

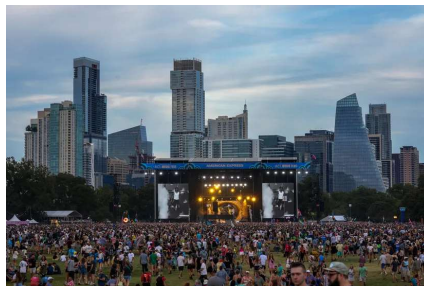
Planning For Your City's Economic Development

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What is Economic Development?



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- **“When it comes to competitiveness with neighboring states for large scale economic development projects, the state lags due to its high dependence on property taxes. . . . [H.B. 5] is needed to ensure that the state is using the tools that other states and countries are using to attract businesses and ensure that Texas remains the top state in the nation for business investment and job creation.”**

– House Ways and Means Committee
Bill Analysis for H.B. 5 (2023)



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The City's Role in Recovery



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Closing the Digital Divide



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City Incentives

- Property Tax Abatement
- Sales Tax Rebates
- Chapter 380 Grants
- Public Improvement Districts
- Tax Increment Financing
- Economic Development Corporations
- Municipal Development Districts



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Property Tax Abatement

- Tax Code Chapter 312
- Only affects increase in appraised value
- 10-year maximum term
- H.B. 3143 (2019)
- S.B. 1340 (2023) (database reporting)



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Sales Tax Rebates

- Neighborhood Empowerment Zone
 - Local Government Code Ch. 378
- State Enterprise Zone
 - Government Code Ch. 2303
- 380 Agreement
 - Local Government Code Ch. 380



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380 Grants

- Broadest economic development tool
- Allows grants or loans of public funds or personnel
- Must adopt a “program” before entering agreement
- S.B. 543 (2023)
- Database:
<https://comptroller.texas.gov/economy/local/ch380-381/reporting-search.php>



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Local Government Code § 380.001

(a) The governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.



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380 Examples by City Population

- ~2,000: The Developer agreed to build and operate in the City an oil field business. To incentivize the Developer, the City agreed to rebate to Developer for a 20 year period, an amount equal to 20% of the City sales tax revenues generated by the business.
- ~20,000: Reimbursement of \$76,172.85 for electric infrastructure related to the development.



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380 Examples by City Population

- ~2,000: Annual grants to the Developer beginning in 2015 (for 90 years), as follows:
Property Tax Grant: A grant equal to 100 percent of the Town Property Tax actually paid, including personal property tax; Sales Tax Grant - Phase I/II: A grant equal to 75 percent of the sales and use tax for the first 12 years. After 12 years, a grant equal to 50 percent of the sales and use tax.



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380 Examples by City Population

- ~23,000: Company shall invest \$80 million before 2019 and maintain minimum of 300 employees and contractors. Agreed 380 Payment by the City - Quarterly: the city and the EDC shall pay the sales tax to the Company that was received by the City. Annually: the City shall pay the Company the amount of property taxes paid to the City.



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380 Examples by City Population

- ~16,000: The Developer shall expand access to healthcare services in the city by acquiring and installing permanent capital improvements on 40 acres. The City will reimburse the Developer for 1/2 of the actual costs of infrastructure necessary for paving of roads, sanitary sewer, public water, drainage, traffic control, erosion and sediment control, and signage and landscaping.



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380 Examples by City Population

- ~16,000: 100% rebate of property taxes for 20 years or until \$7,646,730.00 is paid and \$2.25 million payment in improvements.
- ~1 million: 100% rebate on all property taxes for 10-year period for new equipment and incremental increase in property value; business to create at least 500 new full-time jobs and 200 new contract jobs and invest at least \$2.5 billion in real property improvements



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380 Examples by City Population

- ~100,000: to get developer to build convention center and hotel in city, city will reimburse HOT on certain conditions, waive building permit fees, and provide grant of \$1.9 million to buy land for project
- ~250,000: 7-year tax rebate agreement based on a \$17.9 million investment to construct and develop a new 100K sq ft agricultural and cold storage manufacturing and distribution center and create 140 new full time permanent jobs.



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TIFs and PIDs

- Tax Increment Financing
 - Tax Code Ch. 311
 - Public improvements funded by new property tax revenue
- Public Improvement Districts
 - Local Government Code Ch. 372
 - Public improvements funded by assessments



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Quasi-City Entities

- Economic Development Corporations
 - Local Government Code Chs. 501- 505
 - Dedicated sales tax to be used by Type A or Type B board for economic development
- Municipal Development Districts
 - Local Government Code Ch. 377
 - Dedicated sales tax to be used by MDD board for economic development



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Questions?

- 2023 Economic Development Handbook
- TML Legal Department
 - legalinfo@tml.org
 - (512) 231-7400

