



# Economic Development Fine Arts Project

Downtown TIRZ #1  
September 13, 2023

# Objective & Agenda

**Objective:** To consider the underwriting recommendation of a \$2M Forgivable Loan for the historical renovation the Fine Arts Theater



# Strategic Focus Areas

## Key Focus Area 3:

Foster Economic Opportunity and Affordability

- Increase Tourism

## Economic Development Strategic Initiatives

- 2040 Comp Plan – Redevelop Fine Arts Theater
- Downtown Development: continue to utilize various tools to stimulate new private investment in the downtown



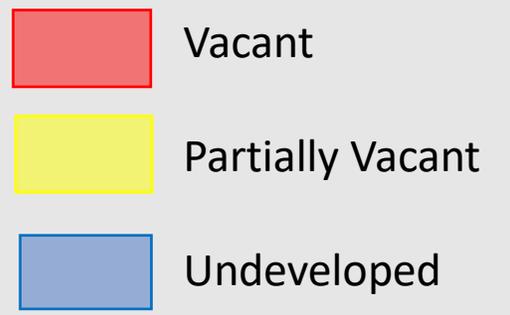
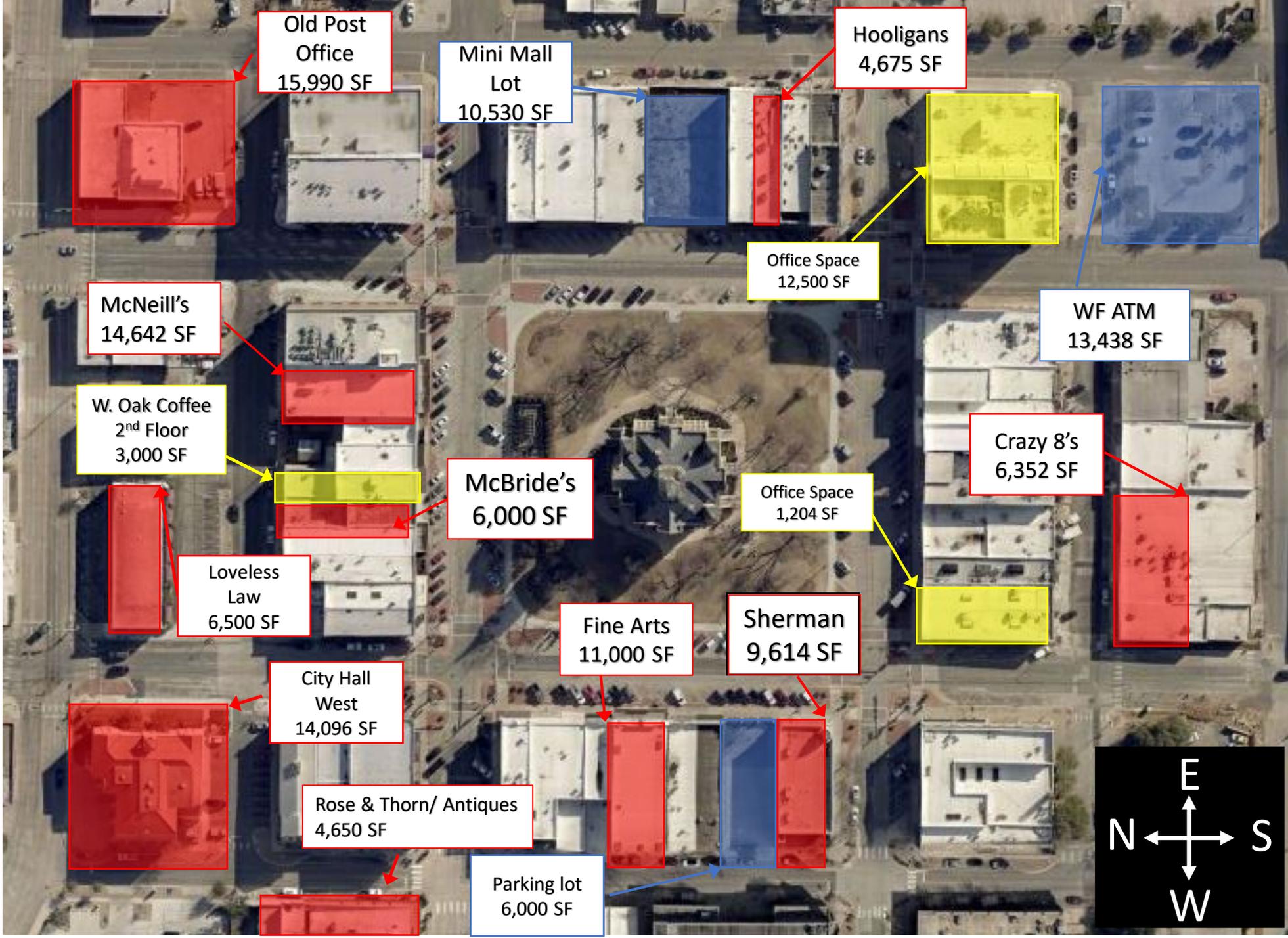
# TIRZ Creation

Cities and Counties may create a TIRZ when the areas is:

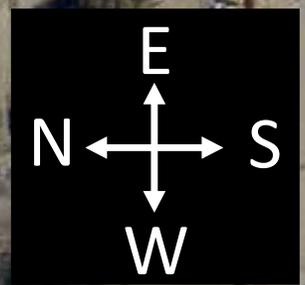
- Unproductive, underdeveloped, blighted and deteriorated
- Predominately open space and because of obsolete platting, deteriorating structures or other factors, substantially impairs the growth of the city/county
- Adjacent to a “federally assisted new community”

This project helps to eliminate blight in the zone and the face of the Downtown Square





	SF	%
Vacant/ Undeveloped	136,579	29%



# Fine Arts Theater, a Timeline

## A PILLAR ON THE DENTON SQUARE

1885

**GRAHAM  
OPERA  
HOUSE**

According to Sanborn maps, the current Fine Arts Theater space was the "Opera House" with a drugstore inside.

