

THE RURAL TEXAN

Volume 3, Issue 1 OFFICE OF RURAL COMMUNITY AFFAIRS Winter 2006

At Issue: Kick-Starting Rural Economic Development

Even the most promising economic development projects can falter without adequate resources to get them started. When determined volunteers and fail-proof ideas fall short, consider a revenue-boosting strategy to help your community kick-start economic development.

Strategy 1: County Development Districts Economic Development Tools for Small Rural Counties

By Jody Richardson, partner, Akin Gump Strauss Hauer & Feld, specializing in economic development law

County Development Districts may be the best tool for rural economic development that you have never heard of.

Although the Texas Legislature authorized county development districts (CDDs) in 1995, only six counties have established such districts to date: Cherokee, Denton, Erath, Hood, Jasper and Kaufman. The CDD law is codified in Chapter 383, Local Government Code.

Acknowledging that rural counties are not likely to attract either old-economy manufacturing facilities, or new-economy microchip fabrication labs, rural legislators recognized that tourism is likely to be a major part of economic development in Texas' sparsely populated, but scenic countryside.

The CDD law allows counties of up to 400,000 to create a special district in all or part of their counties which must hold an election within the district to obtain authority to impose additional sales

"In addition to the state sales tax of 6.25 percent ... CDDs may impose a sales tax of up to one-half percent."

taxes for the purpose of funding certain economic development activities.

In addition to the state sales tax of 6.25 percent and any other local sales tax, CDDs may impose a sales tax

of up to one-half percent. They may also request a county-imposed hotel occupancy tax of up to seven percent, which will be imposed only within the boundaries of the district, in addition to the state hotel tax of six percent.

Texas currently allows elections to be held on only two dates each year: the second Saturday in May and the first Tuesday after the first Monday in November. Taking into account the numerous notice requirements, initial steps to create a CDD should begin no later than six months prior to the targeted election date.

A board of five directors appointed by the commissioners court will be authorized to use the tax revenues

Continued on back page ...

Strategy 2: Collaborate to Pool Resources

By Julie V. Kelly, ORCA

The city of Brady (McCulloch County), Texas, tried for years to spur economic development in the rural town, but progress was slow and, despite a pool of eager volunteers, projects failed to yield many benefits for the community.

In spring 2004, representatives from the McCulloch County Industrial Foundation (MCIF), a non-profit coalition, and the Brady Economic Development Corporation recognized the need for a full time community development director. The problem was that Brady did not have the resources to hire a full time employee.

The Solution: The Brady Economic Development Corporation realized that by pooling resources with other entities with similar interests, funding might be secured to hire a full time professional.

After a year of negotiation between stakeholders, the Brady/McCulloch County Chamber of Commerce hired Wendy Ellis for the position. Ellis now works for the Brady McCulloch County Chamber of Commerce and the Brady Economic Development Corporation, the board appointed by Brady's City Council to oversee the use of 4A sales tax dollars. The 4A sales tax, a city tax, contributes a portion of Ellis' pay.

The Result: As the city's community development director, Ellis works to implement an economic development strategy that is custom-made for the town's demographic. She keeps communications flowing and coordinates stakeholder efforts in economic development projects so that resources are used more efficiently and projects yield measurable benefits for the community.

"Hiring a full time community development director brought focus and a degree of coordination to projects that were not possible with an all-volunteer staff. Now we are moving in sync, with a common goal and a cohesive strategy." — Sam McAnally, Chair of the Brady Economic Development Corporation



Success Story: Through a cooperative effort with the City of Brady and Texas Department of Transportation (TXDOT) Aviation Division, the Brady Economic Development Corporation coordinated the construction and leasing of a paint hangar. Texas Aerocolor has been operating in the hangar since 2001 and has completed 283 projects.

Resource Guide

Strategy 3: Maximize Funding Potential

Generating more than \$40.8 million in revenue for rural counties in 2003, 4A and 4B economic development sales taxes are a powerful tool, but they are not the only source of funds. Rural communities should also apply to federal, state and private economic development programs for grants and loans. Unfortunately, the resources expended during the application process can be discouraging to rural communities. ORCA suggests the following simple tactics to maximize your community's potential to apply for and win funding.

Search and apply online. If you haven't already, sign up for the Grants.gov "Find Grant Opportunities" service, and register to receive automatic email notifications of new grant opportunities as they occur. The searchable site is loaded with funding opportunities, but be prepared to act fast since deadlines may be less than a month away from the initial posting. You can save time by registering to apply online. Visit <http://www.grants.gov/GetStarted> for more information.

Prepare now. Some general materials, such as an overview of your community and organization, as well as a description of economic development projects can be developed ahead of time for use in most grant applications. Keep financial reports, staff rosters and other housekeeping items in order and current to minimize research and writing time.

Assemble a team with a plan. Designate tasks to each member of the team and follow a pre-determined plan when the funding opportunity arises. Doing so will save time and make your community one of the few to meet the application deadline.

