

# Walking the Highwire

## Incentive Options in Economic Development

Presented by:

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# When and How to Leverage City and County Participation

- 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.
- A home-rule municipality may, under a contract with a development corporation created by the municipality grant public money to the corporation for the development and diversification of the economy, elimination of unemployment or underemployment, and development and expansion of commerce.

# County Specifics

The county judge of a county may appoint a county industrial commission which must consist of not less than seven persons who must be residents of the county, exhibited interest in the industrial development of the county, and would serve a term of two years

The commission shall investigate and undertake ways of promoting the prosperous development of business, industry, and commerce in the county

The commission shall promote the location and development of new businesses and industries in the county and the maintenance and expansion of existing businesses



# Structuring Low Risk High Reward Performance Agreements



A corporation may not provide a direct incentive to or make an expenditure on behalf of a business enterprise under a project as defined by Subchapter C of this chapter or by Subchapter D, Chapter 505, unless the corporation enters into a performance agreement with the business enterprise



A performance agreement must provide for a schedule of additional payroll or jobs to be created or retained and capital investment to be made and specify the terms of the clawback in the event of default

# Performance Agreements Required for These Projects

- For the creation or retention of primary jobs
- Job Training
- Infrastructure
- Career center outside of a junior college district
- Recreational or community facilities
- Affordable housing
- Authorized water supply or conservation projects
- Business development in certain communities
- Airports in certain communities



# Managing the Risks



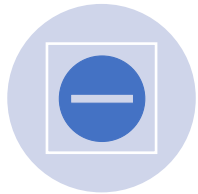
Incentives should be earned before paid



Limit up front incentive to marketing and land you own



Grants of sales and use tax funds should be based upon verifiable factors such as increase in property tax value, increase in personal property tax value



Limited to a percentage of cap ex via policy



Consider requiring job creating and local hiring preferences



Consider requiring local purchase of supplies



Legal to do so if structured as incentive rather than prohibition



# Maximizing Creativity in Competition with Larger Markets



In a community with a population of 7,500 or less, if permitted by ordinance of the authorizing municipality, a Type A corporation to which this section applies may undertake any project that a Type B corporation, may undertake under Chapter 505



Liberal use of 505.158 so that "project" means land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the corporation's board of directors to promote new or expanded business development



Can move faster on projects due to lesser notice and publication requirements as small community

# Budgeting Requirements for Projects and Marketing

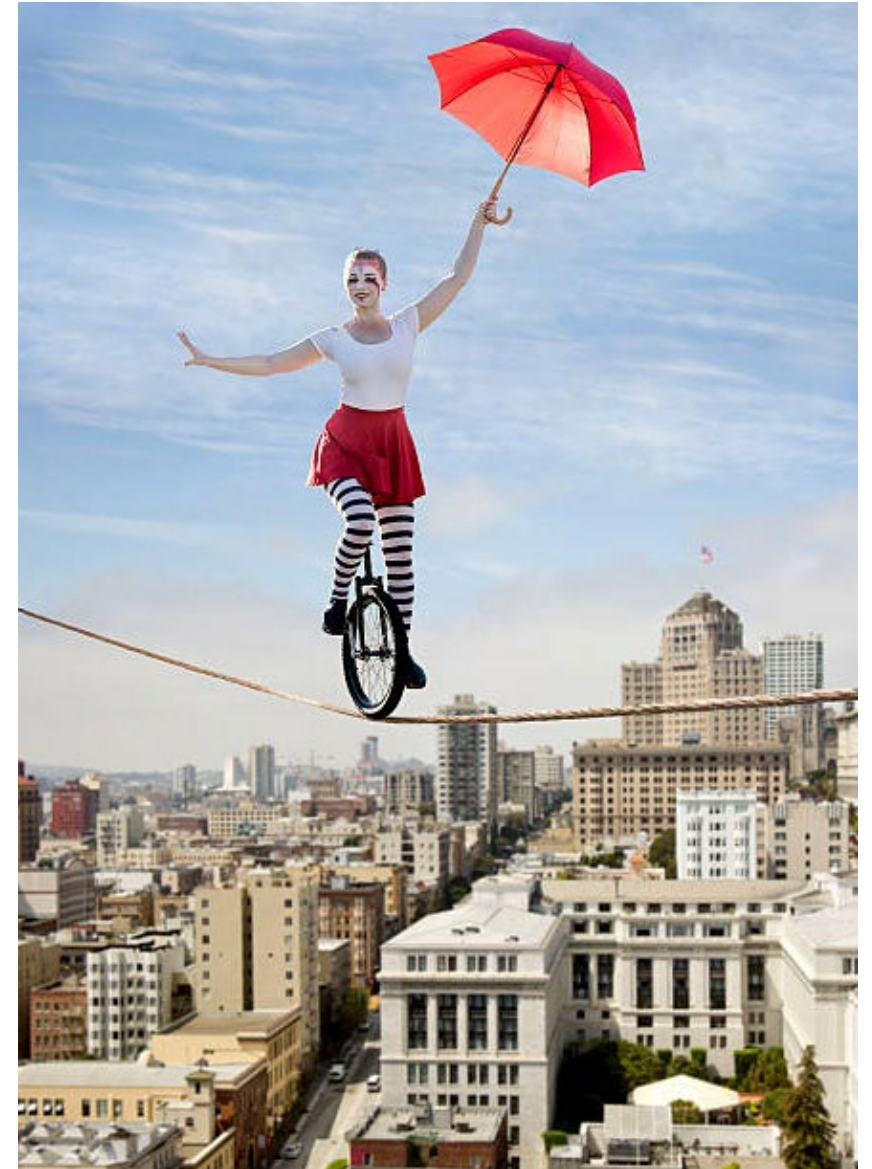
Critical that your finance director or EDC accountant establish project funds that carry forward encumbered amounts for each fiscal year of a project



