



Report on Net Revenue from Incentivized Economic Development Projects

City of Denton
Department of Economic Development

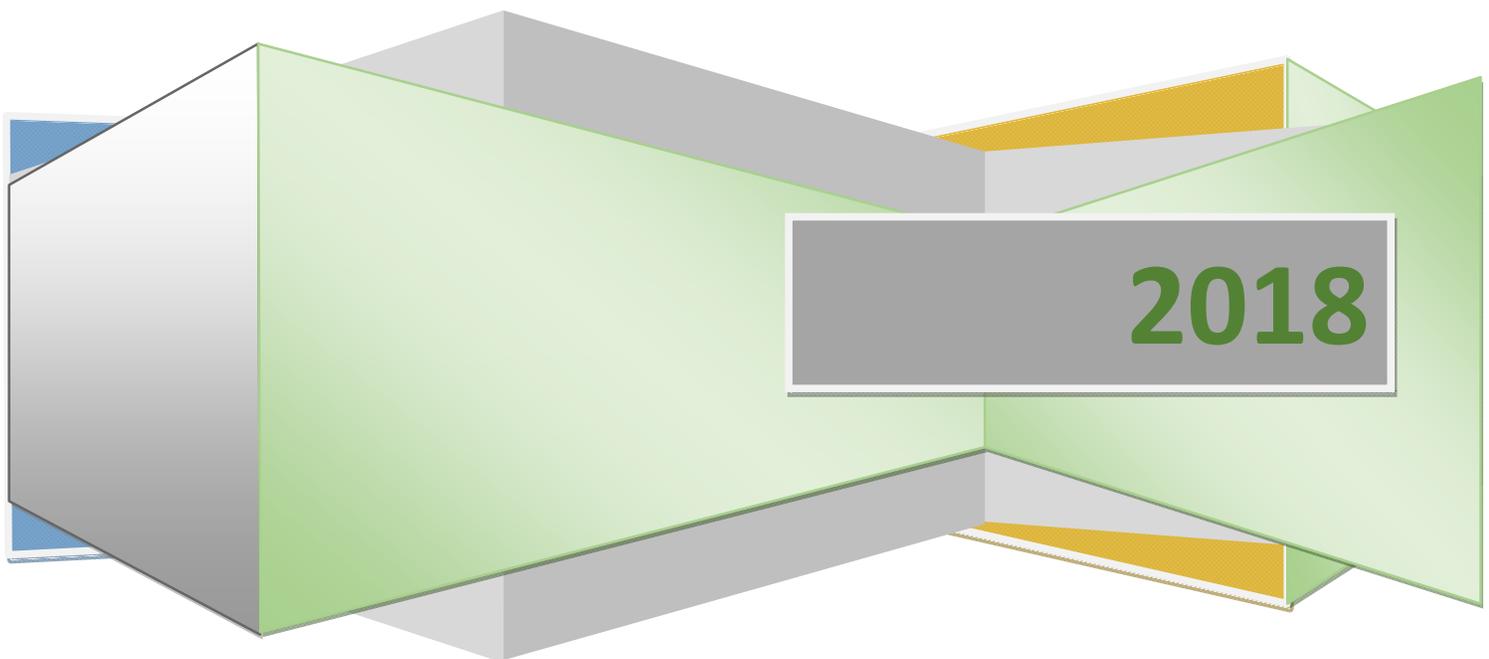


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EXECUTIVE SUMMARY

The City of Denton promotes high-quality development that improves the quality of life of its residents. The City provides economic development incentives to stimulate private development and redevelopment, expand the tax base, generate jobs, and enhance the local economy.

Denton is home to several corporate, regional, and international headquarters, as well as central distribution and maintenance facilities. The City facilitated a number of these projects by granting incentives to make the project feasible and to reimburse the costs of required public infrastructure.

In 2009, the City’s Economic Development Department created the initial “Return on Investment Report” to provide a comprehensive look at the fiscal impact made by the businesses that have received property and sales tax incentives from the City and to evaluate the efficiency of the public investment. In 2016, the report was retitled the “Report on Net Revenue from Incentivized Economic Development Projects” to accurately reflect the methodology used and does not include costs to the City for the projects.

The report covers a tax year schedule. The property tax valuation is based on the values that are released by the Denton Central Appraisal District (DCAD) for the previous tax year. The certified valuations are released in July and the tax bills are distributed in October. The calculations for the contested properties are prepared upon receipt of the valuation from the appraisal district, which occurs sometime after October until the delinquency deadline the following year, if contested. Additional information is included in the methodology.

The City has awarded a total of 30 incentives to foster development in the community, with 27 being represented in this report. The remaining three incentives have not initiated as of 2018. The City has invested \$22.0 million in tax-related incentives, and in return, has benefited from a net increase in property and sales tax revenues of \$71.3 million since the inception of the incentive program in 1999. The cost benefit percentage for all incentives awarded is 324%. Chapter 380 sales tax rebate incentives represented the highest percentage at 374%, followed by Chapter 380 property tax rebates and property tax abatements at 324% and 178%, respectively. There have been 8,402 jobs created or retained by incentivized projects.



8,402
New Jobs



324%
Benefit



\$7.1B
Property Valuation



\$71.3M
Net Revenue

Table 1: City of Denton Summary

Total of all Property Incentives	Property Totals	Sales Tax Total	Total
Cumulative Property Valuation	\$3,403,991,034	\$3,651,409,453	\$7,055,400,487
Cumulative Property Tax Generated	\$22,316,432	\$24,393,949	\$46,710,381
Cumulative Sales Tax Generated	\$0	\$46,543,343	\$46,543,343
Cumulative Property & Sales Tax	\$22,316,432	\$70,937,292	\$93,253,724
Less Incentives	\$7,031,994	\$14,950,608	\$21,982,602
Net Property and Sales Tax Revenue	\$15,284,438	\$55,986,684	\$71,271,122
Cost Benefit Percentage	217%	374%	324%
Jobs Created/Retained	4,731	3,671	8,402

The report is divided into the following four main sections illustrating the cost/benefit of the public investment of resources for each taxing entity:

- City of Denton Revenues
- State and Local Revenues
- Denton County Property Tax Generation
- Denton Independent School District Revenue

The report also includes two Appendices:

- Project Narratives
- Methodology

The cost/benefit from each of the three jurisdictions is included below as a ratio of the net revenue to investment. See Appendix B for additional information on the methodology for this report.

3:2
City of Denton

7:3
Denton County

84:1
Denton ISD

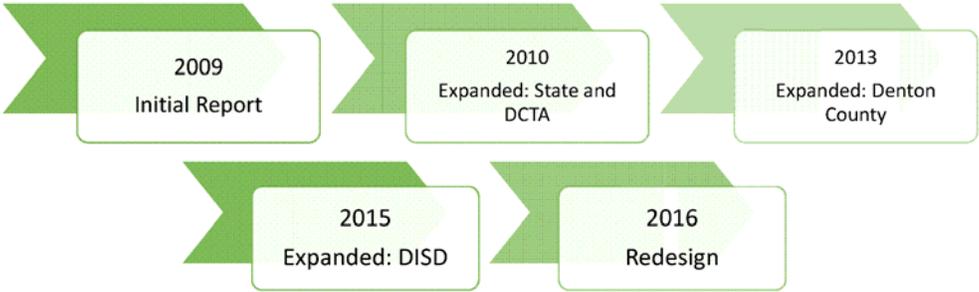
Table 2: City, County and DISD Summaries

Total of all Property Incentives Ratio of Return	City of Denton	Denton County	Denton ISD
Cumulative Property Valuation	\$7,055,400,487	\$3,403,991,034	\$3,259,865,082
Cumulative Property Tax Generated	\$46,710,381	\$8,557,988	\$52,923,449
Cumulative Sales Tax Generated	\$46,543,343	\$0	\$0
Cumulative Property & Sales Tax	\$93,253,724	\$8,557,988	\$52,923,449
Less Incentives	\$21,982,602	\$1,026,998	\$621,572
Net Property and Sales Tax Revenue	\$71,271,122	\$7,530,990	\$52,301,877
Cost Benefit Percentage	324%	733%	8,414%
Ratio of Return	3:2	7:3	84:1

INTRODUCTION AND PURPOSE

This is the seventh update of the report, which provides a comprehensive look at the fiscal impact made by the businesses that have received property and/or sales tax incentives from the City and evaluates the efficiency of the public investment. A brief description of the types of tax incentives offered, the total incentive received by the company, the City tax revenues generated since the agreement was initiated and the cost/benefit of the projects are provided. In addition, the report includes information regarding state, Denton County Transportation Authority (DCTA), Denton County, and Denton Independent School District (DISD) ad valorem and sales tax revenues created by these developments.

In 2009, the City of Denton Economic Development Department created the initial Return on Investment Report to examine the fiscal impact made by the businesses that have received property and sales tax incentives from the City, evaluate the efficiency of the public investment and to guide future policy decisions. State and DCTA sales tax revenue were added in 2010. In 2013, the report was expanded to include the ad valorem revenue for Denton County, which includes both the incentives in which the County has partnered with the City, as well as the revenue from the incentives that the County did not invest in. The report comprised all of the taxing entities with the inclusion of DISD in 2015. The report was redesigned in 2016.



CITY OF DENTON REVENUE

Property Tax Abatements

Since 1999, the City of Denton has granted abatements of City ad valorem taxes from new and expanded capital investment resulting in \$5.1 million in property related tax incentives, and in return, has benefited from a net increase in property tax revenues of \$9.1 million.

