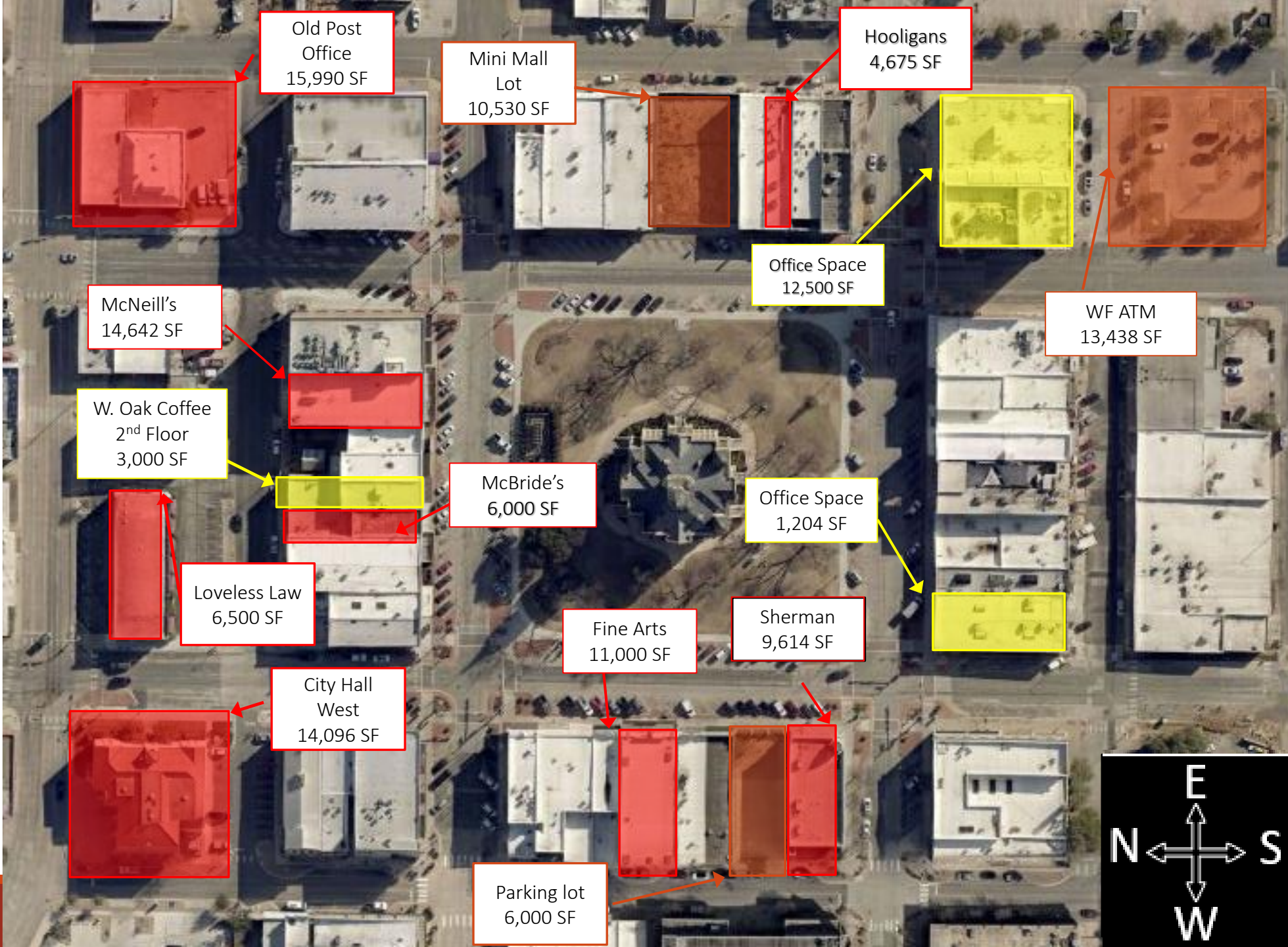


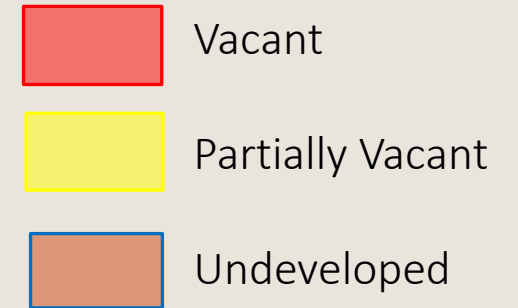


Economic Development Incentive Fine Arts Theater

Christine Taylor, Assistant City Manager
Economic Development Partnership Board
February 14, 2024



Downtown Current Conditions



	SF	%
Vacant/ Undeveloped	125,577	26%

Developer: NorthBridge
Alex Payne and Brad Andrus



Operator: Texas Theater Group
Jason Reimer & Barak Epstein



Proposed Project

Redevelopment of the Fine Arts Theater

9,900 sq. ft. structure situated in a 6,000 sq. ft. footprint

Multi-Use Theater: live performances, movies, special events, film festivals, concerts, and private rentals

