

CITY OF DENTON CITY COUNCIL MINUTES

April 7, 2014

After determining that a quorum was present, the City Council convened in a Joint Meeting with the Economic Development Partnership Board on Monday, April 7, 2014 at 12:00 noon in the Council Work Session Room at City Hall.

PRESENT: Mayor Burroughs, Mayor Pro Tem Kamp, Council Member Engelbrecht, Council Member Gregory, Council Member Roden, and Council Member Hawkins.

ABSENT: Council Member King

1. Call to order; announce quorum, introductions.

Mayor Burroughs called the Council meeting to order and announced that a quorum of the Council was present.

2. Receive a report, hold a discussion, and give staff direction regarding the creation of a Chapter 380 Program Policy and potential incentive programs.

Aimee Bissett, Director of Economic Development, stated that she would be facilitating discussion among the members. She handed out a draft policy update of tax abatement and incentive policy.

Incentive Policy – In addition to tax abatements, the City could provide alternative or additional incentives to businesses utilizing its authority under Chapter 380 of the Texas Local Government Code. The City could consider on a case-by-case basis, the use of grants and loans as incentives to accomplish one or more economic development objectives. Those objectives included (1) development and diversification of the economy, (2) elimination of unemployment or underemployment, (3) expansion of transportation or commerce, (4) attraction of major investment, (5) expansion of primary employment and (6) stimulation of agricultural innovation. The targeted incentive programs that could be established were presented. Bissett indicated that there might be times when alternative incentives might be preferable to a tax abatement and in that situation, the City had the authority to create a custom incentive in order to accomplish specific economic development goals. Criteria for these specific goals included (1) a certain number of net new jobs with wages above Denton's median household income, (2) relocation of a company that promoted the growth of targeted industry clusters that supported Denton's existing primary employers, (3) incentives for businesses that caused infill redevelopment or other desirable development objectives, and (4) any other activity which the Council determined met a specific public purpose for economic development.

Mayor Burroughs asked about the philosophy regarding flexibility on incentives.

Bissett stated that the City had the flexibility and authority for varying incentives. She felt it was more important to retain current businesses rather than creating new businesses.

Mayor Burroughs asked if there was a situation where an existing business that did not have any existing incentives wanted to reduce their tax rate to stay in Denton on the threat of leaving.

Bissett stated she did not know of any such situation.

Council Member Gregory stated that it was an interesting situation to face as there might be a business that had been in Denton for a long time that might ask for a tax break which might result in other businesses asking for the same kind of tax break. He felt that some kind of criteria for new investment might be needed rather than just having been in Denton for a long while.

Council Member Roden felt it would be good to look what was available in the tool box before a company was making moves to leave or what was available to support the business.

Board Member Johnson stated it was good to help expand a business because then it was harder for the business to leave.

Council Member Gregory stated that it would be good to think about pulling in other services the City provided such as utilities, solid waste, etc. when working on retention.

Bissett continued with incentive policy points dealing with alternative incentives. A question to consider was where the money would come from. The current policy was performance-based incentives such as cash resulting from net new revenues such as property tax rebates, sales tax rebates or economic impact rebates. Others included a TIF or TIRZ that could be used to accelerate necessary development; potential for self-funding specific initiatives that resulted in increased property tax revenue; and expiring incentives.

Economic Impact Rebates - the metric for this rebate would be net new jobs created, above median household income, percentage of employees required to reside in Denton, amount of income that remained in Denton such as property tax and sales tax, and an economic impact that could be calculated.

Council Member Gregory asked for a definition of high paying jobs based on the current policy.

Bissett stated that her definition was if it was bringing up the median household income. She continued with expiring incentives that currently included tax abatements, property tax rebates, and sale tax rebates. Assumptions for these expiring incentives were to hold over the incentive amount for two years after expiration or place funds in a cash incentive fund that accumulated annually. The impact of these assumptions were that there would be no new budget item, a two year delay on General Fund revenue increases, and would be utilized to increase return on investment with new projects.

Council Member King joined the meeting.