1896

**B&S CLO.  
H&C**

While the footprint of the space remained the same (a balcony on top with a split floor level), business inside changed.

1901

**TAILOR**

According to Sanborn maps, a Tailor shop was added to the Fine Arts space on Elm St.

1907

**FURNITURE  
STORE**

The Magill Shepard Furniture and Undertaking store provided services to Denton residents for nearly 20 years.

1926

**MOVIE  
THEATER**

According to Sanborn maps, an unnamed theater was present in this space in 1926.

1935

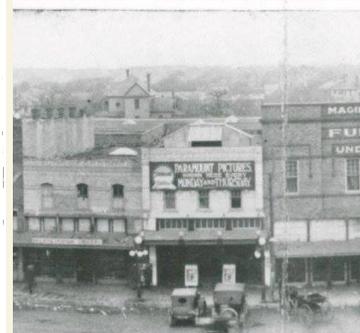
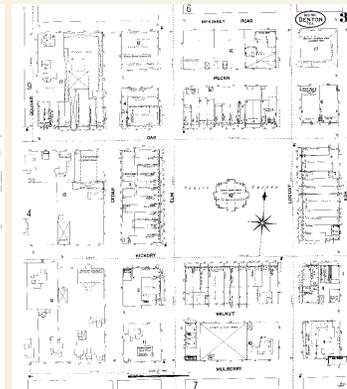
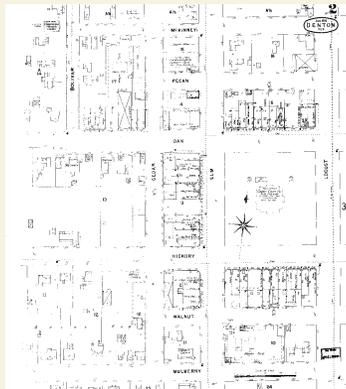
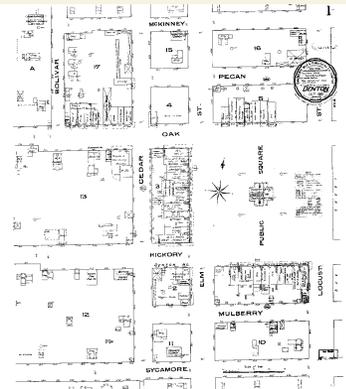
**TEXAS  
THEATER**

The grand opening of the Texas Theater was Wednesday August 28, 1935. First movie shown at the Texas was "We're in the Money"

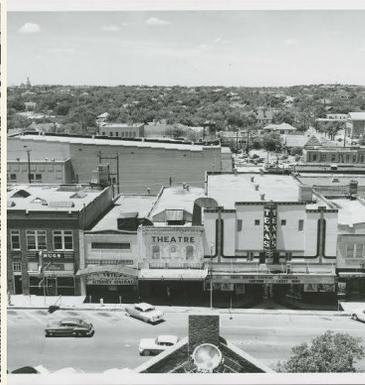
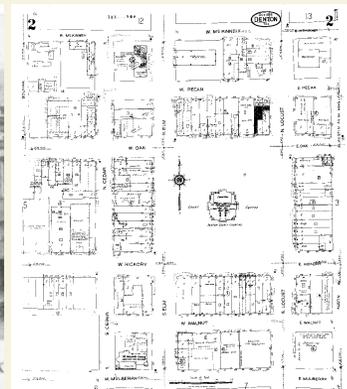
1957

**FINE ARTS  
THEATER**

After renovations and rebranding, the Texas Theater opened as the Fine Arts Theater.



WEST SIDE SQUARE, CITY OF DENTON, TEX



# Fine Arts Theater, a Timeline

## A PILLAR ON THE DENTON SQUARE

1952

**EISENHOWER VISITS DENTON**

“Welcome Ike we wish you could stay” reads the marquee.

1957

**FINE ARTS THEATER**

After renovations and rebranding, the Texas Theater opened as the Fine Arts Theater.

1981

**FINE ARTS THEATER CLOSES**

After holding on with low ticket sales and the rise and fall of theater row, Fine Arts Theater closes.

1982

**FINE ARTS REOPENS**

Fine Arts Theater briefly reopens as a dollar theater.

1982

**FIRE AT THE THEATER**

In October of 1982 there was a fire in the Fine Arts Theater.

2000s

**SPORADIC OPERATIONS**

Throughout the early 2000s the Fine Arts Theater operated as a Church on Sundays and occasionally as a venue.



