

Review Type B Corporation

An Overview of Local Sales Tax



Council Presentation
August 8, 2017



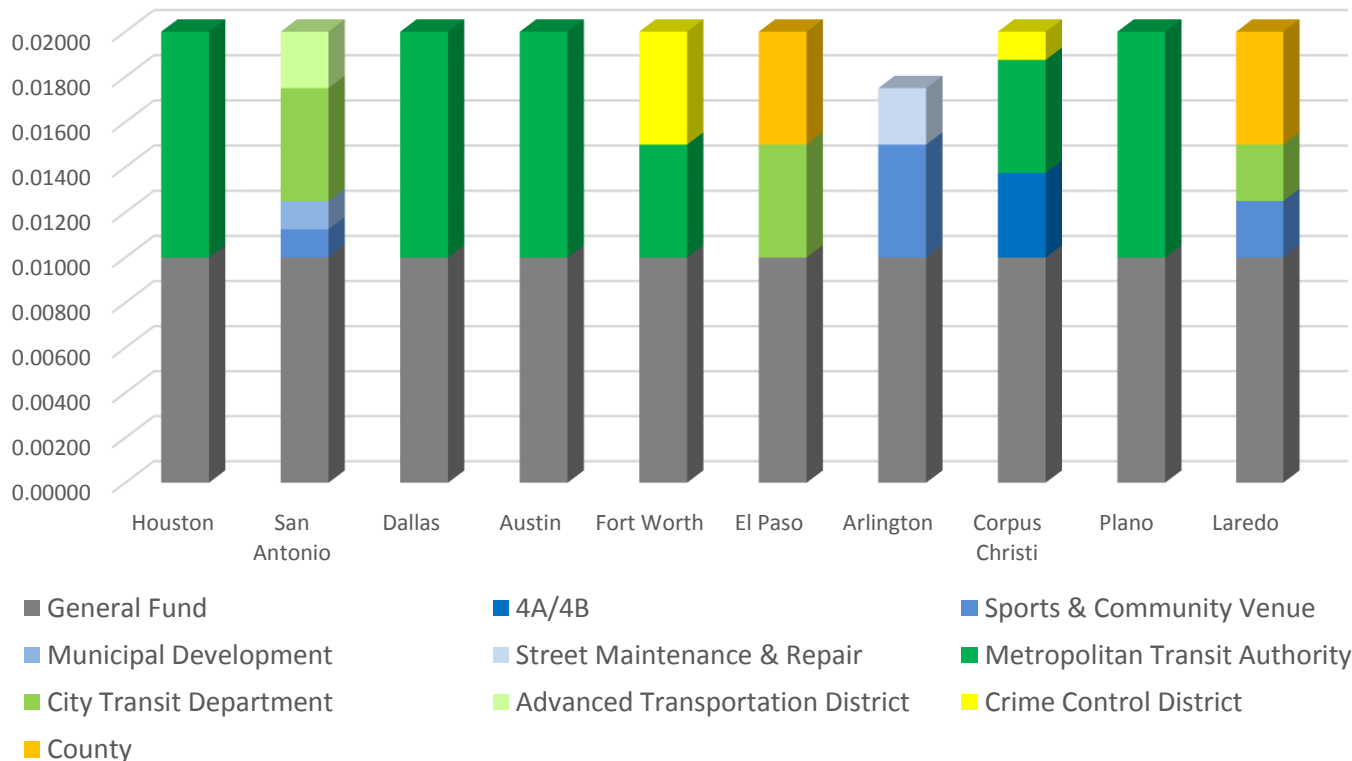
Local Economic Development Toolbox

- 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





Timeline of Corpus Christi Sales Tax

	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 B Ballot Language (2016)

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

- 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



Public Hearing Requirement for 4B Projects

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

- 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

- Received Direction from Council
 - Appoint Type B Board of Directors
- Once Appointed, Board of Directors included in Certificate of Formation as approved by Council Resolution
- Certificate of Formation filed with Secretary of State
- Board Meets to approve By-Laws and Elect Officers