

CHAPTER 9: ECONOMIC DEVELOPMENT STRATEGIES



TABLE OF CONTENTS: CHAPTER 9

Introduction to the Economic Development Strategies.....	9.1
Primary Organizations Supporting Economic Development	9.3
Copperas Cove Economic Development (CCEDC)	9.3
Copperas Cove Chamber of Commerce.....	9.3
Indicators of Growth.....	9.5
Major Area Employers.....	9.5
Current Tax Structure	9.5
Economic Development Successes	9.6
2004 Copperas Cove Labor Force Estimates.....	9.7
2004 Copperas Cove Employment Average	9.7
Recent Economic Development Efforts.....	9.9
Master Plan: The Plan for Sustainable Economic Development (August 2005).....	9.9
Goal 1: Enhance economic opportunities with Fort Hood	9.9
Goal 2: Retain and expand existing business	9.9
Goal 3: Continue programs to solicit target industries.....	9.9
Goal 4: Support small business development.....	9.10
Goal 5: Market Copperas Cove Image (Internally and Externally)	9.10
2005-2008 Marketing Plan	9.10
Goal 1: To establish a clear image of the economic development opportunities	9.10
Goal 2: To market Copperas Cove to identified targets	9.10
Target Market Assessment.....	9.11
Target industry clusters for the Central Texas Council of Governments Region.....	9.12
New Target Industries.....	9.12
Primary.....	9.13
Retail Trade	9.13
Current Economic Incentives.....	9.14
Efforts Towards New and Existing Businesses	9.17
Programs.....	9.17
Research & Development (R&D) Tax Credit:	9.17
Small Business Franchises Tax Exemption.....	9.17
Texas Leverage Fund.....	9.17
Bond Financing Options - Summary	9.18
Texas Enterprise Program	9.18
Property Tax Rule 9.105	9.19
State Sales and Use Tax Exemptions	9.20
Tax Credits.....	9.20
Establish Tax Increment Financing (TIF) District(s)	9.21
Conclusion	9.23

INTRODUCTION TO THE ECONOMIC DEVELOPMENT STRATEGIES

To the average citizen, the concept of economic development can be difficult and ambiguous to understand because the topic spans a broad range of issues. However, economic development generally can be summarized by the efforts to create and retain jobs in a given area, such as a city, county, or state.

There are three basic targets of economic development programming:

- **Existing business/industry** – this refers to efforts aimed at the retention and increased viability of existing local businesses.
- **New business/industry** – this refers to efforts aimed at the creation of new business activity within a community, as measured by increases in employment and expansion of the tax base.
- **Outside investment** – this refers to efforts aimed at attracting people into the community to spend money locally.

This chapter will address how these three facets of economic development relate to Copperas Cove's current efforts and will explore a variety of local, state, and federal economic development programs.

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PRIMARY ORGANIZATIONS SUPPORTING ECONOMIC DEVELOPMENT

There are numerous groups involved in economic development efforts for the City of Copperas Cove. Following is a discussion of the two primary groups.

COPPERAS COVE ECONOMIC DEVELOPMENT (CCEDC)

The Copperas Cove Economic Development Corporation (CCEDC) is a §4A Economic Development Corporation formed under the Texas State Legislature’s Development Corporation Act of 1979. The CCEDC was created by voter approval in 1990 and is funded with a half (1/2) cent sales tax. A five-member board of directors, appointed by the City Council, oversees the organization. The CCEDC works closely with the City and has a full-time director.

Recently, economic growth has been occurring in Copperas Cove. As reported in November of 2004 by the Texas Comptroller in the Economic Development Corporation Report: Fiscal Year 2002-2003 (page 68), the City has experienced an increase in the amount of sales tax revenue.¹ This is a sign of economic health because more dollars are being spent in the local economy and subsequently CCEDC has more finances available to invest in economic development. In fiscal year 2005 CCEDC collected \$852,123.52 in sales tax, which is an increase of approximately 8.73 percent from fiscal year 2004 (in which \$783,722.59 in sales tax was collected for CCEDC).²

“As of July 2005, voters in 537 Texas communities have approved the tax—more than half of which have less than 5,000 residents. The broader §4B tax continues to be the more popular choice for Texas communities. As of July 2005, 318 cities have passed the §4B tax, compared to 122 cities with the §4A tax. Nearly 100 cities impose both the §4A and §4B tax.”

