



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM/DCM/ACM: Christine Taylor, Assistant City Manager

DATE: May 6, 2025

SUBJECT

Receive a report, hold a discussion, and give staff direction to reallocate expiring economic development incentives to the Catalyst Fund.

BACKGROUND

On December 13, 2024, an Informal Staff Report (2025-014) was prepared for City Council in response to a two-minute pitch by Council Member Jester regarding the utilization of expiring incentives as a funding mechanism for the Catalyst Fund.

The City Council created the Economic Development Investment Fund in 2016 to increase the City's competitiveness in the recruitment and retention of large or targeted companies. A total of \$150,000 of mixed beverage tax revenue served as the dedicated funding source. In 2019, the City engaged economic development consulting firm TIP Strategies to lead Denton's comprehensive economic development strategic planning process. Staff and the TIP team worked together for more than a year to engage community stakeholders and develop a strategic plan for economic development that outlines a specific vision for Denton, as well as the strategies and tactics to bring the vision to fruition. The final plan was adopted by the City Council on February 9, 2021.

A proposed strategy outlined in the plan was the creation of a Catalyst Fund, made up of contributions of various funding sources, that would provide support for economic development programs, incentives, and initiatives. The recommended strategy was based on the premise of ensuring Denton was well-positioned to execute the recommendations and priorities laid out in the strategic plan and ensuring that Denton could remain competitive with communities with dedicated economic development funding (e.g. those communities that have adopted the dedicated economic development sales taxes). Denton is not eligible to levy the economic development sales tax since it has already hit the local sales tax cap in 2004. Instead of a Type A or Type B funding mechanism, in 2004, the City of Denton chose to dedicate the City's 0.5 cent local sales and use tax to support the Denton Transportation Authority (DCTA) along with the Cities of Highland Village and Lewisville.

The Catalyst Fund was created on September 27, 2022, with the renaming and assigning of the Economic Development Investment Fund via adoption of Ordinance 22-1803. One of the goals of creating a catalyst fund is to ensure Denton is positioned to execute the priorities laid out in the strategic plan. Several funding mechanisms for the Catalyst Fund were reviewed during the work session on July 26, 2022. Following discussion, the Council gave direction to establish the Catalyst Fund. The ordinance establishing the Catalyst Fund allowed Council to commit a portion of fees, taxes, and other funds.

DISCUSSION

A funding mechanism that has been considered is dedicating dollars from incentives as they terminate. A 10-year analysis of expiring incentives is detailed in Exhibit 1. If this method of funding is used, eligible expiring Chapter 380 incentives (including mixed beverage, sales tax, construction sales and use tax, and property tax) would generate \$6.9 million for the fund over a 10-year period. In addition, if eligible expiring tax abatements were included, the total would be \$8.9 million. Ineligible expiring Chapter 380 Job-based expansion and relocation incentives, which are funded through the Catalyst fund, amounted to \$778 thousand.

RECOMMENDATION

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.

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Presentation

Respectfully submitted:
Brittany Sotelo
Economic Development Director

Prepared By:
Erica Sullivan
Economic Development Program Administrator