- **First Floor**

Lobby

Bar/Concessions

Main Theater

200 seats

- **Second Floor**

Secondary Theater

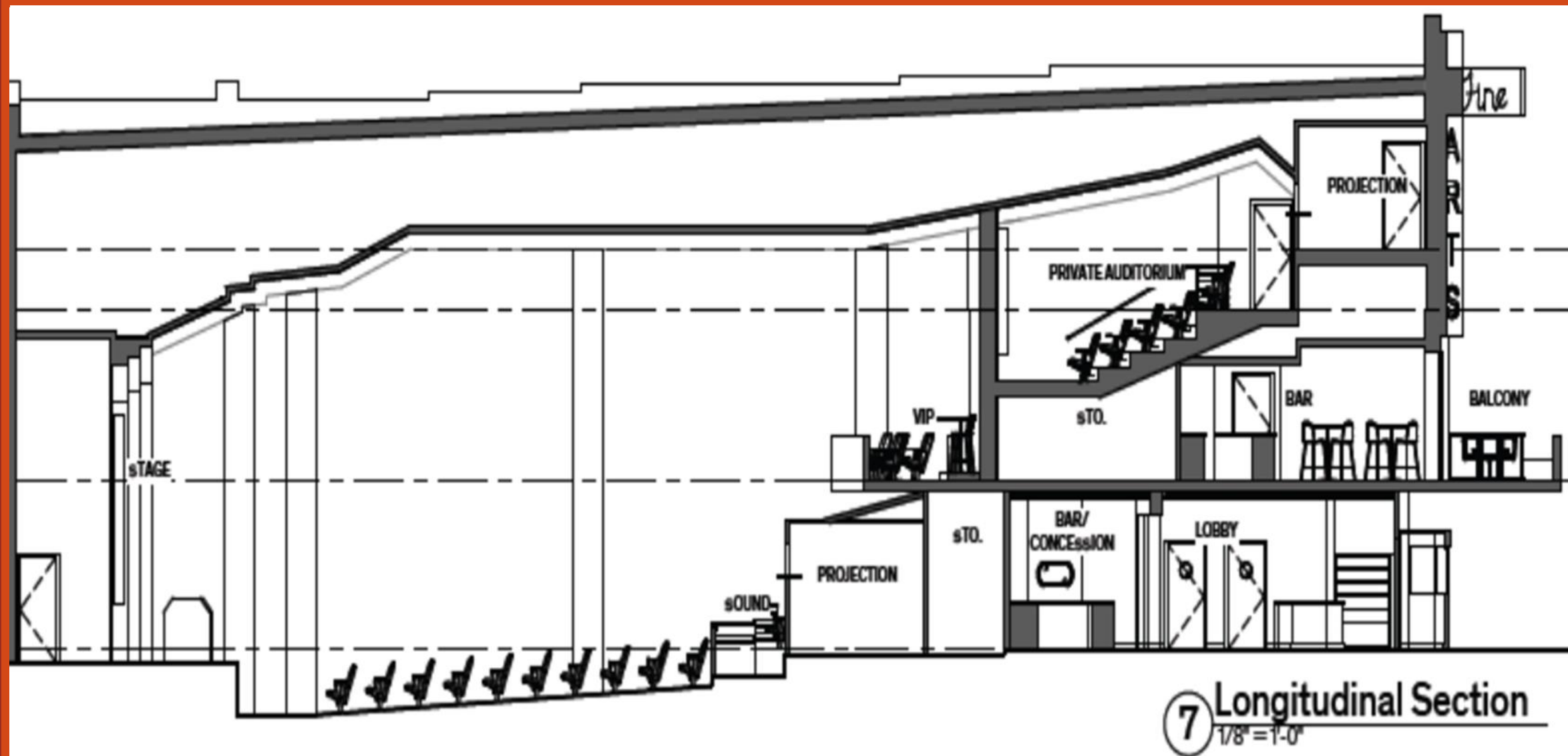
30 seats – mezzanine

Bar (approx. 30 seats) with a balcony overlooking the square

- **Third Floor**

Private Theater

50 seats



Predevelopment Activities

The property was purchased in 2018 for \$769,442 and \$2.2 Million has been invested in predevelopment activities

Purchase of the property

Engagement of the Architect & Engineer

Interior demolition & remediation

Renovation plans and permits issued

Obtained approval for Historic Tax Credits



Underwriter Review – Capital

Development Costs

Pre-Development	
Building Purchase	\$ 769,442
Architect, Engineer, Consultant & Legal Fees	\$ 736,386
Asbestos Abatement, Demolition, Roof Replacement	\$ 574,621
Property Taxes & Other	\$ 129,018
Total Pre-Development Costs*	\$ 2,209,467
Rehabilitation	
Rehabilitation Costs & Contingency	\$ 5,186,074
Furnitures & Fixtures	\$ 629,985
Soft Costs	\$ 410,000
Interest & Related Costs	\$ 684,096
Total Projected Rehabilitation Costs	\$ 6,910,155
Total Projected Project Costs	\$ 9,119,622

Loan, Estimated Funding Sources, and Need

Remaining Pre-Development Loan	\$677,427
Construction Loan	6,910,155
Loan Sub Total	\$7,587,582
Estimated Historic Tax Credits	(2,710,956)
Estimated additional cash paydown from developers	(555,260)
Loan Paydown Sub Total	\$4,321,366
Maximum Loan -Appraised Value as Complete- 75% LTV	\$ 3,195,000
Variance (Estimated Incentive Need)	\$1,126,366

Estimated Capital Incentive Need
\$1,126,366

*Predevelopment costs are funded by a combination of 1.5M Cash and 0.7M Remaining Loan Balance

Underwriter Review – Operating

	Year 1	2	3	4	5	6	7	8	9	10
Total Revenue	1,230,880	1,333,830	1,455,306	1,484,412	1,514,100	1,544,662	1,575,269	1,606,775	1,638,910	1,671,688
Total Expenses (Operating and Goods Sold)	1,068,072	1,143,016	1,209,608	1,223,279	1,237,133	1,251,175	1,265,407	1,279,832	1,294,456	1,309,281
Net Profit/Loss	162,808	190,814	245,698	261,133	276,967	293,487	309,862	326,943	344,454	362,407
Debt Service (p+i) bank	315,210	315,210	315,210	315,210	315,210	315,210	315,210	315,210	315,210	315,210
Bank required DSC Reserve (0.25%)	78,802									
Sub Total	394,012	315,210	315,210	315,210	315,210	315,210	315,210	315,210	315,210	315,210
Variance	-231,204	-124,396	-69,512	-54,077	-38,243	-21,723	-5,348			

Estimated Operating Incentive
Need \$544,503

Incentive

- Original Request was \$2.0 Million
- Proposed Incentive \$1.6 Million from the Downtown TIRZ Fund
- \$1,076,366 in a City of Denton Chapter 380 incentive grant at **Certificate of Occupancy** to pay down construction loan principal to the required \$3,195,000.
- \$50,000 reimbursed in a City of Denton Façade Grant
- Up to \$544,503 in a City of Denton Chapter 380 incentive funded **over 7 years**, to cover the projected shortfall between Net Profit and Debt Service, if revenues and expenditures are met.

Term	7 Years
Capital Incentive	\$1,076,366
Façade Grant	\$50,000
Operating Incentive	\$544,503
Tax Rebates	\$0
Total Impact	\$1,670,869

Comparison & Advantages/Disadvantages

Advantages	Disadvantages
<ul style="list-style-type: none">• Redevelop a vacant property and increase density in the downtown core• Adds to the culture of Denton, increases foot traffic, and quality of life Downtown• Conforms with the TIRZ Project Plan and other strategic plans• Acts as a catalyst to spur new private investment in downtown• Initial cash grant is paid only after construction is complete and the certificate of occupancy is in place• Developer is investing and leveraging other funding sources (historic tax credits)• DISD and UNT educational Art and Film Partnerships. Facilitates community events• City retains generated taxes (property, sales, mixed beverage)• Performance-based annual rebates that are paid over time, incentivizes Theatre to perform well	<ul style="list-style-type: none">• Jobs are not significant• Does not significantly expand the tax base or increase TIRZ No. 1 revenue• Initial grant would represent an investment of approximately 25% of the TIRZ fund

TIRZ Fund

Tax Year	Certified Tax Value	Tax Rate	Incremental Value	Incremental Value Contribution	Annual TIRZ Revenue	Interest Income	Cumulative TIRZ Revenue		Total Expenditures	Fund Balance	
			Certified value less base value	Incremental value times contribution rate	Incremental value times tax rate/100		Cumulative total of year revenues				
2010	79,356,854										
2011	80,331,050	0.68975	80,331,050	974,196	6,720	17	6,737				
2012	93,040,263	0.68975	93,040,263	13,683,409	94,381	297	101,415				
2013	100,452,300	0.68975	100,452,300	21,095,446	145,506	1,084	248,005				
2014	116,769,435	0.68975	116,769,435	37,412,581	258,053	2,821	508,879				
2015	127,204,599	0.68975	127,204,599	47,847,745	330,030	5,855	844,764		76,000		
2016	150,021,979	0.68334	150,021,979	67,131,869	458,739	11,439	1,314,942		76,000		
2017	161,351,215	0.637856	161,351,215	77,894,643	496,856	6,712	1,818,509		1,542,845		
2018	170,678,753	0.620477	170,678,753	86,755,804	538,300	11,589	2,368,398		156,000		
2019	209,626,251	0.590454	209,626,251	123,755,927	730,722	16,930	3,116,050		139,587		
2020	234,054,363	0.590454	234,054,363	146,962,634	867,747	10,870	3,994,667		24,988		
2021	232,894,462	0.565823	232,894,462	138,183,847	781,876	19,667	4,796,210		51,507		
2022	248,740,222	0.560682	248,740,222	152,445,031	854,732	82,138	5,733,080	Actual	115,267	3,550,886	
2023	261,579,433	0.560682	261,579,433	164,000,321	919,520		6,483,181	10-Year Forecast			
2024	274,658,405	0.560682	274,658,405	175,771,396	985,519		7,468,699				
2025	288,391,325	0.560682	288,391,325	188,131,024	1,054,817		8,523,516				
2026	302,810,891	0.560682	302,810,891	201,108,633	1,127,580		9,651,096				
2027	317,951,436	0.560682	317,951,436	214,735,124	1,203,981		10,855,077				
2028	333,849,007	0.565682	333,849,007	229,042,938	1,295,655		12,150,732				
2029	350,541,458	0.565682	350,541,458	244,066,143	1,380,638		13,531,370				
2030	368,068,531	0.565682	368,068,531	259,840,509	1,469,871		15,001,241				
2031	386,471,957	0.565682	386,471,957	261,047,838	1,476,701		16,477,942				
2032	405,795,555	0.565682	405,795,555	277,472,896	1,569,614		18,047,556				