Additional Resources

For additional information on rural economic development, visit the following organizations online:

Office of the Governor
Economic Development and Tourism
www.governor.state.tx.us/ecodevo/

Office of Rural Community Affairs (ORCA)
www.orca.state.tx.us

Texas Comptroller of Public Accounts
www.window.state.tx.us/

Texas Economic Development Council (TEDC)
www.Texasedc.org/

Texas Department of Agriculture
Texas Yes!
www.texasyes.org

US Department of Commerce
Economic Development Administration
www.eda.gov/

US Small Business Administration
www.sba.gov/

County Economic Development Districts

Continued from front page ...

on eligible economic development activities. The statute defines an eligible "project" as any project eligible under Section 4B of the Development Corporation Act of 1979, which includes athletic facilities, tourism and entertainment facilities, parks, certain public space improvements, improvements related to commercial businesses, and transportation and infrastructure improvements that promote tourism, and marketing costs.

Districts are created upon a petition describing the boundaries submitted to the county, accompanied by sworn statements of all of the landowners within the proposed district, nominating five proposed directors who must be residents of the county after a public hearing.

If the county creates a district and appoints five temporary directors, the directors meet to call an election to confirm the district and to authorize the imposition of a sales tax.

If approved by the voters, the district is confirmed as a political subdivision of the state, and the temporary directors

become permanent directors.

The district may then request that the county impose a county hotel occupancy tax (HOT) of up to seven percent within the boundaries of the district, which will be collected in addition to the state hotel tax of six percent.

The district submits the HOT revenues monthly to the county, which is required by law to remit them, without offset, to the district within ten days.

Note that the state's HOT revenues are submitted to the state, as before. The sales taxes are collected by the retailers in the district, and sent to the Texas Comptroller along with other sales taxes. The Texas Comptroller remits the local sales taxes after deducting a percentage as the cost of collection.

The district is authorized to spend its revenues to promote and develop tourism in the district and the county.

For further information, please contact Jody Richardson at 512-499-6238.

OFFICE OF RURAL COMMUNITY AFFAIRS

Where rural Texas comes first.

As the state agency dedicated solely to rural Texas, ORCA makes the broad resources of state government more accessible to rural communities. The agency ensures a continuing focus on rural issues, monitors governmental actions affecting rural Texas, researches problems and recommends solutions, and is a coordinator and provider of rural-focused state and federal resources.

"The willingness of a community to collaborate on a regional level is an indicator of their resolve and commitment to economic development. The bottom line is, can the community grasp the big picture and commit fully to an economic development project?"

Charles S. (Charlie) Stone
ORCA Executive Director

The Rural Texan is a free publication of the Office of Rural Community Affairs (ORCA). To subscribe to *The Rural Texan*, call ORCA toll free at 800-544-2042 or visit us online at www.orca.state.tx.us, or contact:

Office of Rural Community Affairs
Attn: Julie V. Kelly, Editor
P.O. Box 12877
Austin, TX 78711

ORCA does not endorse any product or service discussed in this newsletter. Such discussions are provided to readers for information only.

Printed on 30-percent recycled paper.

ORCA Executive Committee

William M. Jeter III, Chair
Bryan
(Brazos County)

David Alders
Nacogdoches
(Nacogdoches County)

Nicki Harle
Baird
(Callahan County)

Carol Harrell, Vice Chair
Jefferson
(Marion County)

Wallace Klussmann
Fredericksburg
(Gillespie/Llano Counties)

Lydia Rangel Saenz
Carrizo Springs
(Dimmit County)

Ike Sugg
San Angelo
(Tom Green County)

Patrick Wallace
Athens
(Henderson County)

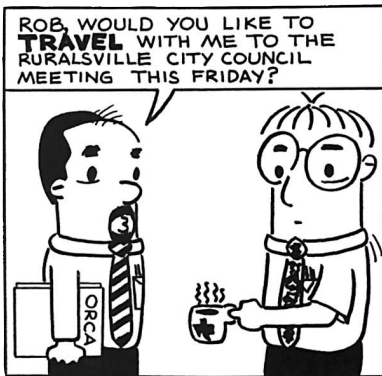
Michael Waters, Secretary
Abilene
(Taylor County)

ORCA's Mission:

"To assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all."

Rural Laughs

By Robert Wuest, ORCA



Take ORCA's online survey!

ORCA's goal is to provide efficient, effective and fair service to all rural Texans. To meet this goal, we need to hear from you. Your input will help our staff identify how we can better serve rural communities.

Please visit ORCA online and take a moment to respond to our brief survey at <http://www.orca.state.tx.us/>, located in the Customer Satisfaction section of About ORCA.

"Competition is fierce and resources are scarce. The economic success of a rural community may depend on how well it collaborates with regional neighbors to maximize resources and outpace larger competitors."

William M. Jeter III
Chair, ORCA Executive Committee

OFFICE OF RURAL
COMMUNITY AFFAIRS
P.O. Box 12877
Austin, TX 78711

Rural Economic Development News from ORCA!

Original coverage of emerging rural economic development issues

Related funding opportunities

Case studies & success stories

Advice from the experts and do-it-yourself guides

In this issue of *The Rural Texan*: Kick-Starting Rural Economic Development

ORCA profiles three strategies rural Texans can use to spur economic development.

Strategy 1

Initiate a County Development District

Strategy 2

Collaborate regionally to pool resources

Strategy 3

Maximize your potential to win funding