Source: The Texas Economic Development Council, “The Texas Economic Development Sales Tax: A Primer for Local Officials 2005 Update”
www.texasedc.org/docs/185_ed_sales_tax_update_2005.pdf

COPPERAS COVE CHAMBER OF COMMERCE

The Copperas Cove Chamber of Commerce focuses its efforts on providing services and support for its local business members, which are local businesses. The Chamber also provides local information for people interested in the City such as tourists and visitors. Through this information

¹ Texas Comptroller Website, “Economic Development Corporation Report: Fiscal 2002-2003”: www.window.state.tx.us

² Information provide by the CCEDC: September 2006

distribution, the Chamber assists the Copperas Cove economic development efforts. The Chamber consists of local business owners and citizens who volunteer by assisting in developing and improving the economic environment of the City.

INDICATORS OF GROWTH

MAJOR AREA EMPLOYERS

The following table, **Table 9-1**, lists the Copperas Cove area's major employers, according to data released by the EDC.

Table 9-1 Major Area Employers		
Employer	Product	Employees
Fort Hood	Military soldiers	41,484
Fort Hood	Civilian-(fed. & contract)	12,125
Central Texas College	Junior college	1,798
Copperas Cove ISD	School administration	1,222
GC Services	Credit collection agency	1,084
Metroplex Hospital	Medical	1,000
Wal-Mart	Department store	400
City of Copperas Cove	City government	272
H.E.B. Grocery Store	Grocers-retail	145
Wind Crest Nursing Center	Nursing home	101
Tarleton University System Center, Killeen	Senior college	90
Hill Country Rehabilitation & Nursing Center	Nursing home	80
Note: There are no active unions in Copperas Cove Source: Copperas Cove EDC Website www.copperascove-edc.com		

CURRENT TAX STRUCTURE

The following tables, **Table 9-2** and **Table 9-3**, list the taxes paid by persons in Copperas Cove, according to data released by the EDC.

Table 9-2 Tax Rate (Per \$100 Assessed Value) - Feb. 2005	
Coryell County:	0.42407
Copperas Cove, City:	0.77500
Copperas Cove ISD:	1.60400
Special Districts: (Hospital, College, etc.)	0.14700
Total:	2.95010
Source: Copperas Cove EDC Website www.copperascove-edc.com	

Table 9-3 Sales Tax Rate - Feb. 2005	
Municipal Sales Tax:	1.00%
State Sales Tax:	6.25%
Econ. Dev. Sales Tax:	0.50%
Other Sales Taxes:	0.50%
Total	8.25%
Source: Copperas Cove EDC Website www.copperascove-edc.com	

ECONOMIC DEVELOPMENT SUCCESSES

According to the CCEDC, over the past 10 years the EDC has made great stride in economic development efforts with the implementation of a Master Plan. The CCEDC estimates that almost 85 percent of its current Master Plan has been accomplished. Therefore, with the general accomplishment of the current Master Plan, the need for a new plan (i.e., Plan for Sustainable Economic Development – August 2005) was necessary for continued economic growth in Copperas Cove.³ The following table, **Table 9-4**, documents many of the projects that the City and CCEDC have undertaken.

Company/Project	Start-up Date	Total Investment	# of Jobs Created
Best Western Motel	***	***	13
KFC Restaurant	***	***	15
Mickey’s	***	***	10
HEB	1995	***	145
Wal-Mart SuperCenter	1995	***	400
Casa Olé Restaurant	1997	***	82
Bank of America/Papa John’s*	1998	\$ 160,000	38
GC Services	1998	\$ 1,300,000	400
Shopping Center in front of Wal-Mart	1998	\$ 720,140	50
Wendy’s	1998	\$ 187,040	70
Wiener Schnitzel (now Bush’s Chicken)	1998	\$ 74,000	10
Arby’s Restaurant	1999	***	15
East Pointe Shopping Center	1999	\$ 140,910	15
Golden Corral	1999	\$ 169,463	n/a
Clean Spot Car Wash	1999	\$ 125,000	4
Applebee’s Restaurant	2001	\$ 350,000	50
CCEDC Spec Building	2001	\$ 800,000	**
Fort Hood Land Swap for additional property South of Business Park	2001	\$ 500,000	n/a
Cove Rice Restaurant	2002	n/a	6
GC Services (Expansion’s through 2005)	2002	\$ 6,334,150	1,008
Wells Laundry	2002	\$ 343,750	3
Alamo Storage	2004	n/a	2
Storage on East 190	2004	\$ 2,587,350	5
Frontier Hills Shopping Center	2005	\$ 1,200,000	**
EDA Grant	2005	\$ 2,000,000	n/a
Entertainment Center	2005	\$ 5,000,000	16
CMS Properties Retail Strip	2005	n/a	n/a
* Originally R&W Western Wear/Radio Shack, ** Dependant upon tenants, *** Unable to locate information			
Source: Plan for Sustainable Economic Development, pages 4-5			