- Last supplement of the year used for the recording of value for the TIRZ
 - Valuation actuals through 2022
 - FY22/23 Fund balance is \$3,500,886
- Growth rate of 5% used for projections
 - Cap of \$24.8 M is estimated in 2036, term completed in 2039
 - Expenditures total to date 2,182,194

Strategic Plan Alignment

City of Denton Key Focus Areas

- Key Focus Area 3: Foster Economic Opportunity and Affordability
 - Increase in tourism

2040 Comprehensive Plan

- Key Action #69: Identify opportunities to incorporate venues for arts and music events in future development, including Downtown. Pursue the next steps for the reuse of City Hall West and the potential development of a new fine arts theatre.

Economic Development Strategic Plan

- 2D.2 Downtown Development: Successful downtown development and an authentic town square are among Denton's top economic development achievements. The City should continue to prioritize the downtown area.

Policy Alignment

Denton Tax Abatement and Chapter 380 Policies

- Strategic Growth Area (SGA): Creative
- NAICS Code: 711310 Promoters of and Similar Events with Facilities

Incentive Evaluation Matrix Summary

SGA Target: 13 points

Priority Considerations: 35 points

Public Benefit Factors: 37 points

Total Points: 85 Excellent (85-175 points)

Downtown TIRZ No. 1 Project Plan

- Eligible Project Category: Downtown Projects- may include grants, loans and services for public and private development.
- Eligible TIRZ project may also include:
 - Historic preservation
 - Demolition
 - Environmental remediation
 - Economic development grants

Community Impact

Job Training

- Partner with the University of North Texas to provide training, and internships for aspiring film, hospitality, and theater arts majors.

Community and Special Events

- Offer discounted rates to local non-profits to hold fundraisers, celebrations, and event awareness events
- Offering events (low or no cost) related to cultural history screenings including guest speakers
- Partner with local festivals to provide a venue

Educational

- Coordinate with Denton ISD and neighboring districts to offer field trips to view educational and or historical films
- Present and host educational productions

Staff Recommendation

- Provide an incentive - total impact (\$1.6 Million) \$1,076,366 in a City Chapter 380 Grant **at Certificate of Occupancy (CO)** to pay down construction loan principal to the required \$3,195,000. Up to an additional maximum amount of \$544,503 via Chapter 380 Grant as needed to cover the projected shortfall between Net Profit and Debt Service if projected revenues and expenses are met. No tax rebates and the City retains the property, sales, and mixed beverage tax.

Next Steps

- Consideration by the Downtown TIRZ Board No 1. – February 2024
- Consideration by City Council – March 2024



Questions

TEXAS THEATRE FINE ARTS

EST. 1935



NORTHBRIDGE

212 S. Elm Street | Denton, TX 76201 | nbrealtyholdings.com

HISTORY

For 79 years, generations of Dentonites driving down North Elm Street on the town Square have been greeted by the giant red, white and blue Fine Arts Theater marquee, a staple of downtown. Since 1935, the space has been a theater (before then, it was home to two different furniture and undertaker businesses). Originally named the Texas Theater (its name would change to the Fine Arts Theater in 1957), it was part of the Denton Square's theater row, which featured five theaters around the courthouse. But by 1981, the theater was forced to close. It reopened as a dollar theater in April 1982, but the balcony caught fire only five months later.



TEXAS THEATRE
FINE ARTS

CONDITION AT TIME OF PURCHASE

Fine Arts Theater of Denton, LLC, was formed in May 2018 by local forward-thinking, civic-minded, Denton enthusiasts with the plan of purchasing and rehabilitating Fine Arts Theater.

Since 1982, the building had been periodically used as a church and performance space, but it remained vacant since 2014.

During this time, the condition of the theater suffered due to previous fire damage and subsequent weather effects.

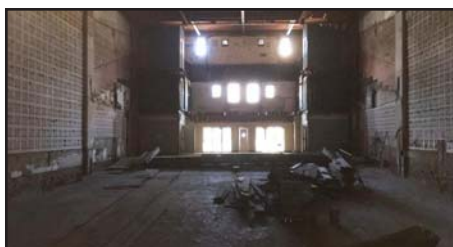
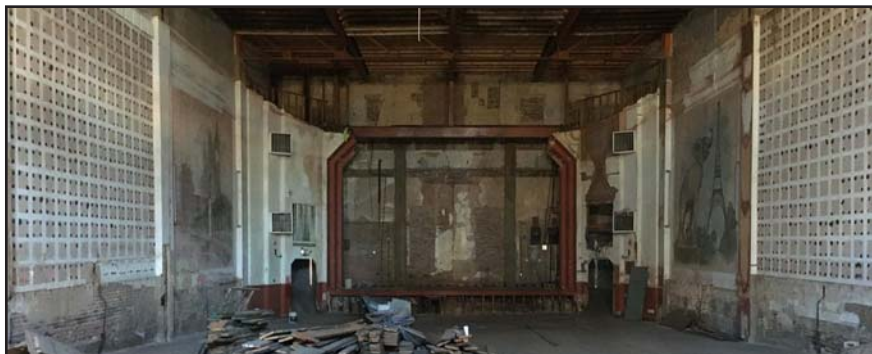


PRESENT CONDITION

Since the purchase of the historic Fine Arts Building in 2018, a substantial amount of planning and predevelopment work has been completed to date including:

- Engaged Architexas, a Dallas-based historic preservation architectural firm;
- Remediated asbestos and mold throughout the structure;
- Completed demolition of the interior in preparation for the full renovation;
- Completed construction of a new roof;
- Worked with local contractor Tim Beaty Builders to value engineer and devise a full renovation budget;
- Completed renovation plans and specifications and obtained City of Denton permit approval; and
- Obtained approval for the Federal Historic Tax Credit Application (State of Texas Historic Tax Credit approval pending).

To date, a total of \$1.776 million has been expended, including \$764,000 for purchase of the building and \$1.012 million for predevelopment costs.



