

# Return on Investment

City of Denton  
Economic Development Division



**2015**

# Return on Investment Report

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## INTRODUCTION AND PURPOSE

The City of Denton is committed to the promotion of high-quality development in all parts of the city and to an ongoing improvement in the quality of life for its citizens. The City has provided 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. Many of these projects were made possible by the City granting an incentive to make the project feasible and to reimburse the costs of public infrastructure required for a number of the projects.

In 2009, the City of Denton 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. This is the fourth update and expansion of the report, and is prepared five years after the original report was created. This report provides a brief description of the types of tax incentives offered, the total incentive received by the company, and the City tax revenues generated since the agreement was initiated. In addition, the report provides information regarding State and Denton County Transportation Authority (DCTA) sales tax revenues created by these developments. 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 current report now comprises all of the taxing entities with the first-time inclusion of Denton Independent School District (DISD). The report is divided into four main sections:

- City of Denton Return on Investment
- State and Local Revenues
- Denton County Property Tax Generation
- Denton Independent School District Property Tax Generation

Table 1: Executive Summary

|                                  | City Return from Property and Sales Tax Incentives | County Return from Property Tax Incentives | ISD Return from Property Tax Incentives |
|----------------------------------|--|--|---|
| Cumulative Tax Revenue Generated | \$54,389,458                                       | \$5,182,836                                | \$30,692,471                            |
| Less Incentives                  | \$13,607,572                                       | \$820,002                                  | \$490,379                               |
| Net Tax Revenue Generated        | \$40,781,886                                       | \$4,362,834                                | \$30,202,092                            |
| Return on Investment Percentage  | 300%   | 532%                                       | 6,159%                                  |

# CITY OF DENTON RETURN ON INVESTMENT

## Property Tax Abatements

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 seven tax abatements awarded through 2015. The following four tax abatements have been completed: United Copper, Peterbilt, Flowers Foods, and Fastenal. The next tax abatement scheduled to come online is Tetra Pak in 2016. The Peterbilt expansion will follow in 2017.

Table 2: City of Denton Tax Abatements

|                                   | United Copper | Peterbilt Motors | Flowers Foods | Fastenal      | Aldi Foods    | Target        | Peerless     | Totals          |
|-----------------------------------|---------------|------------------|---------------|---------------|---------------|---------------|--------------|-----------------|
| Year Abatement Approved           | 1998          | 2001             | 2004          | 2008          | 2008          | 2010          | 2011         |                 |
| Incentive Term                    | 1999-2004     | 2002-2011        | 2005-2011     | 2009-2013     | 2010-2016     | 2013-2017     | 2014-2018    |                 |
| Cumulative Property Valuation     | \$422,085,765 | \$39,091,296     | \$329,264,609 | \$137,911,882 | \$270,274,907 | \$328,117,592 | \$22,382,444 | \$1,549,128,495 |
| Cumulative Property Tax Generated | \$2,508,486   | \$248,933        | \$2,211,802   | \$947,939     | \$1,863,587   | \$2,263,191   | \$154,383    | \$10,198,321    |
| Less Prop Tax Abatement           | \$137,032     | \$144,914        | \$363,359     | \$87,821      | \$1,767,901   | \$1,225,970   | \$34,740     | \$3,761,737     |
| Net Property Tax Rev              | \$2,371,454   | \$104,019        | \$1,848,443   | \$860,118     | \$95,686      | \$1,037,221   | \$119,643    | \$6,436,584     |
| ROI Percentage                    | 1731%         | 72%              | 509%          | 979%          | 5%            | 85%           | 344%         | 171%            |
| New Jobs Created                  | 265           | 35               | 480           | 208           | 150           | 160           | 96           | 1,394           |

The return on investment for tax abatement incentives indicate that since 1999, the City of Denton has granted abatements of City ad valorem taxes from new capital investment resulting in \$3,761,737 in property related tax incentives, and in return, has benefited from a net increase in property tax revenues of \$6,436,584.



**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 is reduced by the ratio that the threshold is 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 (1999 through 2008).



The **Peterbilt Motors** agreement is an incentive for the expansion of the headquarters office and consolidation of regional sales and financing offices in the Metroplex. The Agreement provides a 100% abatement on the increase in valuation over the 2001 valuation on the building located at 1700 Woodbrook as a result of the company's expansion and renovation of the facility. The base year valuation of the building in the amount of \$1,933,540 is deducted from the calculations. Peterbilt is Denton's largest private employer, with approximately 2,100 employees.



**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 is deducted from the calculations. Flowers Foods abatement was terminated after 2010 when they did not meet the threshold requirement, but this report will continue to track the valuation until the 10-year period is complete in tax year 2014. Flowers Foods is one of Denton's top 10 private employers, with approximately 480 employees.



**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.



**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 may receive 100 percent tax abatement on all new valuation, except land, until they are reimbursed for the construction of the road or for a term of seven years, whichever comes first. This is the only incentive that includes the abatement of inventory. Aldi employs 100 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.



**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 of Denton 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 115 to 150 area residents.



**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, petrochemical processing, and power generating. They constructed an 80,000 square foot manufacturing facility in October 2013. The company received a five-year, 40% tax abatement from the City of Denton for the new facility. Peerless employs 126 people.



**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 October 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 is estimated at \$10.7 million, and Tetra Pak Materials expects to create a total of thirty new jobs with this expansion. The company received their Certificate of Occupancy (CO) in February of 2015, so its incentive will begin in 2016.



**Peterbilt Motors** 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. Peterbilt’s 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 is scheduled for completion in 2016.