³ Copperas Cove, Texas Plan for Sustainable Economic Development, August 2005 (Revised September 2006)

2005 COPPERAS COVE LABOR FORCE ESTIMATES

According to the CCEDC and the Texas Workforce Commission, **Table 9-5** details the labor force estimates for the year 2005.

Table 9-5 Copperas Cove Labor Force Estimates 2005				
Month	Labor Force	Employment	Unemployment	Rate
Jan	13,110	12,380	730	5.6
Feb	13,162	12,432	730	5.5
Mar	13,177	12,522	655	5.0
Apr	13,267	12,610	657	5.0
May	13,307	12,635	672	5.0
Jun	13,339	12,603	736	5.5
Jul	13,480	12,766	714	5.3
Aug	13,375	12,692	683	5.1
Sep	13,370	12,627	743	5.6
Oct	13,419	12,765	654	4.9
Nov	13,488	12,767	721	5.3
Dec	13,425	12,756	669	5.0
Source: Texas Workforce Commission, 8-06				

2005 COPPERAS COVE EMPLOYMENT AVERAGE

According to the CCEDC, **Table 9-6** details employment averages for the local area for the year 2005.

Table 9-6 Employment - 2005 Annual Average				
Area/City	Labor Force	Employed	Unemployed	Rate
Killeen Temple MSA	151,638	143,688	7,950	5.2
Copperas Cove	13,327	12,630	697	5.2
Killeen	40,515	38,307	2,208	5.4
Belton	Data Unavailable			
Temple	28,821	27,488	1,333	4.6
Lampasas	Data Unavailable			
Gatesville	Data Unavailable			
Source: Texas Workforce Commission, 8-06				

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RECENT ECONOMIC DEVELOPMENT EFFORTS

MASTER PLAN: THE PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT (AUGUST 2005)

The Copperas Cove Economic Development Corporation contracted with an economic development consulting firm from Irving, Texas, Economic Development Services (EDS), to develop a comprehensive development master plan for the City. The CCEDC and EDS endeavored to create a document that would “serve as a catalyst for success and enhanced economic prosperity for all Copperas Cove residents.”⁴ EDS is a firm that the City has previously hired to complete the following projects:

- Master Economic Development Plan,
- Quality of Life Study,
- Strategic Plan Update, and
- Regional Workforce Studies.

It was a goal of this new Economic Development Master Plan “not to replicate prior studies or develop a report that would be read by few and then shelved.”⁵ The EDS team, responsible for development the Economic Development Master Plan, used data evaluation, opinion research, critical elements examination, and interviews with community leaders. The Economic Development Master Plan developed the following goals and objectives for 2005-2010.

- **Goal 1: Enhance economic opportunities with Fort Hood.**
 - Objective 1A - Maintain opportunities with Fort Hood.
 - Objective 1B - Continue liaison efforts with Fort Hood.
- **Goal 2: Retain and expand existing business.**
 - Objective 2A - Survey existing businesses in order to continue relationships and identify new companies.
 - Objective 2B - Facilitate the retention and expansion opportunities from results of the survey.
- **Goal 3: Continue programs to solicit target industries.**
 - Objective 3A - Maintain and improve business attraction program.
 - Objective 3B - Promote a regional workforce by utilizing results of the 2005 Workforce, Wage and Benefit, Surveys and Analysis (A collaborative effort between Central Texas Economic Corridor (CTEC) and Central Texas Workforce Board).

⁴ Source: CCEDC – Plan for Sustainable Economic Development, page 2

⁵ Source: CCEDC – Plan for Sustainable Economic Development

- Objective 3C - Improve and/or create availability of commercial and industrial sites and buildings.
- Objective 3D - Maintain demographic and statistical information.
- Objective 3E - Develop consensus regarding targeted industries.
- Objective 3F - Continue to promote and market Copperas Cove.
- **Goal 4: Support small business development.**
 - Objective 4B - Increase gross retail sales within the community.
 - Objective 4C - Undertake an Executive Office feasibility study.
- **Goal 5: Market Copperas Cove image (internally and externally).**
 - Objective 5A - Continue to internally promote CCEDC programs and activities.
 - Objective 5B - Participate in economic development professional organizations.
 - Objective 5C - Promote Copperas Cove externally.