City of Denton tax abatement agreements obligate the company to meet certain threshold requirements of property valuation in order to receive a tax abatement. In some cases, the number of jobs created and the average wage for these positions are also thresholds of performance. Chapter 312 of the Local Government Code allows cities to provide up to 100% abatement on new valuation and limits the term of tax abatements to 10 years. The following table represents the eight active tax abatements awarded and initiated through 2018. The following five tax abatements have been completed: United Copper, Peterbilt, Flowers Foods, Fastenal, Aldi and Target. 2018 was also the fourth and final year of the tax abatement for Tetra Pak. The next tax abatements scheduled to come online are a Peterbilt Motors expansion and West Gate Business Park building 2 in 2019.

Table 3: City of Denton Tax Abatements

	United Copper	Peterbilt Motors	Flowers Foods	Fastenal	Aldi Foods	Target	Peerless	Tetra Pak	Totals
Year Approved	1998	2001	2004	2008	2008	2010	2011	2013	
Incentive Term	1999-2004	2002-2011	2005-2011	2009-2013	2010-2016	2013-2017	2014-2018 ¹	(2015-2018)	
Cumulative Property Valuation ²	\$422.1	\$39.1	\$329.3	\$211.7	\$421.2	\$668.6	\$48.4	\$36.3	\$2.2
Cumulative Property Tax Generated	\$2,508,486	\$248,933	\$2,211,802	\$1,422,452	\$2,844,536	\$4,470,824	\$324,850	\$238,308	\$14,270,191
Less Property Tax Abatement	\$137,032	\$144,914	\$363,359	\$87,821	\$2,152,379	\$2,074,169	\$34,740	\$138,492	\$5,132,906
Net Property Tax Revenue	\$2,371,454	\$104,019	\$1,848,443	\$1,334,631	\$692,157	\$2,396,655	\$290,110	\$99,816	\$9,137,285
Cost Benefit Percentage	1,731%	72%	509%	1,520%	32%	116%	835%	72%	178%
Jobs Created or Retained	265	35	480	208	150	160	96	425	1,819

¹ Note: Peerless terminated after one year due to the sale of the property

² In millions

Chapter 380 Agreements

Chapter 380 of the Local Government Code gives cities the authority to provide grants or loans of city funds or services in order to promote economic development. The City of Denton has entered into 19 Chapter 380 grant agreements in which it has authorized a grant equal to either a portion of the property tax or sales tax generated by the project.

Chapter 380 Grants Based on Property Tax Performance

Table 4 provides data through 2018 on economic development agreements that provided grants based on a percentage of the property tax generated by the project. The City has awarded nine Chapter 380 Property Tax Agreements. Sally Beauty, Jostens, Labinal/Safran, and Schlumberger have expired. Labinal/Safran, Jostens and Schlumberger will continue to be tracked for 10 years, while Sally Beauty will not since the incentive had a 10-year term. This is the first report that that includes O’Reilly Hotel and Convention Center, WinCo Foods, and Sally Beauty at the Morse location. Business Air, U.S. Aviation Group, and Victor Technologies were granted Chapter 380 Property Tax grants in 2015, but were terminated in 2017 for the sale of the FBO (Business Air) and not meeting the valuation threshold requirements (USAG and Victor).

Although a number of the ad valorem projects generate sales taxes, that would not have been generated in Denton if the business had not located in this community, this study does not include the sales taxes for the ad valorem only incentives.

Table 4: City of Denton Chapter 380 Property Tax Agreements

Business	Sally Beauty Company	Granite/Schlumberger	Jostens, Inc.	Labinal/Safran	Mayday	West Gate Business Park	O'Reilly	WinCo Foods	Sally Beauty Morse	Totals
Base Year of Agreement	2004	2006/2011	2008	2011	2012	2015	N/A	N/A	2016	
Incentive Term	2005-2014	2012-2018	2009-2013	2012-2014	2014-2023	2016-2021	2018	2018	2018-2018	
Cumulative Property Valuation ²	\$295.7	\$679.7	\$10.1	\$37.9	\$34.0	\$25.6	\$32.7	\$107.8	\$3.6	\$1.2
Cumulative Property Tax Generated	\$1,972,313	\$4,448,912	\$86,142	\$254,302	\$224,783	\$165,521	\$202,981	\$668,682	\$22,605	\$8,046,241
Less Property Tax Incentive	\$662,729	\$410,729	\$17,544	\$60,978	\$136,590	\$157,347	\$164,152	\$288,477	\$542	\$1,899,088
Net New Property Tax Revenue	\$1,309,584	\$4,038,183	\$68,598	\$193,324	\$88,193	\$8,174	\$38,829	\$380,205	\$22,063	\$6,147,153
Cost Benefit Percentage	198%	983%	391%	317%	65%	5%	24%	132%	4,071%	324%
Jobs Created/Retained	450	147	600	750	370	19	249	150	177	2,912

¹ West Gate Business Park received a one-time grant in the amount of \$50,000 in addition to the ad valorem rebate for 2016

² In millions

Chapter 380 Grants Based on Sales Tax Performance

Table 5, which follows, details information through 2018 on economic development agreements that provided grants based on a percentage of the sales tax generated by the project. Four mixed-use developments have received sales tax incentives from the City. Golden Triangle Mall initiated its incentive in 2016. Buc-ee's Travel Center opened in late 2018, although the incentive did not initiate until 2019.

Table 5: City of Denton Chapter 380 Sales Tax Agreements

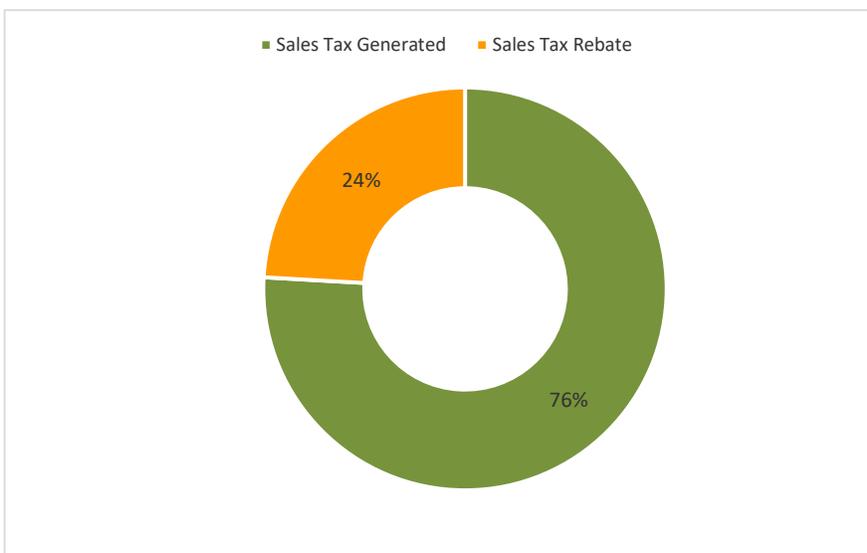
Development	Denton Crossing	Rayzor Ranch	Unicorn Lake	Golden Triangle Mall	Buc-ee's	Totals
Base Year of Agreement	2003	2007	2004	2010	2016	
Incentive Term	2005-2019	2012-2032	2009-2023	2016-2035	2019-2043	
Cumulative Property Valuation	\$1,166,711,707	\$1,018,129,801	\$1,018,050,176	\$428,898,157	\$19,619,612	\$3,651,409,453
Cumulative Property Tax Generated	\$7,726,765	\$6,857,494	\$6,808,264	\$2,866,100	\$135,326	\$24,393,949
Cumulative Sales Tax Generated	\$20,991,531	\$16,174,307	\$1,612,236	\$7,759,269	\$6,000	\$46,543,343
Total Cumulative Property & Sales Tax	\$28,718,296	\$23,031,801	\$8,420,500	\$10,625,369	\$141,326	\$70,937,292
Less Sales Tax Incentive	\$6,997,176	\$7,167,720	\$537,412	\$248,300	\$0	\$14,950,608
Net Property and Sales Tax Revenue	\$21,721,120	\$15,864,081	\$7,883,088	\$10,377,069	\$141,326	\$55,986,684
Cost Benefit Percentage	310%	221%	1,467%	4,179%	N/A	374%
Jobs Created/Retained	973	1,380	318	1,000	49	3,671

Note: Rayzor ranch includes mixed beverage taxes

No sales taxes were generated at Buc-ee's until the December Report for Oct sales (partial month)

Chart 1 provides the sales taxes generated from the five developments and the rebate provided per the Chapter 380 Agreement. It is important to note that Golden Triangle Mall received an incentive for the renovations to the existing 1980 mall. GTM Development receives 50% of monthly sales tax receipts, less a monthly mall baseline amount established as \$95,898. The incentive was initiated in the summer of 2016, so only half of a year of rebates were included in the report in 2016. 2017 represented the first full year of payments for GTM Development.

