



Legislation Text

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Agenda Information Sheet

DEPARTMENT: Development Services/Economic Development Division

CM/ ACM: Jon Fortune

Date: August 16, 2016

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 ("OOGEDT") through the Economic Development Bank ("the Bank") as an Enterprise Project ("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. The program provides state reimbursement category levels related to the level of capital investment and number of jobs created and/or retained for economically disadvantaged individuals during the designation period. 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.
- Denton is eligible for up to four Enterprise Projects plus two additional bonus Enterprise Projects per State biennium. To date, Denton has nominated WinCo Foods, LLC. as an Enterprise Project during this state biennium.
- The State accepts applications on a quarterly basis. September 1, 2016, is the next application deadline date.
- Applications are scored on criteria that reflect the distress of the area, state priority, and local and private effort. The State may designate up to 105 Enterprise Projects each biennium.

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, manufacture 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 nearly 500,000 trucks since 1980. The Denton plant, a 455,000 square-foot premier manufacturing facility, 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.

Over the next five years, PACCAR is planning to spend approximately \$14.2 million on capital investment projects at its Denton manufacturing facility. Included in the capital investment is approximately \$6.3 million for a new Painted Parts Storage system. The Painted Parts Storage, or PPS, includes a new Automated Storage and Retrieval System, two additional elevators, upgrades to the existing elevator and building structure and expansion of the penthouse. In addition to the PPS, an additional \$7.9 million will be spent on equipment and facility improvements.

PACCAR currently employs approximately 2,000 full-time employees at its Denton manufacturing facility - making it Denton's largest private employer - and 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.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

July 19, 2016 - The City Council held a public hearing and adopted Ordinance No. 2016-213 authorizing the City's participation in the Texas Enterprise Zone Program. This action enabled the Council to nominate companies as Enterprise Projects via approval of a resolution.

FISCAL INFORMATION

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

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 - PACCAR Enterprise Project resolution

Respectfully submitted:
Aimee Bissett
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