2005-2008 MARKETING PLAN

As part of the recent economic development planning efforts, the CCEDC has developed a marketing plan. This plan will provide guidance to the CCEDC on marketing the benefits of Copperas Cove. The following are the goals, objectives, and tasks of the 2005-2008 Marketing Plan.

- **Goal 1: To establish a clear image of the economic development opportunities in Copperas Cove.**
 - Objective 1A - Undertake a Branding process for the Copperas Cove's Economic Development Effort.
 - Task 1: Develop economic development marketing theme that is compatible with current logo of Copperas Cove.
 - Task 2: Utilize marketing theme.
 - Objective 1B - Design and produce collateral marketing materials:
 - Task 1: New Industrial Park Fliers,
 - Task 2: Direct Mail,
 - Task 3: Virtual Building Video,
 - Task 4: Website,
 - Task 5: Aerial Photos, and
 - Task 6: Highway Signage.
- **Goal 2: To market Copperas Cove to identified targets.**
 - Objective 2A - To specific targeted groups - a list of targets are located in the target market assessment.
 - Task 1: Trade Shows/Meetings Relating to Targets.

- Task 2: Publication Ads Relating to Targets.
- Task 3: Prospecting Trips Relating to Targets.
- Objective 2B - To potential allies:
 - Networking and building relationships with allies is extremely important to successful recruitment. Usually ally referrals have been screened and are actively looking for locations,
 - Task 1: Regional Allies,
 - Task 2: Utility Companies,
 - Task 3: Real Estate Brokers and Developers, and
 - Task 4: Economic Development and Tourism of the Governor's Office.

TARGET MARKET ASSESSMENT

The CCEDC and their economic development consultant, Economic Development Services (EDS), developed the Target Market Assessment (TMA). The TMA is an update of Copperas Cove's previous Target Markets Analysis, which was completed in 1998. The following excerpt from page one of the TMA describes the purpose and importance of the report.

Economic development has now become a highly competitive undertaking and long-term proposition. Copperas Cove must make the most of every opportunity to "target" the companies that will provide the best return-on-investment (ROI) for the community.

Target analysis is an integral component of a successful economic development program. Recruiting new firms into an area as well as helping to grow entrepreneurial firms from within are competitive and challenging tasks. However, for every firm looking to relocate or find a new facility site, there are dozens or even hundreds of communities pursuing that prospect.

Marketing programs may include direct mail, advertising, trade shows, company visits, or other elements to achieve that first critical step of getting on initial lists of location possibilities. As marketing programs are expensive, a "shotgun" approach of mailing generic brochures to a random list of companies "up North" or elsewhere is not a cost-effective way of conducting economic development marketing. Many of the firms receiving the mailings may not be in the growth mode, or even if they are, the particular community or region may not be a desirable location for many of the firms.

Instead of the shotgun approach, most successful economic development programs employ the "rifle" approach of identifying industries and companies that are in the growth mode and are most likely to find the particular community a suitable location for its operations. After completing this analysis, mailings and/or advertising can be directed at those firms most likely to make good prospects. In other words, a targeted marketing program generates the most "bang for the buck" for a community.

Target industry clusters for the Central Texas Council of Governments Region

The TMA reviewed the region surrounding Copperas Cove to identify target industry clusters, which are broad categories of industries and businesses. The following is a list of the target industry clusters for the Central Texas Council of Governments Region (CTCOG).⁶ The CTCOG area includes the counties of Bell, Coryell, Hamilton, Lampasas, Milam, Mills, and San Saba.