## 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 17 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 3 below details economic impact information through 2015 on economic development agreements that provided grants based on a percentage of the property tax generated by the project. The City has awarded five Chapter 380 Property Tax Agreements. Sally Beauty and Labinal/Safran have expired. Labinal will continue to be tracked for 10 years, while Sally Beauty will not because the incentive had a 10-year term. This is the first report that includes Mayday Manufacturing. U.S. Aviation Group received a Chapter 380 Property Tax Agreement in 2015 and will appear in the 2016 report. The City has also granted Chapter 380 Property Tax Agreements to West Gate Business Park, Business Air and Victor Technologies, which will begin in 2017.

Table 3: City of Denton Chapter 380 Property Tax Agreements

| Business                          | Sally Beauty Company | Granite/Schlumberger Properties | Jostens, Inc. | Labinal/Safran | Mayday       | Totals        |
|-----------------------------------|----------------------|---------------------------------|---------------|----------------|--------------|---------------|
| Base Year of Agreement            | 2004                 | 2006/2011                       | 2008          | 2011           | 2012         |               |
| Incentive Term                    | 2005-2014            | 2012-2018                       | 2009-2013     | 2012-2014      | 2014-2023    |               |
| Cumulative Property Valuation     | \$295,714,200        | \$106,459,459                   | \$6,560,094   | \$19,382,439   | \$14,877,506 | \$442,993,698 |
| Cumulative Property Tax Generated | \$1,972,313          | \$727,275                       | \$68,273      | \$133,690      | \$102,618    | \$3,004,169   |
| Less Property Tax Incentive       | \$662,729            | \$213,073                       | \$17,544      | \$60,978       | \$48,718     | \$1,003,042   |
| Net New Property Tax Revenue      | \$1,309,584          | \$514,202                       | \$50,729      | \$72,712       | \$53,900     | \$2,001,127   |
| Return on Investment Percentage   | 198%                 | 241%                            | 289%          | 119%           | 111%         | 200%          |
| Jobs Created/Retained             | 450                  | 163                             | 600           | 727            | 245          | 2,185         |





**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 for a ten-year period. Valuation at the existing facility located at 3900 Morse is 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.



**Granite Properties** received a ten-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.



**Schlumberger**, a Fortune 500, French-owned oilfield service company, held a grand opening in September 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 was transferred to the company as an incentive for the Denton location.



The **Jostens** incentive is 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.



**Labinal/Safran** relocated and expanded their North American Wiring and Services Division headquarters and 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 provides 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.



**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 Finishing 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 Finishing 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.



**US Aviation Group**, 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 plans to expand its existing flight simulation training facilities and purchase additional simulation equipment and aircraft. This expansion will create 16 new jobs. USAG was awarded a 70% tax rebate for three years on USAG's new capital investment of \$10.7 million.

In 2015, an incentive was granted to **West Gate Business Park (WGBP)**. The industrial development received a minimum of 60% with an additional 5% for a national headquarters and/or 10% 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 totaling 413,000 square feet of new industrial/manufacturing space in Denton. In May 2015, Quality Industries, a Peterbilt supplier, announced that they would be leasing an 86,500 square foot building for their metal fabrication operations. West Gate should appear on the 2017 ROI report.



In 2015, a grant agreement was awarded to **Business Air**. 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 of new 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. Business Air is a full service fixed base operator (FBO) and certified FAR 135 Air Carrier providing fuel, hangar, charter, and aircraft management services to corporate and private clients at the Denton Enterprise Airport. 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.



**Victor Technologies** is a global manufacturer dedicated to developing innovative advanced cutting, gas control, and specialty welding solutions. Founded in 1913 by L.W. Stettner, the original San Francisco manufacturing operations were relocated to their new headquarters in Denton in the mid-1960s. Victor Technologies is planning to expand the existing Victor Equipment Company facility. The project will include renovations and improvements to their 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 remodeled parking lots will complete 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.

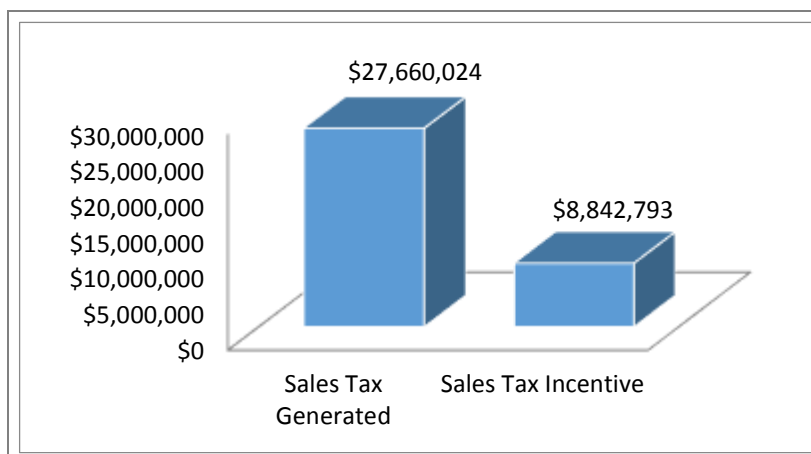
### Chapter 380 Grants Based on Sales Tax Performance

Table 4 details economic impact information through 2015 on economic development agreements that provided grants based on a percentage of the sales tax generated by the project. Five mixed-use developments have received sales tax incentives from the City. Golden Triangle Mall has not initiated its incentive, but the City began tracking the sales tax receipts in 2010. The mall will begin to receive payments in 2016. Buc-ee's Travel Center is set to begin receiving payments in 2017.

