Population
- Taxes?

Cons

- Education
- Skilled Workforce
- Healthcare
- Taxes?

Is Texas Truly Business Tax Friendly?

Texas

Corporate Headquarters 23 out of 50

Data Centers 27 out of 50

Distribution Centers 34 out of 50

Capital Intensive
Manufacturing Facility 18 out of 50

**Other states that rank
consistently better than Texas
for corporate taxes?**

Wyoming

Ohio

Pennsylvania

Indiana

Delaware

North Carolina

Nevada

Montana

Arizona

Georgia

Maryland

North Dakota

Tennessee

South Dakota

TEDC Legislative Priorities and Recent Legislation Affecting Economic Development

TEDC Legislative Priorities

During the Legislative Session in 2021, the TEDC's six primary legislative priorities were:



1. Protect the Economic Development Sales Tax for Economic and Community Development Purposes
2. Support Reauthorization of Chapter 313 of Texas Tax Code
3. Support Continued Funding for the Texas Enterprise Fund
4. Maintain Funding for Texas Workforce Development Programs
5. Support and Promote Innovation and Entrepreneurship
6. Promote and Protect Local Control including Preserving Local Tax Incentives like Chapter 312 of the Texas Tax Code

Notable Legislation Related to Economic Development Passed during the 87th Texas Legislative Session



HB 2404 (Meyer) database on local economic development agreements.

Adds Chapter 403 of the Government Code and amends Chapter 380 and 381 of the Texas Local Government Code. HB 2404 requires the Comptroller's Office to create a database for Chapter 380 and 381 agreements to be viewed on its website. HB 2404 is effective September 1, 2021. Information on old active agreements must be submitted by January 1, 2022. The City or county has 14 days from entering into agreement to submit information to the Comptroller. There is a \$1,000 penalty for non-compliance.



SB 1465 (Hinojosa) Relating to operation of the Texas Small and Rural Community Success Fund Program as successor to the Texas leverage fund program.

Adds Chapter 489 to the Government Code and created the *Texas Small and Rural Community Success Fund* administered by the State Comptroller's Office. SB 1465 amends Section 501.008 of the Act and authorizes Type A and Type B corporations to obtain loans pursuant to the fund for eligible projects. Type A and Type B corporations can pledge its revenue for said loans. SB 1465 became effective June 18, 2021.

Notable Legislation Related to Economic Development **Failed** to pass during the 87th Texas Legislative Session

HB 539 by Patterson

Relating to authorizing certain projects to be undertaken by economic development corporations.



- TEDC has led the successful opposition of this bill for five consecutive sessions. It would expand the uses of the economic development sales tax law for non-economic development purposes.
- HB 539 is superfluous because of HB 157 passed in the 83rd Texas Legislative Session which allows cities to allocate their sales taxes in any increment 1/8th percent under the 2 percent cap with an election.

Notable Legislation Related to Economic Development **Failed** to pass during the 87th Texas Legislative Session



Chapter 313

The TEDC tracked several bills related to the extension of Chapter 313

HB 1556 by Murphy

- Would have extended Chapter 313 for a ten-year period with some changes to the program.
- The TEDC worked with a coalition of partners to pass a renewal of Chapter 313, a vital economic development tool for Texas, especially those projects with large capital investment.

HB 4242 by Meyer

- Would have extended Chapter 313 for a simple two-year extension bill to allow for more time to make changes to the program.
- Despite our work, your work and those of our coalition of partners, **Chapter 313 will expire at the end of 2022.**
- TEDC will continue to partner with the [Keep Texas First](#) coalition on this issue and will work on it over the interim until the 88th Texas Legislative session in 2023.

The Texas Economic Development Council is PRO...



BUSINESS



**PUBLIC
INVESTMENT**



LOCAL CONTROL

Questions? Comments...



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