



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

DEPARTMENT: Economic Development

ACM: David Gaines

DATE: December 9, 2020

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding an incentive application for Ranchland Foods.

BACKGROUND

Company

Ranchland Foods is a food production and brand development company. Ranchland Foods was originally founded as a family-owned and operated farm and cattle ranch in northeastern Arizona. The Davis family committed to raising their cattle cruelty-free and with sustainable ranching practices. The company quickly became known for its all-natural certified grass-fed and grass-finished Angus beef products in Arizona and across the Southwest U.S. They began shipping their high-quality beef products nationwide to select customers, professional athletes, and clients with health complications that demanded healthy all-natural meats with no added hormones or antibiotics.

As customer demand grew for other proteins, the company scaled to begin providing high-quality all-natural poultry and pork products. While Ranchland ships the majority of its products nationwide, it has also developed retail locations in Arizona for local trade. Today, Ranchland operates its distribution hub out the Phoenix-Mesa, AZ metro area, shipping thousands of packages weekly.

As the company has grown, it has developed other products from the base of its meat business. Currently, the company also owns a third-party logistics (3PL) e-commerce fulfillment center for other companies that ships fresh and frozen foods direct to consumers. This division of the company has grown significantly over the last year and has been a large reason for the company's desire to relocate to North Central Texas.

Project

Ranchland Foods is seeking to relocate its corporate headquarters and distribution to North Central Texas. The move will provide the company the opportunity to expand their regional services in wholesale food distribution to the local restaurant, hospitality, and grocery industries. Ranchland is interested in Denton because it provides the company with a centralized location within the DFW Metroplex, allowing them to deliver and service clients as far north as Oklahoma and south to Waco.

The proposed Denton facility will be responsible for storing, delivering, and shipping food and meat products nationwide. In addition, the Denton distribution facility will become a centralized hub to service other vendors across the country as a 3PL for fresh and frozen food delivery services. This location will

serve as the primary distribution hub for Ranchland Foods American Butcher Shop branded home delivery food trucks. Delivery trucks will load and deliver six days a week into the DFW metro market.

Incentive Application and Other Considerations

The company has narrowed their search to a small number of locations in the DFW Metroplex, with Denton remaining in a competitive position but still in competition with other cities. As such, Ranchland Foods submitted an application for incentives and requests consideration of a business relocation and expansion grant as allowed through the City of Denton Policy for Tax Abatements and Incentives. For additional information, please see **Exhibit 2**.

POLICY CONSIDERATIONS

The following provisions and criteria of the Policy for Tax Abatements and Incentives have been met by the applicant (met conditions **underlined**). Under the Policy, the application would qualify for consideration under the Chapter 380 program and the Economic Development Investment Fund.

General Policy Provisions

- The City is committed to promoting economic growth and redevelopment that expands and diversifies the tax base; **creates quality jobs**; enhances quality of life for residents; protects human health and the environment; and **secures new customers for municipal utilities**.
- Target industry sectors: aviation/aerospace; advanced manufacturing; renewable energy; research and development; information technology; supply chain for existing primary employers; and **significant consumers of municipal utilities**.

Priority Considerations

- **Promoting business and community investment.**
- **Expanding and diversifying the tax base.**
- **Promoting public-private partnerships in investment.**
- **Increasing jobs with wages above Denton County's median.**
- **Increasing percentage of jobs paying \$75,000 per year or more.**
- **Encouraging higher-skilled and knowledge-based jobs.**
- Causing infill redevelopment to reduce urban sprawl or to encourage other desirable development.
- Encouraging start-up and small businesses to promote entrepreneurship and innovation.
- **Generating new customers for municipal utilities.**
- Engaging in sustainable practices or activities.

Chapter 380 Grants or Loans Considerations

- **Targeted industry cluster or supply chain recruitment initiatives.**
- Capital grants or loans for start-up and small businesses to promote entrepreneurship.
- Grants to offset costs associated with public infrastructure improvements or impact fees.
- **Cash incentives to gain a competitive position when in direct competition for a project.**
- **Increase the percentage of jobs paying \$75,000 per year or more.**
- **Net new jobs with wages above Denton County's median wage.**
- **Any other activity which the City Council determines meets a specific public purpose for economic development.**

Economic Development Investment Fund (must meet 2 of 3)

- **Higher wage or knowledge-based jobs.**
- Substantial capital investment (minimum of \$15 million).
- **Recruitment of industry sector targets.**

APPLICATION INFORMATION

Ranchland Foods is both relocating from Arizona and will be expanding their business. As such, staff reviewed the application, taking into consideration that the applicant would occupy and make significant improvements to a vacant building, would bring existing high-wage jobs and create new high-wage jobs, and would become a significant user of municipal utilities (electric). In addition, the applicant is relocating a corporate headquarters and is committed to community involvement and developing partnerships with local higher education institutions.

A summary of the fiscal information is below.

Application Information

This project includes improvements made to an existing facility. The current valuation of the building is \$3.1 million, with an estimated \$3.2 million being added through improvements and another \$2.5 million being added through business personal property. In total, the project is expected to increase the taxable value of this site by \$5.7 million for a total estimated taxable value of \$9.58 million.

Based on staff analysis, the incremental increase in taxable value will generate an estimated \$33,836 in additional annual property tax revenue to the City of Denton.

