



**Michigan Association of Planning  
A Chapter of the American Planning Association**

*Excerpted from the MSPO Community Planning Handbook*

## **Economic Development Corporation**

### **Description**

An Economic Development Corporation (EDC) is a tax-exempt, semi-autonomous, locally chartered public corporation whose purpose is to encourage development in a community. In general, EDC's are self-supporting non-profit organizations that help potential developers obtain financing to expand or build new businesses. An EDC utilizes revenues bonds to help developers secure necessary funds. Because these bonds have tax-exempt status, and thus lower interest rates, the EDC is better able to attract targeted development projects that support the economic development goals of the community.

A municipality, either a county, city, village, or township, may organize an EDC. The EDC is formed by the governing body of the municipality by resolution and incorporated as a nonprofit corporation. Like any corporation, the board of directors is given full responsibility for administering the EDC. Because the EDC is a quasi-public organization with a definite public purpose, its major actions must be approved by the municipality that creates it.

### **Planning Considerations**

According to the Economic Development Corporations Act, the primary reason for the formation of an EDC is "to alleviate and prevent conditions of unemployment." To accomplish this goal, the municipality, through the EDC, must encourage and assist industrial and commercial enterprises in "locating, purchasing, constructing, reconstructing, modernizing, improving, maintaining, repairing, furnishing, equipping, and expanding in this state and its municipalities." The formation of an EDC helps to achieve these goals because of its ability to issue tax-exempt revenue bonds that satisfy requirements of the federal tax codes, as well as its possible role and expertise in economic development planning and coordination activities.

Several requirements must be fulfilled before an EDC can issue bonds or begin acquiring property:

- A project area must be designated and approved by the governing body of the municipality.
- The EDC must prepare a project plan which must also be approved by the governing body of the municipality.
- The EDC must certify that the realization of the project plan will not result in the transferring of more than 20 full-time jobs from one municipality in the state to the municipality of the EDC. However, if the municipality that will be losing the jobs agrees, the plan can go forward.

The **project plan** must include very specific information about the proposed improvements for the project area. This information must include:

- Details of any proposed changes or additions to existing public facilities and land use.
- Zoning changes.
- Methods of financing.
- Construction schedules.
- Project management.
- Displacement/relocation considerations.

This plan is subject to approval by the governing body of the municipality based on the recommendations of its staff and a citizens council.

The project plan, as well as all of the activities of the EDC, must coordinate with the economic planning activities of the entire community and region. The EDC and the governing body of the municipality and their staff are responsible for assuring that EDC projects are in line with the economic development goals of the entire community. Other economic development plans and activities within the community and region must be identified to assure the compatibility of each activity with broader goals.

### **Advantages**

- Public entity which can attract new development and assist with financing.
- Can provide a coordinated effort for area marketing and referral services for prospective businesses.
- Can issue industrial revenue bonds.

### **Disadvantages**

- EDC's do not typically meet if they do not have a "deal" to package. This may leave a significant amount of time between meetings. Consequently EDC

Board member lose continuity in economic development efforts. Regular, but not excessive meetings may help the Board focus.

**Limitations**

- EDC projects require payment of prevailing wages for construction labor.
- Many separate local EDC's have been created that have had limited activity, mainly because they do not have sufficient volume of opportunities. County level EDC's are generally more successful.
- The value of an EDC's tax-exempt bonds to a business is dependent on restrictions in the federal tax code and financial market conditions at the time of bond issuance.