Chart 1: Sales Tax Generated and Rebated



Property and Sales Tax Summary

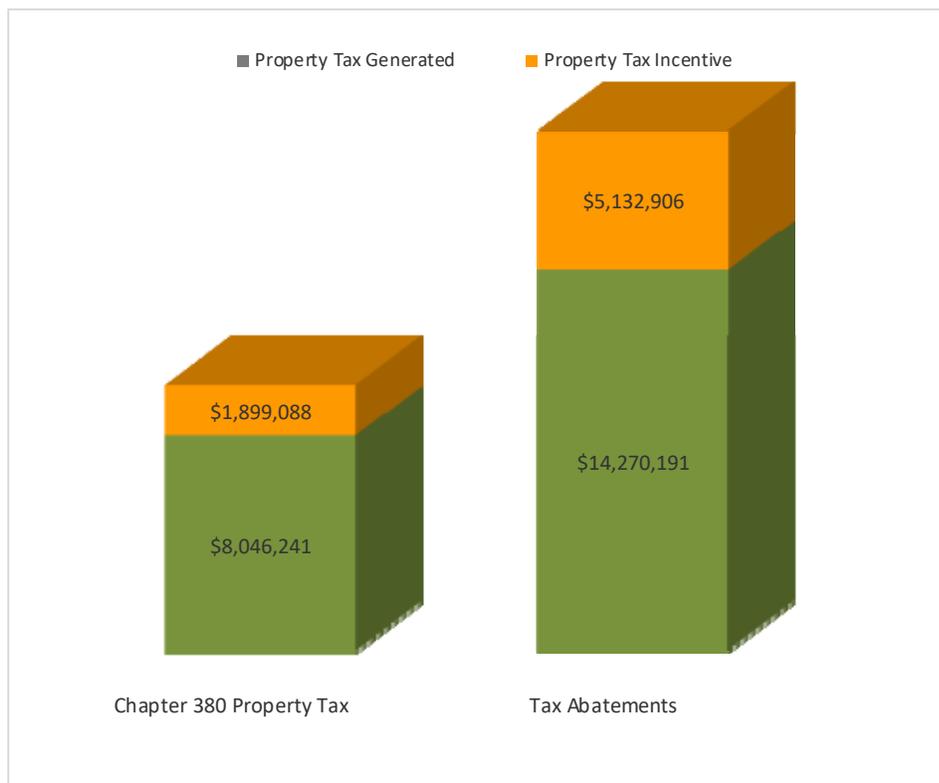
Property Tax Summary

The cost/benefit for all incentives based on property tax performance, tax abatement, and Chapter 380 Agreements is provided in Table 6 below. Results indicate that since 1999, the City of Denton has awarded \$7.0 million in property related tax incentives, and in return, has benefited from a net increase in property tax revenues of \$15.3 million. Over 4,731 jobs have been added as a result of these property-based incentives.

Table 6: City of Denton Tax Abatements and Chapter 380 Property Tax Agreements

Total of all Property Incentives	Property Totals
Cumulative Property Valuation	\$3,403,991,034
Cumulative Property Tax Generated	\$22,316,432
Less Incentives	\$7,031,994
Net Property Tax Revenue	\$15,284,438
Cost Benefit Percentage	217%
New Jobs Created	4,731

Graph 1: Property Tax Generated and Abated/Rebated



Property and Sales Tax Summary

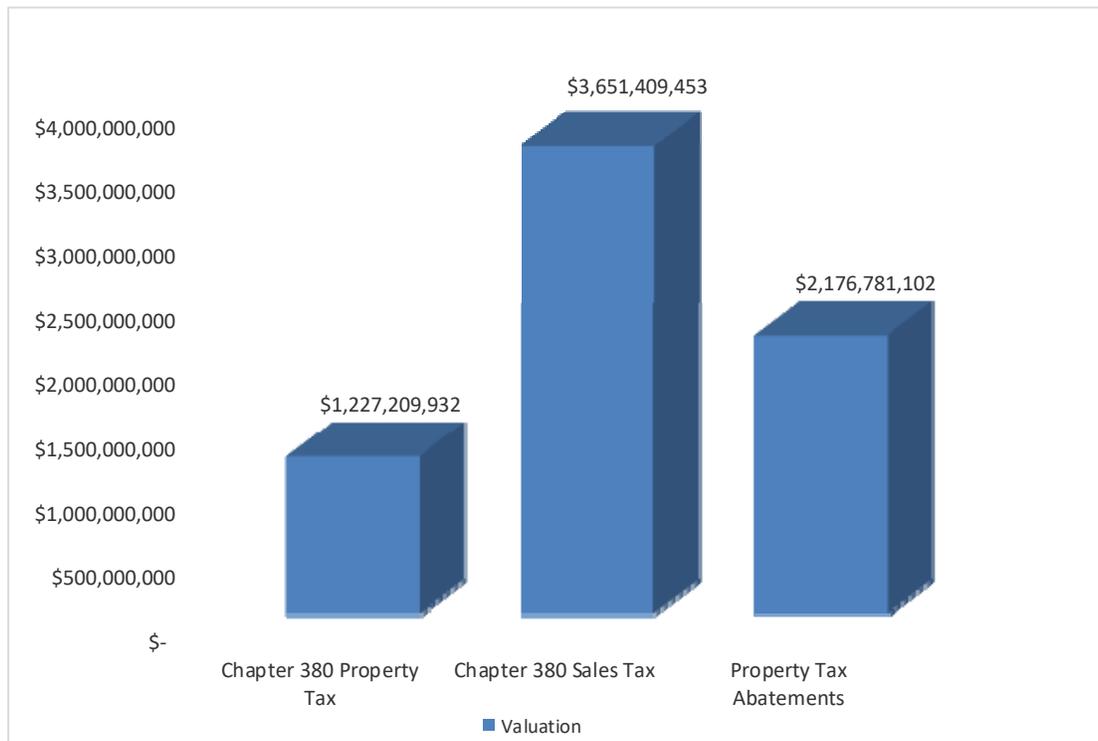
The City of Denton has awarded a total of 29 incentives to foster development in the community. Twenty-two are represented in the report. The remaining awards were terminated or not initiated in 2018. The City has invested \$21.9 million in tax-related incentives, and in return, has benefited from a net increase in property and sales tax revenues in the amount of \$71.3 million since the inception of the incentive program in 1999. The cost/benefit for all of the incentives awarded is 324%. Sales tax incentives represented the highest percent at 374% followed by Chapter 380 property tax rebates and property tax abatements at 324% and 178%, respectively.

Table 7: City of Denton Return Summary

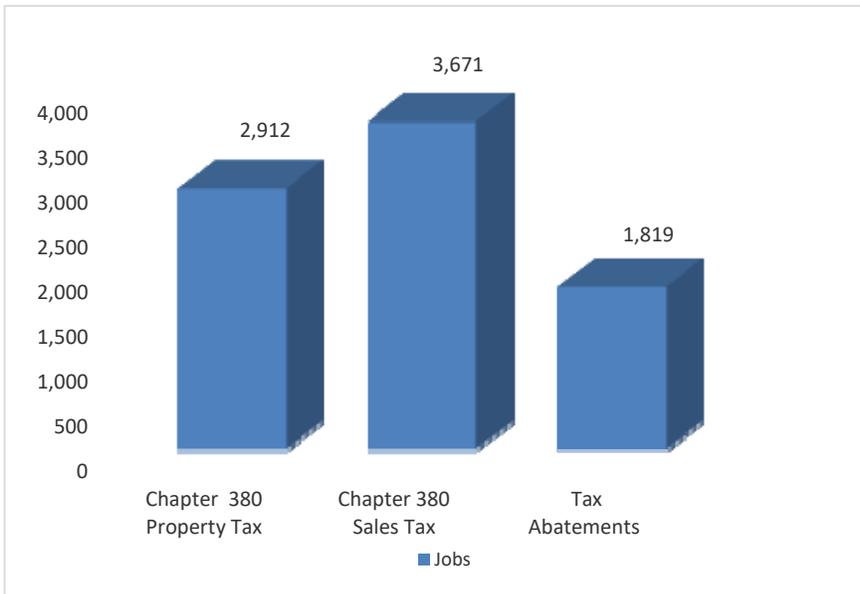
Total of all Property Incentives	Property Totals	Sales Tax Total	Total
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Cumulative Property Tax Generated	\$22,316,432	\$24,393,949	\$46,710,381
Cumulative Sales Tax Generated	\$0	\$46,543,343	\$46,543,343
Cumulative Property & Sales Tax	\$22,316,432	\$70,937,292	\$93,253,724
Less Incentives	\$7,031,994	\$14,950,608	\$21,982,602
Net Property and Sales Tax Revenue	\$15,284,438	\$55,986,684	\$71,271,122
Cost Benefit Percentage	217%	374%	324%
Jobs Created/Retained	4,731	3,671	8,402

Direct and Indirect Impacts

Graph 2: New Value Created in Denton



Graph 3: New Jobs Created in Denton



Chapter 380 Grants Based on Combined Tax Performance and Development Tools

The Economic Development Department employs a number of economic development tools to drive economic growth in the community. Most recently, the City has utilized development districts, sales and use tax rebates, infrastructure programs, and hotel occupancy tax to finance public improvements and developments. This report will provide a brief description of the types of tax incentives offered, terms, thresholds required, and the incentive received by the company. 2015 represented one of the most active years of incentive investment and the use of multiple economic development tools to support projects.

Table 8: Combined Tax Tool Incentive Summary

Project	Incentive Tools
WinCo Foods Distribution	Infrastructure grant, sales and use tax for construction, property tax rebate, and Westpark TIRZ grant
O'Reilly Hotel and Convention Center	Infrastructure grant, sales and use tax for construction, property tax rebate, and hotel occupancy tax grant
United States Cold Storage	Sales and use tax for construction
Rayzor Ranch Development	Sales tax and a Public Improvement District (PID)
Railyard	Downtown TIRZ 1 grant and lease

Tax increment financing is a tool that local governments can use to publicly finance needed structural improvements and enhance infrastructure within a defined area (a Tax Increment Reinvestment Zone, or TIRZ) in

order to stimulate private development and redevelopment. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation from subsequent years is allocated to TIRZ development. The statutes that regulate tax increment financing are located in Chapter 311 of the Texas Tax Code, also known as the Tax Increment Financing Act.

A public improvement district (PID) is a defined area where public improvements may be financed through the use of special assessments to property owners. 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 sales and use tax rebate for construction is accomplished through a Texas Direct Payment Permit. This incentive involves a rebate of all or a portion of the sales and use taxes for the purchase of construction materials that would generate additional local use taxes that the City of Denton would not otherwise receive. The permit allows for storage of materials without the payment of taxes until the location is determined, so they are not taxed when holding the goods. This program is regulated by the Texas Administrative Code (TAC) Title 34, Chapter 3, Subchapter O, Rule 3.28 and Tax Code Title 2, Subtitle E, Chapter 151.

