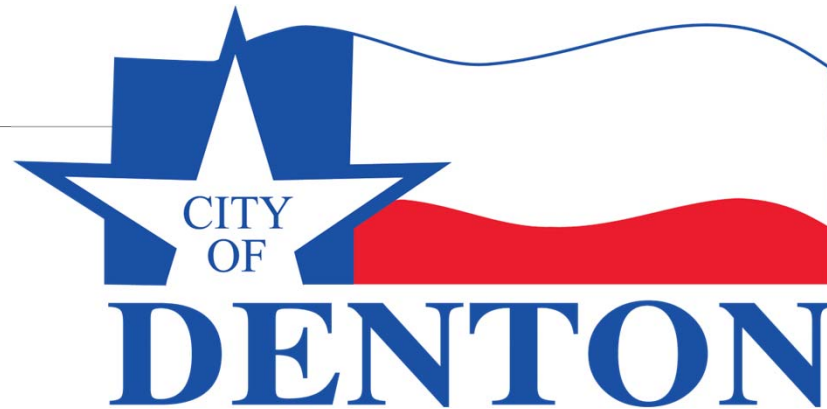


Expiring Economic Development Incentives

May 6, 2025

Christine Taylor, Assistant City Manager

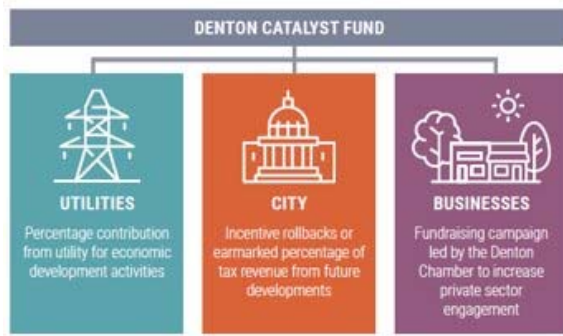


Background

On Nov. 19, 2024, Council Member Jester presented a two-minute pitch to City Council for staff to evaluate the feasibility of using expiring incentives as a funding mechanism for the Catalyst Fund.

Economic Development Funding History

FIGURE 9. RECOMMENDED STRUCTURE FOR A DENTON CATALYST FUND



- The City of Denton does not have a local sales and use tax dedicated to Economic Development.
- In **2016** the Economic Development Investment Fund was created to increase the City's competitiveness in the recruitment and retention of large or targeted companies.
- In **2021**, the City Council adopted the Economic Development Strategic Plan.
 - The Strategic Plan recommended the creation of a Catalyst Fund, made up of contributions from multiple sources.
- The Catalyst Fund was adopted with the Budget and adoption of (Ord. 22-1803) in **2022**.

Catalyst Fund

Funding

FY 24 Ending Fund Balance \$5.3 Million

- One-Time Funding: Utility Water and Wastewater Funds, total of \$2.0 Million
- Annual Funding:
 - Mixed beverage tax - \$150,000
 - Data Center revenue - \$1.0 Million

Uses

- Job-Based Grants
- Entrepreneur Tech Grant
- Infrastructure Assistance
- Headquarters Grants
- “Deal Closing” Grants
- Land Acquisition
- State and Federal Fund Matches

Comparison

Metroplex cities with dedicated Sales Tax Revenue

	Arlington	McKinney	Frisco
FY 24 Ending Fund Balance	67.8 M	51.3 M	72.6 M
Sales Tax Revenue	\$24.5	\$23.9	\$34.9

Expiring Incentives

The pitch proposes a funding mechanism to consider re-dedicating dollars from budgeted sales tax incentives as they terminate to the Catalyst Fund.

Chapter 380 Eligible Summary Forecast

Incentive	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 203-32	FY 2032-33	FY 2033-34	Eligible Expiring Total
Chapter 380 Ad Valorem	\$38,174	\$55,991	\$253,506	\$336,596	\$352,630	\$369,466	\$371,235	\$389,797	\$409,287	\$429,751	\$3,006,433
Chapter 380 Mixed Beverage and Sales Tax	\$0	\$28,542	\$94,392	\$99,111	\$104,067	\$109,270	\$114,734	\$120,471	\$126,494	\$3,102,006	\$3,899,087
Total Ad Valorem, Mixed Beverage and Sales Tax Rebate	\$38,174	\$84,533	\$347,897	\$435,707	\$456,697	\$478,737	\$485,969	\$510,267	\$535,781	\$3,531,757	\$6,905,520

Tax Abatement Eligible Summary Forecast

Incentive	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 203-32	FY 2032-33	FY 2033-34	Eligible Expiring Total
Tax Abatement Ad Valorem	\$0	\$135,551	\$142,329	\$208,651	\$219,084	\$230,038	\$241,540	\$253,617	\$266,298	\$279,613	\$1,976,721
Total Tax Abatement Ad Valorem	\$0	\$135,551	\$142,329	\$208,651	\$219,084	\$230,038	\$241,540	\$253,617	\$266,298	\$279,613	\$1,976,721

Expiring Incentives: Total Eligible Incentives

Incentive	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	Eligible Expiring Total
Year	1	2	3	4	5	6	7	8	9	10	
Expiring Total	\$38,174	\$220,085	\$490,226	\$644,359	\$675,781	\$708,775	\$727,509	\$763,884	\$802,079	\$3,811,370	\$8,882,241
Cumulative Total	\$38,174	\$258,259	\$748,485	\$1,392,843	\$2,068,625	\$2,777,399	\$3,504,908	\$4,268,793	\$5,070,871	\$8,882,241	\$8,882,241

10-year Potential Revenue:

- Chapter 380 incentives: \$6.9 million
- Tax abatements: Additional \$2.0 million
- Total Potential: **\$8.9 million**

Recommendations/Discussion/ Next Steps

Staff recommends reallocating expiring economic development incentives to the Catalyst Fund contingent on annual budget evaluations and general fund status for a maximum of \$9 million.

If the Council recommends moving forward, staff will bring forward an ordinance for Economic Development Partnership Board recommendation and Council consideration.