



## **TYPE A AND B ECONOMIC DEVELOPMENT CORPORATIONS OVERVIEW**

The Development Corporation Act of 1979 gives cities the ability to finance new and expanded business enterprises in their local communities through economic development corporations (EDCs). Chapters 501, 504 and 505 of the Local Government Code outlines the characteristics of Type A and Type B EDCs, authorizes cities to adopt a sales tax to fund the corporations and defines projects EDCs are allowed to undertake. The City of Heath has created the Heath Economic Development Corporations (HEDC) for Type A funding and the Heath Municipal Benefits Corporation (HMBC) for Type B funding.

### **ELIGIBLE TYPE A PROJECTS - DEVELOPING INDUSTRIES**

#### ***HOW TYPE A SALES TAX REVENUE CAN BE USED***

The Type A sales tax is primarily intended for manufacturing and industrial development. EDCs may use Type A revenue to fund land, buildings, equipment, facilities expenditures, targeted infrastructure and improvements for projects including:

- manufacturing and industrial facilities, recycling facilities, distribution centers, and small warehouse facilities;
- research and development facilities, regional or national corporate headquarter facilities, primary job training facilities operated by higher education institutions, job training classes, telephone call centers and career centers not located within a junior college taxing district;
- certain infrastructure improvements that promote or develop new or expanded business enterprises;
- aviation facilities;
- commuter rail, light rail or commuter bus operations;
- port-related facilities, rail ports, rail switching facilities, marine ports, inland ports; and
- maintenance and operating costs associated with projects.

With voter approval, Type A EDCs may fund projects eligible under Type B without voting to abolish the Type A tax and impose the Type B tax. In this situation, a Type A EDC must publish notice of its intent to fund a Type B project, hold at least one public hearing and conduct a special election.

Type A EDCs also may seek voter approval to spend Type A sales tax funds to clean up contaminated property.

A Type A corporation cannot assume, pay principal or interest on, debts that existed before voters agreed to establish the EDC.

## **ELIGIBLE TYPE B PROJECTS**

### **Developing Industries and Cultivating Communities**

#### ***How Type B Sales Tax Revenue Can Be Used***

The Type B sales tax may be used for any project eligible under Type A rules and several other project types, including quality of life improvements. Type B corporations may pay for land, buildings, equipment, facilities, targeted infrastructure and improvements for:

- professional and amateur sports and athletic facilities, tourism and entertainment facilities, convention facilities and public parks;
- related store, restaurant, concession, parking and transportation facilities;
- related street, water and sewer facilities; and
- affordable housing.

To promote and develop new and expanded business enterprises that create or retain primary jobs, a Type B EDC may fund:

- public safety facilities;
- recycling facilities;
- streets, roads, drainage and related improvements;
- demolition of existing structures;
- general municipally owned improvements; and
- maintenance and operating costs associated with projects.

Type B EDCs also may seek voter approval to spend Type B sales tax funds for a water supply, water conservation program or cleanup of contaminated property.

## **EXCEPTIONS FOR SMALL CITIES AND LANDLOCKED COMMUNITIES**

Type B EDCs created by cities with a population of 20,000 or less may use sales tax proceeds to fund land, buildings, equipment, facilities, expenditures, targeting infrastructure and improvements found by the Board to promote new or expanded business development that do not create or retain primary jobs.

### ***DISCLAIMER***

This information should not be construed as, and is not a substitute for, legal advice.

Applicants are urged to consult the Texas Municipal League's Economic Development Handbook and their own legal counsel for any questions or interpretations of economic development laws.

## **OPERATING REQUIREMENTS**

### **ADMINISTRATION EXPENSES**

Type A and Type B EDCs are authorized to pay the administrative expenses (including staff) to implement projects. These may include administrative expenses for the acquisition, construction, improvement, expansion and financing of projects. Cities that perform some of the administrative functions for Type A or Type B corporations may be reimbursed for administrative expenses for projects overseen by city staff. An EDC also may contract with a private corporation or other entity.

### **TRAINING**

The EDC administrator, the city attorney and the city administrator or the city clerk of the municipalities creating Type A and Type B corporations are required to attend an economic development training seminar within 90 days of taking office. The seminar must be repeated every two years. Corporation funds may be used to pay the costs of attending the seminar. The Comptroller's office may impose a penalty of up to \$1,000 for officials who fail to attend the required training seminar.

EDC training can be obtained from the Texas Economic Development Council.

### **OPEN MEETINGS AND PUBLIC HEARINGS**

Type A and Type B EDCs' boards of directors are subject to the Texas Open Meetings Act, found in Chapter 551 of the Government Code. A Type B EDC serving a city with fewer than 20,000 residents is exempt from holding public hearings for projects eligible under Type A rules. However, these small cities must give the resolution at least two separate readings if the funding agreement is for \$10,000 or more.

All Type B corporations, regardless of city population, must hold public hearings on all other types of projects. In addition, all Type B corporations must wait 60 days from the first public notice of the nature of a project before providing funds.

Type A corporations are required to hold public hearings only when considering an election to authorize a Type B project.

Open Government training can be obtained from the Texas Office of the Attorney General.