STATE AND LOCAL REVENUES

City, State, and DCTA Sales Taxes

Table 9 provides the breakdown of the total revenue to City, State, and the Denton County Transportation Authority (DCTA) from sales taxes generated at the major retail developments that have received incentives from the City of Denton. The State of Texas collects sales and use taxes from all retail sales and taxable services. The State has directly benefited from the incentives awarded for these mixed-use developments. Since 2005, the State of Texas has received a total of \$194.0 million in additional sales tax revenues as a result of the incentives awarded by the City. The state revenues comprise 76% of the total sales taxes generated by these mixed-use centers.

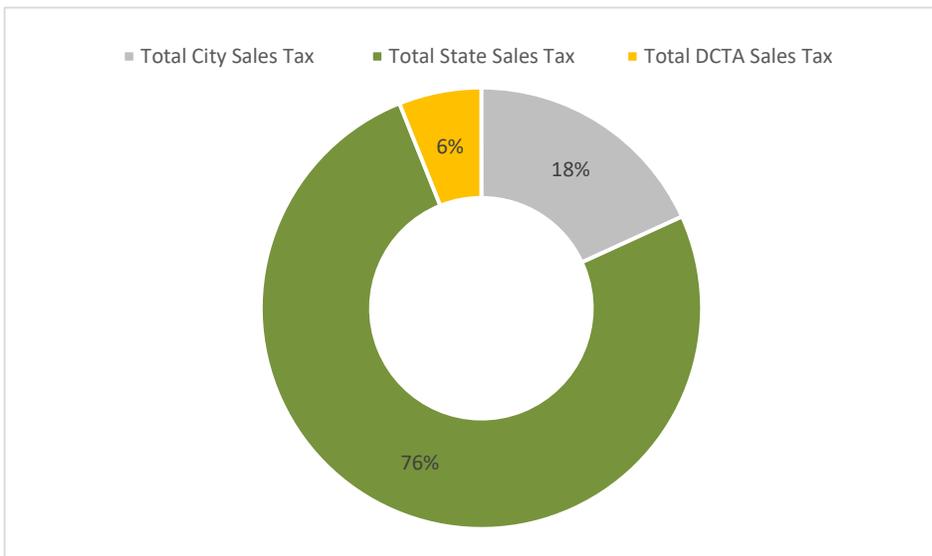
Table 9: City, State, and DCTA Sales Tax Composition

	Denton Crossing	Rayzor Ranch	Unicorn Lake	Golden Triangle Mall	Buc-ee's	Rates	Totals
Base Year of Agreement	2003	2007	2004	2010	2016		
Incentive Term	2005-2019	2012-2032	2009-2023	2016-2035	2019-2043		
Total Sales	\$1,399,435,400	\$1,078,287,133	\$107,482,400	\$517,284,600	\$400,000		\$3,102,889,533
Total City Sales Tax Generated	\$20,991,531	\$16,174,307	\$1,612,236	\$7,759,269	\$6,000	\$0.0150	\$46,543,343
Total State Sales Tax Generated	\$87,464,713	\$67,392,946	\$6,717,650	\$32,330,288	\$2,000	\$0.0625	\$193,907,596
Total DCTA Sales Tax Generated	\$6,997,177	\$5,391,436	\$537,412	\$2,586,423	\$33,000	\$0.0050	\$15,545,448
Total Sales Tax Generated	\$115,453,421	\$88,958,689	\$8,867,298	\$42,675,980	\$41,000	\$0.0825	\$255,996,387

Table 10: Total City, State, and Local Sales Tax Cost/benefit

Development	Denton Crossing	Rayzor Ranch	Unicorn Lake	Golden Triangle Mall	Buc-ee's	Rates	Totals
Base Year of Agreement	2003	2007	2004	2010	2016		
Incentive Term	2005-2019	2012-2032	2009-2023	2016-2035	209-2043		
Sales Tax Generated	\$115,453,421	\$88,958,689	\$8,867,298	\$42,675,980	\$33,000	\$0.0825	\$255,955,387
Less Sales Tax Incentive	\$6,997,176	\$7,167,720	\$537,412	\$248,300	\$0		\$14,950,608
Total Net Revenue	\$108,456,245	\$81,790,969	\$8,329,886	\$42,427,680	\$33,000		\$241,004,779
Cost Benefit Percentage	1,550%	1,141%	1,550%	17,087%	N/A		1,612%

Chart 2: Sales Tax Composition



DENTON COUNTY PROPERTY TAX GENERATION

The 2018 report provides the ad valorem revenue that Denton County received from all of the incentives awarded by the City of Denton. The cost/benefit is also provided for the four Tax Abatements and the two Chapter 380 Agreements in which the County jointly participated with the City to stimulate economic growth. Chapter 311 and 312 of the Texas Property Tax Code authorize taxing entities to provide tax abatements. Chapter 381 of the Local Government Code authorizes counties to provide loans or grants to support economic development activities

Property Tax Abatements

Table 11: Denton County Property Tax Abatements

	Peterbilt Motors	Flowers Foods	Aldi Foods	Target	Totals
Year Abatement Approved	2001	2004	2008	2010	
Incentive Term	10 Years	5 Years	7 Years	5 Years	
Abatement/Rebate	100%	30%	35%	60%	
Cumulative Property Valuation	\$39,091,296	\$329,264,609	\$421,232,088	\$668,595,451	\$1,458,183,444
County Cumulative Property Tax Generated	\$97,965	\$856,180	\$1,109,994	\$1,714,990	\$3,779,129
Less County Property Tax Abatement	\$56,774	\$110,244	\$280,043	\$439,768	\$886,829
County Net Property Tax Revenue	\$41,191	\$745,936	\$829,951	\$1,275,222	\$2,892,300
Cost Benefit Percentage	73%	677%	296%	290%	326%
New Jobs Created	35	480	150	160	825

Chapter 380/381 Agreements

Table 12: Denton County Property Tax Chapter 381 Rebates

Business	Sally Beauty Company	Granite/Schlumberger Properties	Totals
Incentive Term	5 Years	5 Years	
Abatement/Rebate	40%	25%	
Cumulative Property Valuation	\$295,714,200	\$628,358,362	\$924,072,562
Cumulative Property Tax Generated	\$764,167	\$1,540,790	\$2,304,957
Less Property Tax Incentive	\$125,516	\$14,653	\$140,169
Net New Property Tax Revenue	\$638,651	\$1,526,137	\$2,164,788
Cost Benefit Percentage	509%	10,415%	1,544%
Jobs Created/Retained	450	147	597

Property Tax Summary

Table 13: Denton County Return from Property Tax Abatements and Chapter 380/381 Rebates

	Joint Participation	City Participation	Property Totals
Cumulative Property Valuation	\$2,433,622,496	\$970,368,538	\$3,403,991,034
County Cumulative Property Tax Generated	\$6,200,137	\$2,357,851	\$8,557,988
Less County Property Tax Abatement	\$1,026,998	\$0	\$1,026,998
County Net Property Tax Revenue	\$5,173,139	\$2,357,851	\$7,530,990
Cost Benefit Percentage	504%	0	733%
New Jobs Created	1,819	2,787	4,606

Graph 4: City/County Property Tax Agreements

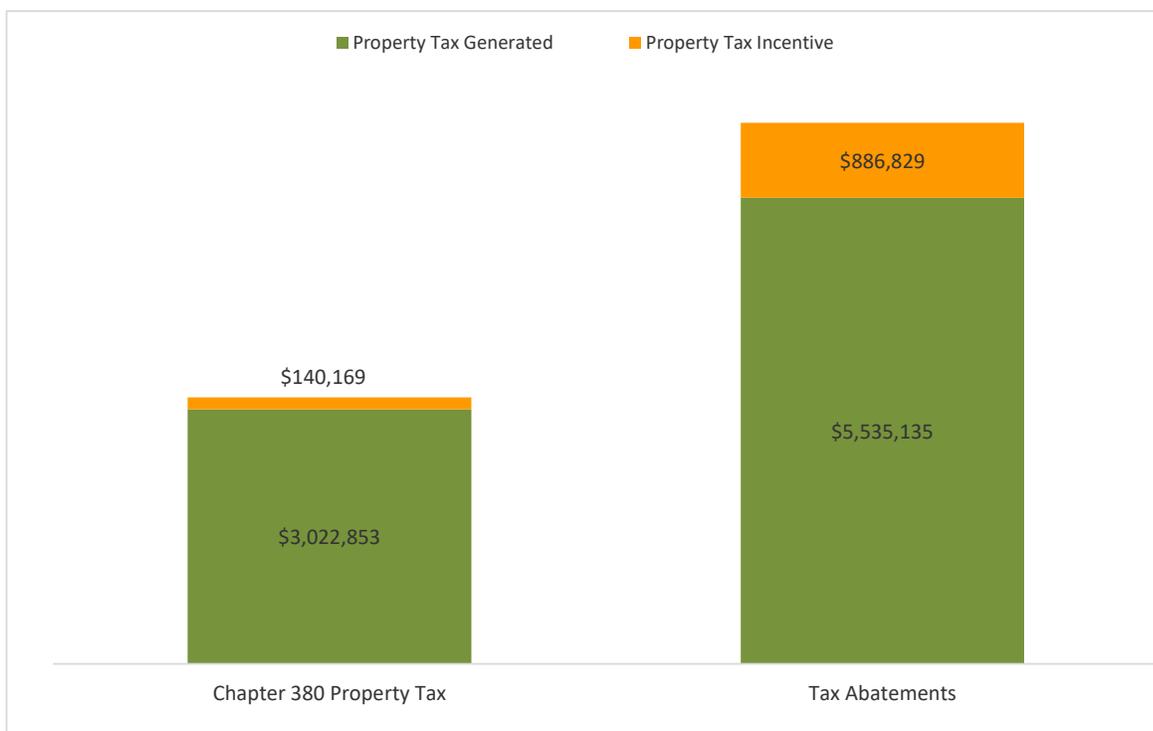


Table 14: Denton County Return Summary

Total of all Property Incentives	Property Totals
Cumulative Property Valuation	\$3,403,991,034
Cumulative Property Tax Generated	\$8,557,988
Less Incentives	\$1,026,998
Net Property Tax Revenue	\$7,530,990
Cost Benefit Percentage	733%
New Jobs Created	4,606

Denton County has participated in a total of six Denton incentives to promote development in the local community. The County has invested a total of \$1.0 million in tax related incentives, and in return, has benefited from a net increase in property tax revenues in the amount of \$7.5 million since the inception of the incentive program in 1999. The cost/benefit for all of the incentives awarded (joint and City only) is 733%. The cost/benefit from all of the tax abatements and Chapter 380/381 property tax incentives was 524% and 2,057%, respectively.