TEXAS THEATRE
FINE ARTS

FINE ARTS FUTURE

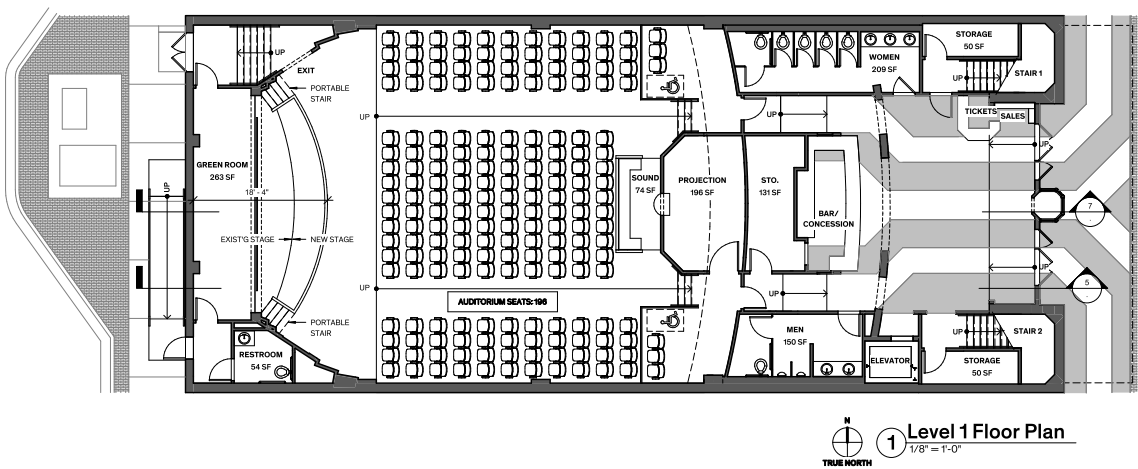
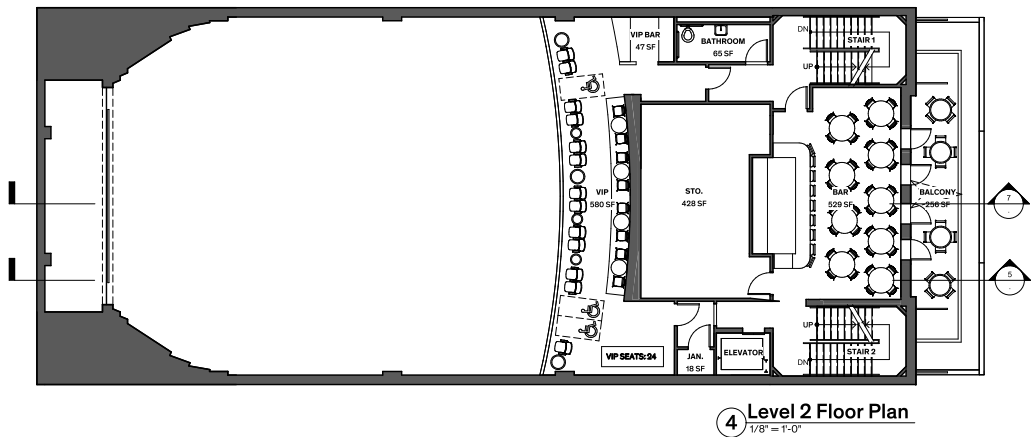
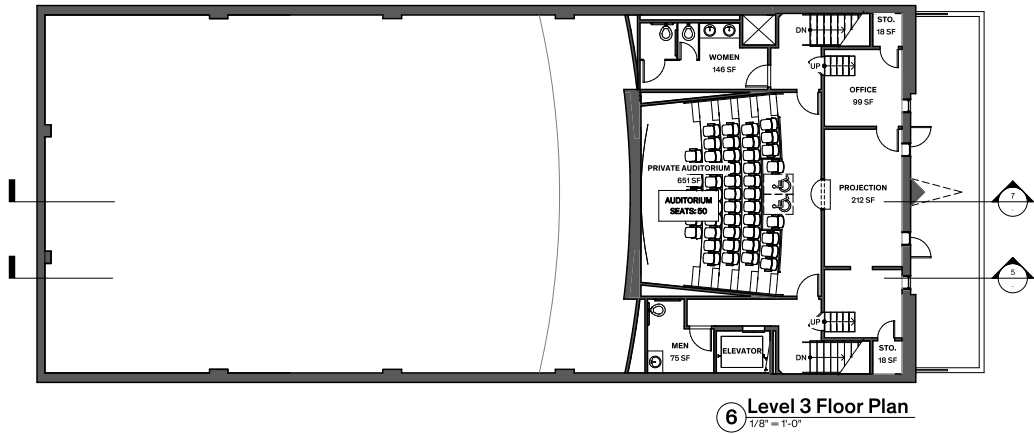
Alex Payne, Brad Andrus, Jason Reimer, Barak Epstein, and Martin Isles are all experienced investors and promoters representing the ownership group, which is intent on returning the Fine Arts Theater back to the community in its most viable function as a multi-use entertainment venue.

Examples of its activity will involve various presentation options including movies (first-run and independent), film festivals, concerts, live performance and rentals such as receptions, seminars and worship services, as well as various community-based rentals.

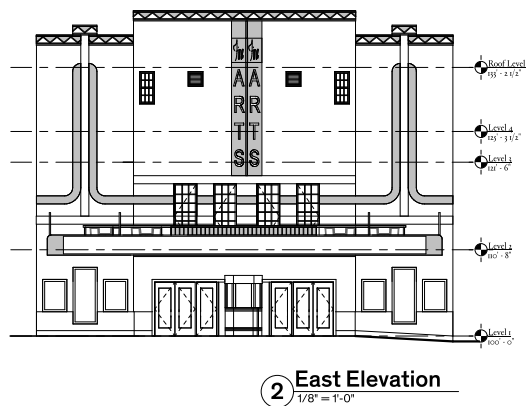
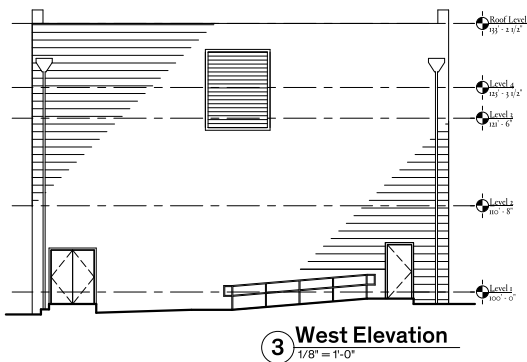
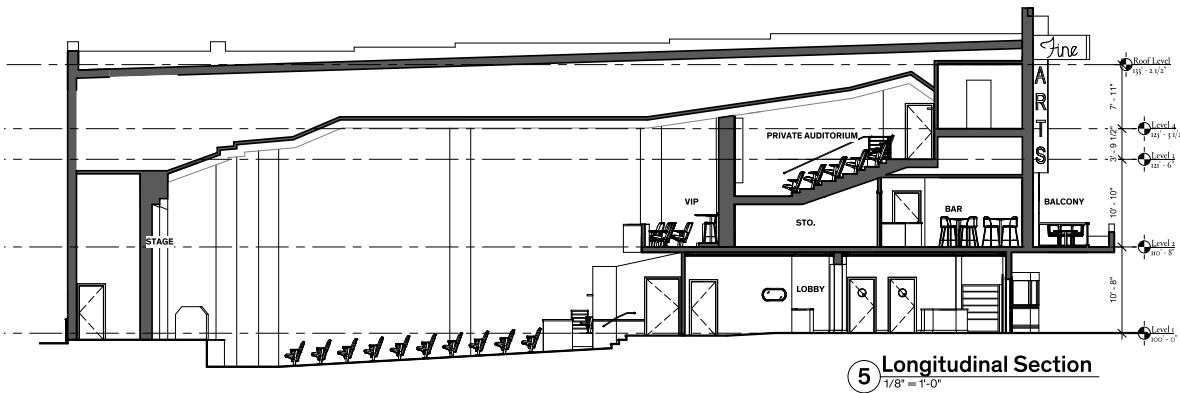
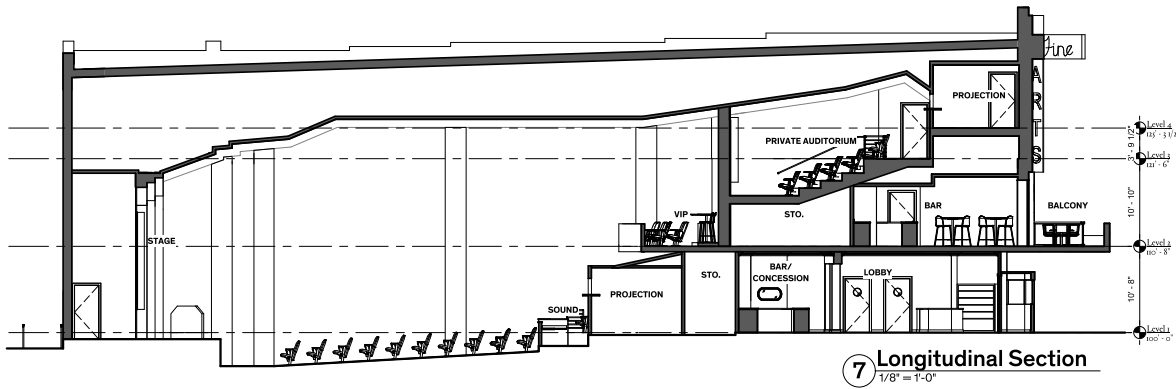
The rehabilitation plan includes a restored main theater with approximately 200 seats and V.I.P. mezzanine (25-30 seats), a smaller movie theater on the second level with approximately 50 seats, a new concession area at the entrance and a bar that overlooks the downtown courthouse open to theater patrons and casual visitors alike, making it an instant tourist attraction.