Project	Current Valuation	Estimated Increase in Valuation	Estimated New Valuation	Annual Tax Revenue from Increased Valuation	Total Tax Revenue Estimate
Land	\$741,564	\$29,663	\$771,227	\$175	\$4,554
Improvements	\$3,111,945	\$3,200,000	\$6,311,945	\$18,897	\$37,269
BPP	\$0	\$2,500,000	\$2,500,000	\$14,764	\$14,761
Total Valuation	\$3,853,509	\$5,729,663	\$9,583,172	\$33,836	\$56,584

Wage & Employment Summary

A summary of the applicant’s job and wage information is outlined in the table below. The project will bring or create a total of 140 jobs over the life of the project. The weighted average wage of all positions is **\$69,893**, with a total estimated payroll of **\$9.79 million** once the project has relocated and the expansion has been completed. Ranchland Foods weighted average wages exceed both the Denton County median and average.

	Jobs Relocated/Created & Payroll									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Executive/Senior Management	3									
Directors/Management	8	4	2							
Sales Associates	20	5	5	5	5	5	5	5		
Marketing Team	5	3								
Office/Admin. Staff	10									
Warehouse	20	10	5	5	5	5				
Total Jobs	66	22	12	10	10	10	5	5	0	0
Cumulative Jobs	66	88	100	110	120	130	135	140	140	140
Estimated Annual Payroll	\$4,700,000	\$6,090,000	\$6,930,000	\$7,565,000	\$8,200,000	\$8,835,000	\$9,310,000	\$9,785,000	\$9,785,000	\$9,785,000

Wage Data		
	Avg. Wage by Job Type	Total Positions
Executive/Senior Management	\$190,000	3
Directors/Management	\$90,000	14
Sales Associates	\$95,000	55
Marketing Team	\$85,000	8
Office/Admin. Staff	\$45,000	10
Warehouse	\$32,000	50
Total Jobs		140
Total Payroll		\$9,785,000
Weighted Avg. Annual Wage		69,893
Number (Percent) of Jobs Above Denton County Avg.		80 (57%)
Number (Percent) of Jobs Above Denton County Median		90 (64%)
Number (Percent) of Job Above \$65,000		80 (57%)
Number (Percent) of Jobs Above \$75,000		80 (57%)

RECOMMENDATION

Ranchland Foods requested consideration of a business relocation and expansion grant. Staff recommends the primary grant be a Chapter 380 performance and job-based grant with the terms outlined below. All components of the recommended incentive package are performance based, and performance must be demonstrated and certified by the City prior to payment. The proposed term of the agreement is 5 years, with a commencement date to be determined. Each grant component is a not-to-exceed amount, with a total incentive amount of not-to-exceed **\$218,500**.

Staff Recommended Incentive Package

Incentive Packages	
Chapter 380 Grant	
Relocation/Expansion Grant	100,000
Job-Based Grant	66,000
Residency Bonus	52,500
Total Chapter 380 Grant	\$218,500
DME Economic Growth Rider	\$197,901
Total City Incentives	\$416,401
Texas Enterprise Zone Program	\$312,500
Total Incentives	\$728,901

In addition to the Chapter 380 based grant, staff believes this project would qualify for the DME Economic Growth Rider. The estimated five-year value of the growth rider is **\$197,907** but does require a separate approval process. The project is also eligible to be nominated to the Texas Enterprise Zone Program. Staff estimates that this Program would have a value of up to **\$312,500** for the applicant but does require a separate State approval process. The total estimated value of the incentive package is **\$728,901**. Additional details and terms for each grant component is below.

Project Benefits

Staff conducted significant analysis on the information provided by the company to ensure stated policy criteria were met and determine both qualitative and quantitative public benefits. Staff also used an economic impact analysis model to quantify the return on investment.

Qualitative Benefits

- Quality jobs created and investment in human capital.
- Pipeline for university training programs and reduction of brain drain.
- Recruitment and expansion of a company.
- Occupancy of a currently vacant building.
- Diversify tax base.

Quantitative Benefits

- 10-year property incremental tax revenue estimated at \$338,310.
- 10-year total property tax revenue estimated at \$565,842.
- 10-year DME demand revenue at \$1,121,439.
- 10-Year ROI of 2.90 (where ROI is equal to direct return through property taxes, sales taxes, and the incremental increase in DME demand charges less the incentive and revenues already being received from property).

Incentive											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
Relocation & Expansion Grant	\$100,000										\$100,000
Job Based Grant	52,500	13,500									\$66,000
Residency Bonus	10,500	10,500	10,500	10,500	10,500						\$52,500
Subtotal Chapter 380 Grant	\$163,000	\$24,000	\$10,500	\$10,500	\$10,500						\$218,500
DME EGR	\$65,967	\$52,774	\$39,580	\$26,387	\$13,193						\$197,901
Total City Incentive Value	\$391,967	\$100,774	\$60,580	\$47,387	\$34,193						\$416,401
Estimated City ROI											
Property Taxes											
Revenue from Existing Taxable Value	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$22,753	\$227,532
Revenue from Improvements/BPP	33,831	33,831	33,831	33,831	33,831	33,831	33,831	33,831	33,831	33,831	\$338,310
Total Property Tax Revenue	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$56,584	\$565,842
Sales Taxes											
Est. Annual Taxable Sales	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000
Total Denton Sales Tax Revenue	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500	\$165,000
Economic Growth Rider											
DME EGR Increasing Ratio	\$65,967	\$79,160	\$92,354	\$105,547	\$118,741	\$131,934	\$131,934	\$131,934	\$131,934	\$131,934	\$1,121,439
	5-Year ROI	10-Year ROI									
Total Gross Revenue to City	\$827,190	\$1,852,281									
Total Net Revenue to City	\$410,789	\$1,208,348									
City Rate of Return	0.99	2.90									

OPTIONS

1. Recommend approval of an incentive
 - a. Recommend incentive as presented
 - b. Recommend another incentive package
2. Do not recommend an incentive package

EXHIBITS

1. Agenda Information Sheet
2. Incentive Application
3. Presentation

Respectfully submitted:
Jessica Rogers
Director of Economic Development