DENTON INDEPENDENT SCHOOL DISTRICT PROPERTY TAX GENERATION

The Return on Investment Report was expanded in 2015 to include the ad valorem revenue that Denton Independent School District (DISD) has received from all the incentives awarded by the City of Denton. The cost/benefit is also provided for the two tax abatements in which DISD jointly participated with the City to stimulate economic growth. (Note: Texas school districts were at one time able to offer tax abatements similar to those of cities and counties, but that authority was repealed by the Texas Legislature). It is also important to note that the report uses the entire DISD tax rate, which includes the maintenance and operations and interest and sinking portions of the tax rate.

Property Tax Abatements

Table 15: DISD Property Tax Abatements

	United Copper	Peterbilt Motors	Totals
Year Abatement Approved	1998	2001	
Incentive Term	5 years	10 Years	
Abatement/Rebate	15%	100%	
Cumulative Property Valuation	\$422,085,765	\$39,091,296	\$461,177,061
DISD Cumulative Property Tax Generated	\$7,320,320	\$644,587	\$7,964,907
Less DISD Property Tax Abatement	\$250,680	\$371,572	\$622,252
DISD Net Property Tax Revenue	\$7,069,640	\$273,015	\$7,342,655
DISD Benefit Percentage	2,820%	73%	1,180%
New Jobs Created	265	35	300

Graph 5: DISD Property Tax Abatements

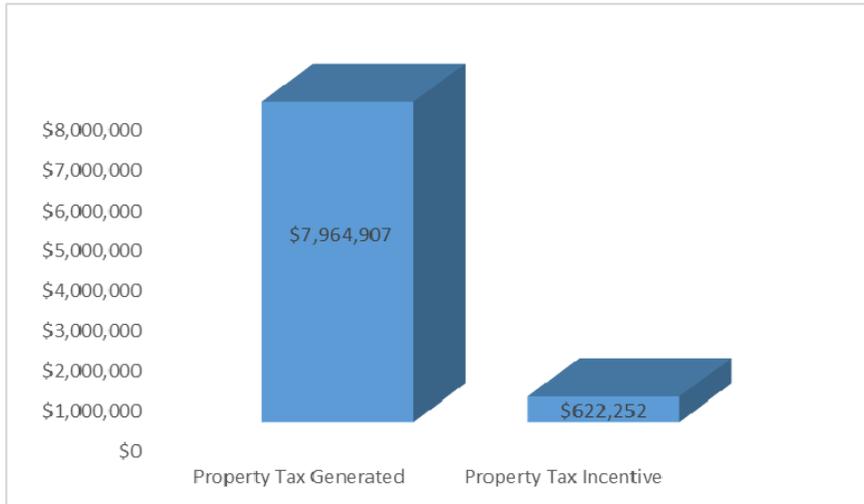


Table 16: DISD Return from City and DISD Agreements

	Joint Participation	City Only Participation	Property Totals
Cumulative Property Valuation	\$461,177,061	\$2,942,813,973	\$3,403,991,034
DISD Cumulative Property Tax Generated	\$7,964,907	\$52,923,449	\$60,888,356
Less DISD Property Tax Abatement	\$622,252	\$0	\$622,252
DISD Net Property Tax Revenue	\$7,342,655	\$52,923,449	\$60,266,104
DISD Return on Investment Percentage	1180%	N/A	9685%
New Jobs Created	300	3,730	4,030

Chapter 380 Agreements

DISD did not participate with the City of Denton’s Chapter 380 Property Tax Agreements.

Property Tax Summary

Table 17: DISD Return Summary

Total of all Property Incentives	Property Totals
Cumulative Property Valuation	\$3,403,991,034
Cumulative Property Tax Generated	\$52,923,449
Less Incentives	\$621,572
Net Property Tax Revenue	\$52,301,877
Cost/benefit Percentage	8,414%
New Jobs Created	4,030

Denton Independent School District has participated in two Denton tax abatement incentives to stimulate economic growth in the local community. DISD has invested a total of \$621,572 in tax related incentives, and in return, has benefited from a net increase in property tax revenues in the amount of \$52.3 million since the inception of the incentive program in 1999. The cost benefit percentage from all of the tax abatements alone was 5,351%. The cost/benefit from all of the incentives awarded is 8,414%.

School finance involves a complex funding formula from several different federal, state and local funding sources. As aforementioned, the report uses the entire DISD tax rate, which includes the Maintenance and Operations (M&O) and Interest and Sinking (I&S) tax rates. The M&O portion of the tax rate is used for salaries, utilities, supplies etc. The I&S portion of the tax rate is used to fund payments on debt service for facilities and is the only portion of the DISD tax rate that is not affected by funding from the State of Texas.

The two Denton tax abatement incentives represented in Table 15, that the ISD has participated in, include a complete 10-year history. DISD invested a total of \$622,252 in tax related incentives, and in return, has benefited from a net increase in property tax revenues in the amount of \$7.3 million from the two companies that received abatements. The cost benefit percentage from these tax abatements was 1,180%.

APPENDIX A

Appendix A: Incentive Projects

Tax Abatements



Name	United Copper
Year Applied	1998
Terms	25% for 6 years
Threshold(s)	\$35 M, 250 jobs, \$34K Average Wage

United Copper received the City of Denton’s first tax abatement. Three thresholds were set for the company to meet in order to receive a 25% abatement over a six-year term. The company did not reach the employment threshold in the Agreement and therefore did not receive the full 25% abatement. The percentage was reduced by the ratio that the threshold was missed. The figures represent ten years of economic impact. Although the tax abatement had a six-year term, standard economic development practice for impact analysis is ten years.



Name	Peterbilt	Name	Peterbilt
Year Applied	2001	Year Applied	2016
Terms	100% for 10 years	Terms	70% for 8 years
Threshold(s)	\$5M, increment of building only	Threshold(s)	\$18.5 M above base

Peterbilt Motors agreement was an incentive for the expansion of the headquarters office and consolidation of regional sales and financing offices in the Metroplex. The agreement provided a 100% abatement on the increase in valuation over the 2001 valuation on the building located at 1700 Woodbrook. The base year valuation of the building in the amount of \$1,933,540 was deducted from the calculations.

Peterbilt received a 70% tax abatement for a term of eight years for a 17,500-square-foot expansion of their current manufacturing facility to improve material flow from trucks into the expanded metering center in 2015 (Phase I). Their growth in 2014 resulted in a 20% increase in employment and a 32% increase in production levels. These increases have also been the driving force behind similar growth of other businesses in Denton that support Peterbilt. This project was completed in 2016. The Company requested an amendment to its Agreement to include the construction and equipping of a new stand-alone 102,000-square-foot building north of the existing plant in 2016 (Phase II). The terms of the amendment for the new building are 70% for seven years (remainder of term). Peterbilt is Denton’s largest private employer, with approximately 2,100 employees. Peterbilt did not meet the \$18.5 million threshold, therefore; the abatement was not granted for tax years 2017 and 2018. Peterbilt did meet the threshold requirements in tax year 2019, so the company will appear in the 2019 report.



Name	Flowers Foods
Year Applied	2003
Terms	35% for 5 years
Threshold(s)	PI: \$5M, PII: \$20M, PIII: \$30M above base

Flowers Foods purchased the former Andrew Corporation plant. The incentive is based on the increase in valuation over the existing valuation of the base year. Therefore, the 2004 building valuation of \$1,920,009 was deducted from the calculations. Flowers Foods abatement was terminated after 2010 when they did not meet the threshold requirement, but this report continued to track the valuation for a 10-year period. Flowers Foods is one of Denton’s top 10 private employers, with approximately 480 employees.



Name	Fastenal
Year Applied	2004
Terms	35% for 5 years
Threshold(s)	\$5M

Fastenal completed a 200,000-square-foot regional headquarters/distribution center near the Denton Enterprise Airport in the fall of 2008. The tax abatement agreement requires a minimum threshold of \$5,000,000 in valuation. 2013 was the final year of Fastenal’s five-year agreement that provided a 35% abatement on the valuation of the building improvements and equipment. Fastenal employs 208.



Name	Aldi
Year Applied	2007
Terms	100% for 5-7 years based on \$2.5 infrastructure reimbursement
Threshold(s)	\$25M

Aldi’s 500,000-square-foot distribution center was completed in 2009. The project required that Aldi construct a \$2.5 million road that also services the Denton Enterprise Airport. Aldi received 100 percent tax abatement on all new valuation, except land, until they were reimbursed for the construction of the road or for a term of seven years. This is the only incentive that includes the abatement of inventory. Aldi employs 150 and services more than 25 Aldi grocery stores in the North Texas area. The first Denton Aldi grocery store opened in the summer of 2013. The incentive with Aldi was completed in 2016 and the incentive will be tracked for 10 years until 2019.



Name	Target
Year Applied	2010
Terms	65% for 5 years
Threshold(s)	\$40 M

Target Corporation’s 400,000-square-foot refrigerated/frozen food distribution center was constructed in 2012. This \$100 million project received a 65% tax abatement for five years from the City to help offset costs to improve Airport and Corbin Roads. This facility services over 240 stores in nine states with frozen and perishable food products. Target opened in March 2013 and employs 160 area residents. The incentive with Target Corporation was completed in 2017 and the incentive will be tracked for 10 years until 2022.



