

City of Denton Incentive Policy and Public Improvement District Guidelines

PRESENTED TO THE ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

JANUARY 10, 2018

State Laws Related to Economic Development

Tax Type	Program	Statute
Property Tax	Tax Abatement Agreements	Tax Code, Ch. 312
Sales & Use Tax, Property Tax	Chapter 380 Agreements	Local Gov't Code, Ch. 380
Special Assessment	Public Improvement Districts	Local Gov't Code, Ch. 372

City of Denton Policies & Guidelines Related to Economic Development

City of Denton Policy for Tax Abatement and Incentives

- First approved in 1989
- Most recently approved in April 2016 with no significant changes

Public Improvement District Guidelines for Mixed-Use or Residential PIDs

- First approved in 2007
- Amended in April 2014 to add the option of revenue bond sales for construction financing

Policy for Tax Abatement and Incentives

Ties to Strategic Plans & Core Values

City of Denton 2017-18 Strategic Plan

- Key Focus Area 3: Economic Development
 - Develop targeted policies and incentives that boost economic growth

Department of Economic Development 2017-18 Strategic Plan

- Goal 1: Business Development
 - Objective 3: Revise City of Denton Economic Development Incentive Policy and Application

City Core Values: Integrity, Fiscal Responsibility, Transparency, and Outstanding Customer Service

Review and Revision Process

- Reflection on lessons learned from prior incentive agreements and incentive administration
- Staff review of incentive policies from comparable North Texas communities
- Incorporation of Total Impact 2.0 analysis into the application process
- Discussion with Finance, Legal and CMO departments regarding proposed changes to the policy

Proposed Format Changes

- Revise to improve organization, clarity, and readability
 - Expand general provisions to define Denton's economic development goals and target industries
 - Expand Definitions section
- Bring all existing incentive programs under one “umbrella policy”
 - ED Investment Fund and Based Aircraft Incentive will become part of the revised policy

Proposed Content Changes

- Limit Ch. 380 tax rebate agreements to terms of 10 years or less
 - consistent with state law on the term of tax abatements
- Exclude retail projects except those that address a gap or leakage in the Denton market
 - Project must generate at least \$15 million in annual taxable sales to be considered
 - Sales tax rebates will be capped at 50% of sales tax receipts
- Remove existing capital-investment based framework and “additional factors”
 - Retain \$5 million minimum value of structure and business personal property to be considered for a tax incentive

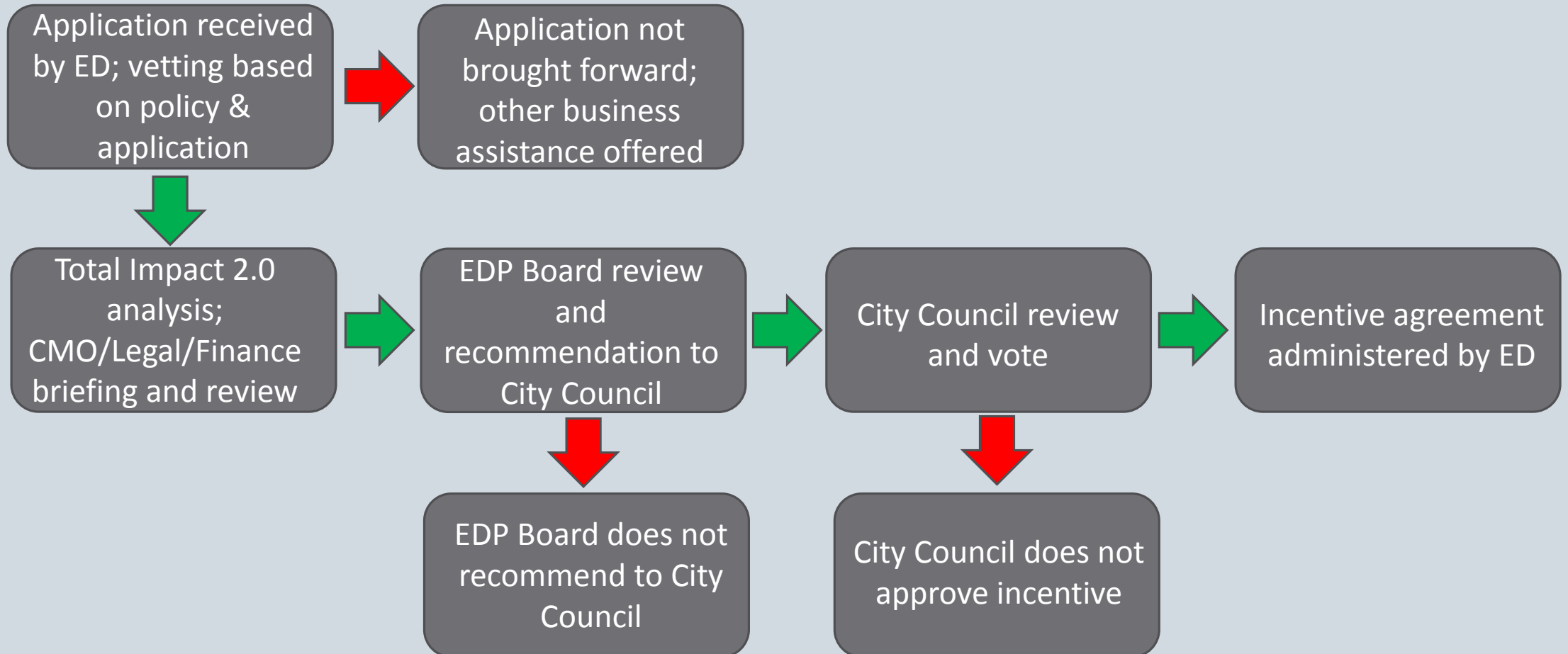
Proposed Content Changes

- Addition of minimum thresholds:
 - New development – Denton Central Appraisal District (DCAD) valuation of the project must be at least 80% of the eligible investment submitted in the incentive application
 - Expansion/redevelopment – DCAD valuation of the incremental increase in value must be at least 50% of the eligible investment submitted in the incentive application
 - Jobs – actual jobs created must be at least 80% of what is submitted in the application

