



**CITY OF DENTON**

**ECONOMIC  
DEVELOPMENT  
PARTNERSHIP**

**INCENTIVE  
TOOLS**



# Type A/B Corporations



## Key Elements

**State Statute:** Chapter 501 - 505 of Local Government Code

- Funded by local Sales and Use Tax
- Type A sales tax revenue may fund manufacturing and industrial facilities; research and development facilities, corporate headquarters and other Primary Job projects
- Type B sales tax revenue may fund all the things a Type A can plus entertainment facilities, parks and open space, and affordable housing. Requires a public hearing for incentive agreements



# Chapter 380



## Key Elements

**State Statute:** Chapter 380 of Local Government Code

- Loan or grant of city funds
- May include use of city staff, facilities or services
- Property owner receives reimbursement from city Sales and Use Tax, Property Tax, and HOT, other
- Cash in expansion, development, and job-based grants (Proposed Catalyst Fund)
- Revolving loan fund (RLF) is used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.



# Tax Abatements



## Key Elements

**State Statute:** Chapter 312 of the Tax Code

- New & Expanded businesses
- Minimum capital investment required
- Property owner will receive exception deducted from total on tax statement from appraisal district
- Limited to a maximum of 10 years

# Public Improvement Districts

## PID

### Key Elements

**State Statute:** Chapter 372 of Local Government Code

**Local Policy:** Resolution 18-1039 PID Guidelines

- Allowed uses: landscaping, sidewalks, streets, parking, water/wastewater facilities, art, libraries, mass transportation, affordable housing, district administration, and supplemental services
- Requires petition to be submitted to governing body and adoption of Service and Assessment Plan
- Assessments typically paid annually or in aggregate by property owner
- Governing body has discretion to create PID and levy assessments
- City can adopt its own criteria and terms for PIDs beyond what is in statute



