

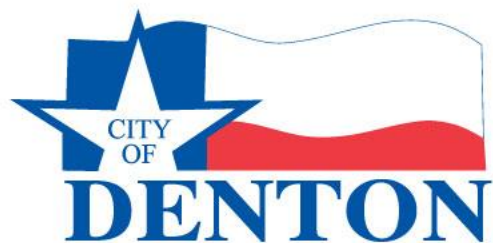


# Incentive Policies: Tax Abatement

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ID 24-821; 05/07/2024

# Policy History

- First Tax Abatement Policy was approved in 1989
- Green initiatives were added to the policy in 2010 and 2012.
- The policy was broadened to apply Chapter 380 of the Texas Local Government Code (LGC) to implement a wider range of incentive programs in 2014.
- Retail was addressed, definitions were added, and the Investment Fund and Aircraft Incentive programs were incorporated in 2018
- Update in 2020 had no significant changes
- The 2020 Strategic Plan was approved in February of 2021.
- The policies were separated and aligned with the strategic plan and the City's Core Values in 2022

# Tax Abatement Considerations

- Chapter 312 of the Texas Tax Code requires governing body to adopt guidelines and criteria governing tax abatement agreements in order to be eligible to grant tax abatements.
  - Policy is effective for 2 years after adoption
  - During the 2 year period, the policy can only be amended or repealed by a three-fourths vote of the government body
  - Governing body must hold a public hearing regarding the proposed policy
  - Denton County will participate in tax abatements with Cities, but generally will not utilize Chapter 381 of the Texas LGC to administer an economic development program to provide grants as a form of economic development.

# Proposed Changes to the Current Policy

- Update to match the current City's core values;
- Incorporate possible underwriting of incentives into the policies; and
- Update to the new Census maps
- Structure the policy priority considerations and public benefit factors around both the goals and the Strategic Growth Areas (SGAs) of the strategic plan;



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SGA Targets by NAICS	Points
Target: 10 points (Total 15 Points)	
<b>NAICS:</b>	
<b>Creative</b>	
<b>Sustainable</b>	
<b>Competitive</b>	
<b>Other Target Areas (Max 5 points):</b>	
<b>SGA Targets Subtotal</b>	0
<b>Economic and Fiscal Impacts (50 points)</b>	<b>Points</b>
<b>Expand The Tax Base (Max Points 10)</b> Project provides new property, sales, HOT, or other taxes to the City, County, DISD, and DCTA through the development of property or facility or by making improvements to an existing property or facility, a new business or expansion, a new multi-tenant complex, or increase in jobs	
<b>Public-Private Partnership (Max Points 10)</b> Project includes development of public infrastructure or amenities deemed beneficial, or developer assumes responsibility for development of infrastructure or public facilities beyond what is required. Project will involve a significant relationship with DISD or institution of higher education	
<b>Increases High Wage Jobs (Max Points 10)</b> Project includes new jobs with an average or has a significant percentage of jobs that earn an annual base salary of \$65,000 or more	
<b>Encourage Knowledge Base Jobs (Max Points 5)</b> Project includes new jobs or has a significant percentage of jobs that require specialized and theoretical knowledge, usually acquired through experience or a college education, or other training which provides comparable knowledge; requires some research, analysis, or requires special licensing, certification	
<b>Pays a living wage for all new employees (Max 10 points)</b> From the most current MIT Living Wage Calculator for Denton County	
<b>Other (Max 5 points):</b>	
<b>Economic and Fiscal Impacts Subtotal</b>	0
<b>Connective (15 points)</b>	<b>Points</b>
<b>Generates New Utility Customers (Max Points 10)</b> Project is a customer of City utilities focusing on electric. Higher points awarded for larger customers.	
<b>Other Target Areas (Max 5 points):</b>	
<b>Connective Subtotal</b>	0
<b>Creative (30 points)</b>	<b>Points</b>
<b>Community Investment (Max Points 5)</b> Project, company, or developer demonstrates a commitment to community support or involvement through monetary or in-kind support of local nonprofits, public institutions, or community organizations	
<b>Encourages New Business Markets/Suppliers And Entrepreneurship (Max Points 10)</b> Project is from an industry not significantly represented in local economy or company is a new business startup or entrepreneurial endeavor	
<b>Benefits Package (Max Points 10)</b> Provides on-site child care; adult care; vouchers or other financial assistance; backup services; flexible or remote work accommodations; flexible spending accounts; 401K matching/pension; tuition reimbursement; or other benefits	
<b>Other Considerations (Max 5 points):</b>	
<b>Creative Subtotal</b>	0
<b>Sustainable (25 Points)</b>	<b>Points</b>
<b>Engages in Sustainable Practices (Max Points 10)</b> Project has adopted sustainable or green business practices (e.g. LEED certification, renewable energy commitment or use, energy efficient construction)	
<b>Spur Infill Development Or Redevelopment (Max Points 10)</b> Project is to develop/redevelop a property or facility in a manner that reduces urban sprawl and/or increases density in a desirable area; project includes use of existing facility that has been vacant for at least 2 years	
<b>Other Considerations (Max 5 points):</b>	
<b>Sustainable Subtotal</b>	0
<b>Competitive (20 Points)</b>	<b>Points</b>
<b>Headquarters (Max Points 10)</b> The project is an international or national headquarters facility	
<b>Use of Local Contractors/Construction Vendors (Max Points 5)</b> Project agrees to use vendors that have their principal place of business within the Denton City Limits	
<b>Other Factors (Max 5 points):</b>	
<b>Competitive Subtotal</b>	0
<b>Total by Category</b>	<b>Score</b>
<b>Total</b>	0
<b>Poor (0-44 points)</b>	
<b>Acceptable (45-84 points)</b>	
<b>Excellent (85-155 points)</b>	

# Proposed Changes to the Current Policy Continued

- The EDPB recommended the childcare, remote work and flexible spending account consideration be revised to add a comprehensive benefits package including: adult care, 401(k)/pension, tuition reimbursement, and other benefits;
- Update the Incentive Evaluation Matrix to match these changes and make the following minor adjustments:
  - Added field for NAICS description
  - “Other” consideration changed from 10 points to 5 points for each category
  - Knowledge Based Job points have also changed from 10 to 5
  - Added a focus on electric to the Generates New Utilities Customers
  - Expand the Tax Base and Economic Impact have been combined

# EDPB and Staff Recommendation

## Prior Action/Review

- On April 10, 2024, the Economic Development Partnership Board (EDPB) reviewed the proposed Denton Tax Abatement and Chapter 380 incentive policies and recommended approval (8-0).

## Staff Recommendation

- City Council approve the Chapter 380 Policy with the proposed changes

# Questions?