# NORTHBRIDGE

Brad Andrus and Barak Epstein

## Denton Projects

- 222 S. Elm (Station 222)
  - Texas Downtown Presidents' Award Finalist
- 212 S. Elm (Axis Realty Group)
- 101 W. Hickory St (Free Play)
- Guaranty Bank & Trust (University Dr)
- SOMA (Fort Worth, TX)





ainment

# Dallas Moviegoer's Guide to the City's Best Theaters

Dallas is one of the largest movie hubs in the state of Texas, and each theater has its own perks and quirks. This guide is a good place to start if you're trying to decide where to spend your next night out

By Austin Zook | March 16, 2023 | 12:22 pm

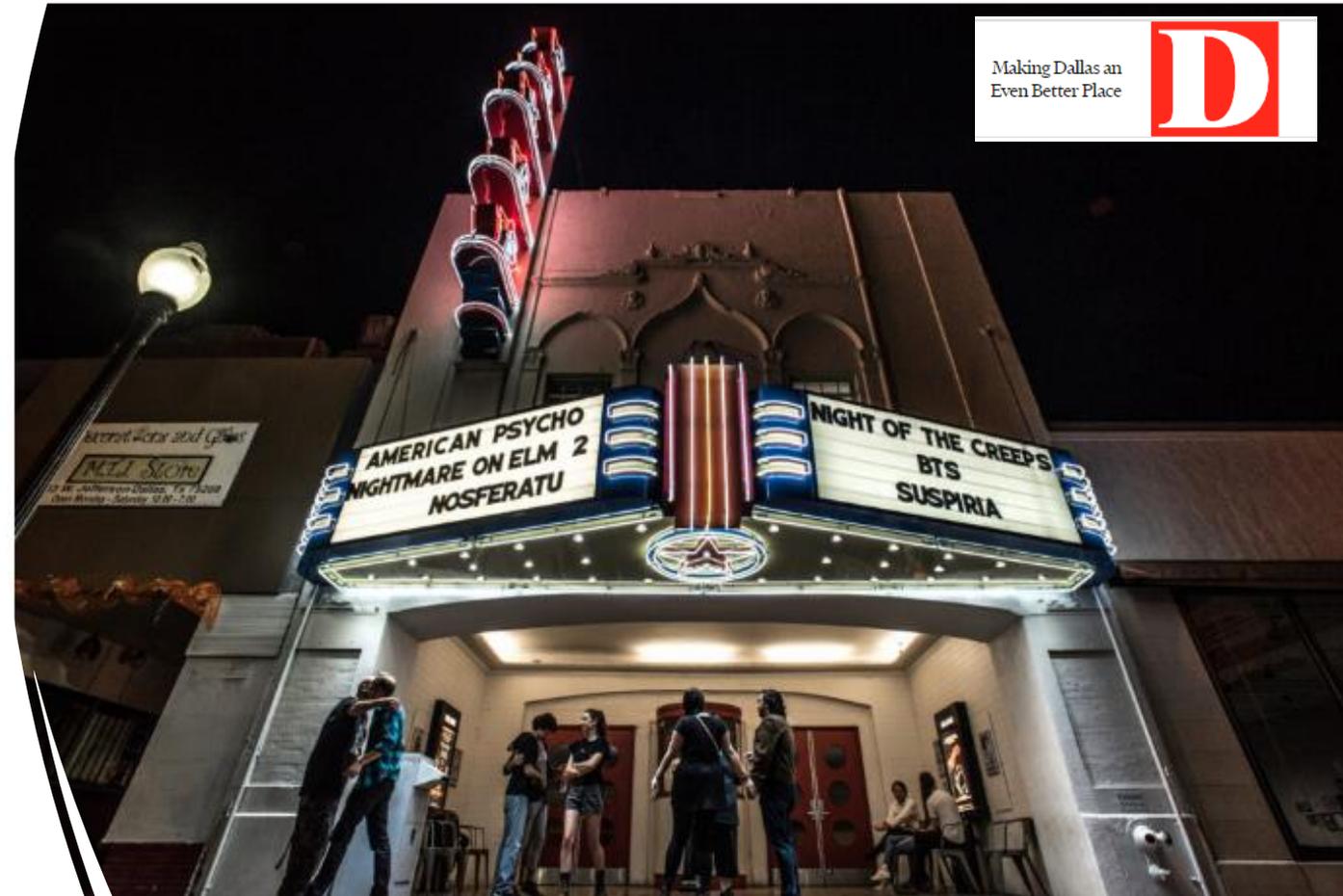
- Jason Reimer & Barak Epstein
- Texas Theater
- Oak Cliff Film Festival

