



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: May 16, 2023

SUBJECT

Consider approval of a resolution of the City Council of the City of Denton nominating PACCAR, Inc., to the Office of the Governor Economic Development and Tourism through the Economic Development Bank as an Enterprise Project; and providing an effective date.

BACKGROUND

Texas Enterprise Zone Program

The Texas Enterprise Zone Program is a State of Texas economic development tool to promote job creation and capital investment in economically distressed areas of the state. Successful applicants are eligible to apply for state sales and use tax refunds on qualified expenditures, based on their capital investment and number of jobs created/retained. The possible value a project could receive is determined by multiplying the maximum number of jobs allocated by the maximum potential refund in the level of capital investment category (e.g. Half Enterprise: 250 jobs x \$2,500 = \$625,000 maximum potential refund).

Level of Capital Investment	Maximum Number of Jobs Allocated	Maximum Potential Refund	Maximum Refund Per Job Allocated
<i>Half Enterprise Project</i> \$40,000 to \$5,000,000 or more	250	\$625,000	\$2,500
<i>Enterprise Project</i> \$5,000,000 to \$149,999,999	500	\$1,250,000	\$2,500
<i>Double Jumbo Project</i> \$150,000,000 to \$249,999,999	500*	\$2,500,000	\$5,000
<i>Triple Jumbo Project</i> \$250,000,000 or more	500*	\$3,750,000	\$7,500

**Double and Triple Jumbo Projects may not count retained jobs for benefit.
A Double Jumbo and Triple Jumbo Project must create at least 500 jobs.*

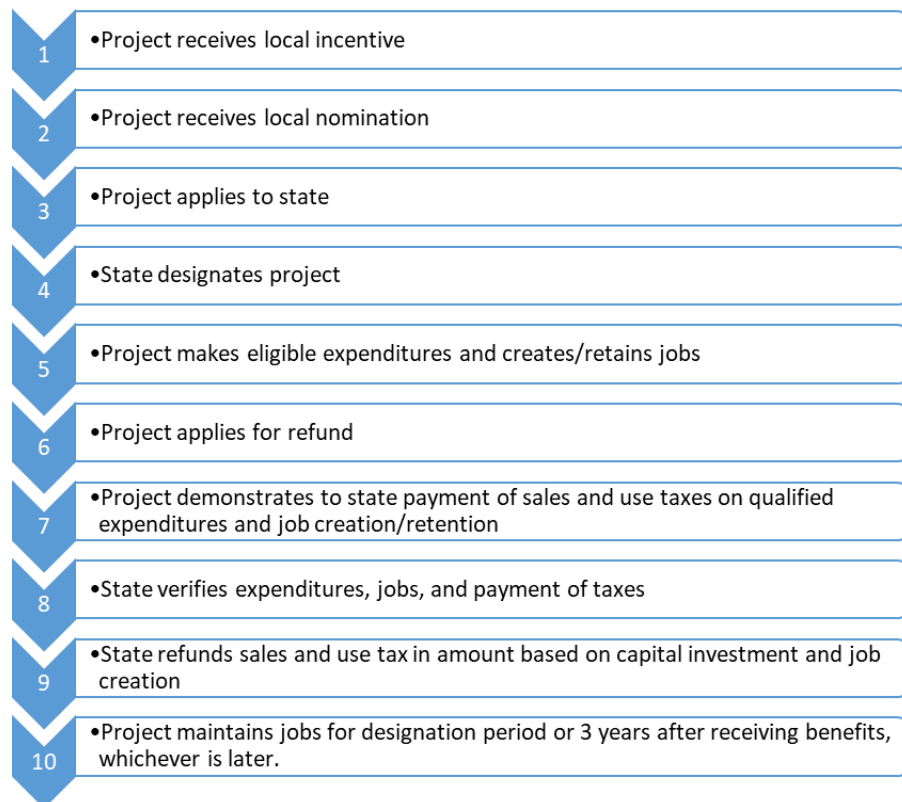
To apply for the TEZ program, a project must first seek a nomination from a local community. Communities have a limited number of project designations (Denton has 6) and the state has a maximum number of designations that can be awarded per biennium (105). Applicants must also receive local incentives to be eligible. Denton currently has 2 designated projects and 4 designations left in the FY 22/23 biennium.

A project can be located either inside or outside of a designated Enterprise Zone. For projects within an Enterprise Zone, the company must commit that 25% of new/retained employees will meet economically disadvantaged criteria, or be residents of an enterprise zone, or are veterans. For projects outside of an Enterprise Zone, the company must commit that 35% of new/retained employees will meet economically disadvantaged criteria, or be residents of an enterprise zone, or are veterans.

Key aspects of the Texas Enterprise Zone (TEZ) Program are:

- The local city or county must nominate the qualified company as an Enterprise Project and must offer one or more forms of local tax incentive to the company.
- Projects may be physically located in or outside of an Enterprise Zone. The location determines the percent of new employees that must meet economically disadvantaged or Enterprise Zone residence requirements.
- The Enterprise Project must be nominated for a designation period of not less than one year and up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.
- Applications are scored on criteria that reflect the distress of the area, state priority, and local and private effort.