Table 4: City of Denton Chapter 380 Sales Tax Agreements

| Development                           | Denton Crossing | Rayzor Ranch  | Unicorn Lake  | Totals          |
|---------------------------------------|-----------------|---------------|---------------|-----------------|
| Base Year of Agreement                | 2003            | 2007          | 2004          |                 |
| Incentive Term                        | 2005-2019       | 2012-2032     | 2009-2023     |                 |
| Cumulative Property Valuation         | \$882,930,551   | \$501,734,434 | \$613,204,381 | \$1,997,869,366 |
| Cumulative Property Tax Generated     | \$5,888,576     | \$3,452,598   | \$4,185,770   | \$13,526,944    |
| Cumulative Sales Tax Generated        | \$15,900,604    | \$10,791,131  | \$968,289     | \$27,660,024    |
| Total Cumulative Property & Sales Tax | \$21,789,180    | \$14,243,729  | \$5,154,059   | \$41,186,968    |
| Less Sales Tax Incentive              | \$5,300,201     | \$3,219,829   | \$322,763     | \$8,842,793     |
| Net Sales & Property Tax Revenue      | \$16,488,979    | \$11,023,900  | \$4,831,296   | \$32,344,175    |
| Return on Investment Percentage       | 311%            | 342%          | 1497%         | 366%            |
| New Jobs Created                      | 973             | 1,250         | 313           | 2,536           |

Graph 1: Sales Tax Generated and Rebated



## Denton Crossing

**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.



**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 114 lot residential community that overlooks the lake, provides luxury homes. BJ's Brewhouse, Blue Ginger Japanese Bistro, Rising Sun Cafe, 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.



The **Rayzor Ranch** mixed-use development has received a great deal of attention and interest from the community. The agreement provides for a 50% share in the City's sales tax revenue generated by the project for a period of 20 years. Rayzor Ranch Marketplace completed over 400,000 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. Sam's is valued at \$12.2 million and Wal-Mart at \$15.4 million. 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: Academy Sports and Outdoors, Salons by JC, Colorful Hearing, Kohl's, Boot Barn, and DK Foot and Casual. A 33,000-square-foot building, which houses Guitar Center and other retail tenants, opened in fall 2015. A Taco Cabana has also opened in the Marketplace.

Construction is underway for the Rayzor Ranch Town Center located on the south side of the development. Heritage Trail Boulevard will be constructed to allow access to the next phases. WinCo Foods, Chili's, Raising Cane, In-N-Out Burger and a full-service hotel and convention center are planned for the Town Center. An additional 15% sales tax rebate on the Rayzor Ranch Town Center and Marketplace have been added to offset the planned convention center until \$5 million is reached. The thresholds require that 300,000 square feet of retail has been constructed and the convention center and hotel have a Certificate of Occupancy.

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 located in the southeast quadrant of the intersection of West University Drive 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. The required public improvements will be financed, in part, from the proceeds of PID bonds issued by the City and secured solely by assessments levied against the property.

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 installments of assessments. Costs and penalties resulting from assessment delinquencies (including foreclosure) will also be paid by property owners in the same manner as for ad valorem tax delinquencies.



**Golden Triangle Mall** was purchased by the M.G. Herring Group and the Weitzman Group. The partnership has made major 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. 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. Two restaurant pad sites for Pollo Tropical and Corner Bakery have also recently opened at the mall. An international retailer, H and M, opened in August 2015. Francesca’s is also planned in the spring of 2016.

The incentive is based on the increase in sales tax above the 2010 base sales tax generated for the development. The return on investment calculations will be reported in 2016. The revenues reported in Table 5 are for informational use and are not included in the overall return on investment calculations.

Table 5: Golden Triangle Mall

|                              | Total            |
|------------------------------|------------------|
|                              | <b>2010-2015</b> |
| Property Value               | \$319,983,881    |
| Property Tax Generated       | \$2,207,089      |
| Sales Tax Generated          | \$6,110,692      |
| Total Property and Sales Tax | \$8,317,781      |

**The 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 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. These improvements will enhance mobility and address traffic congestion and will be complete in the spring of 2018. In order to facilitate these improvements, TxDOT requires a local funding match of \$2 million. The developer will fund 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.

## Property and Sales Tax Summary

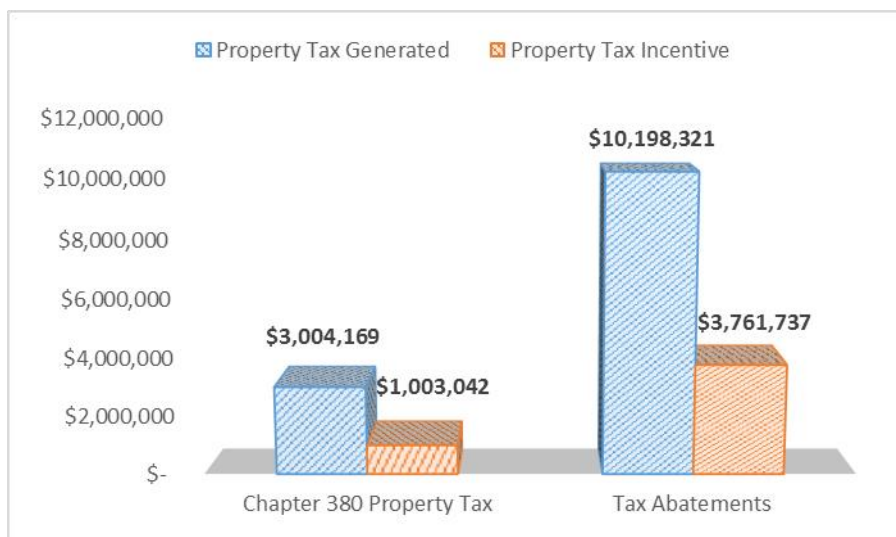
### Property Tax Summary

The return on investment for all incentives based on property tax performance is provided in Table 5 below. Results indicate that since 1999, the City of Denton has awarded \$4,764,779 in property related tax incentives, and in return, has benefited from a net increase in property tax revenues of \$8,437,711. Over 3,000 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     | \$1,992,122,193 |
| Cumulative Property Tax Generated | \$13,202,490    |
| Less Incentives                   | \$4,764,779     |
| Net Property Tax Revenue          | \$8,437,711     |
| Return on Investment Percentage   | 177%            |
| New Jobs Created                  | 3,579           |

