

Economic Development

Tools for Texas Cities

What is Economic Development?

The process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services.

The City's role is to influence the process for the benefit of the community through expanding job opportunities and the tax base.

International Economic Development Council

Goals of Economic Development

- Stimulate business and commercial activity
- Eliminate unemployment or underemployment
- Develop and diversify the City's economy
- Promote new and expanded business development
- Retain current businesses in the City
- Create Jobs
- Expand the ad valorem tax base
- Increase Sales Tax
- Lower property taxes!

Basic Strategies for Community Economic Development

- Enterprise Creation – Support entrepreneurs and new business development.
- Established Firms – Retain, Expand
- Capital, Financial and Human – Improve community's ability to retain and capture investment
- Recruitment – Attract new primary employers

Tools for Texas Cities

- Chapter 380 Local Government Code Agreement
- Type A and Type B Corporations (formerly 4A & 4B)
- Tax Abatement
- Tax Increment Financing
- Public Improvement District
- Sales Tax Abatement
- Municipal Development District
- Street Maintenance Sales Tax
- Hotel Occupancy Tax
- State Funding

Chapter 380 Local Government Code

- The most wide open, broad and flexible economic development tool available.
- Allows the City to make a grant or loan of public funds or personnel.
- Must promote local or state economic development and stimulate business and commercial activity in the municipality.
- Must have claw back provision if metrics not met.
- Must have provision excluding the hiring of undocumented workers.

Type A and Type B Economic Development Corporations

- City can create a Type A or Type B or both by general election. Use's sales tax to fund the Corporation.
- Type A is only for projects that attract primary employers such as manufacturing, warehousing, distribution, research and development.
- Type B can be used for all Type A uses and professional and amateur sports facilities, entertainment, tourist and convention facilities, public parks and open space improvements, affordable housing and water supply facilities.
- Type B can be used for retail if:
 - a) less than 20,000 population; or
 - b) less than \$50,000 in annual receipts

Both can be used to fund job training classes, career centers and infrastructure which promotes new or expanded business enterprises including streets, rail, water, sewer, electric, gas utilities, drainage, site improvement and telecommunication/internet improvement.

Tax Abatement

- May be used for Real Property and Tangible Personal Property.
- May not exceed 10 years.
- Only affects increase in value the pre-abatement value is still taxable.
- Municipality must adopt a Tax Abatement Policy.
- Fairly involved process including resolutions, notices to other taxing units, public hearings, ordinance establishing reinvestment zone and contractual agreement.
- Can be granted to leased property.
- Can require job creation or increase in property value.
- Claw back
- County can participate school cannot.
- 380 Solution?

Tax Increment Financing (TIF)

- These agreements help build infrastructure.
- Business pays full taxes.
- Increase in tax base pays for targeted infrastructure.
- County and School can participate. (Good Luck)
- Fairly complicated process set out in Chapter 311 Texas Tax Code.
- Citizens generally neutral due to full tax collection.
- Downside – increase in Taxable value does not go to general fund.

Municipal Development District

- Chapter 377 Local Government Code
- Funded through sales tax. One fourth, three eighths or one half of one percent.
- Can fund any Type B project plus convention/civic centers and their hotels.
- May be levied in the ETJ.
- Good for smaller cities.

Street Maintenance Sales Tax

- Sales tax levied for the maintenance of streets.
- Frees up general fund revenue.
- Can only be used for existing streets
- Must be reauthorized by voters every 4 years.

Hotel Occupancy Tax

- Tourism Development Tax
- Use's must promote tourism (not necessarily heads in beads); and limited to the following:
 - Convention Centers and Convention Registration;
 - Arts;
 - Historical Preservation and Restoration;
 - Promotion of the City;
 - Sporting events and tourist buses in Cities over 1 million;
 - Athletic fields in some Cities.

Neighborhood Empowerment Zone

- Allows City to waive building fees including impact fees and inspection fees.
- Refunds of Municipal Sales Tax not to exceed 10 years for the benefit of the zone.
- Abatement of property tax not to exceed 10 years.
- May set baseline environmental goals.

State Funding

- Governor's Office of Economic Development and Tourism – has played a role in recruiting many businesses to Texas
- Texas Enterprise Fund – Created in 2003 it has become one of the largest such funds in the nation.
- Texas Emerging Technology Fund - created in 2005 to support innovation and cutting-edge start ups in Texas.
- Skills Development Fund – only customized job training program in the state – \$90 million available in the biennium.
- Cluster Initiative – Texas is focusing on 6 clusters, Life Sciences, Advanced Manufacturing, Aerospace/Defense, Information Technology/Telecom, Energy and Petrochemicals.
- Texas Enterprise Zone Program – designed to promote growth in distressed areas.

The End

