

# Introduction to Type B Corporation

## An Overview of Local Sales Tax



Council Presentation  
January 31, 2017



# Local Economic Development Toolbox

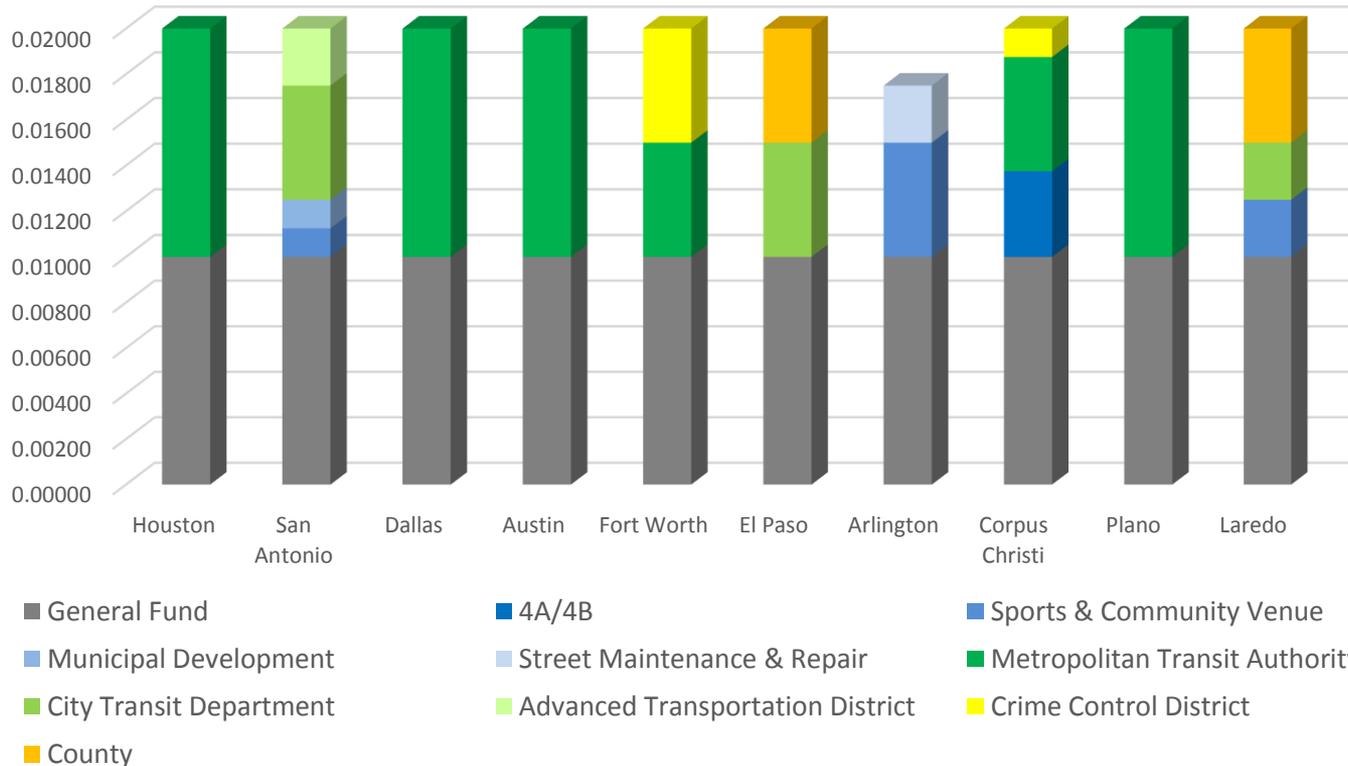
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- Economic Development Agreements
  - Ch 380 Local Government Code
- Tax Abatements
  - Ch 312 Tax Code
- **Type A and Type B Sales Tax**
  - **Ch 501, 504, 505 Local Government Code**
- Industrial Districts
  - Ch 42 Local Government Code
- Tax Increment Financing
  - Ch 311 Tax Code