Making Dallas an  
Even Better Place



**UPCOMING MOVIES, EVENTS AND TICKETS**

 TEXAS THEATRE 9/9 7:00 PM	 CONTEMPT 9/10 4:00 PM	 OLDBOY 9/10 7:00 PM	 KAT TIMPF YOU CAN'T JOKE ABOUT THAT LIVE SEPTEMBER 16, 2023 THE TEXAS THEATRE DALLAS, TX 9/10 6:00 PM	 SKYFALL 9/12 7:30 PM
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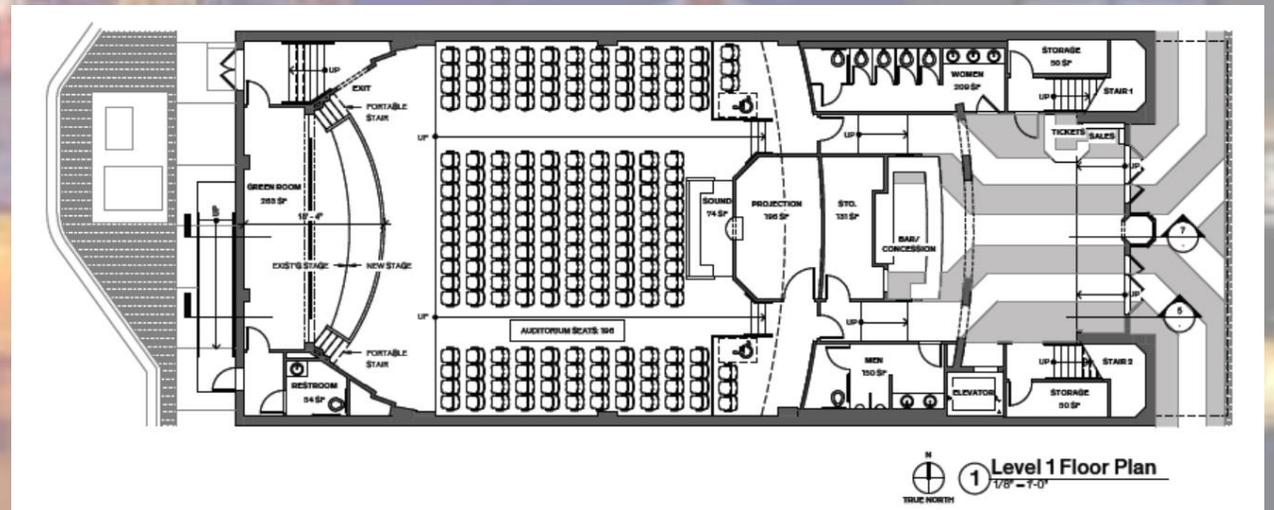
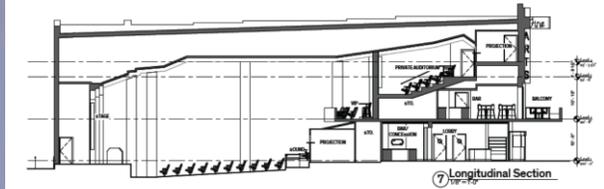
# Rehabilitated Fine Arts Theater

## Project Details

- Capital investment: \$9,969,232
- 200 seat main theater; 30 seat VIP Mezzanine
- 50 seat private theater
- Concession and bar
- Multi-use; movies, film festivals, concerts, live performance, and private event rentals



## REHABILITATION PLANS



## Rehabilitated Fine Arts Theater

### Project Details

Development Budget		
Aquisition		\$769,442
Pre Development Cost		\$1,377,272
		<b>\$2,146,714</b>
Rehabilitation Costs		\$5,185,490
Furniture & fixtures		\$629,985
Soft costs		\$410,000
Interest & related costs		\$672,409
<b>Total Rehabilitation costs</b>		<b>\$6,897,884</b>
Cash Reserve/DSCR Requirement		\$924,634
<b>Total Project Cost</b>		<b>\$9,969,232</b>

### Project Details

	Source	% Project Cost
Equity	\$ 2,029,313.95	20%
Façade Grant	\$ 50,000.00	1%
Bank Loan	\$ 3,195,000.01	32%
Historic Tax Credits	\$ 2,694,917.68	27%
Forgiveable Loan	\$ 2,000,000.00	20%
<b>Total Sources</b>	<b>\$ 9,969,231.64</b>	<b>100%</b>

## Underwriting Report

- **Developer's Credentials & Support Team:**
  - Expertise in real estate development, management, and business operations.
  - Supported by an experienced team, including Jason Reimer, a key figure at Texas Theater.
  - Mr. Reimer, as a Class B Member of Fine Arts Theater of Denton LLC, assists in building design and viability assessment.
- **Financial Capacity:**
  - Developer can fund rehabilitation cost overruns and has invested \$2,146,714 in the Project, pledging additional assets beyond the requested \$2,000,000 incentive.

Fine Arts Theater of Denton-Property Owner S&U		
Rehabilitation Budget & Funding Sources		
As of 3.21.23		
<b>Uses:</b>		
Building Purchase (at actual)		\$769,442
Pre-development Costs (at actual)		\$1,377,272
<b>Rehabilitation Costs (projected)</b>		
Rehabilitation costs & Contingency		\$5,185,490
Furniture & fixtures		\$629,985
Soft costs		\$410,000
Interest & related costs		\$672,409
<b>Total Projected Rehabilitation costs</b>		<b>\$6,897,884</b>
Cash Reserve to meet OWC/DSCR Requirement		\$924,634
<b>Total Projected Project Costs</b>		<b>\$9,969,232</b>
<b>Funding Sources:</b>		
Cash equity already invested		\$1,152,260
Deferred developer fee		\$250,000
<b>Construction Loan Proceeds:</b>		
Appraised Value - As Complete 75%LTV	\$3,195,000	
Loan on Historic Tax Credits 75% LTV	\$2,000,000	
Pledged collateral 75% LTV	\$744,918	
Funding GAP		<b>\$2,627,054</b>
Construction Loan Amount	\$8,566,972	
<b>Total Funding Sources</b>		<b>\$9,969,232</b>
<b>Post Construction Loan Paydown</b>		
Construction Loan	\$	5,939,918
Historic Tax credits (Estimated)	\$	(2,694,918)
Denton Downtown Econ Façade Grant (Estimated)	\$	(50,000)
<b>Loan Balance</b>	\$	<b>3,195,000</b>

## Underwriting Report

- City Incentives:
  - The Project is eligible for City economic development incentives.
  - Without these incentives, the Project will not proceed due to financial gap in project funding
- Developer's Investment:
  - Invested \$2,146,714 in the Project and willing to pledge more.
  - Developer's total contribution exceeds the requested incentive of \$2,000,000 and will forgo a \$250,000 fee for 10 years.
- Return on Investment:
  - With City's incentive, the Developer projects a 0% return for 6 years and less than 3% from years 7 to 10.