Carry forward and designate any unspent marketing funds for use in future years...can always be undesignated if needed for other expenditures



City Council approves EDC programs, expenditures and bylaws...this does not necessarily translate to everything an EDC does having to go to the City Council for approval....though it can if so desired by the City Council







# Real Property...The Best Tool in the Toolbox



Property owned by a City, County, or EDC is the single best tool you have to entice or attract a business



You are placing property back on the tax roll



You can enter long term leases rather than selling if preferred



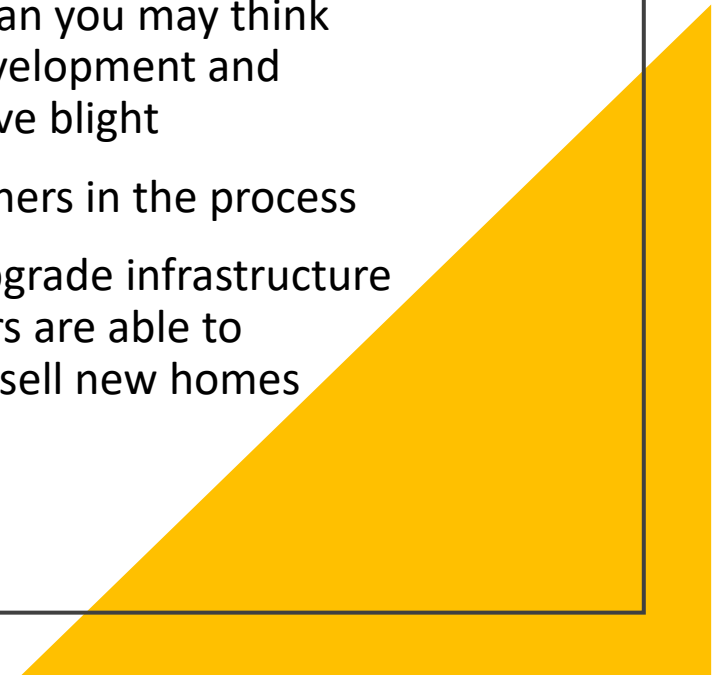
You can expend funds on property you own without performance agreements or limitation to make the property shovel ready



Your recapture provisions on property are more meaningful and achievable

# Partnering with the City on Infill Initiatives

- Small communities struggle to attract business and new construction to older portions of town
- Depressed property values can be reversed through economic development investment
- Affordable housing is broader than you may think and is a great option for infill development and expanding housing stock to relieve blight
- Homebuilders are excellent partners in the process
- City can provide lots; EDC can upgrade infrastructure and incentives and home builders are able to construct with no overhead and sell new homes



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# Grant Leveraging for Community Projects

## Review

- Review your original ballot language to become familiar with how much authority you have without the need to publish or seek further voter approval on projects

## Identify and Maintain

- Identify and maintain a list of all of CIP projects and community quality of life projects that are eligible for grant funding

## Set Aside

- Set aside EDC funds for use as matching funds for grants that are applied for on eligible projects

## Identify

- Identify ways you can leverage EDC funds along with CARES Act and Restoration Act to accomplish the most CIP projects before December 2024 when those funds expire



# Workforce Investments through Education and Training Initiatives



- Partner with the school district to begin training entry level workforce who may not want to go directly to college....available workforce in smaller communities is a limiting factor for business location
- Partner with technical colleges and junior colleges to establish distance learning options or satellite locations
- Directly fund training initiatives for primary job employers
- Partner with your businesses to create training programs for those who need trained in exchange for hiring those persons once trained...i.e. welding initiatives

# Statutory Authority

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- Sec. 505.158 TLGC Municipalities with pop >20K
  - Project include land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the corporation's board of directors to promote new or expanded business development”
  - Projects with expenditures more than \$10K require City Council approval.





# Small City Case Study

City of Burnet



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## BEDC Real Property Assets

### Commercial Subdivision

- Eastside Commercial: 21.37 acres located on State Highway 29 east
- Crossing at 280: 13/51 acres located on US Route 281 south
- Subdivision improvements made by the BEDC
  - Drainage detention
  - Internal streets
  - Restricted covenants (architectural control)



# BEDC Real Property Assets

Badger Building: two story  
building located in Burnet Historic  
Square







# BEDC Real Property Assets

Bealls Department Store

# Tractor Supply

- Under Contract: Eastside commercial 5.75 acre lot
- Project: 24,000 sq ft of air conditioned and 25,000 sq ft of outdoor retail space





# The Incentive

- To insure project completion:
  - The real estate contract shall reflect a price equivalent to full market value
  - The performance agreement shall authorize the refund of a portion of the purchase price paid upon issuance of a Certificate of Occupancy for the Retail Store

# Questions?

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