Graph 2: Property Tax Generated and Abated/Rebated



## Property and Sales Tax Summary

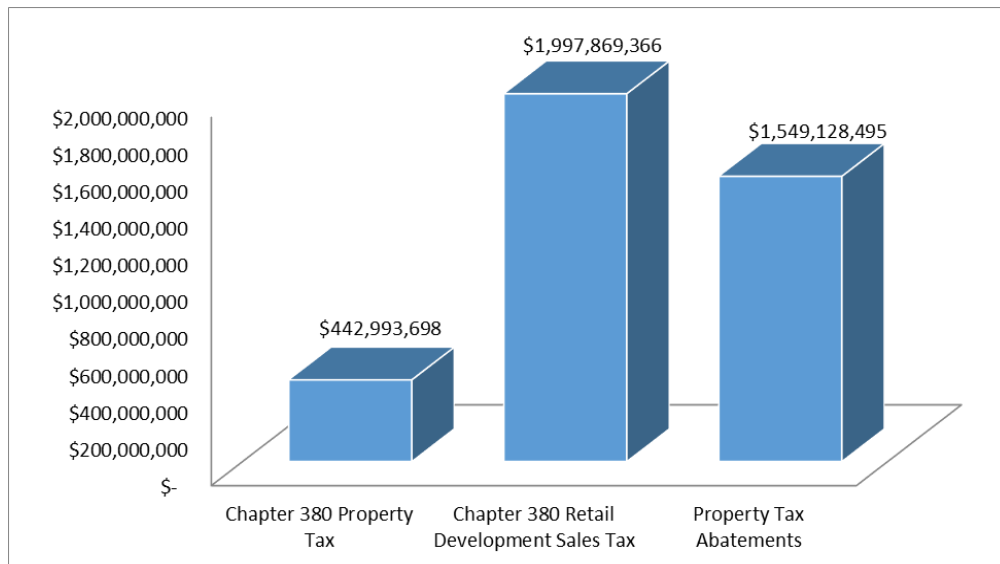
The City of Denton has awarded a total of 26 incentives to foster development in the community. The City has invested \$13,607,572 in tax-related incentives, and in return, has benefited from a net increase in property and sales tax revenues in the amount of \$40,781,886 since the inception of the incentive program in 1999. The return on investment for all of the incentives awarded is 300%. Sales tax incentives represented the highest rate of return on investment at 366% followed by property tax abatements and Chapter 380 property tax rebates at 171% and 200%, respectively.

Table 7: City of Denton Return Summary

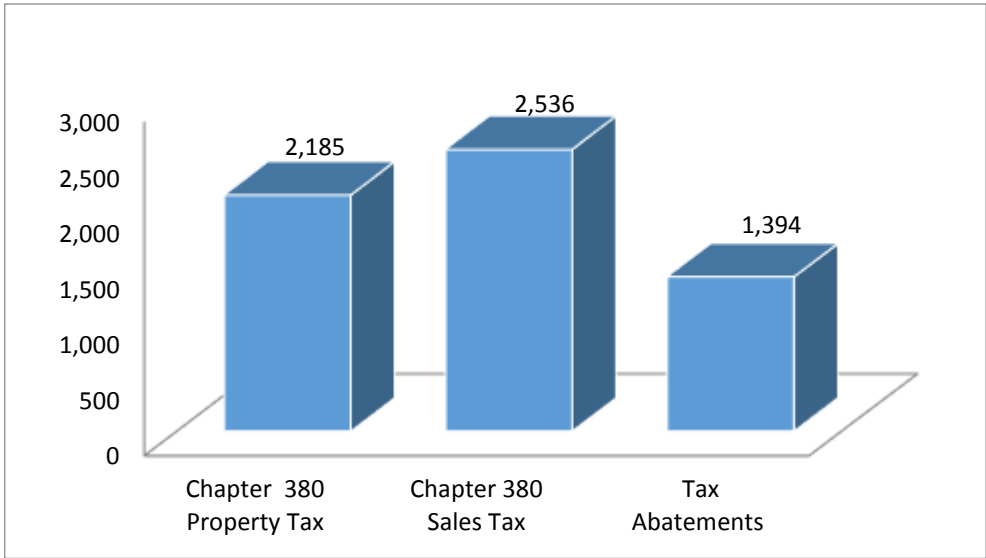
| Total of all Property Incentives           | Property Totals | Sales Tax Total | Total           |
|--|-----------------|-----------------|-----------------|
| <b>Cumulative Property Valuation</b>       | \$1,992,122,193 | \$1,997,869,366 | \$3,989,991,559 |
| <b>Cumulative Property Tax Generated</b>   | \$13,202,490    | \$13,526,944    | \$26,729,434    |
| <b>Cumulative Sales Tax Generated</b>      | \$0             | \$27,660,024    | \$27,660,024    |
| <b>Cumulative Property &amp; Sales Tax</b> | \$13,202,490    | \$41,186,968    | \$54,389,458    |
| <b>Less Incentives</b>                     | \$4,764,779     | \$8,842,793     | \$13,607,572    |
| <b>Net Property and Sales Tax Revenue</b>  | \$8,437,711     | \$32,344,175    | \$40,781,886    |
| <b>Return on Investment Percentage</b>     | 177%            | 366%            | 300%            |
| <b>New Jobs Created</b>                    | 3,579           | 2,536           | 6,115           |

## Direct and Indirect Impacts

Graph 3: New Value Created in Denton



Graph 4: New Jobs Created in Denton



## Chapter 380 Grants Based on Combined Tax Performance and Development Tools

The Economic Development Division 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.