## Recommendation for City Incentive:

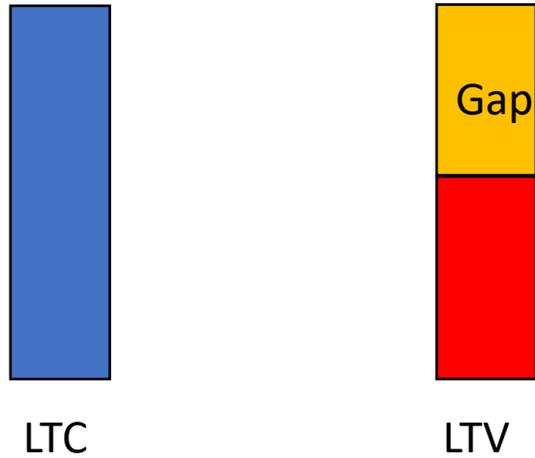
- \$2 million forgivable 0% loan, deferred payments for 10 years post-rehabilitation.
- Loan is forgiven by 10% annually, if the Project remains operational under consistent ownership.
- After 10 years of operation, the loan is entirely forgiven. *An exception: funds remaining in the reserve account will be returned to the City after 10 years.*
- Before any incentive is awarded:
  - Convert Developer Notes worth \$346,593 (as of 2/28/23) to equity.
  - Project can't be sold or cash out refinance until loan is fully forgiven. Any early sale or refinance requires full loan repayment and City's written consent.
- ACI North LLC, a non-voting member, will assist in Project management. City must review and approve their involvement before granting any incentive.

## Financial Gaps Analysis

Two types of "Gaps"

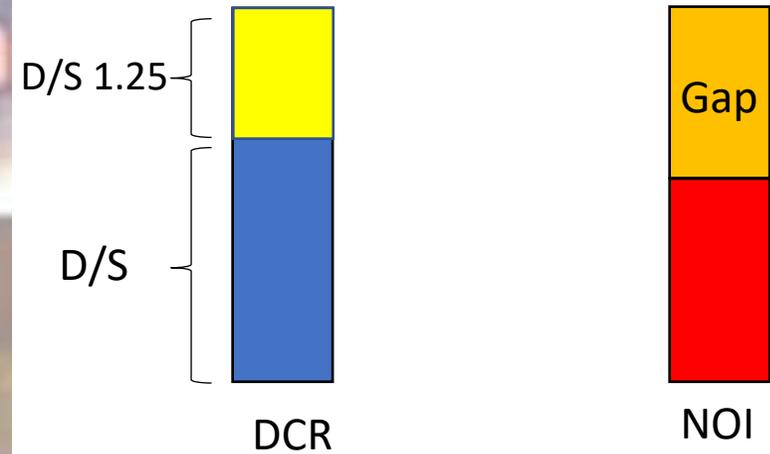
### Renovation Funding Gap

Loan to Cost	\$	4,897,421
Loan to Value	\$	3,195,000
Financial Gap	\$	1,702,421



### Debt Service Reserve Funding Gap

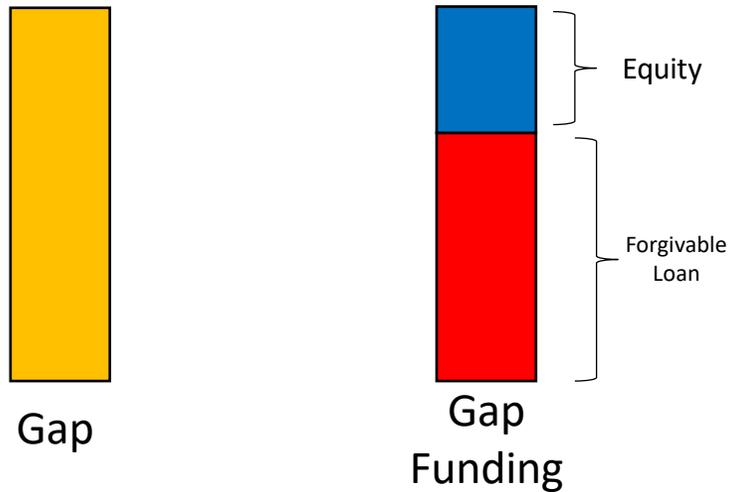
1.25 Debt Coverage Ratio	\$4,217,468
Net Operating Income	\$3,292,834
Financial Gap	\$ 924,634