A simplified graphic of the TEZ process is below.



Proposed Nomination: PACCAR, INC.

PACCAR, INC., a Fortune 500 company, was founded in 1905 and is headquartered in Bellevue, Washington. PACCAR is a global technology leader in the design, manufacturing, and customer support of premium light, medium, and heavy-duty trucks under the Kenworth, Peterbilt, and DAF nameplates.

PACCAR currently owns and operates a manufacturing facility located at 3200 Airport Road in Denton and has produced hundreds of thousands of trucks since 1980. The Denton plant, a 455,000 square-foot premier manufacturing facility, celebrated its 40th anniversary in Denton in 2020 and has undergone numerous changes to increase efficiency, capacity, and productivity since first opening. Through continuous improvement and ongoing investment, the plant's production capacity has increased significantly, and the introduction of new models has brought on new tooling and processes, including key technologies such as the robotic chassis paint system, which PACCAR was the first to introduce.

About the Project

PACCAR is planning to spend approximately \$38.8 million on capital investment projects at its Denton manufacturing facility over the next five years. As part of the capital investment plan, the PACCAR Denton plant will expand its Assembly 1 South Chassis Main Line to support increased capacity and to align with its goal to be a flexible factory. The \$28.8 million project will add additional workstations to reduce employee congestion and will support future Battery Electric Vehicle Assembly needs. The additional workstations will provide operators with more space and a safer work environment as the plant continues its reconfiguration to meet its goal of producing 100 trucks per shift. Along with structural steel and electrical upgrades, the project will include the purchase of a new shuttle crane, new engine set crane system, a new tank hoist, and new engine and wheel lug DC tools to accommodate the increased capacity of the project. Additionally, PACCAR plans to upgrade the HVAC systems in its administration offices to eliminate temperatures swings. The \$10 million project will begin in 2023 and is scheduled to conclude in 2026 and will also include the renovation of flooring, ceiling tiles, and the purchase of furniture.

PACCAR currently employs approximately 2,256 full-time employees at its Denton manufacturing facility, making it Denton's largest private employer. The company expects to maintain its existing level of employment under the Enterprise Zone Program. While no additional jobs will be created as a result of the capital improvement projects, the Texas Enterprise Zone Program rewards companies that are making significant capital investments and retaining jobs at a facility. If designated as an Enterprise Project by the State of Texas, PACCAR commits to hiring twenty-five percent (25%) economically disadvantaged persons, enterprise zone residents or veterans, for its new or replacement personnel for certified jobs, during its Enterprise Project designation.

PACCAR was previously nominated to the Texas Enterprise Zone by the City of Denton in 2016 and 2021. Nominations expire after five years, meaning that one concurrent designation expired in 2021 and the other in 2026. With additional improvements needed, PACCAR submitted a request for the consideration of a new nomination.

The benefits of nominating PACCAR to the TEZ program:

- To PACCAR:
 - Company can apply to receive a state sales and use tax refund
- To Denton:
 - 25% of new jobs created or existing positions that turn over will be filled by people who are either economically disadvantaged, are residents of an enterprise zone within the City's jurisdiction, or are veterans.
 - This nomination has no fiscal impact to City.

FISCAL INFORMATION

Nominating PACCAR as an Enterprise Project has no fiscal impact to the City.

Application cycles for the Texas Enterprise Zone are held on a quarterly basis, which is included in the table that follows. The item was scheduled for the May 10, 2023 Economic Development Partnership Board meeting, which was cancelled due to a lack of quorum. The consideration of a nomination of PACCAR Inc. to state as an Enterprise Project is being brought directly to City Council to enable PACCAR to apply under the June 1, 2023 application cycle.

FY 20-21 Biennium Project Deadlines			
Quarterly Deadline	90-Day Window	Expiration Date	Job Certification
9/1/2021	4/26/2021	9/1/2026	3/1/2028
12/1/2021	7/21/2021	12/1/2026	6/1/2028
3/1/2022	10/18/2021	3/1/2027	9/1/2028
6/1/2022	1/24/2022	6/1/2027	12/1/2028
9/1/2022	4/26/2022	9/1/2027	3/1/2029
12/1/2022	7/22/2022	12/1/2027	6/1/2029
3/1/2023	10/14/2022	3/1/2028	9/3/2029
6/1/2023	1/24/2023	6/1/2028	12/3/2029

RECOMMENDATION

Staff recommends that the Denton City Council approve a resolution nominating PACCAR Inc., to the Office of the Governor Economic Development and Tourism through the Economic Development Bank as an Enterprise Project.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

There is no prior action, as the Economic Development Partnership Board meeting on May 10, 2023 was cancelled due to a lack of quorum.

EXHIBITS

1. Agenda Information Sheet
2. TEZ Program Overview
3. Nominating Resolution

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Respectfully submitted:
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