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 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.





**WinCo Foods** (Project Ranger One) has 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 will be 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) after full reimbursement, 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 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 four years and will be approximately \$6.5 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 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., is renovating an existing 28,000-square-foot building as a part of a larger transit-oriented catalyst project. They will invest an initial \$12 million in the co-working and mixed-use space. The City will lease 9,216 square feet for a collaborative working space. The non-profit Dallas Entrepreneur Center, which has similar entrepreneur resource centers in Addison and North Dallas, will manage the co-working space and offer memberships, technical assistance, mentorship, and program events to help foster local business growth in Denton.

The Agreement with Rail Yard Partners, LTD., involves an annual grant of \$76,000 for five years, for a total incentive of \$380,000. It also includes a 50% sales tax rebate on the retail portion of the project, estimated to equate to \$25,000 to \$35,000 annually.

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 3.5% 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.



**O'Reilly Hotel Partners Denton's** convention center and hotel development in the Rayzor Ranch Town Center will include 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 will accommodate conventions of up to 650 participants and the grand banquet room will be able to host events with up to 1,750 people. This will be a major anchor for the Rayzor Ranch Town Center and will capitalize on the synergy from nearby shopping, entertainment, and dining.

The Chapter 380 Economic Development 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%.

## STATE AND LOCAL REVENUES

### City, State, and DCTA Sales Taxes

Table 8 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 \$115,250,100 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 8: City, State, and DCTA Sales Tax Composition

|  | Denton Crossing | Rayzor Ranch  | Unicorn Lake | Rates    | Totals          |
|--|-----------------|---------------|--------------|----------|-----------------|
| <b>Base Year of Agreement</b>          | 2003            | 2007          | 2004         |          |                 |
| <b>Incentive Term</b>                  | 2005-2019       | 2012-2032     | 2009-2023    |          |                 |
| <b>Total Sales</b>                     | \$1,060,040,267 | \$719,408,733 | \$64,552,600 |          | \$1,844,001,600 |
| <b>Total City Sales Tax Generated</b>  | \$15,900,604    | \$10,791,131  | \$968,289    | \$0.0150 | \$27,660,024    |
| <b>Total State Sales Tax Generated</b> | \$66,252,517    | \$44,963,046  | \$4,034,538  | \$0.0625 | \$115,250,100   |
| <b>Total DCTA Sales Tax Generated</b>  | \$5,300,201     | \$3,597,044   | \$322,763    | \$0.0050 | \$9,220,008     |
| <b>Total Sales Tax Generated</b>       | \$87,453,322    | \$59,351,221  | \$5,325,590  | \$0.0825 | \$152,130,132   |

Table 9: Total City, State, and Local Sales Tax Generated

| Development                     | Denton Crossing | Rayzor Ranch | Unicorn Lake | Rates    | Totals        |
|---------------------------------|-----------------|--------------|--------------|----------|---------------|
| Base Year of Agreement          | 2003            | 2007         | 2004         |          |               |
| Incentive Term                  | 2005-2019       | 2012-2032    | 2009-2023    |          |               |
| Sales Tax Generated             | \$87,453,322    | \$59,351,221 | \$5,325,590  | \$0.0825 | \$152,130,132 |
| Less Sales Tax Incentive        | \$5,300,201     | \$3,919,829  | \$322,763    |          | \$9,542,793   |
| Total Net Revenue               | \$82,153,121    | \$55,431,392 | \$5,002,827  |          | \$142,587,339 |
| Return on Investment Percentage | 1,550%          | 1,414%       | 1,550%       |          | 1,494%        |

Chart 1: Sales Tax Composition

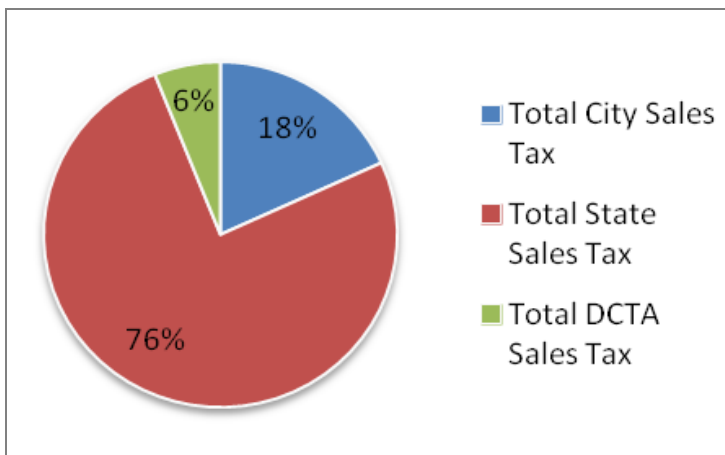


Table 10: Total Return on Investment for Sales Tax Incentives

| Development                                  | Denton Crossing | Rayzor Ranch  | Unicorn Lake  | Totals          |
|--|-----------------|---------------|---------------|-----------------|
| Base Year of Agreement                       | 2003            | 2007          | 2004          |                 |
| Incentive Term                               | 2005-2019       | 2012-2032     | 2009-2023     |                 |
| Cumulative Property Valuation                | \$882,930,551   | \$501,734,434 | \$613,204,381 | \$1,997,869,366 |
| Cumulative Property Tax Generated            | \$5,888,576     | \$3,452,598   | \$4,185,770   | \$13,526,944    |
| Cumulative Total Sales Tax Generated (.0825) | \$87,453,322    | \$59,351,221  | \$5,325,590   | \$152,130,132   |
| Less Sales Tax Incentive                     | \$5,300,201     | \$3,919,829   | \$322,763     | \$9,542,793     |
| Net Sales & Property Tax Revenue             | \$88,041,697    | \$58,883,990  | \$9,188,597   | \$156,114,283   |
| Return on Investment Percentage              | 1661%           | 1502%         | 2847%         | 1636%           |
| New Jobs Created                             | 973             | 1,250         | 313           | 2,536           |

The State of Texas and DCTA have benefited from the sales tax generated as a direct result of the City’s investment. Since 2005, the state and DCTA have received a total of \$124,470,108 in additional sales tax revenues as a result of the incentives awarded from the City.

