



City of Denton

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

AGENDA INFORMATION SHEET – Economic Development Partnership Board

DEPARTMENT: Economic Development

CM/ DCM/ ACM: Bryan Langley

DATE: June 14, 2017

SUBJECT

Receive a report and hold a discussion regarding the Denton City Council's recent work session related to Tax Increment Financing Reinvestment Zone Number One (Downtown TIF).

BACKGROUND

City Council members recently requested a work session on the Downtown TIF, which was presented on June 6. Staff covered general information about its formation, types of eligible projects, currently committed funds, and fund balance. Discussion centered around the participation of only one taxing entity, the sequestration of tax revenue for use in only one part of the city, the necessity of a TIF in an area that is successfully redeveloping and has high property values, and policy questions on how TIF funds should be used (i.e., large vs. smaller projects). At the conclusion of the discussion, Council directed staff to draft an ordinance terminating the Downtown TIF and place it on a future agenda for individual consideration. The item is set to go before Council on June 20.

DOWNTOWN TIF HISTORY

As authorized by Chapter 311 of the Texas Tax Code, a Tax Increment Financing Reinvestment Zone (TIF) is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined zone. These improvements are usually undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the zone. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation in subsequent years is allocated into a TIF fund to support eligible projects.

Chapter 311 stipulates that an area must meet at least one of a list of criteria in order to be considered for tax increment financing. The following criteria were used for Denton's Tax Increment Financing (TIF) Reinvestment Zone Number One (Downtown TIF):

- It is a contiguous geographic area located wholly within the corporate limits of the municipality.
- The area's present condition substantially impairs the sound growth of the municipality creating the zone or constitutes an economic or social liability in its present condition and use because of the presence of:
 - A substantial number of substandard or deteriorating structures
 - Deterioration of site or other improvements
 - Inadequate sidewalks or street layout
 - Conditions that endanger life or property by fire, flooding, or other causes
- The proposed project plan includes the use of land in the zone in connection with the operation of a proposed regional commuter or mass transit rail system.

At the time of the Downtown TIF's creation, the statute read that a reinvestment zone may not be created if more than 10% of the property in the proposed zone (excluding publicly owned property) is used for residential purposes, which is defined as any property occupied by a house which has less than five living units. The statute now states that a reinvestment zone may not be created if more than 30% of the property in the proposed zone is used for residential purposes.

On December 7, 2010, the City Council passed Ordinance No. 2010-316, which established the Downtown TIF. It took effect on January 1, 2011, and the City of Denton is the sole participating jurisdiction.

On August 16, 2011, Council passed Ordinances No. 2011-128 and 2011-129, the Downtown TIF Project Plan and Finance/Feasibility Plan, respectively. The plans define the boundaries, scope, feasibility, and projects that may be funded by the TIF.

On August 5, 2014, Council passed Ordinance No. 2014-221 approving the following amendment to Exhibit D of the Project Plan:

“Pursuant to the Texas Local Government Code, section 272.001, the City of Denton may utilize City-owned property that is located in a reinvestment zone to facilitate economic projects which the City and TIF Board deem appropriate and desirable. The City may acquire, lease, sell or otherwise transfer property to accomplish the public purpose of economic development that is consistent with the Project Plan. Such projects may include public-private partnerships, transit-oriented developments, or the recruitment of specific industries including, but not limited to, hi-tech or emerging technology companies, local start-up businesses, artisan or “maker” industries, the creative sector, bakeries, microbreweries, micro-distilleries, wineries, grocery stores, or other industries that the TIF Board and the City Council deem desirable.”

The current Downtown TIF Board members are: Chris Watts and Kevin Roden (two City Council members), Bob Moses and Virgil Strange (two owners of property located within the zone), Marty Rivers and Hank Dickenson (two members of the Denton Chamber of Commerce Board of Directors), and Melissa Lenaburg (a qualified voter in the City of Denton).

FISCAL INFORMATION

The Downtown TIF is set to terminate on December 31, 2041, or when the budget of \$24.8 million has been collected. The percentage of the increased valuation allocated to the TIF fund is as follows:

Years 1-5	100%
Years 6-10	95%
Years 11-20	90%
Years 21-30	85%

Estimated project costs are as follows:

<u>PROJECT</u>	<u>ESTIMATED COST</u>
Parking / Transportation	\$8.0 million
Complete Streets	\$7.9 million
Support for Downtown Projects	\$4.9 million
Utility / Drainage Improvements	\$4.0 million
TOTAL	\$24.8 million

On September 15, 2015, the City Council passed Ordinance No. 2015-300 approving a Chapter 380 incentive grant of \$76,000 for five years (\$380,000) for the Railyard development at 608 E. Hickory. To date, two payments have been made.

As of September 30, 2016, the actual tax revenue that has gone into the Downtown TIF Fund is \$1,293,429. The Downtown TIF fund balance was \$768,764. The projected FY 16-17 end-of year fund balance is \$1.15 million.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Economic Development

Related Goal: 3.4 Encourage development, redevelopment, recruitment, and retention

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance No. 2010-316

Exhibit 3 – Ordinance No. 2011-128

Exhibit 4 – Ordinance No. 2011-129

Exhibit 5 – Ordinance No. 2014-221

Exhibit 6 – Downtown TIRZ (TIF) Value History

Respectfully submitted:

Caroline Booth

Director of Economic Development