# Tax Increment Reinvestment Zones



## TIRZ

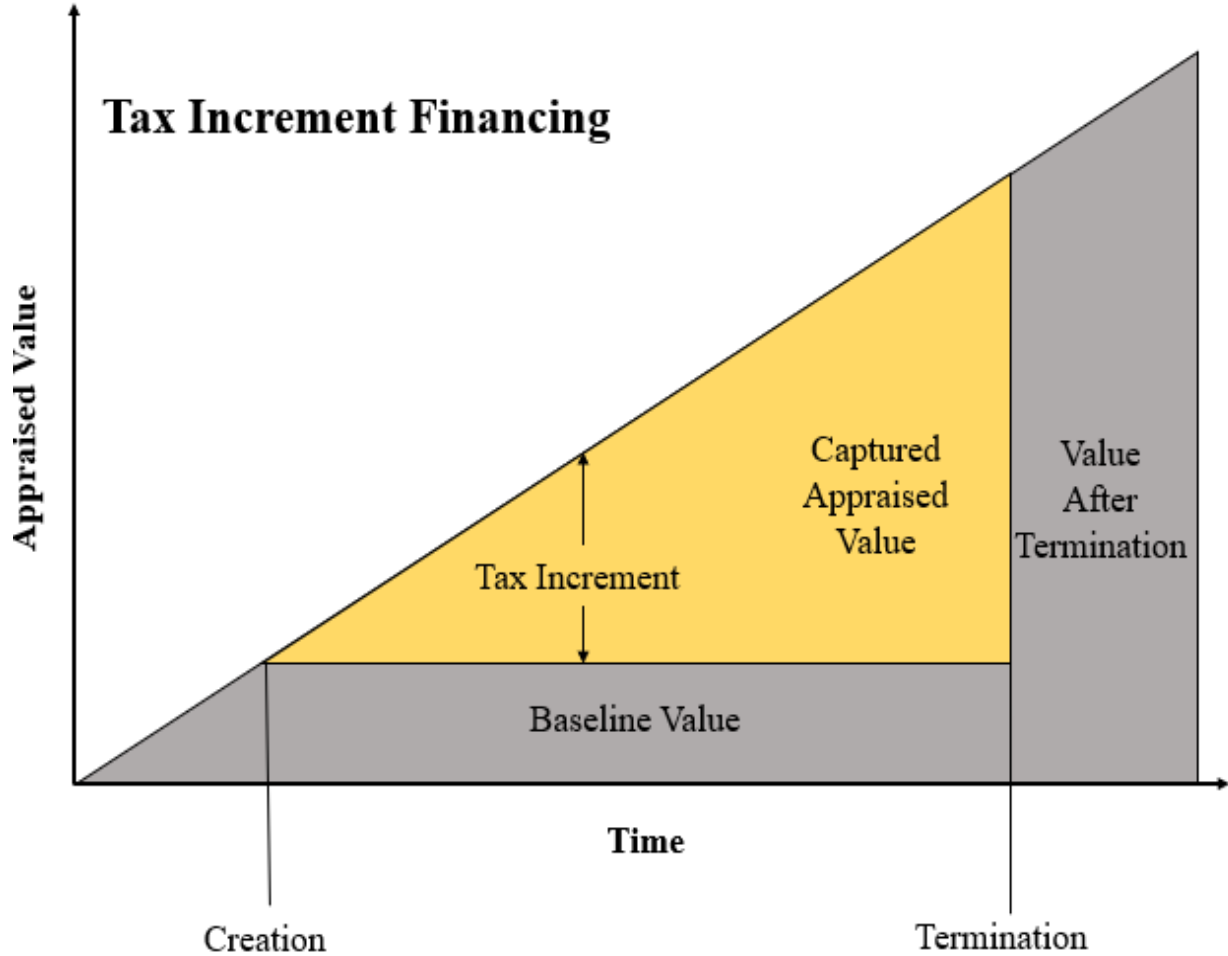
### Key Elements

**State Statute:** Chapter 311 of Texas Tax Code

**Local Policy:** Draft guidelines in process

- Can be initiated by petition or directly by a local government
- Can capture portions of sales or property tax
- Often used to fund development or large infrastructure projects; pay as you go often used for maintenance and smaller projects
- TIRZ have their own governing body
- Requires adoption of project and finance plans
- Funds must be used in accordance with Ch. 311 and adopted project plan
- City can adopt its own criteria and terms for creating a TIRZ

# ► Tax Increment Reinvestment Zones



# ➤➤➤➤➤➤➤➤ Municipal Management Districts <<<<<<<<<<<<

## MMD

### Key Elements

**State Statute:** Chapter 375 of Local Government Code; special legislation codified into Texas Special Districts Local Laws Code

**Local Policy:** None

- MMD is separate political subdivision and government agency that can collect property taxes or an assessment from property owners
- Created to supplement, not supplant, services of the municipality
- Funds used for water/wastewater, drainage, roads, and recreational facilities
- Have authority to levy an ad valorem property tax
- Cities typically retain some control through a consent ordinance requirement, development agreements and board appointments





# MUD

## Municipal Utility Districts



### Key Elements

**State Statutes:** Chapter 54 of Water Code and TCEQ administrative code; Chapter 42 of Local Government Code; special legislation codified into Texas Special Districts Local Laws Code

**Local Policy:** Resolution 20-920 (interim MUD policy)

- MUDs can levy and collect taxes, issue bonds, charge for services, condemn property, enforce restrictive covenants, and make regulations to accomplish its purpose.
- MUDs can engage in the supply of water; conservation; irrigation; drainage; fire fighting; solid waste collection and disposal; wastewater treatment and recreational facilities.