## Financial Gap Funding

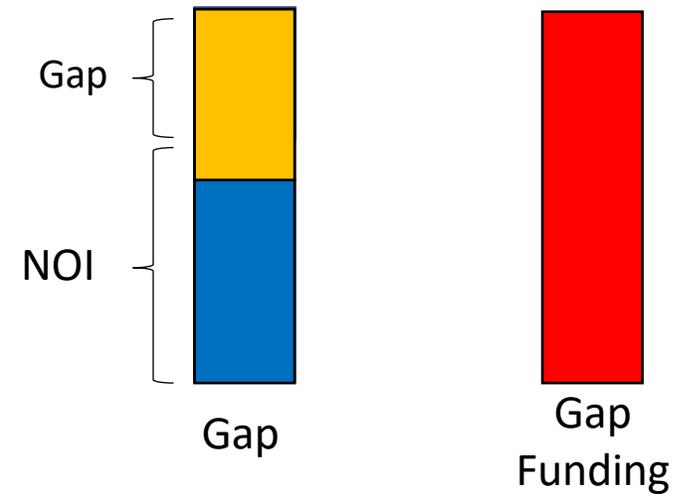
### Renovation Funding Gap

Equity from Developer	\$ 627,055
Forgivable Renovation Loan	\$ 1,075,366
Loan to Value Gap	\$ <b>1,702,421</b>