1. Emerging Biotechnology and Medical Cluster
2. Information Services Cluster
3. Tourism Cluster
4. Distribution, Transportation, and Logistics Cluster
5. Heavy Construction Cluster
6. Petroleum Refining and Chemical Cluster
7. Production Support Manufacturing Cluster
8. Agricultural and Food Cluster

New Target Industries

After reviewing the 1998 Target Sector Analysis, EDS reviewed data to determine new target industries based on a "Shift Share Analysis" and growth industries. EDS defined the "Shift Share Analysis" as follows:

Shift Share Analysis is an analysis tool used by economists and economic development practitioners to account for the competitiveness of a region's industries and to analyze the local economic base. The analysis is primarily used to decompose employment changes within an economy over a specific period of time (1990-2004) into (3) contributing factors:

1. *Growth that is attributable to growth of the national and/or state economy.*
2. *Growth that is attributable to the mix of faster or slower growth industries.*

⁶ Source: CCEDC - Target Markets Assessment, page 4

3. *Growth that is attributable to the competitive nature of the industries.*

After completing the “Shift Share Analysis” and reviewing other data, EDS established Copperas Cove’s new target industries. These industries are divided into two groups: primary and retail trade. The following is a listing of the industries along with NAICS codes, if applicable. NAICS is the North American Industry Classification System, which allows for the classification of industries based on a numerical system. (The NAICS replaced the older system of the Standard Industrial Classification [SIC] system.) The following are the new targets, as described in the Target Markets Assessment.

Primary

- Military Contractors
- Administrative Facility
- General Office
- Plastics (NAICS 3261)
- Architectural and Structural Metals (NAICS 3323)
- Machine Shops (NAICS 3327)
- Professional and Technical Services (NAICS 541)
- Administrative and Support Services (NAICS 561)
- Ambulatory Health Care Services (NAICS 621)

Retail Trade

- Shopping Centers
- Building Material and Garden Supply (NAICS 444)
- Ethnic / Cultural Food Stores (NAICS 4454)
- Other General Merchandise Stores (NAICS 4529)
- Food Services and Drinking Places (NAICS 722)

CURRENT ECONOMIC INCENTIVES

There are several economic incentives offered to businesses that move to Copperas Cove. These incentives focus on making the community attractive to companies that are searching for a site to relocate or open a business. The following is list of economic incentives currently used or that may be used at some time in the future for economic development efforts.⁷

1. ***Tax Abatement:*** Tax abatements for businesses are available within Copperas Cove. A tax abatement is the lowering or complete reduction in the amount of taxes a business owes the City. If a business meets certain criteria and investment threshold, then it is eligible for tax abatement. According to the CCEDC, “the minimum threshold requirement is an investment of \$200,000 and an annual payroll of \$200,000.” The maximum abatement, 100% of the regular taxes for 10 years, is available if a business generates an investment greater than \$5,000,000 and an annual payroll of \$1,500,000.
2. ***Triple Freeport Exemption:*** The City of Copperas Cove and Coryell County have approved a Freeport exemption. The Copperas Cove ISD is considering adopting the Freeport exemption. A Freeport property is defined as goods or inventory held in Texas temporarily for up to 175 days for assembling, processing, manufacturing, storage, or other purposes. With local governments approving the exemptions, businesses can apply to for the exemptions from the City, County, and School District.
3. ***Texas Economic Development Act:*** If companies create a specific number of local jobs and have certain investments, then they may receive an eight-year limitation on the appraised value of the property. The major stipulation is that the property must be devoted to manufacturing, research and development (R & D), or renewable energy operation.
4. ***Skills Development Fund:*** This fund was created to financially assist Texas public communities and technical colleges in customized job training for their local businesses. The Fund is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs are \$1,000 per trainee (typical costs are \$300 - \$400); however, the benefit may vary depending on the proposal.

⁷ Source: Copperas Cove EDC Website: www.copperascove-edc.com

5. ***Community-Based Job Training Grants:*** The Federal government has created this program as an employer-focused competitive grant program for training in community and technical colleges. Colleges receive funding if they demonstrate they are engaged in a strategic partnership with business and the workforce investment system. The general goal of this program is to develop and carry out programs of training that respond to specific employment needs in the local area

6. ***Texas Enterprise Fund:*** A \$295 million Texas fund used to attract high-impact facilities companies to the State. The fund has provisions to allow the governor to act quickly and aggressively to economic opportunities. Provisions are also in place to attract technology and biotechnology businesses. The following is a excerpt from the governor’s website describing the purpose of the fund:⁸

“The Texas Enterprise Fund provides the state's leaders with a "deal closing fund" that has the flexibility and financial resources to help strengthen the state's economy. The fund can be used for a variety of economic development projects, including infrastructure development, community development, job training programs and business incentives. Before funds can be awarded, the Governor, Lieutenant Governor and Speaker must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.”

