

Type A and Type B Economic Development Corporations and City Councils

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ED Corporations

Authority

- Texas Local Government Code
 - Chapter 501 - Provisions governing Development Corporations
 - Chapter 502 – Provisions Applicable to Type A and Type B Corporations
 - Chapter 504 – Type A Corporations
 - Chapter 505 – Type B Corporations

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Authority

- Texas Business Organizations Code
 - Chapter 22 – Non Profit Corporations Act
 - See Texas Local Government Code Section 501.054:

GENERAL POWERS, PRIVILEGES, AND FUNCTIONS. (a) A corporation has the powers, privileges, and functions of a nonprofit corporation incorporated under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) or formed under the Texas Nonprofit Corporation Law, as described by Section 1.008, Business Organizations Code. To the extent that the provisions governing powers, privileges, and functions of a nonprofit corporation under those laws are in conflict with or inconsistent with provisions of this subtitle governing powers, privileges, and functions of a nonprofit corporation, the provisions of this subtitle prevail.

The “Authorizing Unit”

Texas Local Government Code

- Section 501.051 - Authorizes Creation of the Corporation
- Section 501.056 - Approves the Certificate of Formation
- Section 501.062 – Appoints the Board of Directors
- Section 501.064 - Approves the By-laws
- Section 501.073 – Approves all programs and expenditures of the corporation and annually reviews any financial statements; is entitled to access to the corporate books and records
- Section 501.007 – a municipality may not lend its credit or grant public money or another thing of value in aid off the corporation except under a contract authorized under TLGC Section 380.002 (Grants of public money by cities over 100,000 in population).

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ELIGIBILITY

■ Type A Sales Tax

- All cities located in a county with a population of less than 500,000 if the combined local sales tax rate will not exceed 2 percent or the city has a population less than 50,000 and is located within two or more counties one of which is Bexar, Dallas, El Paso, Harris, Hidalgo, Tarrant or Travis

■ Type B Sales Tax

- All cities if the combined local sales tax rate will not exceed 2 percent

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Type A Board of Directors

- City's governing body appoints at least a five member board
- Each member appointed to a term not to exceed six years
- Each member serves at the pleasure of the governing body

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Type B Board of Directors

- City's governing body appoints seven directors
- Three of the seven **cannot** be employees, officers or members of the city's governing body
- Each member appointed to two year terms
- Each member serves at the pleasure of the governing body

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Type B Board of Directors

- Directors must be residents of city if population is over 20,000
- In Cities with population under 20,000 directors must be residents of the county in which the majority of the city is located or reside within 10 miles of the city and in a county which borders the county in which a majority of the city is located

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Revenue Use - Type A Sales Tax

Tax is primarily intended for manufacturing and industrial development primary job creation and may be used to acquire or pay for land, buildings equipment, facilities, expenditures, targeted infrastructure and improvements for purposes related to:

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Revenue Use - Type A Sales Tax

- Manufacturing and industrial facilities
- Research and development facilities
- Military Facilities
- Transportation Facilities
- Sewage or solid waste disposal facilities
- Recycling Facilities

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Revenue Use - Type A Sales Tax

- Air or water pollution control facilities
- Facilities for furnishing water to the public
- Small warehouse facilities
- Regional or national corporate headquarters
- Primary job training for use by higher education

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Revenue Use - Type A Sales Tax

- Certain infrastructure improvements that promote or develop new or expanded business enterprises
- Maintenance and operating costs associated with projects
- After an election eligible Type B projects

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Revenue Use - Type B Sales Tax

Provides cities with a wider range of uses and includes projects for quality of life improvements including economic development that attracts and retains primary employers

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Revenue Use - Type B Sales Tax

Revenue may be used for a wide variety of projects including land, buildings, equipment, facilities expenditures and improvements related to Type A primary job creation projects **or found by the board to be required or suitable for use for:**

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Revenue Use - Type B Sales Tax

- Professional and amateur sports and athletic facilities; tourism and entertainment facilities; convention and public park purposes and events
 - Related store, restaurant, concession, parking and transportation facilities
 - Related street, water and sewer facilities
- Affordable housing

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Revenue Use - Type B Sales Tax

- Projects related to Business Enterprises that Create or Retain Primary Jobs
- Certain Sports Venue Projects upon an election
- Small City promotion of new and expanded business enterprises

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Primary Jobs - Defined

Primary job means:

A job that is available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national, or international markets infusing new dollars into the local economy and is included in one several specific NAICS Sectors

Questions?

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