# Development District Matrix

	PID	TIRZ	MMD	MUD
<b>Key Elements</b>	Used to finance public infrastructure in a specific area	Mechanism to dedicate incremental revenues to a particular area	Ability to provide/supplement certain services and finance infrastructure	Used frequently in the ETJ
<b>Additional Levy/Tax</b>	Yes	No	Yes	Yes
<b>City Role</b>	Authority to create and regulate	Authority to create and regulate	Consent to creation Negotiated operating/management agreements	Consent to creation but limited
<b>Advantages</b>	City has control over various elements and can set own guidelines for how/when to use	Lots of flexibility in allowable uses. No additional taxes/assessment	Lots of flexibility in allowable uses.	Lots of flexibility in allowable uses. Helps development occur when services/infrastructure are limited
<b>Disadvantages</b>	Additional levy paid by property owners who may not see additional value	Revenues are restricted to a geographic area and specific projects for a given amount of time	Additional taxes may be paid by property owners who many not see additional value.	City has limited control in ETJ. As growth occurs, confusion over responsibilities



# Hotel Occupancy Tax



## Key Elements

**State Statute:** Chapter  
380 of Local  
Government Code

- Expense must promote the hotel and convention industry, “heads in hotel beds”
- Each disbursement must conform to one of nine categories:
  - Convention and visitor centers;
  - convention registration;
  - advertising the city;
  - promotion of the arts;
  - Historic restoration and preservation;
  - sporting events; upgrading existing sports facilities;
  - Tourist transportation systems;
  - signage directing tourists to sights and attractions.



# Freeport Tax Exemption



## Key Elements

**State Statute:** Sections 11.251, 11.437 and 11.253 of the Tax Code

- Exempts inventory and business personal property from ad valorem taxes
- Exempted items must leave the State within 175 days from arrival at the facility
- City, County, and School District may participate; Triple Freeport



# Federal Tax Credit Programs



## Key Elements

- Historic Preservation Tax Incentive Program
  - Established to discourage unnecessary demolition of older buildings and to slow capital flight from older urban areas.
- Low-Income Housing Tax Credit Program
  - Created to promote the construction and rehabilitation of housing for low-income persons.
- New Markets Tax Credit Program
  - Created to address the lack of capital available to business and economic development ventures in low-income communities.



# Mezzanine Financing



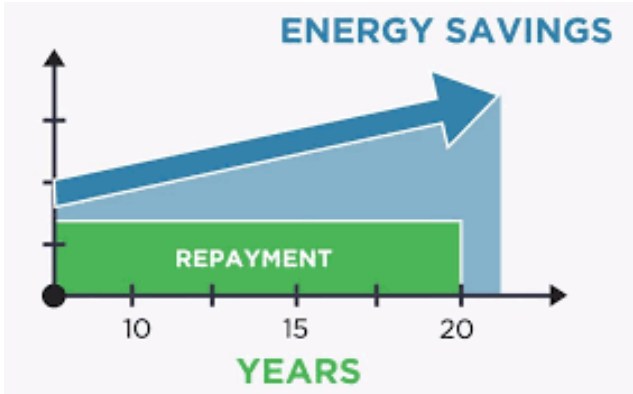
- Community Development Financial Institution
  - A Community Development Financial Institution (CDFI) is a privately-owned bank that promotes financial inclusion and economic development among underserved businesses and communities
  - CDFIs seek out those communities that are underserved by the traditional banking sector
  - CDFIs often have a focus on social responsibility and inclusion with direct investment that provides loans, grants, financial services, and technical assistance to underserved populations and communities.
  - Certain bank loans, services, and investments in CDFIs may be eligible for CRA consideration if the CDFI's activities promote community development and meet the CRA's geographic requirements



# Mezzanine Financing



- Property Assessed Clean Energy (PACE) Financing
  - PACE is a voluntary program that can be used for commercial properties
  - PACE financing may be used to pay for permanent improvements to the property that are intended to decrease water or energy consumption or demand.
  - Owners choose a private sector capital provider and voluntarily request that the local government place an assessment on the property for the total cost of the project.
  - The energy and/or water savings are structured to exceed the cost of the assessment, resulting in projects that are cash flow positive.



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# QUESTIONS?