⁸ Source: Office of the Governor Website – Economic Development and Tourism: www.governor.state.tx.us/divisions/ecodev/ed_bank/tefund

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EFFORTS TOWARDS NEW AND EXISTING BUSINESSES

The following programs are State and/or Federal programs offered for existing and new businesses. This list is representative of current programs, but is not all-inclusive. The City, CCEDC, and Chamber of Commerce should continue to provide financial incentives to retain existing businesses and to attract new businesses.

PROGRAMS

Research & Development (R&D) Tax Credit

This program was enacted by the 76th Texas Legislature (1999) and involves State Franchise Tax Credit for research and development (R&D) expenditures. A qualified business is eligible to receive a credit from the State of Texas for an amount equal to four percent (4%) of the business's incremental (as defined by the U.S. IRS) R&D expenditures and a maximum credit of twenty-five percent (25%) of their franchise tax liability in the first year of the biennium, increasing to five percent (5%) with a fifty percent (50%) cap in the second year of the biennium and thereafter. These benefits apply statewide, with increased credits available for "state strategic investment areas" (as defined by the State), and include Federally designated "urban enterprise communities."

Small Business Franchise Tax Exemption

This program was enacted by the 76th Texas Legislature (1999) and allows for an exemption from paying the State franchise tax for small businesses. In order to qualify, small businesses must have gross receipts of less than \$150,000 annually.

Texas Leverage Fund

The Texas Leverage Fund (TLF) is an "economic development bank" offering an added source of financing to communities that have passed the Economic Development Sales Tax. The Texas Economic Development (TxED) Department may loan funds directly to a local Industrial Development Corporation (IDC) to finance eligible projects. Sales tax revenues pledged by the IDC need only be sufficient to cover projected annual debt service as specified in the TLF Program guidelines. This allows cities to leverage their economic development sales tax and to pursue additional projects.

Bond Financing Options - Summary

Bonds may be issued by non-profit development corporations or authorities pursuant to the Development Corporation Act of 1979 (the “Act”). The Act allows non-profit corporations to issue bonds on behalf of cities, counties, conservation, or reclamation districts for eligible projects. The purpose of bond financing is to promote new and existing businesses, encourage employment in the State, and increase the tax base of the community where the project is located. The following types of bonds are available:

- **Tax-Exempt Industrial Revenue Bonds for Manufacturing Projects** - Bonds issued to finance land and depreciable property for manufacturing facilities.
- **Exempt-Facility Bonds** - Bonds issued to finance certain facilities such as airports, dock and wharf facilities, mass commuting facilities, high-speed inter-city rail facilities, or certain qualified hazardous waste facilities (including certain training and storage facilities).
- **Taxable Industrial Revenue Bonds** - These bonds typically have higher interest rates than tax-exempt issues, these issues do not have restrictions on the use or amount of the issue.
- **Sales Tax Bonds (Bonds issued pursuant to Sections §4A and §4B of the Development Corporation Act)** - Available only to cities that have passed the local Sales and Use Tax for Economic Development. These can be taxable or tax-exempt bonds, depending on the type of project and business. Issues are primarily for manufacturing or industrial projects, but can also be issued for commercial, recreational, infrastructure, and other types of projects. Copperas Cove is a §4A city funded by a one-half (1/2) cent sales tax.

Texas Enterprise Zone Program

The purpose of the Texas Enterprise Zone Program is to encourage job creation and capital investment in areas of economic distress. Specifically, any block group within the State of Texas that has a poverty rate of at least twenty percent (20%), as determined by the U.S. Census Bureau during each decennial census, is a state enterprise zone. The program provides communities with an economic development tool to offer State and local incentives and program priority to new or expanding business in these designated areas. Local incentives that may be offered to an expanding or locating business vary among enterprise zones. Examples of local incentives that may be offered include: tax abatement, a refund of

local sales and use taxes, waiver of permitting fees, tax increment financing, transfer of publicly owned buildings at below market cost, and low interest loans.⁹

- ***State Sales and Use Tax Refunds*** - An enterprise project is eligible for a maximum of a \$1.25 million (\$250,000 per year over five years) refund for State sales and use taxes paid for building materials, machinery, and equipment (including office equipment, computers, desks, etc.). The refund is based on the rate of \$2,000/job. Receipts for purchases of building materials and machinery and equipment and payroll information are required to be retained as part of the audit process.
- ***Franchise Tax Reductions*** - Franchise tax reductions are based on either a fifty percent (50%) reduction of apportioned taxable capital, or a five percent (5%) reduction in an apportioned earned surplus, as calculated on each franchise tax report during the 5-year designation period. For net taxable capital, the tax rate is 0.25 percent, or \$2.50 per \$1,000 of net taxable capital. The tax on earned surplus is 4.5 percent.