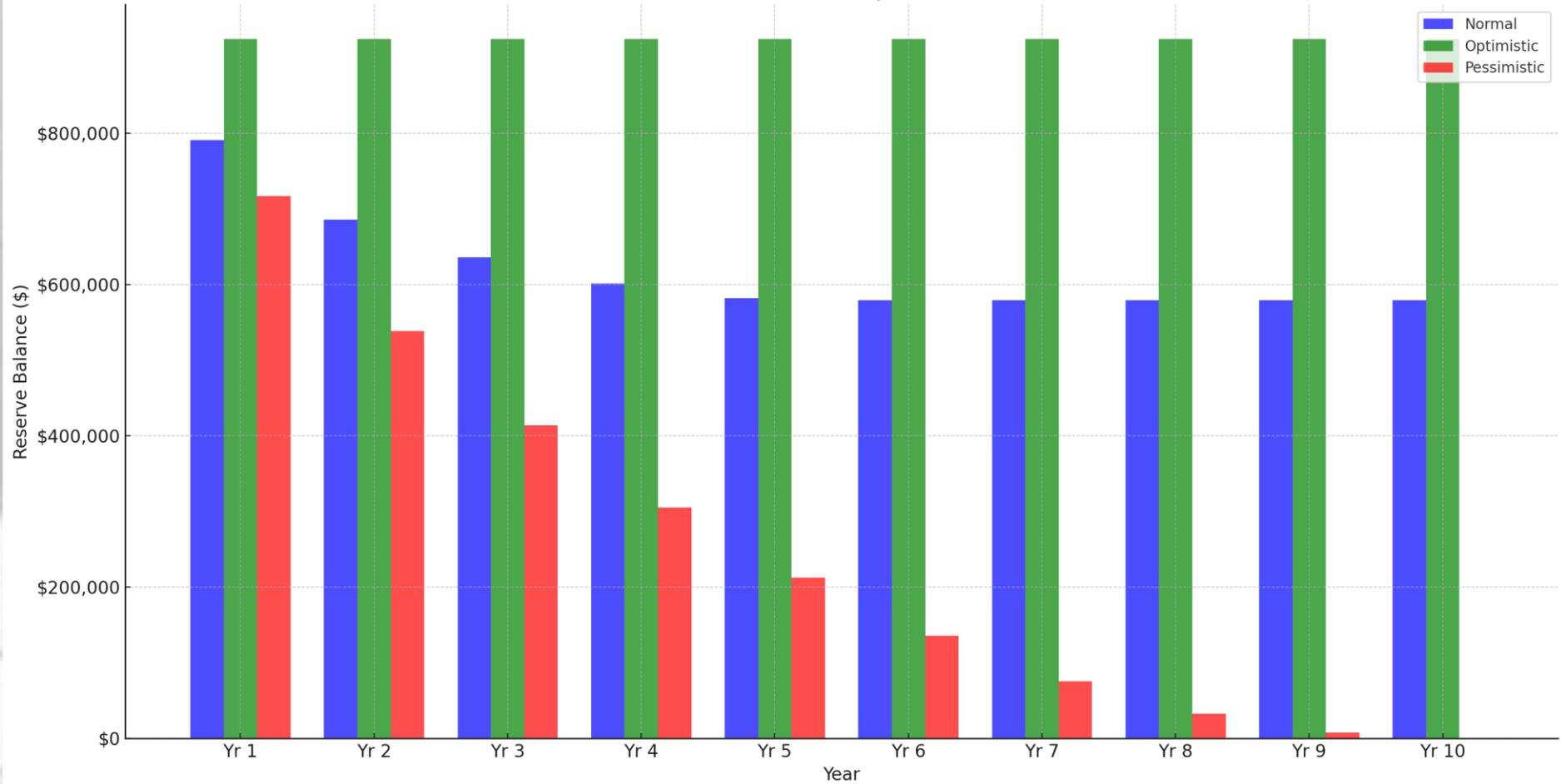


### Debt Service Reserve Funding Gap

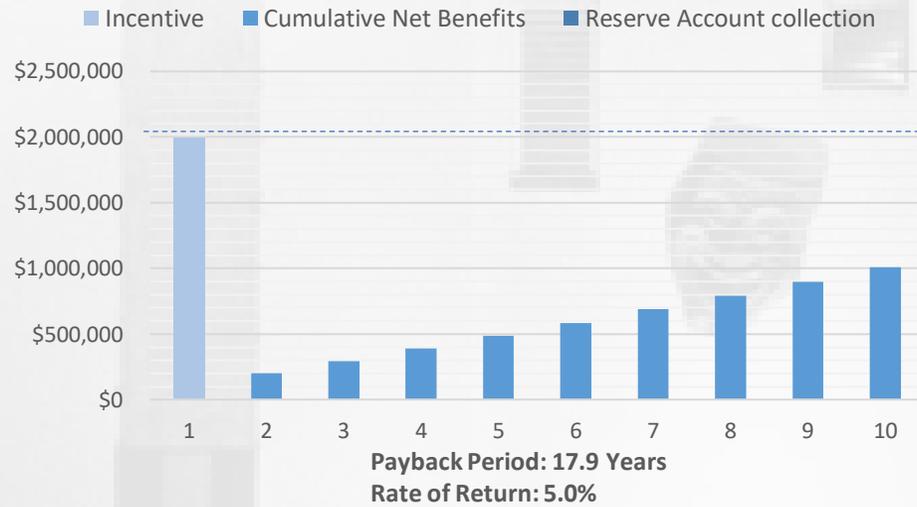
Forgivable Reserve Loan	\$ 924,634
1.25 DCR Gap	\$ 924,634



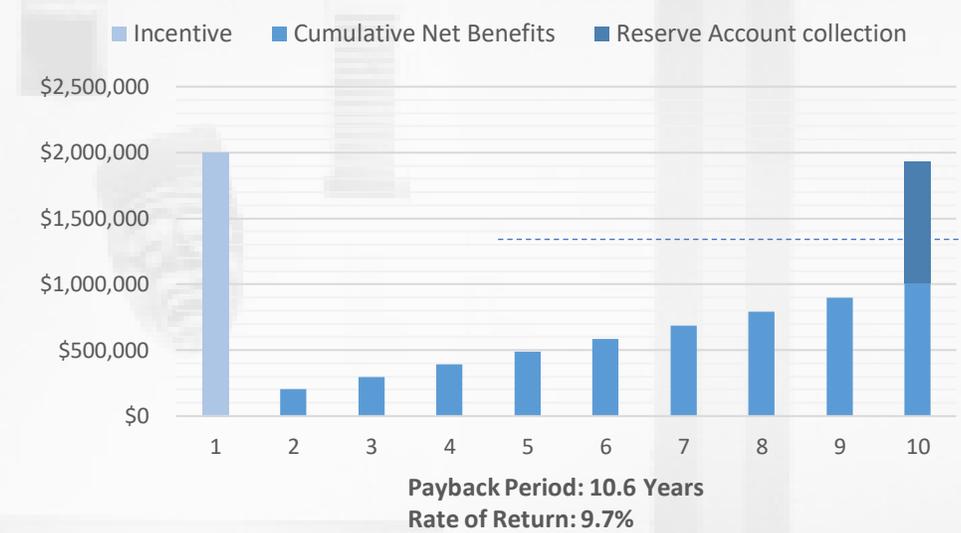
Reserve Account Balance Comparison across Scenarios



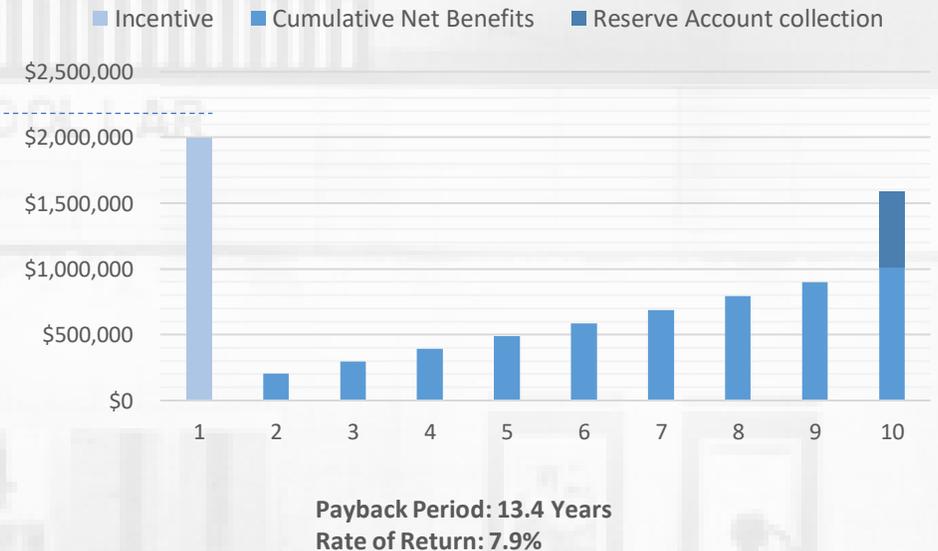
## Pessimistic



## Optimistic



## Normal



## Fiscal Impact Analysis

- Scenarios
  - Pessimistic – 5% Rate of Return
  - Normal – 7.9% Rate of Return
  - Optimistic – 9.7% Rate of Return
    - Developer Return on Equity – 3%