Name	Peerless
Year Applied	2011
Terms	40% for 5 years
Threshold(s)	\$5M, 85 jobs with an Average Wage of \$50,000

Peerless Manufacturing selected Denton to expand and consolidate their Texas operations. The company designs, engineers, and manufactures highly specialized filtration, separation equipment, industrial silencers, heat exchangers, and air pollution reduction systems to energy industry customers involved in gas and oil production, processing, and power generating. They constructed an 80,000 square foot manufacturing facility in 2013. The

company received a five-year, 40% tax abatement from the City for the new facility. The Agreement was terminated when the property was sold and made the company ineligible for a tax abatement.



Name	Tetra Pak
Year Applied	2013
Terms	65% for 4 years
Threshold(s)	\$5M above base

Tetra Pak Materials manufactures, processes, packages and distributes liquid foods all over the globe. The aseptic packaging process removes air and bacteria, which allows for a product shelf life of a minimum of six months. In 2000, the company added the Americas Global Information Management hub, a pilot research and development center, and relocated the U.S. Technical Service Center to Denton. In 2013, the company received a four-year 65% tax abatement for expanding their facility and relocating their corporate headquarters operations from Chicago to Denton. The increase in real and business personal property valuation of the project 32,000-square-foot expansion was \$8.9 million, and Tetra Pak created a total of thirty-two new jobs with this expansion. The incentive initiated in 2015. Tetra Pak currently employs 375. The incentive was completed in 2018 and the incentive will be tracked for 10 years until 2024



Name	West Gate Business Park (WGBP)
Year Applied	2015, 2016 Tax Abatement
Terms	60% > for HQ and major employer, 10 yrs.
Threshold(s)	\$3M

West Gate Business Park received a ten-year 60% tax abatement in 2016 on improvements only to include Buildings 2 and 3 in the business park, which brings new Class A industrial/manufacturing space to Denton. West Gate Business Park could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. The abatement will initiate the year following the year in which Building 2 receives a CO. A permit was issued for Building 2 in 2018, so the abatement will be included in the 2019 Net Revenue Report. Easyflex, a company that manufactures corrugated stainless steel products, is the new tenant that has located in Building 2.



Name	Tyson Sales and Distribution
Year Applied	2019 Tax Abatement
Terms	25% on BPP only for 6 yrs.
Threshold(s)	\$25.5M year 1, tiered valuation based on DCAD depreciation schedule, 95 jobs, \$23.58 /hr.

In 2019, **Tyson Sales and Distribution** received an abatement of 25% of their business personal property only (which does not go into the TIRZ) for 6 years. The Company provides refrigerated warehousing and distribution services to the Tyson Foods, Inc. companies. Tyson had \$38 billion in sales in FY 2017 and employs 122,000. The company will construct 350,000+ square foot highly automated refrigerated distribution center. The facility will contain automated storage and retrieval systems, including stacker cranes, gantry robots for layer picking, pallet conveyors and transfer cars, and a monorail. It is expected to ship 700 million pounds of product annually from the facility. The facility will have about a 2 megawatt annual electric demand which will add another Top 25 customer for DME. It will employ 100 on a full-time basis with hourly wages ranging from \$20 to \$45. The grantee is required to create 95 jobs with an average hourly wage of \$23.58. A \$25.5 million business personal property valuation threshold is required in year one. The business personal property valuation thresholds are tiered based

on the Denton Central Appraisal District’s depreciation schedule. It is anticipated that the project will be included in the 2022 report.

CHAPTER 380 GRANTS

Chapter 380 Grants Based on Property Tax Performance



Name	Sally Beauty: Headquarters	Name	Sally Beauty: Morse
Year Applied	2003	Year Applied	2016
Terms	40% for 10 years	Terms	50% for 3 years
Threshold(s)	\$20 M	Threshold(s)	\$28.6 M, 250 jobs, Avg. Wage %51,800

Sally Beauty Company received a grant equal to 40% of the property tax paid on new valuation created by the construction and equipping of a new international headquarters facility at Colorado Boulevard for a ten-year period. Valuation at the existing facility located at 3900 Morse was not eligible for consideration. The final tax year of the agreement with Sally Beauty was 2014. Sally Beauty is one of Denton’s top 10 private employers, with approximately 950 employees.

In 2016, Sally Beauty received a grant equal to 50% of the property tax paid on new valuation created by the complete interior remodel of its Morse property for a three-year period. Sally Beauty will continue to own and occupy both the Morse and Colorado properties in Denton. They are currently at capacity and will be transferring employees from their acquisitions of other companies and plan to add an additional 80 employees in the next two years. Sally Beauty appears in this 2018 report; however, the grant was terminated after the Morse property was sold in March 2019.



Name	Granite Properties
Year Applied	2010
Terms	50% for 7 years
Threshold(s)	PI: 250K Square Feet, PII: 50K Square Feet

Granite Properties received a seven-year, 50 percent incentive on buildings and equipment. However, after three years of incentive payments, Granite Properties requested permission to sell a portion of their land and one building to Grand Mesa. The City of Denton entered into an agreement with Grand Mesa for the renovation of a 152,000-square-foot building and 36 acres of land at the Granite Point Business Park. The renovation and equipping of the building were performed for Schlumberger Technology Corporation. Grand Mesa assigned the incentive to Schlumberger in 2012.



Name	Schlumberger
Year Applied	2012
Terms	50% for 7 years
Threshold(s)	\$5 M, 80 jobs, \$45K Average Wage

Schlumberger, a Fortune 500, French-owned oilfield service company, held a grand opening in 2011 for their 150,000-square-foot regional maintenance facility at the Granite Point Industrial Park. Renovation of the building increased the value by roughly \$10 million. A Chapter 380 grant previously awarded to Granite Properties/Grand

Mesa was transferred to the company as an incentive for the Denton location. Schlumberger employed 184 in 2016. The incentive was completed in 2018 and the incentive will be tracked for 10 years until 2021.



Name	Jostens
Year Applied	2008
Terms	75% for 7 years
Threshold(s)	\$5 M over base

Jostens' incentive was based on the increased property tax on the building and equipment resulting from the expansion of an existing facility. Dollar amounts shown in this report reflect the deduction of Jostens' base year valuation of \$11,569,410. Work on the Jostens project was completed in 2008, establishing 2009 as the first year of the incentive. Although the company met the contractual threshold of constructing the expansion and purchasing and/or moving more than \$2 million in equipment to the facility, a significant amount of old equipment was removed, creating an overall reduction in the valuation for 2009. The 2010 valuation rose, showing an increase over the base year, but less than the 2009 decrease. Jostens is one of Denton's top 10 private employers, with approximately 450 employees. The incentive was completed in 2015 and the incentive will be tracked for 10 years until 2019.



Name	Safran/Labinal
Year Applied	2011
Terms	50% for 3 years
Threshold(s)	\$5 M over base

Labinal/Safran relocated and expanded their North American Wiring and Services Division headquarters and relocated over 700 employees to Denton and has invested nearly \$5.8 million in building, site, and other improvements to the property located on Russell Newman Boulevard. They have also moved equipment and other business personal property to Denton that is valued at \$6 million. The grant agreement provided a grant equal to 50% on the increment from the increase from the base valuation for a period of three years. Labinal/Safran is one of Denton's top 10 private employers, with approximately 727 employees. The incentive was completed in 2015 and the incentive will be tracked for 10 years until 2022.



Name	Mayday
Year Applied	2012
Terms	75% for 10 years
Threshold(s)	\$3 M over base

Mayday Manufacturing/Tailwind Technologies manufactures precision bushings, sleeves, pins, and other machine parts used in the aerospace industry. Mayday Manufacturing was acquired by Ohio-based Tailwind Technologies in June 2009. Mayday provides just-in-time delivery of aerospace parts and operates the plant 24 hours a day, seven days a week to accomplish this goal. High Tech Metal Refinishing is a subcontractor that performs the anodizing, cadmium platings, chemical film, black oxide, hard foam, liquid penetrant inspection, magnetic particle inspection, priming, painting, passivation and thermal processing of PH seals. The company is co-located with Mayday providing for more efficient production and delivery capability. The agreement requires a minimum investment of \$3 million in building, site and other improvements. The agreement stipulates that no valuation on the existing business personal property of Mayday Manufacturing and Hi-Tech Metal Refinishing will be included in this incentive. The contract provides a grant equal to 75% on the increment above the base valuation for a period of ten years. The company purchased an 80,000 square foot facility in 2012 and completed the 15,000 square foot expansion of the facility at the close of 2013. Mayday employs approximately 245. In 2017,

Mayday received a Texas Enterprise Zone grant from the State of Texas for a 15,000 square-foot building expansion for additional production capacity and consolidation of shipping and inspection departments, as well as additional machinery and equipment spread over five years, primarily driven by production capacity associated with the expanded building footprint.



Name	U.S. Aviation
Year Applied	2015
Terms	75% for 3 years
Threshold(s)	\$5 M over base

US Aviation Group (USAG), which is headquartered at the Denton Enterprise Airport, trains pilots from the United States and around the globe. Demand for USAG’s commercial flight training is booming, and the company is expanding its existing flight simulation training facilities and has purchased additional simulation equipment and aircraft. This expansion will create 16 new jobs. USAG was awarded a 70% tax rebate for three years on their new capital investment of \$10.7 million. Business Air assigned its airport lease to US Aviation in 2017, making USAG the sole Fixed Based Operator (FBO) at the Denton Enterprise Airport. USAG has over 150 employees. The grantee did not meet the required threshold for tax year 2017 and the Chapter 380 Agreement was terminated. No grant payments were made prior to termination.