Council Member Roden asked what a 4A/4B would generate annually.

Bryan Langley, Assistant City Manager, replied about \$9 million per year.

Council Member Roden felt that this proposal was a creative method to generate the funds Council discussed. He asked how the funds would be set aside and what they would be used for. He felt it was important for the policy to be broad and flexible for future councils to make decisions.

Specific Economic Development Programs – One such program would involve a recruitment initiative for the TECH industry. The initiative would involve (1) changing the economic landscape, (2) provide a low barrier to entry, (3) provide a low cost start-up, high-paying return, (4) capitalize on University presence, (5) disconnect between available workforce and available jobs, (6) a distinct advantage of universities, (7) using the fact that Denton County ranked #6 nationally as a "hot spot" for hi-tech, (8) using the fact that Denton was ranked in the Top 10 for data security, and (9) an emerging industry cluster.

TECH Zone – involved an economic development incentive zone the goal of which was to attract tech companies to Denton. The typical profile was 5-6 employees, high salaries, knowledge-based jobs, \$1-2 million annual sales volume, rapid growth, and a younger demographic seeking a specific lifestyle. A TECH Park would require the technology infrastructure to support tech companies. Public WiFi would require access to fiber and strong cellular networks. Areas for public WiFi might include the Downtown Square, Hickory Street Corridor, the Train Station, Quakertown Park, City Hall, the Civic Center and the Senior Center.

ConnetedDenton was a branding and marketing initiative. The philosophy was that Denton would be the most connected city in the nation within five years. The initiative would attract investment in technology infrastructure, attract tech companies, and attract venture capital for start-ups and emerging technology.

The Council and the Board discussed the scenario that once the incentives were started and Denton was known for those with more companies wanting to locate in Denton, how much investment would it take for the TECH program.

TECH Incubator – a typical profile for a TECH Incubator was a smaller company with a younger demographic seeking a certain lifestyle; a central HUB to collaborate and meet; shared workspace; access to conference rooms and desks; anchor tenants such as growing companies that needed office space; would graduate into the Tech zone so the incubator would stay in Denton to grow into a company; and attraction of venture capital for a profile of a successful entrepreneur.

The Council and Board discussed the possibility of a public/private partnership for the building across the street for such a TECH incubator or a parking garage. A consideration was one-time funding needs. The general consensus of the Council and Board was to continue to put together a proposal.

Mayor Burroughs suggested coordinating with COG for such programs.

Industrial Recruitment was another incentive. A feature of the recruitment could involve an industry task force in such areas as aviation/aerospace recruitment, Peterbilt supply chain, renewable/next gen energy recruitment, and OEM recruitment. Other portions of industrial recruitment included regional strategies, strategic action agendas for the next 2-3 years, and challenges such as zoning, infrastructure, traffic flow, and incentives.

Board Member Strange felt this was a good way to move ahead and was great thinking out of the box.

Council Member Gregory felt it was an investment for the future.

Consensus of the Council was to proceed with the proposal and develop details.

3. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the City Council or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

There were no items presented.

Following the completion of the Joint Meeting, the City Council was scheduled to convene in a Closed Meeting to consider the item below.

1. Closed Meeting:

- A. Consultation with Attorneys - Under Texas Government Code Section 551.071; Deliberations regarding Economic Development Negotiations - Under Texas Government Code Section 551.087.

1. Receive a report and hold a discussion regarding legal and economic development issues regarding the creation of a public improvement district and proposed amendments to the economic development incentive agreements for the Rayzor Ranch mixed-use development. This discussion shall include commercial and financial information the City Council has received from Rayzor Ranch developers which the City Council seeks to have locate, stay, or expand in or near the territory of the city, and with which the City Council is conducting economic development negotiations; including the offer of financial or other incentive where the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the provisions of the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

The Council did not consider this item in Closed Session.

With no further business, the meeting was adjourned at 1:15 p.m.

MARK A. BURROUGHS
MAYOR
CITY OF DENTON, TEXAS

JENNIFER WALTERS
CITY SECRETARY
CITY OF DENTON, TEXAS