# Local Sales Tax Use in Texas' Largest Cities





# Corpus Christi Sales Tax Levy Timeline

	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	Years Auth.	
General Sales Tax																
Corpus Christi RTA																
Crime Control																10
Type A - Seawall																25
Type A - Arena																25
Type A - ED, Housing, Baseball																15
Type B - ED, Housing, Streets															20	



# Type A vs Type B

	Type A	Type B
Board of Directors	5 Members	7 Members
Terms	2 Years (Staggered)	2 Years
Term Limit	Determined in Articles of Incorporation	Determined in Articles of Incorporation
Appointed By	City Council	City Council
Removed by Council at Any Time Without Cause	Yes	Yes



# Approved Type A Ballot Language (2002)

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The adoption of a sales and use tax for the promotion and development of new and expanded business enterprises at the rate of one-eighth of one percent to be imposed for 15 years. If Proposition No. 2 above is approved,

- authorizing the use of a portion of the sales and use tax for the construction, operation and maintenance of a minor league baseball stadium.
  - authorizing the use of a portion of the sales and use tax for affordable housing, up to \$500,000 annually.
  - funds approved for the promotion and development of new and expanded business enterprises will be used only for the following Projects and no others:
    - a) **Education/Skills Development.** These funds will be used to make grants to companies and organizations to provide training, retraining and education to insure the knowledge and skills required for the jobs of the future are in place.
    - b) **Business Development/Incubation.** These funds will be used to develop programs and facilities that assist small and start-up companies that have the ability to produce jobs for the future.
    - c) **Jobs.** These funds will be used to assist companies in the creation of meaningful, wealth producing jobs (jobs that bring in dollars from outside the community) in Corpus Christi. Funds would be available to both existing and new companies.
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# Approved Type B Ballot Language (2016)

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Replacing the portion of the Type A sales tax that expires in 2018 with the adoption of a one eighth of one percent sales and use tax (maintaining the current level of sales and use tax) to be administered by a Type B Corporation under Chapter 505 of the Texas Local Government Code, to be effective for 20 years, with the use of the proceeds for:

- 1) 50% for economic development, specifically the promotion and development of new and expanded business enterprises to the full extent allowed by Texas law;
- 2) Up to \$500,000 annually on affordable housing; and
- 3) Balance of proceeds to be used for construction, maintenance and repair of arterial and collector streets and roads



# Frequently Asked Questions

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- Who Administers & Oversees?
  - A Non-Profit Corporation
- Must the City Create Separate Corporations?
  - Yes
- Does City Council have to Approve Expenditures?
  - Yes
- Can City Council Fund Certain Projects?
  - No
- Can City Provide Services or Money?
  - Yes, but only if reimbursed

*Source: Section 4A and 4B Sales Tax – Riley Fletcher Basic Municipal Law Seminar – February 24, 2006*

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# Public Hearing Requirement for 4B Projects

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The required Public Hearing starts a 60 Day window, during which:

- No Expenditures Can Be Made
- Public can submit petition with 10% of voters to request an election.
- Election not required if Voters have already approved Project or Type of Project.
- If no action after 60 days, expenditures can be made.



# Steps to Creating Corporation

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- Voters Approve Tax ✓
- Canvass Election Results ✓
- Levy Tax
- Appoint Board of Directors
- File Certificate of Formation
- Organizational Meeting
- Adopt By-Laws



# Steps to Creating Corporation

		2016		2017												2018													
		N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		
1	Voters Approve Type B																												
2	Canvass Election Results																												
3	Levy Tax																												
4	Draft By Laws																												
	Draft Certificate of Formation																												
5	Appoint Board																												
6	File Certificate of Formation																												
7	Organizational Meeting																												
	Adopt ByLaws																												
8	New Tax Begins																												

Option A
Option B
Option C



# Next Steps

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- Request Direction from Council
  - Appoint Type B Board of Directors
- Additional Items to Consider:
  - Establish Policies
    - Economic Development (MOU with CCREDC)
    - Affordable Housing
    - Streets