Name	West Gate Business Park (WGBP)
Year Applied	2015, 2016 Chapter 380 Agreement
Terms	70% for 10 years
Threshold(s)	\$3M

In 2015, an incentive was granted to **Westgate Business Park (WGBP)**. The industrial development received a minimum of 60% with an additional 5% for a national headquarters and/or ten percent for support of major employers not to exceed 75% of City ad valorem taxes attributable to improvements for a period of 10 years. WGBP includes three multi-tenant buildings totalling 413,000 square feet of new industrial/manufacturing space in Denton. The Chapter 380 grant applies to Building 1.

In 2016, the Chapter 380 Agreement was amended to include a 70 percent rebate on Building 1 improvements (excluding land and business personal property) and to add a one-time grant payment in the amount of \$50,000. A separate Tax Abatement Agreement for Buildings 2 and 3 was also approved so that WGBP could be eligible to apply for a tax abatement from Denton County. The terms of the abatement are: a 60 percent abatement of City ad valorem taxes attributable to new capital investments resulting in an increase of assessed value of real property improvements; the amount of the abatement may be increased by an additional 5 percent for a national headquarters and/or 10 percent for a supplier in support of major employers in Denton. Quality Industries leased a 86,500 square foot building (Building 1) for their metal fabrication operations at the industrial park and received their Certificate of Occupancy in 2017.



Name	Business Air Manufacturing (BAM)
Year Applied	2015
Terms	70% up to \$9.5M plus 5% for extension 2-9 years
Threshold(s)	PI: \$15M, PII: \$50M, PIII: \$80M

In 2015, a grant agreement was awarded to **Business Air Manufacturing (BAM)**. The grant is equal to 70% of the increase in property tax revenues on the improvements to the building and new business personal property up to a maximum of \$9,500,000 in increased valuation for a period of two years. The company may extend the length of

this grant by attracting additional investment in the form business aircraft based at its facilities at the Denton Enterprise Airport by the specified date and investment level thresholds. In addition to a grant extension, Business Air would receive five percent of the increase in taxable valuation attributable to these new business aircraft for the duration of the grant extension. The company is expanding with plans to build a new 24,000-square-foot hangar with an additional 4,000 square feet of office space. The hangar space should allow the addition of 10 corporate aircraft with values ranging from \$1.5 to \$10 million per aircraft. In addition to the hangar, Business Air will be purchasing a corporate aircraft to be based at the airport for the exclusive use of providing air taxi service to the area. The incentive should begin in 2017. Business Air assigned its airport lease to US Aviation in 2017. Business Air was purchased by US Aviation Group in 2017 and was no longer operating or occupying property at 5007 and 4777 Airport Road, so the City terminated the grant. No payments were made to Business Air prior to termination.



Name	Victor Technologies
Year Applied	2015
Terms	65% for 7 years
Threshold(s)	\$6.5M above base, 85 jobs with Average Wage of \$28.81/hr.

Victor Technologies is a global manufacturer dedicated to developing innovative advanced cutting, gas control, and specialty welding solutions. Founded in 1913, the original San Francisco manufacturing operations were relocated to their new headquarters in Denton in the mid-1960s. Victor Technologies is expanding the existing facility. Improvements to the existing operation will create approximately 30,000 square feet of Research and Development space. A new 185,400-square-foot warehouse and remodelled parking lots completed the renovations.

The current operation employs 414 full time employees. Victor has a distribution center in DFW that employs about 100 people that will be transferred to the new facility in Denton. Over the next three years, Victor will create an additional 100 new jobs. Victor Technologies received an incentive equal to 65% of the increase in the City’s ad valorem taxes for seven years while maintaining a minimum of 85 percent of new jobs created with an average wage of 28.81 per hour. It is anticipated that Victor’s incentive will start in 2017. Victor did not meet the required threshold to receive the incentive and was terminated in 2017. No grant payments were made prior to termination.

Chapter 380 Grants Based on Sales Tax Performance



Name	Denton Crossing
Year Applied	2005
Terms	One-third of sales taxes from development for 15 years
Threshold(s)	450K Square feet of retail

Denton Crossing is a 52-acre retail development that is comprised of 500,000 square feet of retail and commercial tenants. The incentive reimburses infrastructure costs for Spencer Road improvements. The development is home to: Best Buy, Kroger, Old Navy, Famous Footwear, Ulta, and Total Wine & More, to name a few. The City of Denton granted its first-ever sales tax incentive rebate of one-third of the sales tax generated by the project for a period of 15 years. A Home Goods was opened in 2018. The final rebate for Denton Crossing will occur in September 2020.



Name	Unicorn Lake
Year Applied	2004
Terms	One-third of sales taxes from development for 15 years
Threshold(s)	35K Square Feet of retail

Unicorn Lake is a master-planned 134-acre mixed-use center that incorporates the urban style development of residential over retail along the lake. The City granted a rebate of one-third of the sales tax generated by the project for 15 years. The incentive reimburses infrastructure costs in return for the creation of an urban-style development, a roadway to provide needed access, and associated hardscape to create the desired pedestrian connectivity. The Villas of Tuscan Hills, a 116 lot residential community that overlooks the lake, provides luxury homes. BJ’s Brewhouse, Blue Ginger Japanese Bistro, Dogwood Estates (an independent living community), the Brick House Gym, Cinemark, Hilton Homewood Suites, Washington Federal Savings and Loan, Towne Center Bank, and several medical offices represent some of the businesses that have located in the development.



Name	Rayzor Ranch
Year Applied	2007
Terms	One-half of sales taxes from development for 25 years
Threshold(s)	PI: 400K Sq. Ft., PII: 270K (90%) 4-1/18 300K Sq. Ft. of retail 7/1/18

The **Rayzor Ranch** agreement provides for a 50% share in the City’s sales tax revenue generated by the project for a period of 25 years. Rayzor Ranch Marketplace completed over 582,000 square feet of retail and commercial space. Sam’s and Wal-Mart anchor the Market Place with 137,381 and 189,929 square feet, respectively. Staff began tracking property tax revenues in 2009 and sales tax revenues in 2010 when these large retail boxes opened. Some of the new stores in the development include: James Avery and Guitar Center.

The Rayzor Ranch Town Center located on the south side of the development will initiate in 2018. Heritage Trail Boulevard has been constructed to allow access to the next phases. Alamo Draft House, Andy B’s, Cotton Patch Cafe and Zoey’s s are now open. An 11-story, 318-room Embassy Suites hotel and 70,000 square-foot Convention Center opened in December 2018. An additional 15% sales tax rebate on the Rayzor Ranch Town Center and Marketplace have been added to offset the hotel and convention center until \$5 million is reached.

The Rayzor Ranch Public Improvement District (PID) was created in May of 2014 and includes approximately 230 acres owned by Allegiance Hillview, L.P. and DB Denton II, LLC (“Owners”) located in the southeast quadrant of the intersection of West University Drive (U.S. Highway 380) and Interstate Highway 35.

The property is being developed for commercial/retail and multi-family uses comparable in quality to the Rayzor Ranch project north of West University Drive and will be unique and exceed the standards in the Denton Development Code.

Assessments will be secured by a lien on the property that is senior to private financing but junior to the lien for ad valorem taxes. No single-family uses will be assessed. No City property will be assessed, and the City will not otherwise have any liability to pay assessments. All costs of the collection and administration of the district will be paid by property owners as part of the annual instalments of assessments.



Name	Golden Triangle Mall
Year Applied	2011
Terms	One-half of sales taxes above base from development for 15 years
Threshold(s)	\$9.5M GTM, 45-60M by GTM & tenants Actual: \$9.2 M based on the current investment of \$58.3 million.

Golden Triangle Mall was purchased by the M.G. Herring Group and the Weitzman Group. The partnership has made renovations to the mall, including: the addition of restaurants and stores; improving the building façade; creating a food court; and improving the parking lot and landscaping. Both phases of the renovations are now complete and include: the installation of energy efficient lighting, interior landscaping and updated finishes. The

Golden Triangle Mall's J.C. Penney was one of the sites selected to include a Sephora and the Disney Store within the department store. An international retailer, H and M, opened in August 2015. Conn's will be taking the anchor location that Sears vacated. Fitness Connection is also planned for the development. The incentive is based on the increase in sales tax above the 2010 base sales tax generated for the development.



Name	Buc-ee's Travel Center
Year Applied	2015
Terms	One-half of sales from retail & sit down, 25% for fast food & service for 25 years
Threshold(s)	\$25M travel center

Buc-ee's Travel Center is a commercial development that will include an approximately 53,000-square-foot retail store, fuel sales, a car wash, and peripheral development along I-35E for future development. The main retail store and the associated fuel sales will be open 24 hours a day, seven days a week. The incentive reimburses the developer for public infrastructure improvements and other neighborhood/public amenities.

The proposed development has resulted in the Texas Department of Transportation (TxDOT) advancing several mobility improvements to the intersections of Loop 288/Lillian Miller and I-35E, Mayhill Road and I-35E, and Brinker Road and I-35E. In order to facilitate these improvements, TxDOT requires a local funding match of \$2 million. The developer funded the \$2 million, to be reimbursed as a part of the incentive agreement.

Additionally, the developer will incur approximately \$5.2 million in public infrastructure costs, including water, wastewater, storm sewer, right-of-way dedication, and constructing a new city street. The City has granted an incentive of 50% sales tax rebate for 25 years, on the Buc-ee's parcel as well as the outparcels. The first phase consists of 50% for 5 years for infrastructure improvements. The second phase grants a 50% sales tax rebate for the Buc-ee's travel center, retail and sit-down restaurants; and 25% on remaining fast food and service. Buc-ee's Travel Center opened in late October 2018. One partial month of sales taxes were reported in 2018 (*December 2018 report for October 2018 sales*).

