

## **VEDC Fund Eligibility & General Info: Type B EDCs — Developing Industries & Cultivating Communities**

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 outline the characteristics of Type A and Type B EDCs, authorize cities to adopt a sales tax to fund the corporations and define projects EDCs are allowed to undertake.

Van EDC is Type B sales tax and 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.

### **Additional Allowable Costs**

There are some limitations on how sales tax revenues can be used to fund a project. Eligible expenditures include:

- acquisition of land;
- machinery and equipment;
- construction costs;
- planning and professional services related to the project;
- financial transactions and reserve funds; and
- administrative and other necessary expenditures.

### **Primary Jobs Requirement**

The main requirement is that the businesses bring new money into the community. In 2003, the Legislature voted to require that certain projects create or retain primary jobs. A primary job is one at a company that exports a majority of its products or services to markets outside the local region, infusing new dollars into the local economy. Primary jobs are further limited to specific industry sectors such as agriculture, mining, manufacturing and scientific research and development. Those industry limitations can be found in [Local Government Code, Chapter 501](#).

## **Performance Agreements**

EDCs cannot simply give sales tax proceeds to businesses. An EDC must enter into a written performance agreement with any business enterprise that it funds directly or makes expenditures that benefit an eligible project. At a minimum, the performance agreement must contain:

- a schedule of additional payroll or jobs to be created or retained;
- the capital investment to be made by the business enterprise; and
- the terms for repayment of the EDC's investment if the business fails to meet the performance requirements specified in the agreement.