## DENTON COUNTY PROPERTY TAX GENERATION

The 2015 report provides the ad valorem revenue that Denton County received from all of the incentives awarded by the City of Denton. The return on investment is also provided for the four Tax Abatements and the two Chapter 381 Agreements that 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

|   | <b>Peterbilt Motors</b> | <b>Flowers Foods</b> | <b>Aldi Foods</b> | <b>Target</b> | <b>Totals</b> |
|---|-------------------------|----------------------|-------------------|---------------|---------------|
| <b>Year Abatement Approved</b>                  | 2001                    | 2004                 | 2008              | 2010          |               |
| <b>Incentive Term</b>                           | 10 Years                | 5 Years              | 7 Years           | 5 Years       |               |
| <b>Abatement/Rebate</b>                         | 100%                    | 30%                  | 35%               | 60%           |               |
| <b>Cumulative Property Valuation</b>            | \$39,091,296            | \$329,264,609        | \$270,274,907     | \$328,117,592 | \$966,748,404 |
| <b>County Cumulative Property Tax Generated</b> | \$97,965                | \$856,180            | \$742,841         | \$889,442     | \$2,586,428   |
| <b>Less County Property Tax Abatement</b>       | \$56,774                | \$110,244            | \$239,699         | \$273,116     | \$679,833     |
| <b>County Net Property Tax Revenue</b>          | \$41,191                | \$745,936            | \$503,142         | \$616,326     | \$1,906,595   |
| <b>County Return on Investment Percentage</b>   | 73%                     | 677%                 | 210%              | 226%          | 280%          |
| <b>New Jobs Created</b>                         | 35                      | 480                  | 150               | 160           | 825           |

Table 12: Denton County Property Tax Generated by City-only Abatements

|   | <b>United Copper</b> | <b>Fastenal</b> | <b>Peerless</b> | <b>Totals</b> |
|---|----------------------|-----------------|-----------------|---------------|
| <b>Cumulative Property Valuation</b>            | \$422,085,765        | \$137,911,882   | \$22,382,444    | \$582,380,091 |
| <b>County Cumulative Property Tax Generated</b> | \$1,023,831          | \$375,407       | \$29,709        | \$1,428,947   |
| <b>Less County Property Tax Abatement</b>       | \$0                  | \$0             | \$0             | \$0           |
| <b>County Net Property Tax Revenue</b>          | \$1,023,831          | \$375,407       | \$29,709        | \$1,428,947   |
| <b>County Return on Investment Percentage</b>   | N/A                  | N/A             | N/A             | N/A           |
| <b>New Jobs Created</b>                         | 265                  | 208             | 96              | 569           |

Table 13: Denton County Return from City and County Abatements

|  | City/County Participation | City-only Participation | Property Totals |
|--|---------------------------|-------------------------|-----------------|
| Cumulative Property Valuation            | \$966,748,404             | \$582,380,091           | \$1,549,128,495 |
| County Cumulative Property Tax Generated | \$2,586,428               | \$1,428,947             | \$4,015,375     |
| Less County Property Tax Abatement       | \$679,833                 | \$0                     | \$679,833       |
| County Net Property Tax Revenue          | \$1,906,595               | \$1,428,947             | \$3,335,542     |
| County Return on Investment Percentage   | 280%                      | N/A                     | 491%            |
| New Jobs Created                         | 825                       | 569                     | 1,394           |

## Chapter 381 Agreements

Table 14: 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        | \$106,459,459                   | \$402,173,659 |
| County Cumulative Property Tax Generated | \$764,167            | \$282,518                       | \$1,046,685   |
| Less County Property Tax Incentive       | \$125,516            | \$14,653                        | \$140,169     |
| County Net New Property Tax Revenue      | \$638,651            | \$267,865                       | \$906,516     |
| Return on Investment Percentage          | 509%                 | 1,828%                          | 647%          |
| Jobs Created/Retained                    | 450                  | 163                             | 613           |

Table 15: Denton County Property Tax Generated by City-only Chapter 380 Rebates

| Business                                 | Jostens, Inc. | Labinal/Safran | Mayday       | Totals       |
|--|---------------|----------------|--------------|--------------|
| Cumulative Property Valuation            | \$6,560,094   | \$19,382,439   | \$14,877,506 | \$40,820,039 |
| County Cumulative Property Tax Generated | \$27,702      | \$53,409       | \$39,665     | \$120,776    |
| Less County Property Tax Incentive       | \$0           | \$0            | \$0          | \$0          |
| County Net New Property Tax Revenue      | \$27,702      | \$53,409       | \$39,665     | \$120,776    |

|  |     |     |     |       |
|--|-----|-----|-----|-------|
| <b>Return on Investment Percentage</b> | N/A | N/A | N/A | N/A   |
| <b>Jobs Created/Retained</b>           | 600 | 727 | 245 | 1,572 |

