

DENTON CITY PUBLIC FACILITY CORPORATION

Principal Office: 215 E McKinney St,
Denton TX 76201

AGENDA INFORMATION SHEET

DATE: December 16, 2025

SUBJECT

Receive a report regarding the history to date of Denton City Public Facility Corporation, the legal powers of a Public Facility Corporation, and administrative items remaining for Denton City Public Facility Corporation to complete.

BACKGROUND

- May 2, 2023: Council considered creation of a Public Facility Corporation, but did not approve at that time. ([ID 23-865](#)).
- June 18, 2023: The 88th Legislative Session passed changes to [Chapter 303](#) of the Texas Local Government Code, which authorizes Public Facility Corporations. The changes increased affordability and transparency requirements, as well as protections for jurisdictions and tenants. The Bill became effective as of January 1, 2024 ([TX HB 2071](#)).
- April 16, 2024: Council approved the creation of a Public Facility Corporation ([ID 24-668](#)).
- July 22, 2024: Denton City Public Facility Corporation is certified as a Domestic Nonprofit Corporation by the Texas Secretary of State.
- January 7, 2025: Initial Meeting of Denton City Public Facility Corporation is held. Bylaw amendments are proposed and approved.
- August 19, 2025: Bylaw Amendments approved by Denton City Council ([ID 25-1215](#)).

DISCUSSION

A Public Facility Corporation (PFC) is a corporation created by a local government entity to hold title to and provide funding for any real, personal, or mixed property, or an interest in property devoted to public use.

- It is authorized by Chapter 303 of the Texas Local Government Code – the Public Facility Corporation Act (Act)
- It is a **nonprofit** corporation created through Texas Secretary of State

A sponsor (municipality, county, school district or housing authority) may create one or more of the nonprofit public facility corporations to acquire, construct, rehabilitate, renovate, repair, equip, furnish, or place in service public facilities such as affordable housing developments.

A PFC can:

- Issue bonds
- Finance public facilities (such as multifamily affordable housing)

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- Provide a tax exemption to a multifamily affordable housing development through partnership
 - Receive revenue from such a partnership deal

Analysis of H.B. No. 2071

June 2023, in the 88th Legislative Session, the Texas Legislature approved H.B. No 2071. Overall, H.B. No. 2071 aims to regulate and provide a framework for the operation and taxation of multifamily residential developments, especially those aimed at providing affordable housing, while also ensuring compliance and oversight through audits and studies.

- **Affordability**
 - Requires 10% of units to be affordable for renters at 60% of area median income (AMI) in addition to 40% of units affordable at 80% AMI.
 - A PFC's development may still receive a 100% tax exemption while only 50% of the units are affordable.
 - PFC's are still not required to reserve any units for renters earning 50% AMI or below.
 - Acquisition deals (versus new construction) must dedicate at least 15% of the cost of the property for rehab. Acquisitions may avoid the rehab requirement by increasing the share of units affordable at 60% AMI to 25%, only with approval by the elected body over the PFC.
 - Income-restricted units must make up a proportionate share of each unit size.
- **Transparency**
 - For new construction deals, the PFC user must show that the development would not be feasible without the use of the PFC structure.
 - For acquisition deals only, a "meaningful benefit test" is required that shows that 60% of tax benefit is going toward reducing rents in income-restricted units. Not required for new construction deals.
 - For PFCs operating under Chapter 303 of the Texas Local Government Code and established by a Public Housing Authority (PHA) that do not have a majority of the members of the governing body who are elected officials, the PFC must obtain approval the elected body of the municipality (Denton City Council) over the PHA.
 - Recent tax exempt multifamily deals by Denton Housing Authority have been established under Chapter 394 of the Texas Local Government Code.
 - A PFC must post information about each development it owns on its website.
 - For all deals, a 30-day notice must be given to all impacted taxing entities.
 - An annual compliance audit must be conducted by auditors hired by property owners and reviewed by TDHCA.

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▪ **Jurisdiction**

- PFC deals may only occur within the jurisdictional boundaries of the PFC sponsor.
- Tax-Exemptions Expire (unless extended with approval from same entities of initial approval):
 - Acquisition: Expires after 30 years
 - New Construction: Expires after 60 years

▪ **Tenant Protections**

- Requires that PFC developments must accept Housing Choice Vouchers (HCV) and cannot require HCV holders to have monthly income in excess of 250% of the household's monthly payment.
- The PFC user must affirmatively market to voucher holders.
- Provides a baseline of tenant protections, including preventing retaliation regarding the right to organize and just cause eviction protection.

Administration of a PFC

Developers seeking funding or partnerships must complete a formal application, which undergoes a multi-step review process:

- **Initial Staff Review:** Applications are reviewed for completeness and alignment with program goals, as set by DCPFC Policies and Procedures.
- **Board Review:** The DCPFC board evaluates applications which pass staff review using a detailed scoring matrix and makes recommendations for partnership or funding.
- **Agreement:** If selected, applicants negotiate a term sheet and enter into a formal agreement with the PFC.

Third Party Services

DCPFC requires certain services City Staff are unable to provide and must be procured through a 3rd party vendor. Specifically, these services are **underwriting** and **legal counsel** within the context of a potential deal.

Because the PFC is an independent entity, it does not need to follow the same procurement process as the City. PFC's can procure these services at will when a deal is being considered and charge the applicant for the costs associated.

Remaining Items to Address

There are a few actions remaining before DCPFC board may begin accepting deals.

The first is to review a staff initiated bylaws amendment, primarily focused on accurately reflecting the role of City Staff in DCPFC. Proposed amendments also include allowing for revenue to be used as fee

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in-lieu of waived taxes (for City of Denton or other taxing entities such as Denton Independent School District.

Next, DCPFC will need to adopt Policies and Procedures outlining how to accept applications and priorities for partnership. From there, DCPFC can begin accepting applications for partnership.

Remaining Steps:

- Consider amending bylaws (staff-initiated)
 - Amending role of City Staff in bylaws to accurately reflect capacity
 - Include option to use revenue as fee-in-lieu of waived taxes
- Adopt Policies and Procedures
- Begin Accepting Applications

EXHIBITS

1. Agenda Information Sheet
2. Presentation

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