# Downtown Tax Increment Fund Revenues and Expenditures

Tax Year	Fiscal Year as of 9/30	Supplemental Tax Value	Incremental Increase (Decrease)	Contribution	Adjusted Incremental Value	Tax Rate	Annual TIRZ Ad Valorem Revenue	Interest Income	Total Revenue	Total Expenditures	Fund Balance*
2010	2010-2011	79,356,854	N/A	N/A			N/A	N/A	N/A	N/A	N/A
2011	2011-2012	80,331,050	974,196	100%	974,196	0.68975%	6,720	17	6,737	-	6,737
2012	2012-2013	93,040,263	13,683,409	100%	13,683,409	0.68975%	94,381	297	94,678	-	94,678
2013	2013-2014	100,452,300	21,095,446	100%	21,095,446	0.68975%	145,506	1,084	146,590	-	146,590
2014	2014-2015	116,769,435	37,412,581	100%	37,412,581	0.68975%	258,053	2,821	260,874	-	260,874
2015	2015-2016	127,204,599	47,847,745	100%	47,847,745	0.68975%	330,030	5,855	335,885	76,000	259,885
2016	2016-2017	150,021,979	70,665,125	95%	67,131,869	0.68334%	458,739	11,439	470,178	76,000	394,178
2017	2017-2018	161,351,215	81,994,361	95%	77,894,643	0.637856%	496,856	6,712	503,568	1,542,845	(1,039,277)
2018	2018-2019	170,678,753	91,321,899	95%	86,755,804	0.620477%	538,300	11,589	549,889	156,000	393,889
2019	2019-2020	209,626,251	130,269,397	95%	123,755,927	0.590454%	730,722	16,930	747,652	139,587	608,065
2020	2020-2021	234,054,363	154,697,509	95%	146,962,634	0.590454%	867,747	10,870	878,617	24,988	853,629
2021	2021-2022	222,831,388	143,474,534	90%	129,127,081	0.565823%	730,631	19,667	750,298	51,507	698,791
2022	2022-2023	248,865,847	169,508,993	90%	152,558,094	0.560682%	855,366	82,138	937,504	115,267	822,238
<b>Totals</b>							<b>\$ 5,513,051</b>	<b>\$ 169,420</b>	<b>\$ 5,682,470</b>	<b>\$ 2,182,194</b>	<b>\$ 3,500,277</b>

\* Fund Balance as of June 30, 2023 is \$3,500,277

# Downtown Tax Increment Fund Revenue Forecast

Tax Year	Fiscal Year	Supplemental Tax Value	% Growth in Value	Incremental Value	Contribution Rate	Incremental Value Contribution	Tax Rate	Annual TIRZ Revenue	Cumulative TIRZ Revenue	
2022	FY 22-23	248,865,847	11.68%	169,508,993	90%	152,558,094	0.560682	855,366	5,513,049	Actual
2023*	FY 23-24	260,688,394	4.75%	181,331,540	90%	163,198,386	0.560682	915,024	6,428,073	
2024	FY 24-25	273,722,814	5.00%	194,365,960	90%	174,929,364	0.560682	980,797	7,408,871	
2025	FY 25-26	287,408,954	5.00%	208,052,100	90%	187,246,890	0.560682	1,049,860	8,458,730	
2026	FY 26-27	301,779,402	5.00%	222,422,548	90%	200,180,293	0.560682	1,122,375	9,581,105	
2027	FY 27-28	316,868,372	5.00%	237,511,518	90%	213,760,366	0.560682	1,198,516	10,779,621	10-Year
2028	FY 28-29	332,711,791	5.00%	253,354,937	90%	228,019,443	0.565682	1,289,865	12,069,486	Forecast
2029	FY 29-30	349,347,380	5.00%	269,990,526	90%	242,991,474	0.565682	1,374,559	13,444,045	
2030	FY 30-31	366,814,749	5.00%	287,457,895	90%	258,712,106	0.565682	1,463,488	14,907,533	
2031	FY 31-32	385,155,487	5.00%	305,798,633	85%	259,928,838	0.565682	1,470,371	16,377,903	
2032	FY 32-33	404,413,261	5.00%	325,056,407	85%	276,297,946	0.565682	1,562,968	17,940,871	

*\*Certified Value used as an estimate, the last supplement in December will be the date of recording of the supplemental value for 2023*

*Growth rate for forecast 2024-25 out is 5%*

*Termination of the zone is set for 1/1/2039*

*It is estimated that the \$24.8M cap will be reached prior in 2037/2038*

# Economic Impact

- In stand-alone theaters, **20.4%** of people dine or shop around their movie experience.
- **50.6%** of theater patrons dine or shop around their movie experience when visiting a Main Street theater in Texas
- Surrounding businesses are expected to have a **\$20,803,966** increase in revenues prompted by patron's visits to the theater.



# Patron Activity at Free-Standing vs. Main Street Theater Locations



# Community & Economic= Impact

- Arts Job Training
  - Historic Fine Art Theater to partner with UNT Media Arts & Hospitality Management Department
  - Training, jobs, and internships for film and theater majors
- Community and Special Events
  - Non-profits, civic and community groups, or local businesses
  - Regional festivals such as film, music, and arts culture
  - Private rentals such as weddings or party venue
- Education
  - DISD field trips to view educational/historical films
  - HS theater arts and film education, including film labs aligned to TX Essential Knowledge and Skills
- Partnerships
  - Classic and historical movie series
  - Greater Denton Arts Council, Thin Line and Black Film festivals and KUZU radio



## Options and Recommendations

- National Development Council (NDC) recommended incentive
- No incentive