REHABILITATION PLANS



REHABILITATION PLANS



REHABILITATION TEAM

NorthBridge Realty Holdings provides full service consulting for land use, real estate, and economic development projects. Services are available for all aspects of a development project, from early project feasibility and site selection, through full entitlement work, to issuance of Certificate of Occupancy.



Their associates are leaders in their respective fields of experience. The company offers a wide range of expertise in land use planning, real estate development, economic development, public/private partnerships, strategic planning, and project management.



Talented Friends is a creative direction company collaborating across multiple mediums. The common thread found throughout their varied output is thoughtful curation and attention to detail from concept to execution.

For four decades, Rudick Construction has served as a full-service commercial General Contractor delivering projects that are incorporated into the regions' landscape. What sets them apart is their ability to step in at any stage of a project's life cycle and complete the build, with expectation-exceeding results, at the best market price available.



Architexas

Architexas provides a broad range of services encompassing architecture, planning and historic preservation. With every project, they follow a process that begins with researching and understanding the context – the physical, historical, and programmatic conditions – within which they will be working. Each project is seen as an opportunity to create a carefully crafted response to a unique set of circumstances and client aspirations.



PROOF OF CONCEPT

THE TEXAS THEATRE | thetexastheatre.com

After over a decade of disrepair, in February 2010 Jason Reimer began screening films at the Texas Theatre and launched a marketing campaign as part of the Oak Cliff Foundation, a community non-profit that previously owned the defunct theater. By August of that same year, Barak Epstein formed Aviation Cinemas and Reimer joined the team. Construction began that fall with a new bar and concession as well as renewed projection capabilities.

After re-opening in December there was immediate interest to use the building again in many different ways including workshops, award shows, live performance and most of all, movie screenings.

The Texas Theatre today is a strong community anchor for art and commerce and a highly decorated, unique entertainment experience open for movies and events of all kinds.



COMMUNITY & ECONOMIC IMPACT

As a recognized arts leader invested in the continued development of the City of Denton as a strong, vibrant and healthy community, the Historic Fine Arts Theater is committed to expanding opportunities to improve the lives of the most vulnerable people residing in Denton's underserved neighborhoods and to ensure that theater arts experiences are accessible to all members of the community.

The Historic Fine Arts Theater of Denton is committed to the growth of diverse programming, community partnerships and collaborations, theater training and more importantly, to provide an arts community center for downtown Denton.

The restoration of this iconic feature that sits in the heart of the Downtown Denton Square will be a catalyst for economic growth and revitalization for the entire historic square. Theater events directly and in partnership with others will draw almost 10,000 patrons to downtown Denton each year where they can shop, dine, and visit the original historic Denton County Courthouse. This increase in visitors will boost the downtown economy and the local hotel and visitor industry.

JOB TRAINING IN THE THEATER ARTS

The Historic Fine Arts Theater plans to partner with the University of North Texas's Media Arts and Hospitality Management Departments to provide training, jobs and internships for aspiring film and theater arts majors.

COMMUNITY AND SPECIAL EVENTS

The Historic Fine Arts Theater intends to open its doors for local non-profits, businesses and major corporations, community groups, civic organizations, and public authorities to hold fundraisers, celebrations, and awareness events throughout the year. Non-profit organizations, including regional festivals, will be extended heavily discounted rates for building usage. The Theater will also be available as a private wedding or other party venue at rental rates which are expected to be as much as 50% less than other venues of similar size.

ELEMENTARY SCHOOL EDUCATIONAL FIELD TRIPS

The Historic Fine Arts Theater intends to coordinate with Denton Independent School District and neighboring school districts to offer field trips for K-6 children to view educational or historical films during the school year. It is expected that at least 2,500 children per school year will participate in these educational field trips.

HIGH SCHOOL THEATER ARTS AND FILM EDUCATION

Thousands of local high school students will be able to benefit each school year from exposure to theater arts educational activities that foster their social and emotional



development, self-expression, and creativity. The Historic Fine Arts Theater intends to regularly present and host educational program throughout the school year. One such program is High School Film Labs. High School Film Labs is a series of six informative and engaging film workshops to pique the interest of student filmmakers and teachers. The High School Film Labs content is aligned to Texas Essential Knowledge and Skills making the curriculum more meaningful to classroom lessons while helping teachers and administrators balance the impact of student film in their public or private high school schools.

THEATER ARTS EDUCATION

Thousands of local high school students will be able to benefit each school year from exposure to theater arts educational activities that foster their social and emotional development, self-expression, and creativity. The Historic Fine Arts Theater intends to regularly present and host educational productions throughout the school year.

CLASSIC AND HISTORICAL MOVIE SERIES

The Historic Fine Arts Theater intends to annually host various low cost and often free events related to cinema history and film culture, including classic films on 35MM prints, special screenings with guest speakers or cast members and more. Examples of these screenings would be holidays such as Veterans Day and Memorial Day or similar national days of remembrance and sponsored by community leaders who want to offer increased access and educational background to film culture at venues like the Historic Fine Arts Theater.

PARTNERSHIP WITH THE GREATER DENTON ARTS COUNCIL, THIN LINE FILM FESTIVAL AND RADIO KUZU

The Historic Fine Arts Theater plans to partner with the Greater Denton Arts Council ("GDAC"), the Thin Line Film Festival and Radio KUZU.