Property Tax Rule 9.105

This is a refund of the State taxes (franchise taxes or sales/use taxes) paid by companies owning certain abated property. A company that meets the following three conditions may apply for a refund under this tax rule:

- The company has paid property taxes to a school district on property that is located in a reinvestment zone established under Texas law.
- The company is exempt in whole or in part from property tax imposed by a city or county under a tax abatement agreement established under Texas law.
- The company is not in a tax abatement agreement with a school district.

The refund is equal to the amount of property taxes that would have been paid had the company entered into a school district abatement agreement with terms identical to the city or county abatement agreement, not to exceed the net state sales/use taxes and state franchise taxes paid or collected and remitted during that calendar year. The refund amount may also be limited by a statewide appropriation per year for this refund program.

⁹ Texas Economic Development Website: www.txed.state.tx.us/TexasEnterpriseZone/EZFAQs78thLeg.doc

State Sales and Use Tax Exemptions

- **Manufacturing Machinery & Equipment** - Applies to leased or purchased machinery, equipment, replacement parts, and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from State and local sales and use tax. Texas businesses are exempt from paying State sales and use tax on labor for constructing new facilities and the purchase of machinery exclusively used in processing, packing, or marketing agricultural products by the original producer at a location operated by the original producer.
- **Natural Gas & Electricity** - Texas companies are exempt from paying State sales and use tax on electricity and natural gas used in the manufacturing, processing, or fabricating tangible personal property. The company must complete a “predominant use study” that shows that at least fifty percent (50%) of the electricity or natural gas consumed by the business directly causes a physical change to a product.

Tax Credits

- **Worker Opportunity Tax Credit (WOTC)** - A Federal tax credit given to companies that hire employees from certain target groups. The tax credit is used to reduce a company’s Federal tax payment in the current tax year, or it can be used retroactively for three years or carried forward for fifteen years. The WOTC provides a tax credit of up to forty percent (40%) to employers who hire certified tax credit eligible employees. The maximum tax credit is \$2,400.
- **State of Texas Tax Refund** - An employer may qualify for a state tax refund if the employer:
 - Pays certain State of Texas taxes (franchise, State sales and use, inheritance, etc.;
 - Pays wages during the first year of employment to an employee who is a Texas resident and has received certain benefits during the month of hire; and
 - Provides and pays for a part of the cost of qualifying major medical insurance for the employee.
 - This tax refund program provides a State tax credit of up to twenty percent (20%) of \$10,000 in wages paid during the first year.

ESTABLISH TAX INCREMENT FINANCING (TIF) DISTRICT(S)

Tax increment financing districts, or TIF districts, can be described as special districts wherein public improvements are funded with tax revenues resulting from increased property values. The property tax rate paid by property owners is the same as paid in other areas of a city, but the additional tax paid on the increased property value would be allotted to a special fund that would finance improvement projects within a TIF district. Cities and counties can participate in TIF Districts, and they can individually participate as well. That is, a city can establish a TIF District, but tax revenues from the counties are not automatically affected. They must agree to participate.¹⁰

It is recommended that the City investigate the feasibility of establishing a TIF district or districts to assist in financing public improvements in specific geographic areas. The county governments should be approached to participate, but regardless of whether the counties are involved, a TIF district or districts should still be investigated. The amount of additional tax revenue from improved property valuations from the City alone will likely be significant enough over the long-term to contribute to physical improvements that visibly enhance a geographic area designated as a TIF District.

¹⁰ School districts often do not participate because “under Texas law, school districts can lose state funding if they are part of such a district” – Source: Chavez, Stella M., *Allen Considers Finance District: School District Wants More Information About City Proposal*, [The Dallas Morning News](#), September 30, 2003

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CONCLUSION

Economic development is a long-term process. It is not uncommon for the implementation of these strategies and programs to extend over a five-year period or longer. Therefore, City leaders and civic groups involved in economic development must be prepared to stay the course during the completion and implementation of these long-term plans. To achieve the goal of an increasingly strengthened and stabilized economy, the City should continue to work diligently with local and regional groups on efforts to improve the local and regional economy.