Table 16: Denton County Return for City and County Chapter 380/381 Rebates

|   | <b>City/County Participation</b> | <b>City-only Participation</b> | <b>Property Totals</b> |
|---|----------------------------------|--------------------------------|------------------------|
| <b>Cumulative Property Valuation</b>            | \$402,173,659                    | \$40,820,039                   | \$442,993,698          |
| <b>County Cumulative Property Tax Generated</b> | \$1,046,685                      | \$120,776                      | \$1,167,461            |
| <b>Less County Property Tax Abatement</b>       | \$140,169                        | \$0                            | \$140,169              |
| <b>County Net Property Tax Revenue</b>          | \$906,516                        | \$120,776                      | \$1,027,292            |
| <b>County Return on Investment Percentage</b>   | 647%                             | N/A                            | 733%                   |
| <b>New Jobs Created</b>                         | 613                              | 1,572                          | 2,185                  |

### *Property Tax Summary*

Table 17: Denton County Return from Property Tax Abatements and Chapter 380/381 Rebates

|   | <b>Tax Abatements</b> | <b>Chapter 380/381 Agreements</b> | <b>Property Totals</b> |
|---|-----------------------|-----------------------------------|------------------------|
| <b>Cumulative Property Valuation</b>            | \$1,549,128,495       | \$442,993,698                     | \$1,992,122,193        |
| <b>County Cumulative Property Tax Generated</b> | \$4,015,375           | \$1,167,461                       | \$5,182,836            |
| <b>Less County Property Tax Abatement</b>       | \$679,833             | \$140,169                         | \$820,002              |
| <b>County Net Property Tax Revenue</b>          | \$3,335,542           | \$1,027,292                       | \$4,362,834            |
| <b>County Return on Investment Percentage</b>   | 491%                  | 733%                              | 532%                   |
| <b>New Jobs Created</b>                         | 1,394                 | 2,185                             | 3,579                  |

Graph 5: City/County Property Tax Agreements

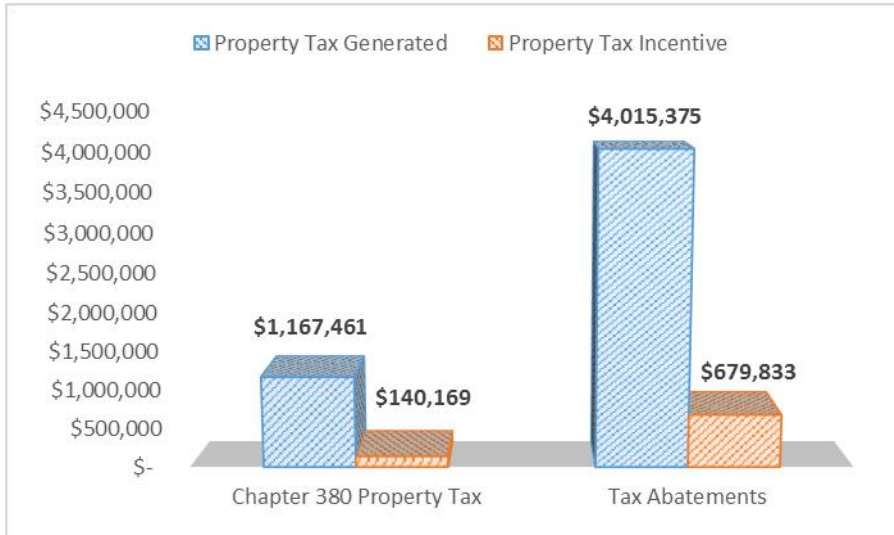


Table 18: Denton County Return Summary

| Total of all Property Incentives  | Property Totals |
|-----------------------------------|-----------------|
| Cumulative Property Valuation     | \$1,992,122,193 |
| Cumulative Property Tax Generated | \$5,182,836     |
| Less Incentives                   | \$820,002       |
| Net Property Tax Revenue          | \$4,362,834     |
| Return on Investment Percentage   | 532%            |
| New Jobs Created                  | 3,579           |

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 \$820,002 in tax related incentives, and in return, has benefited from a net increase in property tax revenues in the amount of \$4,362,834 since the inception of the incentive program in 1999. The return on investment for all of the incentives awarded is 532%. The return on investment from the tax abatements and Chapter 380/381 property tax incentives was 491% and 733%, respectively.

## DENTON INDEPENDENT SCHOOL DISTRICT PROPERTY TAX GENERATION

For the first time, the 2015 Return on Investment Report provides the ad valorem revenue that Denton Independent School District (DISD) has received from all the incentives awarded by the City of Denton. The return on investment 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.)

### Property Tax Abatements

Table 19: 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 |
| ISD Cumulative Property Tax Generated | \$7,320,320   | \$644,587        | \$7,964,907   |
| Less ISD Property Tax Abatement       | \$250,680     | \$239,699        | \$490,379     |
| ISD Net Property Tax Revenue          | \$7,069,640   | \$404,888        | \$7,474,528   |
| ISD Return on Investment Percentage   | 2,820%        | 169%             | 1,524%        |
| New Jobs Created                      | 265           | 35               | 300           |

