

Convention Center & Hotel Development

CITY COUNCIL WORK SESSION

11.10.15



Embassy Suites
Hotel and Convention Center
 Rayzor Ranch
 Denton, Texas
 10-22-15



1 NORTH ELEVATION



2 SOUTH ELEVATION



2 WEST ELEVATION
1/8" = 1'-0"



1 EAST ELEVATION
1/8" = 1'-0"

Project Comparison

	THEN	NOW
Location	University of North Texas	Rayzor Ranch Town Center
Convention Center Size	70,000 sf	70,000 sf
Hotel Size	285-318 rooms	285-318 rooms
Public Debt	Yes	No
Tax Increment Reinvestment Zone	Yes	No
City Ownership of Convention Center	Yes	No
Incentives Requested by OHPD	Project Revenue: HOT, property tax, sales tax, TIRZ; additional HOT revenue	Project Revenue: HOT, property tax, sales tax, construction sales tax

Management

- OHPD: primary responsibility for the day-to-day management and oversight of the facility
- City: assist in the management of certain sales missions and marketing functions to further the public purpose of promoting economic growth and conventions
- Management agreement needed to clearly define the parties' roles and responsibilities.

Economic Impact

- Convention centers attract out-of-town business, bringing new dollars into Denton.
 - Daily, the average convention delegate spends 2 to 2.5 times the amount spent by a “recreational tourist”
- Average daily expenditure for a convention visitor Denton is estimated to be \$140.
 - \$140 x 46,500 annual room nights = \$6.5 million
 - National average economic multiplier for convention delegates is 2 = \$13 million

Proposed OHPD Incentives

- Payments 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
 - 100% Ad Valorem Tax grant
 - 100% Hotel Occupancy Tax grant
 - 100% Sales Tax grant
- Based on the current pro forma, the actual incentive amount will be between \$35-40 million
- 100% Construction Sales and Use Tax grant (up to \$850K, then grant is reduced to 50%)

Comparison of City (Public) vs OHPD (Private) Financing Scenarios				
	City Finance Convention Center Baseline (25 yr @ 6%)	City Finance Convention Center Low (25 yr @ 4%)	City Finance Convention Center High (30 yr @ 6%)	OHPD Finance Convention Center Estimate (25 yr @ 6%)
Debt				
Principal	28,850,000	28,875,000	28,850,000	28,000,000
Interest	25,627,875	16,521,994	31,975,875	26,121,318
Total Debt Payment	54,477,875	45,396,994	60,825,875	54,121,318
Tax Revenue				
Project HOT	27,796,638	27,796,638	35,976,491	24,774,261
Other HOT	2,651,030	2,039,236	2,951,526	-
Property Tax	6,090,421	6,090,421	7,957,264	6,498,056
Sales Tax	3,917,970	3,917,970	5,052,886	5,004,546
TIRZ	2,793,474	-	-	-
Construction Sales Tax	-	-	-	850,000
Total Tax Revenue	43,249,533	39,844,265	51,938,167	37,126,863
Developer Obligations				
Rent Payment	11,228,342	5,552,729	8,887,708	-
Net Debt Obligation				16,994,455
Asset Replacement				6,695,000
Total Developer Obligations	11,228,342	5,552,729	8,887,708	23,689,455
City Obligations				
Tax Revenue	43,249,533	39,844,265	51,938,167	37,126,863
Asset Replacements	6,695,000	6,695,000	8,545,000	-
Total City Obligations	49,944,533	46,539,265	60,483,167	37,126,863

Current RED Incentive

- North Side - 50% rebate on sales tax revenue x 20 yrs
- Triggered in 2012
- Appx \$200,000 per month in sales tax currently
- South Side – 50% rebate on sales tax revenue x 25 yrs
- Tiered – 300,000 sq ft trigger
- \$68 million total reimbursement – public infrastructure
- Zoning Overlay – defines uses and design criteria

Convention Center Impact on RED

Lost Revenue Opportunity

- 12 acres sold for non-retail use (no revenue generated to RED)
- 12 acres x 20% coverage for retail = 104,500 sqft of lost retail
- 104,500 sqft x \$200 per foot sales generated annually (conservative)
- 3% annual growth rate for 25 years
- Total Sales Tax Generated: \$11,429,979
- Total Lost Revenue to RED (50% rebate): \$5,714,990

Convention Center Impact on RED

Land Sale – Loss of Revenue

- \$8.00 per square foot market rate + \$1.50 for infrastructure to site = \$9.50 per foot
- 12 acres = 552,720 square feet
- 552,720 square feet x \$9.50 = \$4,965,840
- 552,720 square feet x \$5.50 = 3,039,960
- Lost Revenue - \$1,925,880

Proposal to Amend RED Agreement

- Must be amended to “carve out” O’Reilly Project for a separate incentive agreement
- Economic Development Partnership Board recommended:
 - Term: limited to \$5 million of lost revenue recovered
 - Additional 15% sales tax rebate on entire project until \$5 million is reached
 - Cap of \$68 million remains
- Request from RED:
 - Time for Convention Center to open
 - Include Convention Center & Hotel Ground Floor towards square footage threshold (115,200 sq ft current design)