GDAC has served the Denton community for almost 50 years by providing support for Denton's artists and community arts organizations. GDAC sponsors family programs on the third Saturday of each month, Summer Arts Camps and Arts Afterschool programs which provide access to the arts for the underserved Denton community. The Fine Arts Theater will provide a venue for GDAC sponsored programs and events.

The Thin Line Film is a documentary film festival conducted each spring at various sites throughout the City of Denton. The Historic Fine Arts Theater will serve as one of the film and event venues for Thin Line Film Festival.

KUZU Terrestrial radio station is based in Denton, just off the downtown square. KUZU regularly holds events open to the public and encourages people from all walks of life to become involved by creating their own shows. KUZU will host monthly and annual



events to be held at the Historic Fine Arts Theater as well as skills training workshops that pertain to radio communications. These events are projected to interact with as many as 2,500 people a year.

ECONOMIC IMPACT

From major metropolitan areas to small rural towns, research shows that the arts and culture industry is an economically sound investment. It attracts audiences, spurs business development, supports jobs and generates government revenue. Locally as well as nationally, the arts mean business.

Dr. Michael Carroll from UNT's Economic Research Group has been engaged to prepare an analysis of the economic impact of the revitalization of the historic Fine Arts Theater. His findings will be presented at the council work session.



FINE ARTS PRESS



Oak Cliff comes to Denton as Texas Theater's reel heroes rescue historic Fine Arts movie house
[READ MORE](#)



New Owners Have Big Plans For Denton's Fine Arts Theater
[READ MORE](#)



Texas Theatre Owners Buy Denton's Fine Arts Theater
[READ MORE](#)



Denton's Fine Arts Theater To Be Restored
[READ MORE](#)



Historic Denton Square theater under new ownership
[READ MORE](#)



Denton Record-Chronicle

Fine Arts Theater sold, will be restored as entertainment venue
[READ MORE](#)



The Team Behind Texas Theatre Just Bought An Abandoned Movie House on Denton's Town Square
[READ MORE](#)



Bringing Back Denton's Fine Arts Theatre
[READ MORE](#)



Denton's Fine Arts Theatre Slated For Remodel
[READ MORE](#)



TEXAS THEATRE FINE ARTS

— EST. 1935 —

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ALEX PAYNE

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JASON REIMER

940 391 5899

jasonmreimer@gmail.com

The logo for NorthBridge features a blue curved line above the word "NORTHBRIDGE" in a bold, blue, sans-serif font.

212 S. Elm Street | Denton, TX 76201 | nbrealtyholdings.com



Date: December 6, 2023, 2023

To: Christine Taylor, Assistant City Manager, City of Denton
Ralph Bishop, Fine Arts Theater of Denton, LLC.

Re: **Final** Revised Underwriting Report 3 incentive options – Fine Arts Theater of Denton, LLC.

From: Grow America, formerly National Development Council
Underwriter: Sheldon Bartel, CEcD, EDFP, HDFP

STATUS: The City of Denton ("City") and Fine Arts Theater of Denton, LLC ("Developer") retained Grow America to underwrite Fine Arts Theater of Denton, LLC request for a \$2,000,000 City economic development incentive. A final underwriting report was delivered (8/16/23) as a guide to assist the City in determining the type(s), timing, and amount(s) of incentives to commit, if any.

The requested incentives will support the development of 113-115 N. Elm Street, Denton TX ("Project"). The expected outcome is a rehabilitated historic theater with approximately 200 seats and V.I.P. mezzanine (25-30 seats), a smaller movie theater on the second level with approximately 50 seats, and a new concession area at the entrance with a bar that overlooks the downtown courthouse open to theater patrons and casual visitors alike. The developer believes the Project will contribute to the City as follows:

- Generate new revenue (sales and mixed beverage as well as property taxes) and drive tourism and visits to Denton Square and the City.
- Increase Denton Square's value as a unique business and promote investment in other non-competing businesses due to increased visits.
- Enhance the creative arts culture of Denton.
- Provide new jobs and training in the theater arts with plans to partner with UNT's media arts and hospitality management departments.
- Continue to revitalize Denton Square by bringing another newly rehabilitated building up to code.

The City provided a term sheet to the Developer post underwriting report. Following a meeting between the City and Developer where the Developer provided revised project financial information including:

- A revised operating model including proposed sales tax and property rebates,
- Updated Project development costs, sources and uses, based on the 8/31 balance sheet,
- corrections to the lender's cash reserve requirement for debt service coverage after clarifying our projections of operating losses during the first few years, as well as the interest calculation.

Developer finds that because of the above changes and the assumption that the Project is approved for property and sales tax rebate incentives for 10 years:

- the initial cash needed at the opening, (year 1) is reduced to \$193,107.
- additional cash of \$121,371 to cover losses in years 2-4.
- The total cash requirement for working capital and debt service coverage is \$314,478.



With this information the Developer presented to the City three (3) incentive options as follows:

1. Option 1 - \$1,076,366 City of Denton incentive at CO, this can be a grant for 5 to 7 years . No tax rebates. An additional \$544,782 City of Denton incentive funded at opening or annually as needed, as a grant for 5 to 7 years s.
2. Option 2 - \$1,076,366 City of Denton incentive at CO, this can be a grant or forgivable loan over 10 years. Annual rebates for property, sales, and beverage taxes for 10 years. An additional \$314,478 City of Denton incentive funded at opening or annually as needed, as a grant or forgivable loan over 10 years.
3. Option 3 – Developer is not eligible for Option 3. Only non-profits are eligible for HOT funds. Developer pointed out that options 1 and 2 will require an additional capital contribution from its ownership group of approximately \$555,000, bringing their total investment to approximately \$1,837,000.

On 10/16/23 the City asked Grow America to review the new information and 3 incentive options for the Project provided by the Developer.

REVIEW OF PROJECT COSTS: Developer is proposing the rehabilitation of a Historic Theater into a multi-use entertainment facility. Existing 9,900 sqft structure is situated on 6,000 sqft footprint located at 113-115 N. Elm in the Denton Square. This is in a 2023 Qualified Census tract. Developer has site control via fee simple ownership of the property since 2018.

The building was originally constructed as a furniture store in the 1890's and converted to a movie theater in 1935. The building ceased operation as a movie theater in 1982. From 1982 to 2014 the space was utilized as a church and performance space. It has been vacant since 2014 and sustained considerable interior damage due to a small fire and weather-related issues due to a faulty roof. The Developer acquired the Project site in 2018 has restored the building to shell condition which included replacing the roof, asbestos removal and abatement, and demolition of the damaged areas along with architectural services at a cost of approximately \$2,146,714.

The ownership intends to completely renovate the building and convert it into a multi-use entertainment facility. Examples of its activity will involve assorted options including movies, film festivals, concerts, live performance, and rentals such as receptions, seminars, and worship services, as well as various community-based rentals. The renovated facility will have three interior levels and includes a restored main theater with approximately 200 seats and V.I.P. mezzanine (25-30 seats), a smaller movie theater on the second level with approximately 50 seats, a new concession area at the entrance and a bar that overlooks the downtown courthouse open to theater patrons and the public.

The table below shows the total rehabilitation budget, sources and uses of funds, and permanent financing for Fine Arts Theater at 3/21/23 (application) and 8/31/23. The table includes post construction proposed investments by Developer and City (Option 1).



