

Introduction to Economic Development

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SUMMARY

- **Economic development projects may require one or more of the tools.**
- **Some tools are beneficial to developer and impose administrative and financing burdens on the City.**
- **Private investment is usually disproportionate to the public investment.**
- **Best practice - pay based on performance rather than issue debt to reimburse the developer, hoping that the project returns the city investment.**

ECONOMIC DEVELOPMENT TOOL BOX

- Chapter 380 (381) Texas Local Government Code.
- Tax Abatement.
- Type A and B Sales Tax.
- Tax Increment Reinvestment Zones (TIRZ).
- Public Improvement Districts (PID).



KEY CONCEPTS

- Some Projects are too expensive; recognize political/ financial limitations. Be willing to say NO.
- Glory and economic development are fleeting; nothing lasts forever.
- Projections by developers are often over-inflated.
- Independently verify; engage third-party to verify developer's projections/viability of the project and your ROI; engage appropriate consultants; involve bond counsel and financial advisor.

KEY CONCEPTS

- **Determine delta (amount developer really needs), amount city can afford, amount to contribute and which tools to provide the needed incentive.**
- **It takes a Village to incentivize a project; a single tool or player may not be sufficient for the project; it may require funding from several different sources.**
- **Know the deal: available programs, the limitations and whether the applicable guidelines current and track record; everyone is shopping the deal.**
- **Establish and follow protocol for negotiation of incentives.**



When negotiating Incentives, offer the group a couple of glasses of cheap merlot...AND things will start going your way and they won't know the difference.

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"Intro to Economic Development Incentives"