Graph 6: DISD Property Tax Abatements

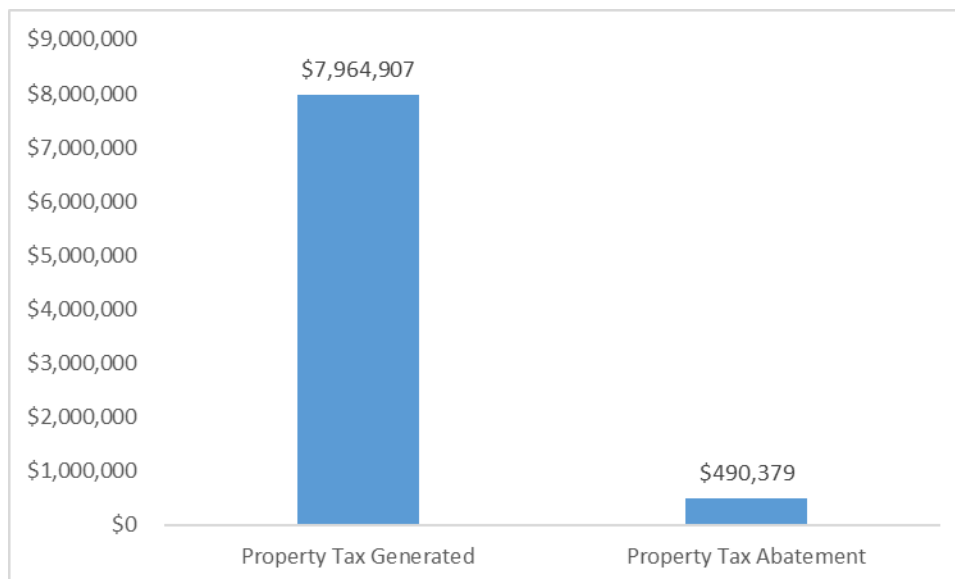




Table 20: DISD Property Tax Generated by City-only Abatements

|                                       | <b>Flowers Foods</b> | <b>Fastenal</b> | <b>Aldi Foods</b> | <b>Target</b> | <b>Peerless</b> | <b>Totals</b>   |
|---------------------------------------|----------------------|-----------------|-------------------|---------------|-----------------|-----------------|
| Cumulative Property Valuation         | \$329,264,609        | \$137,911,882   | \$270,274,907     | \$328,117,592 | \$22,382,444    | \$1,087,951,434 |
| ISD Cumulative Property Tax Generated | \$4,808,517          | \$2,109,463     | \$4,143,677       | \$5,013,427   | \$5,087         | \$16,080,171    |
| Less ISD Property Tax Abatement       | \$0                  | \$0             | \$0               | \$0           | \$0             | \$0             |
| ISD Net Property Tax Revenue          | \$4,808,517          | \$2,109,463     | \$4,143,677       | \$5,013,427   | \$5,087         | \$16,080,171    |
| ISD Return on Investment Percentage   | N/A                  | N/A             | N/A               | N/A           | N/A             | N/A             |
| New Jobs Created                      | 480                  | 208             | 150               | 160           | 96              | 1,094           |

Table 21: DISD Return from City and DISD Abatements

|                                       | <b>City/DISD Participation</b> | <b>City-only Participation</b> | <b>Property Totals</b> |
|---------------------------------------|--------------------------------|--------------------------------|------------------------|
| Cumulative Property Valuation         | \$461,177,061                  | \$1,087,951,434                | \$1,549,128,495        |
| ISD Cumulative Property Tax Generated | \$7,964,907                    | \$16,080,171                   | \$24,045,078           |
| Less ISD Property Tax Abatement       | \$490,379                      | \$0                            | \$490,379              |
| ISD Net Property Tax Revenue          | \$7,474,528                    | \$16,080,171                   | \$23,554,699           |
| ISD Return on Investment Percentage   | 1,575%                         | N/A                            | 4,803%                 |
| New Jobs Created                      | 300                            | 1,094                          | 1,394                  |

## Chapter 380 Agreements

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

Table 22: DISD Property Tax Generated by City-only Chapter 380 Rebates

| Business                              | Sally Beauty Company | Granite/Schlumberger Properties | Jostens, Inc. | Labinal/Safran | Mayday       | Totals        |
|---------------------------------------|----------------------|---------------------------------|---------------|----------------|--------------|---------------|
| Cumulative Property Valuation         | \$295,714,200        | \$106,459,459                   | \$6,560,094   | \$19,382,439   | \$14,877,506 | \$442,993,698 |
| Cumulative ISD Property Tax Generated | \$4,661,151          | \$1,604,539                     | \$151,474     | \$1,115        | \$229,114    | \$6,647,393   |
| Less ISD Property Tax Incentive       | \$0                  | \$0                             | \$0           | \$0            | \$0          | \$0           |
| ISD Net New Property Tax Revenue      | \$4,661,151          | \$1,604,539                     | \$151,474     | \$1,115        | \$229,114    | \$6,647,393   |
| Return on Investment Percentage       | N/A                  | N/A                             | N/A           | N/A            | N/A          | N/A           |
| Jobs Created/Retained                 | 450                  | 163                             | 600           | 727            | 245          | 2,185         |

## Property Tax Summary

Table 23: DISD Return Summary

| Total of all Property Incentives      | Totals          |
|---------------------------------------|-----------------|
| Cumulative Property Valuation         | \$1,992,122,193 |
| Cumulative ISD Property Tax Generated | \$30,692,471    |
| Less ISD Incentives                   | \$490,379       |
| ISD Net Property Tax Revenue          | \$30,202,092    |
| Return on Investment Percentage       | 6,159%          |
| New Jobs Created                      | 3,579           |

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 \$490,379 in tax related incentives, and in return, has benefited from a net increase in property tax revenues in the amount of \$30,202,092 since the inception of the incentive program in 1999. The return on investment from the tax abatements alone was 4,803%. The return on investment for all of the incentives awarded is 6,159%.

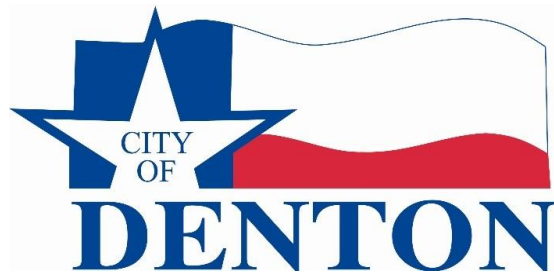
## APPENDIX

### Appendix A: General Methodology

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, 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 have been met by companies for all of the tax abatements. 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 2013 is reported to the City in February of 2014, 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 a number of 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 December 2009 after the thresholds were met. Property valuation for Unicorn Lake is cumulative since 2005 and sales tax is provided beginning in December 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.



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