



# City Council Agenda Item Summary Report

**Meeting Date:** October 19, 2021

**Submitted by:** Jon Thatcher, City Attorney

**Consent**

**Public Hearing**

**Action Item X**

**Item Title:** Discuss and consider action regarding a Resolution approving a Chapter 380 Grant Agreement with TSHH, LLC; finding that such agreement and grant constitutes a program to make grants and loans of public money pursuant to Section 380.001 of the Texas Local Government Code to promote economic development and to stimulate business and commercial activity within the City; authorizing the City Manager to execute the agreement and providing an effective date.

**How this item ties-in with the City’s Mission, Vision and Values:** The City is Visionary in looking for ways to increase sales tax revenue within the City.

**Summary Statement**

Staff was recently contacted by Doug Duffie, CPA, who proposed a Chapter 380 Agreement for sharing his client’s (TSHH, LLC aka Trophy Homes) use tax paid in connection with building materials used to build new homes by his client in Forney. The City Council has approved similar grant agreements for other home builders in the City of Forney including Bloomfield Homes, Horizon Homes and First Texas Homes.

A Texas Direct Payment Permit (i.e. Use Tax Permit) allows a Texas taxpayer to self-assess and pay use taxes on building materials used or consumed as opposed to paying sales taxes directly to suppliers based on the suppliers’ places of business (primarily in larger metropolitan cities). TSHH, LLC anticipates applying for a Texas Direct Payment Permit and paying use taxes on a monthly basis to state and local governments based on the locations where the materials are used at job sites. In order to limit administrative costs for the City, TSHH, LLC will pay use taxes monthly, but request grants on a semi-annual basis after the end of June and after the of December each year.

Since all of the system, accounting and administrative costs are paid by TSHH, LLC, the Grant was requested based on 80% of the 1% General City Use Tax, and none of the incremental .5% FEDC Sales Tax and none of the .5% sales tax for property tax reduction.

Based on TSHH, LLC suppliers’ place of business, the City is not receiving any sales tax revenue from those suppliers today, and this approach will generate net new tax revenue for the City without incurring new costs.

With an anticipated development of an approximate 163 new homes in Forney, TSHH, LLC anticipates (presuming no inflation in the cost of building materials) that Forney’s net City tax revenues after Grants are to be a total of \$293,400 with approximately \$117,000 for TSHH, LLC.