

Montgomery Economic Development Corporation

FEBRUARY 18, 2025

Type B - Economic Development Corporation

- Type B EDCs located within communities of less than 20,000 people enjoy a wide-range of allowable expenditures.
- These corporations can fund land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the board of directors to promote new or expanded business development (with no “primary job” requirement). **Any project under \$10,000 for a Type B EDC of this size does not require approval by the city council or governing authority.**
- **Any project over \$10,000 requires a resolution and at least two separate readings by the city council.** Typically, this is accomplished by a council reading the resolution approving of the project at back-to-back council meetings.

Projects and Publishing

What kinds of projects can our EDC undertake?

- Type B EDCs are unlimited in their use of funds so long as their projects promote some form of economic enterprise, business growth & primary jobs, or enhance the quality of life of the community. To be sure your projects follow the law, here is the list of permissible projects.
- For Type B EDCs, the projects include:
 - Everything authorized under Type A, including retail and commercial projects
 - Water supply facilities with a special election and ballot language
 - Projects to improve a community's "quality of life", which includes, but is not limited to parks, professional and amateur sport and athletic facilities, tourism and entertainment facilities (any project approved by both the board and governing authority to promote "quality of life" is generally an acceptable project so long as the resolution language contains that phrase and findings)
 - Affordable housing projects
 - Any other type of improvement or expenditure that promotes "new or expanded business" activity that creates or retains "primary jobs"
 - Direct incentives for retail in communities with fewer than 20,000 residents and/or certain land-locked communities

Primary Job

Texas law defines a primary job as an employment position 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, (2) is also included in one of the following sectors of the North American Industry Classification System (NAICS):

- Crop Production
- Animal Production
- Forestry and Logging Commercial
- Fishing Support Activities for Agricultural and Forestry
- Mining
- Utilities
- Manufacturing
- Wholesale Trade, Transportation, Warehousing Information & Data Services Securities, Commodities, Insurance, Funds, Trusts, and Other Financial and Investment Related Activities Scientific Research, Development Services, Management Companies and Enterprises, Telephone Call Centers, Correctional Institutions, National Security Publishing

Publishing

A Type B EDC must publish in a local publication each project it plans to undertake before EDC funds are expended on the project. This must be published at least 60 days before the funds are expended.

The reason is to provide the citizens 60 days to circulate any objections to the project with a petition of at least ten percent (10%) of the registered voters.

Should a petition be presented during this time frame, then a special election is required for the project to move forward. See Texas Local Government Code § 505.160 & 505.303. All projects for Type B EDCs must be approved by the board of directors and the governing authority.

Important Facts and Economic Incentives

- Promotional Expenses: No Type B EDC may spend more than ten percent (10%) of its annual revenues on promotional purposes regardless of size and location
- Debt Issuance and Loans: Type B EDCs can issue loans and receive bonds to be used on qualifying projects. Bonds and debts can be leveraged against future EDC revenue, as well as existing capital and improvements.
- Performance Agreements: Type B EDCs can issue loans and receive bonds to be used on qualifying projects. Bonds and debts can be leveraged against future EDC revenue, as well as existing capital and improvements.
- Chapter 380 Agreements: Chapter 380 of the Texas Local Government Code allows municipalities and private entities to contract with one another for the purpose of economic development and related programs. This includes taking out bonds or loans for infrastructure and other improvements designed for economic development. In fact, many private entities and cities contract with one another for roads and other forms of infrastructure development to help a large business relocating or to develop an industrial park.
- Chapter 380 Agreements: Authorize the contracting with private entities to share in infrastructure and utility expenses and planning.
- Chapter 380 Agreements: These Agreements can include the parties sharing project costs, addressing property taxes or offsetting sales tax revenue. Chapter 380 contracts must be signed and approved by both the city's governing body, as applicable, and the private entity. In addition, Chapter 380 must also be filed with the Texas Comptroller's Office within fourteen (14) days after being entered.