Chapter 380 Grants Based on Combined Tax Performance and Development Tools



Name	WinCo Foods
Year Applied	2015
Terms	Infra. \$1M & \$860K water & wastewater; construction sales & use taxes; 100% of the tax increment until costs of public improvements reimbursed, City 1: 60% until project costs paid; City 2: additional 4 years of ad valorem
Threshold(s)	\$50M, \$850K sales tax for construction

WinCo Foods acquired approximately 77 acres in the Westpark Tax Increment Reinvestment Zone Number Two (TIRZ 2) area to develop a regional, multi-state distribution facility for consumer products. The 800,000+/- square foot distribution facility located on the west side of Western Boulevard, just north of Airport Road. WinCo is a regional retailer with multiple distribution facilities across the United States. This particular project includes approximately \$130 million in capital investment and will create 165 jobs with an annual payroll of around \$7.2 million.

The agreement with WinCo accomplishes two objectives: (1) full reimbursement of the cost of Phase 1 TIRZ 2 improvements using a combination of funding mechanisms; and (2) an economic development incentive of 60% of the City's ad valorem tax revenue for a period of four years following full reimbursement of Phase 1 improvements.

The first term of the grant agreement ends when full reimbursement has occurred, and includes the following forms of reimbursement: up to \$1 million for water lines, utilizing the City's Water Development Plan Line Fund; up to \$865,000 in reimbursement for the sewer lines, utilizing the City's Wastewater Development Plan Line Fund; 100% of the Sales and Use Tax for construction materials, furniture, fixtures, and equipment for the construction of the project; 100% of the tax increment collected in the TIRZ 2 fund associated directly with WinCo, until full reimbursement occurs. This includes the City and County's 40% contribution to the TIRZ 2 Fund annually. WinCo will receive the City's remaining 60% of ad valorem revenue until full reimbursement occurs. It is anticipated that full reimbursement will occur in approximately 8-10 years and will be approximately \$7 million. The first year after full reimbursement, the second term of the grant agreement initiates and will include the following: a 60% rebate of the City's ad valorem revenue for a period of four years, for an estimated total incentive of \$1.7 million. The \$1,865,000 grant for infrastructure improvements was completed. The local sales and use tax collected by the City on construction materials, furniture, fixtures, and equipment purchases for the development of the property was also completed. The TIRZ and ad valorem grants began in 2018.

THE RAILYARD	Name	Railyard
	Year Applied	2015
	Terms	TIRZ No. 1 grant for \$76,000 for 5 years, commercial lease at \$9.75 /Sq. Ft year 1 & 3.7% increase after
	Threshold(s)	TIRZ grant requires commercial lease to remain in effect, improvements in accordance with Agrmt.

The **Railyard** downtown project is located in the Tax Increment Reinvestment Zone Number One (TIRZ 1), Downtown Implementation Plan (DTIP) and Transit Oriented Development (TOD) areas. Rail Yard Partners, LTD., renovated an existing 28,000-square-foot building as a part of a larger transit-oriented catalyst project. They invested an initial \$12 million in the co-working and mixed-use space. The City leases 9,216 square feet for a collaborative working space. Hickory & Rail Ventures took over the management of the co-working space in 2018.

The Agreement with Rail Yard Partners, LTD., involves an annual grant of \$76,000 for five years, for a total incentive of \$380,000. The Commercial Lease Agreement for the co-working space is a five-year lease at \$9.75 per square foot for year one, with an approximate 3.7 % increase in the cost annually thereafter, in addition to operating expenses including the City's pro rata share of real estate taxes, insurance, common area maintenance, and operating expenses. The five-year grant will terminate in 2021/22.



Name	O'Reilly
Year Applied	2015
Terms	100% of property, HOT & construction sales taxes generated by the project, cap is \$54M, construction sales taxes reduced to 50% after threshold, 25 years
Threshold(s)	\$80M investment and \$20M increase above base, \$850K sales tax for construction

O'Reilly Hotel Partners Denton convention center and hotel development in the Rayzor Ranch Town Center includes a 300-room, full service Embassy Suites hotel, a 70,000-square-foot convention center, and a Houlihan's restaurant. The convention center meeting space can accommodate conventions of up to 650 participants and the grand banquet room can host events with up to 1,750 people. It is a major anchor for the Rayzor Ranch Town Center and capitalizes on the synergy from nearby shopping, entertainment, and dining.

The Chapter 380 Agreement includes a 100% rebate of the ad valorem tax, hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or until the combined principal amount of \$28 million and interest payment of \$26 million, for a total aggregate amount of \$54 million, is reached, whichever comes first. The incentive is capped at \$54 million; however, staff estimates that the actual incentive to be between \$30-\$35 million. The incentive also includes 100% of the construction sales and use tax up to \$850,000, at which time the grant will be reduced to 50%. The sales tax, Hotel Occupancy Tax, ad valorem and sales and use tax rebate for the construction and equipping of the facility initiated in 2018.



Name	USCS
Year Applied	2018
Terms	50% of construction sales and use taxes generated by the construction and initial equipping of the project, cap is \$
Threshold(s)	\$23.7 Million valuation, 42 jobs, \$850,000 for sales and use construction and FFE taxes

In 2018, **United States Cold Storage (USCS)** received a 50% cost share of the sales and use taxes (up to \$70,000) for the construction of their new distribution facility on a 40 acre site in the Westpark TIRZ No. Two. The company plans to offer storage, re-pack, and case pick, distribution and transportation solutions for production facilities in the United States and Mexico. Preliminary plans provide for rail service, export services to Mexico, cooler and freezer storage, and on-site customer offices. USCS estimates that it will invest \$34 million in the project, which will create approximately \$28 million in new ad valorem value in Denton. The estimated electric demand is 1.5 megawatts annually, which will make USCS a Top 25 customer for Denton Municipal Electric (DME). The company plans to create 67 new jobs by Year 3 of operations with an average salary of \$36,074. USCS is expected to come online in 2020/21.

APPENDIX B

Methodology

In 2009, the City of Denton' Department of Economic Development created the initial Return on Investment Report to examine the fiscal impact made by the businesses that have received tax incentives from the City, evaluate the efficiency of the public investment, and guide future policy decisions. State and local sales tax revenues created by the sales tax incentives were added to the study in 2010. In 2013, the report was expanded to include the ad valorem revenue for Denton County, which includes both the incentives in which the County has partnered with the City, as well as the revenue from the incentives that the County did not invest in. The final taxing entity Denton Independent School District (DISD), was added in 2015. The report was redesigned in 2016. This report represents the seventh update of the report prepared nine years after the original report was created.

The incentives are tracked for ten years regardless of the term. Standard economic development practice for impact analysis is ten years. For example, an incentive with a term for seven years is tracked for an additional three years until the ten-year period is reached. An incentive is not deducted for the remaining three years following the term. This is standard practice and also allows for more commensurable comparisons between incentives.

The ad valorem or property tax valuation is based on the values that are released by the Denton Central Appraisal District (DCAD) for the previous tax year. The certified valuations, released in July, are compiled from the DCAD website and sent out on a City of Denton Verification Form to the appraisal district. This form also includes a request for the breakdown of the Business Personal Property (BPP) that is not available on the website and a section that notifies the City if the property is being contested. The incentive calculations occur for the uncontested properties following the receipt of the forms from DCAD. The City notifies DCAD if the threshold has been met by companies for all of the tax abatements. DCAD also contracts out some of their accounts to Wardlaw. The tax bills are distributed from DCAD in October. The calculations for the contested properties are prepared upon receipt of the Verification Form from the appraisal district, which occurs sometime after October until the early part of the following year.

Sales tax is collected by calendar year and is based on the allocation month that the sales tax report from the Texas Comptroller of Public Accounts is received. Sales tax is generated two months prior to the receipt of the reports from the state comptroller. Sales tax generated in December 2016 is reported to the City in February of 2017, for example. Historical tax rates for Denton County and DISD, dating back to 1999, were gathered for this study from DCAD, Denton County, and DISD. The terms for the incentives were provided by Denton County and DISD, as several the agreement terms and investment percentages differ from the terms of the City.

Property tax is included from the base year of the economic development agreements or the first tax year that was available from DCAD when the initial report was compiled. Sales tax revenue reflects the revenues received since the initial tracking began or the grant payments were initiated. For example, the Unicorn Lake Agreement was approved in 2004; however, the first grant payment was made in 2009 after the thresholds were met. Property valuation for Unicorn Lake is cumulative since 2006 and sales tax is provided beginning in 2009. Sales tax monitoring for Rayzor Ranch began in 2010 prior to the receipt of the first payment in July 2012 to assist the City with preparing the 5-year forecast during the budgeting process. The incentive for Golden Triangle Mall was initiated in the summer of 2016, so only half of a year of rebates are included in the report. Tracking for the development began in 2013.

This study seeks to aid in the decision-making process by providing the net revenue from the incentivized projects. The calculations for the net revenue and cost/benefit are included below.

$$\text{Net Revenue} = \text{Revenues (property only and or sales tax generated)} - \text{incentive}$$

The report carries these calculations a step further to obtain the Cost/benefit of the incentive projects.

$$\text{Cost/benefit Percentage} = \text{Net revenue/incentive} \times 100$$

It is important to note that the report only gathers the sales tax generated from the projects which received a sales tax incentive. These include: Denton Crossing, Unicorn Lake, Rayzor Ranch and Golden Triangle Mall. Other projects, such as Schlumberger, generates sales taxes that would not have been generated in Denton if the business had not located in this community. This study takes a more conservative approach and does not include the sales taxes for the ad valorem only incentives.

The rate of return provides the net revenue of the taxes generated relative to the cost of the incentive, as a ratio. The ratio of return for the City in 2018, for example, was 3:2. Another way of putting this is that the City received 3 times the revenue of the incentive foregone. The formula is presented below.

$$\text{Ratio of Return} = \text{Net Revenue (property only and or sales tax generated-incentive)/incentive}$$



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