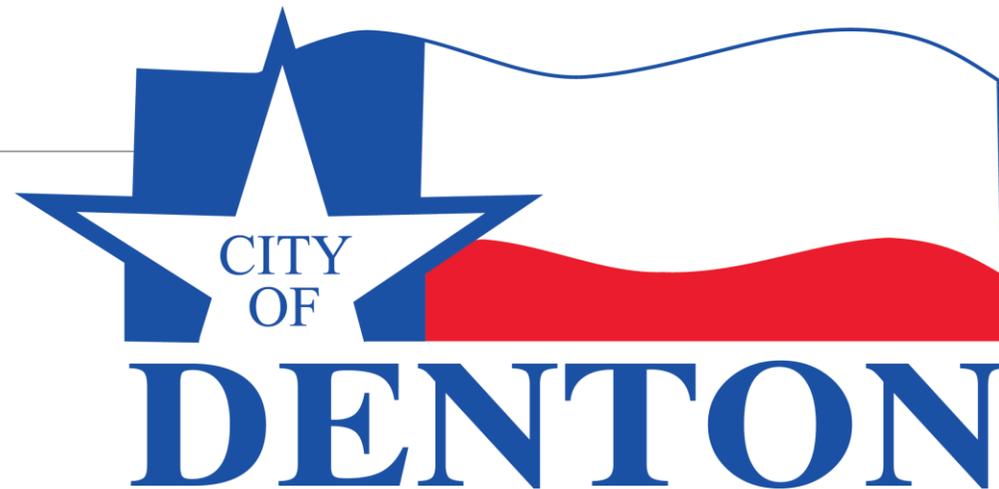


# Expiring Economic Development Incentives

June 17, 2025

Christine Taylor, Assistant City Manager



# Background

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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.

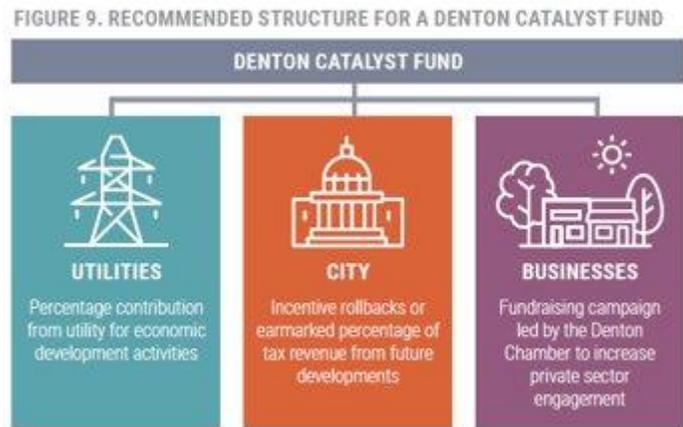
On April 9, 2025, a presentation was given to the Economic Development Partnership Board for discussion.

On May 6, 2025, the pitch was presented to City Council during Work Session. Council directed staff to proceed with amending Ordinance 22-1803.

June 11, 2025 – Catalyst Fund item was to be presented to EDPB for a recommendation to City Council, meeting canceled due to lack of quorum.

# Economic Development Funding History

- 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 up to

# Comparison

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Metroplex cities with dedicated Sales Tax Revenue

Description/City	Arlington	McKinney	Frisco
FY 24 Ending Fund Balance	67.8 M	51.3 M	72.6 M
Annual 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
<b>Total Ad Valorem, Mixed Beverage and Sales Tax Rebate</b>	<b>\$38,174</b>	<b>\$84,533</b>	<b>\$347,897</b>	<b>\$435,707</b>	<b>\$456,697</b>	<b>\$478,737</b>	<b>\$485,969</b>	<b>\$510,267</b>	<b>\$535,781</b>	<b>\$3,531,757</b>	<b>\$6,905,520</b>

## 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
<b>Total Tax Abatement Ad Valorem</b>	<b>\$0</b>	<b>\$135,551</b>	<b>\$142,329</b>	<b>\$208,651</b>	<b>\$219,084</b>	<b>\$230,038</b>	<b>\$241,540</b>	<b>\$253,617</b>	<b>\$266,298</b>	<b>\$279,613</b>	<b>\$1,976,721</b>

# 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	<b>\$8,882,241</b>
Cumulative Total	<b>\$38,174</b>	<b>\$258,259</b>	<b>\$748,485</b>	<b>\$1,392,843</b>	<b>\$2,068,625</b>	<b>\$2,777,399</b>	<b>\$3,504,908</b>	<b>\$4,268,793</b>	<b>\$5,070,871</b>	<b>\$8,882,241</b>	<b>\$8,882,241</b>

**10-year Potential Revenue:**

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

# Catalyst Fund Plan

Description	UOM	Estimated Average Cost	Estimated #	Estimated Total
Job Based Grants	Per Job	1,700	800	1,360,000
Entrepreneur Tech Grant	Per Project	25,000	18	450,000
Infrastructure Assistance	Per Project	750,000	1	750,000
Headquarters' Grant	Per Project	75,000	6	450,000
Deal Closing Grants	Per Project	250,000	4	1,000,000
Land Acquisition	Per Project	2,500,000	2	5,000,000
			<b>Total</b>	<b>\$ 9,010,000</b>

# Recommendations

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Staff recommends approval of the Ordinance allocating expiring incentives to the Catalyst Fund, providing for annual budget evaluations and a limit of \$9,000,000 into the Fund.

# Questions?