Uses:		3/21/2023		8/31/2023	Difference
Building Purchase (at actual)		\$769,442		\$769,442	(0)
Pre-development Costs (at actual)		\$1,377,272		\$1,440,025	62,753
Total Pre-Development Costs		\$2,146,714		\$2,209,467	62,753
Rehabilitation Costs (projected)					
Rehabilitation costs & Contingency		\$5,185,490		\$5,186,074	584
Furniture & fixtures		\$629,985		\$629,985	0
Soft costs		\$410,000		\$410,000	0
Interest & related costs		\$672,409		\$684,096	11,687
Cash Reserve to meet OWC/DSCR Requirement		\$924,634		\$0	(924,634)
Total Projected Rehabilitation costs		\$7,822,518		\$6,910,155	(912,363)
Total Projected Project Costs		\$9,969,232		\$9,119,623	(849,609)
Funding Sources:					
Cash equity already invested		\$1,152,260		\$1,282,041	129,781
Deferred developer fee		\$250,000		\$250,000	0
Construction Loan Proceeds:					
Appraised Value - As Complete 75%LTV	\$3,195,000		\$3,195,000		0
Loan on Historic Tax Credits 75% LTV	\$2,000,000		\$2,033,217		33,217
Pledged collateral 75% LTV	\$744,918		\$2,359,365		1,614,447
Funding GAP	\$2,627,054		\$0		(2,627,054)
Construction Loan Amount	\$8,566,972	\$8,566,972	\$7,587,582	\$7,587,582	(979,390)
Total Funding Sources		\$9,969,232		\$9,119,623	(849,609)
Post Construction Loan Paydown					
Construction Loan	\$ 5,939,918		\$ 7,587,582		1,647,664
Historic Tax credits (Estimated)	\$ (2,694,918)		\$ (2,710,956)		(16,038)
Denton Downtown Econ Façade Grant (Estimated)	\$ (50,000)		\$ (50,000)		0
COD Rehab Cash Incentive	\$ -		\$ (1,076,366)		(1,076,366)
Funding Gap funded by partners	\$ -		\$ (555,260)		(555,260)
Loan Balance	\$ 3,195,000		\$ 3,195,000		(0)

Notes:

Rehabilitation/Construction.

- The 8/31/23 projected total rehabilitation/construction cost is reasonable. Total cost per square foot is \$921.
- Total pre-development costs increased \$62,753. These have been funded by a combination of \$1.2 million Developer cash and \$1.0 million loan.
- Total Rehabilitation costs (uses of funds) are \$9,119,623 – a decrease of \$849,609. This is primarily due to removal of cash reserve to meet Lender OWC/DSR requirement. This is a post rehabilitation cash need.
- Total Funding sources are \$9,119,623 – a decrease of \$849,609. Expected proceeds from sale of Project Historic Tax Credits increased \$33,217, proceeds from Developer pledged collateral



increased \$1,614,447, and the rehabilitation funding gap decreased \$2,627,054. The Developer is filling the gap.

Post Construction

The City will only be involved post construction. Lender requires the Developer pay down the construction loan to 75% of "as completed" appraised value of \$4,260,000 = \$3,195,000. Sources of funding to pay down the Lender are sale of Project Historic Tax Credits, proposed City Rehabilitation Cash Incentive (\$1,076,366), Denton Downtown Reinvestment Grant (\$50,000), and \$555,260 additional Developer cash. Discussion of City post construction incentives follows.

Option 1

Post Construction Permanent Financing (Spreadsheet Option 1 Project Cost Worksheet and Sources of Funds tabs)

- The City will only be involved post construction.
- Project Development Budget is a breakdown of the rehabilitation/construction costs.
- Source of Funds is the breakdown of post construction permanent financing including the Lender loan (\$3,195,000), the City's proposed Rehab Cash Incentive (\$1,076,366), Downtown Reinvestment grant (\$50,000), Historic Tax Credit equity (calculated by Project consultants Architexas @ \$2,710,685), and Developer equity investment (\$1,837,041) into the Project as well as Developer Deferred Loan (\$250,000).
 - Sources of funds exceed uses of funds by \$529 (insignificant).

Operating and Debt Service Reserve Needs (Spreadsheet Option 1 Proforma tab)

The Proforma shows the projected revenues and expenses for 10 years for the Project. Revenues and expenses were provided by Project Consultant ACI North LLC who has operated the Texas Theater in Dallas since 2010. Add backs to Net Profit include:

- Proposed/requested City Operating and Debt Reserve Grants totaling \$544,503 that includes:
 - \$465,701 over 7 years to cover projected shortfall between project Net Profit and Debt Service that results in required debt service coverage ratio of 1:1. These funds are included in the Add Backs to Cash Flow section of the Option 1 Proforma.
 - The Lender requires an additional \$0.25 of cash flow for debt service be maintained in a reserve account at the lending bank. This amounts to \$78,802 and is identified as Bank Required DSC Reserve (0.25%) on the Proforma. The source of the \$78,802 is the proposed City operating reserve incentive. The funds will only be drawn down should they be needed, that is, actual operations demonstrate cash flow for debt service is lower than projected. These funds are included in the Bank Required DSC Reserve line on the Option 1 Proforma.
- In summary, the projected total value of City operating and debt reserve incentives under Option 1 is \$544,503. When the City Rehab Cash (\$1,076,366) and City Downtown Reinvestment grant (\$50,000) incentives are added to the operating and debt reserves (\$544,503) incentives the total City incentive package totals \$1,670,869.

Option 2

Post Construction Permanent Financing (Spreadsheet Option 2 Project Cost Worksheet and Sources of Funds tabs).

The City will only be involved post construction.

- Project Development Budget is a breakdown of the rehabilitation/construction costs.



- Source of Funds is the breakdown of post construction permanent financing including the Lender loan (\$3,195,000), the City's proposed Rehab Cash Incentive (\$1,076,366), Downtown Reinvestment grant (\$50,000), Historic Tax Credit equity (calculated by Project consultants Architexas @ \$2,710,685), and Developer equity investment (\$1,837,041) into the Project as well as Developer Deferred Loan (\$250,000).
 - Sources of funds exceed uses of funds by \$529 (insignificant).

Operating and Debt Service Reserve Needs (Spreadsheet Option 2 Proforma tab)

Add backs to Net Profit include:

- Proposed/requested City Operating and Debt Reserve Grants totaling \$301,947.
 - \$223,145 over 4 years to cover projected shortfall between project Net Profit and Debt Service that results in required debt service coverage ratio of 1:1. These funds are included in the Add Backs to Cash Flow section of the Option 2 Proforma.
 - The Lender requires an additional \$0.25 of cash flow for debt service be maintained in a reserve account at the lending bank. This amounts to \$78,802 and is identified as Bank Required DSC Reserve (0.25%) on the Proforma. The source of the \$78,802 is the proposed City operating reserve incentive. The funds will only be drawn down should they be needed, that is, actual operations demonstrate cash flow for debt service is lower than projected. These funds are included in the Bank Required DSC Reserve line on the Option 2 Proforma.
- Proposed City real estate tax rebate equal to 100% of the estimated property taxes of the Project
 - This is calculated on an estimated assessed value of \$3,195,000 (75% of the "As completed" appraised value of \$4,260,000) increasing 3% per year over 10 years. Total property tax rebate over 10 years = \$205,362 These funds are included in the Add Backs to Cash Flow section of Option 2 Proforma along with the following:
- Proposed City Sales Tax rebate 1.5% of total revenues over 10 years. Total sales tax rebate over 10 years = \$225,837.
- Proposed City Mixed Beverage Gross Receipts Tax over 10 years calculated using 50% of projected concession revenue. Total MBGRT tax rebate over 10 years = \$24,626
- Proposed City Mixed Beverage Sales Tax over 10 years calculated using 50% of projected concession revenue. Total MBST rebate over 10 years = \$30,322

In summary, the projected total value of City operating and debt reserve incentives under Option 2 is \$788,094. When the City Rehab Cash (\$1,076,366) and City Downtown Reinvestment grant (\$50,000) incentives are added to the operating and debt reserves (\$788,094) incentives the total City incentive package totals \$1,914,460.