Proposed Content Changes

- Addition of jobs-based incentive option for businesses that do not meet the \$5 million minimum value of structures and business personal property or \$15 million in annual taxable sales
 - Criteria could include net new jobs created with wages above the Denton County median or net new knowledge-based or high-skilled jobs created in one of Denton's target industry sectors

Incentive Application Process



Public Improvement District Guidelines for Mixed-Use or Residential PIDs

Public Improvement Districts in Denton

- A number of inquiries have been made for PIDs in Denton
- Only one has been established: Rayzor Ranch PID No. 1
 - Established in March 2014
 - Reimbursement agreement approved by Council in March 2016
 - Service and assessment plan required under by state law not yet submitted by the developer

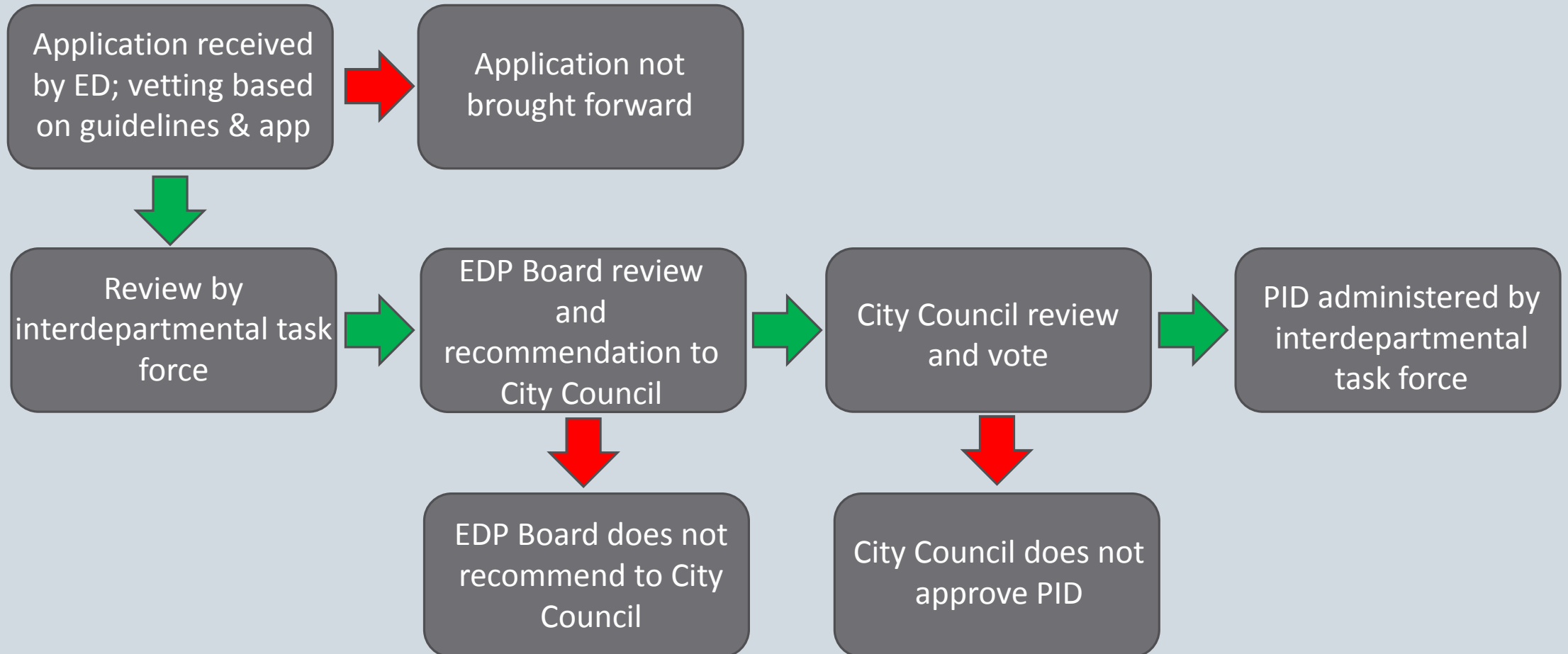
Review and Revision Process

- Reflection on lessons learned from prior PID requests from developers
- Staff review of policies from comparable Texas communities
- Discussion with Finance, Legal and CMO departments regarding proposed changes to the guidelines

Proposed Changes

- Develop a PID application
- Establish an interdepartmental task force to review PID applications (Economic Development, Development Services, Legal, and Finance)
- Require a Service and Assessment Plan prior to establishment of a PID
- Require a developer-funded, City-administered Fiscal Impact Analysis prior to the establishment of a PID
- Require a home value threshold
 - Options: greater than the median City of Denton home value or median Denton County home value based on the most recent ACS Census

PID Application Process



Next Steps

- Incorporate feedback from EDP Board
- Present work session to Council and receive direction
- Incorporate direction and present to Council for Individual Consideration

EDP Board Questions and Feedback
