



City of Denton

City Hall
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AGENDA INFORMATION SHEET ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

DEPARTMENT: Economic Development

CM/ DCM/ ACM: Bryan Langley

DATE: December 13, 2017

SUBJECT

Make a recommendation to the City Council regarding changes to the Policy for Tax Abatement and Incentives and the Public Improvement District (PID) policy.

BACKGROUND

The City of Denton utilizes economic development tools and funding mechanisms to guide economic growth and development in the City. The proposed changes to the Policy for Tax Abatement and Incentives and elements for discussion and exploration on the Public Improvement District (PID) policy are presented.

Denton Policy for Tax Abatement and Incentives

The City of Denton first adopted a Tax Abatement Policy in 1989. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The current policy is up for renewal in April of 2018.

In Spring 2017 in conjunction with the City's annual budget and strategic planning process, the Economic Development staff began crafting a departmental strategic plan that would align with and support the City's new emphasis on transparency, accountability, and responsiveness. The resulting plan was presented to the Economic Development Partnership Board (EDPB) and City Council on September 13, 2017 and October 17, 2017, respectively.

Economic Development Staff is seeking to revise the incentives policy and application in order to implement an action step under the first goal of the Department of Economic Development's Strategic Plan and to streamline the economic development incentive process. Staff has researched other city and county Economic Development policies; consulted with Finance and Legal Departments; and reviewed the following resources from the International Economic Development Council (IEDC) in preparation for this policy update: *Incentives for the Twenty-First Century and Seeding Growth: Maximizing the Return of Incentives*. The proposed changes to the policy seek to:

- Incorporate all of the incentive programs under one umbrella policy to make the process easier for potential applicants. This includes the addition of the Economic Development Investment Fund and the Airport Grant Program.
- Include new economic development tax tool information such as sales and use tax for construction.
- Exclude retail projects except for gap and or leakage outside the Denton market with a minimum of \$15 million in annual sales taxes generated to be eligible for an incentive. A cap, not to exceed 50% of the sales tax receipt generated, has also been placed in the policy.

- Establish a new framework and additional factors for considering the length and percentage of the incentive.
- Revise incentive applications to require verification that minimum thresholds of stated investment and projected jobs, as submitted in the incentive application are achieved.
- Provide a jobs based incentive.
- Clearly identify targeted industry sectors for recruitment that will be given priority consideration to include: advanced manufacturing; renewable energy; research and development; information technology; supply chain for primary employers, logistics, and significant consumers of municipal utilities.
- Modify the language to enhance readability and flow throughout the document.

The incentive application has also been modified to capture information needed for Denton Municipal Electric (DME) and to perform impact analysis using Total Impact 2.0, a fiscal and economic impact analysis program that the department implemented this year. The document has also been modified to an Excel format with the ability to automatically tabulate totals and convert salaries from annual to hourly.

Public Improvement District Guidelines

A Public Improvement District (PID) is a defined area where public improvements may be financed through the use of special assessments. The funds from the assessment can be used to maintain those improvements. The regulations for PIDs can be found under Chapter 372 of the Local Government Code. A PID allows the City to collect and levy a special assessment on property that is located within the city limits and within the City's Extra Territorial Jurisdiction (ETJ). The funds from the assessment can be used to make public infrastructure improvements and to maintain those improvements.

In 2007, the City Council established guidelines for the creation of a Public Improvement District (PID).

In 2014, the City Council Amended the PID Guidelines to add a third funding option for construction financing with a minimum assessed value to lien ratio of 3:1.

The City Council had requested that staff provide information about our current PID policy and about what zoning options are available. Elements of the current policy, considerations from other city policies and review of municipal development codes are provided in response to this request.

The main elements of the current PID policy:

- Address the quality of the development and provides desired product examples for high quality developments that make the development unique and worthy of the additional assessment.
- Describe the types of improvements that are eligible under the PID Assessment Act.
- Provide options for funding PIDs.
- Establish an assessment cap not to exceed \$.40 per \$100 valuation.
- Outline information required in the PID application.
- Describe how applications are reviewed by the EDPB.
- Address administrative costs.
- Require a deposit of \$2,500 at the time of application to be used to reimburse the City's administrative costs. Should a balance remain after the application has been processed, the funds would be returned to the applicant

Staff has researched PID Guidelines and policies of several other cities, and are presenting the following staff recommendations:

- Develop an interdepartmental Task Force comprised of members from Planning, Legal, and Finance Departments to review applications and administer PID guidelines.

- Require an Assessment Plan with the application
- Require an average home value greater than the median home value of the latest Census

Staff will also discuss some options to incorporate zoning considerations into the PID policy as part of a presentation to the EDPB.

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 – Current City of Denton Incentive Policy

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