Option 3

Developer is not eligible for HOT Funds.

ANALYSIS OF DEVELOPER PROPOSED INCENTIVES

The Table highlights the 2 Options of incentives proposed for the Project.

COD \$	Option 1	Option 2
Rehab Cash	\$1,076,366	\$1,076,366
Downtown Reinvestment Grant	\$50,000	\$50,000
Operating Reserve	\$465,701	\$223,145



Debt Service Reserve	\$78,802	\$78,802
Cash Rebates*	N/A	\$486,147
Hot Funds	N/A	N/A
Total	\$1,670,869	\$1,914,460
Developer Equity	\$1,837,041	\$1,837,041

- Property, Sales, MBGRT, & MBST Rebates

Option 1: \$1,076,366 City of Denton Rehab Cash incentive at CO, this can be a grant for 5-7 years. No tax rebates. An additional \$544,782 City of Denton incentive funded at opening or annually as needed, as a grant over 10 years. This includes \$465,701 City operating incentive over 7 years and \$78,802 debt service reserve. This is sufficient to produce cash flow sufficient to repay Lender loan at 1:1 ratio as well as fund the Lender required 0.25:1 debt service coverage reserve.

When the City Rehab Cash (\$1,076,366) and City Downtown Reinvestment (\$50,000) incentives are added to the operating and debt reserves (\$544,782) incentives the total City incentive package totals \$1,670,869. This option is the least expensive option.

Under Option 1, the Developer begins to receive a cash-on-cash return on \$1,837,041 equity (Cash Flow Available for Distribution divided by equity investment) starting in year 8. There is no return on the Deferred Developer loan until year 11.

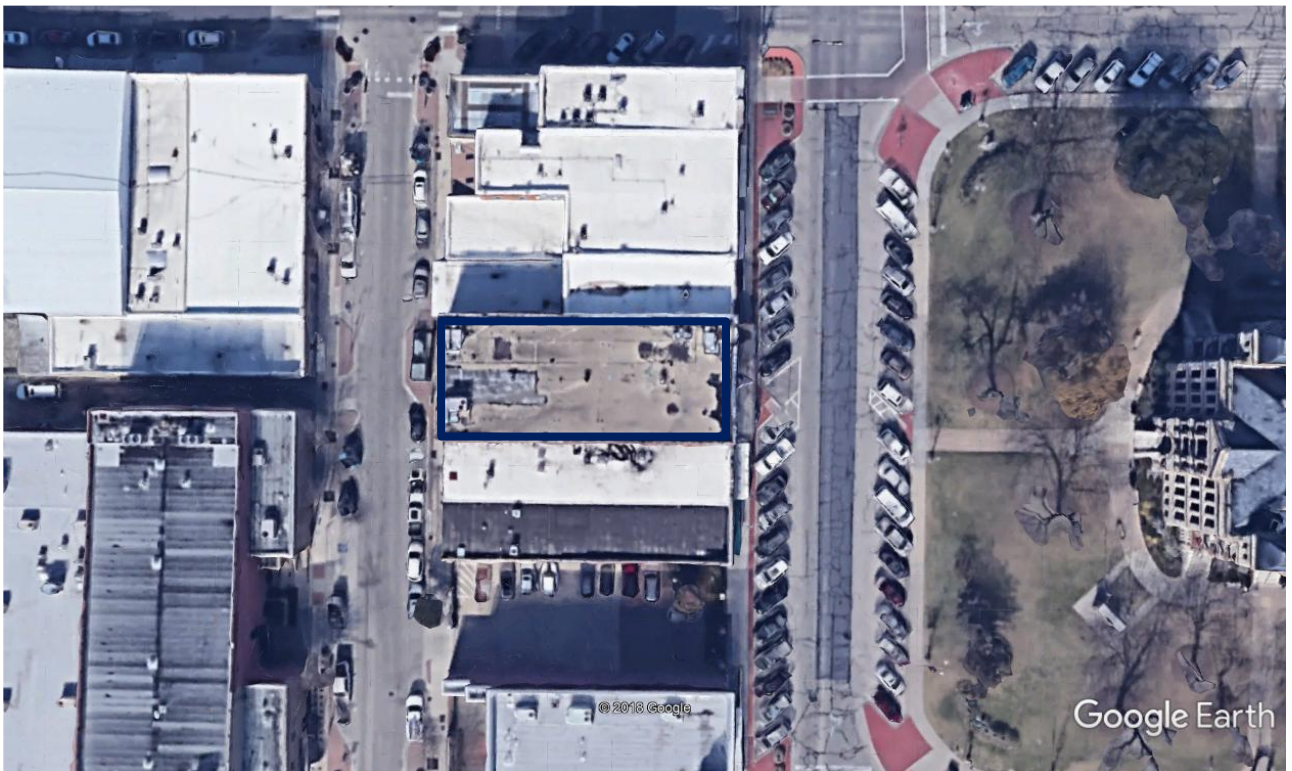
Option 2: \$1,076,366 City of Denton incentive at CO, this can be a grant over 10 years. An additional \$709,292 City of Denton incentive funded at opening or spread annually as needed, as a grant over 10 years. This includes \$223,145 City operating incentive over 4 years and \$78,802 debt service reserve. This is sufficient to produce cash flow sufficient to repay Lender loan at 1:1 ratio as well as fund the Lender required 0.25:1 debt service coverage reserve. In addition, the City provides \$486,147 real estate, sales, and beverage taxes rebates over 10 years.

When the City Rehab Cash (\$1,076,366) and City Downtown Reinvestment (\$50,000) incentives are added to the operating (\$223,145) and debt reserves (\$78,802) as well as property, sales, MBGRT, and MBST rebates (\$486,147) incentives the total City incentive package totals \$1,914,460.

Under this Option, the Developer only receives a cash-on-cash return on \$1,837,041 equity (Cash Flow Available for Distribution divided by equity investment) starting in year 5. There is no return on the Deferred Developer loan until year 11.



Exterior View: Front



Location



Interior View



Evaluation Matrix

(145 points) + (30 "Other" bonus points) = 175 total points

SGA TARGETS	Targets (20 Points)	Points
	Connective	
	Creative	10
	Sustainable	
	Competitive	
	Other Target Areas (Max 10 points): square revitalization and attraction that can lead to more development and revenue to other businesses in the downtown core and the city.	<u>3</u>
	SGA Targets Subtotal	<u>13</u>
PRIORITY CONSIDERATIONS	Considerations (100 Points)	Points
	Generates New Utility Customers (Max Points 10) Project is a customer of City utilities, including water, wastewater, and electric. Higher points awarded for larger customers	4
	Encourages New Business Markets/Suppliers And Entrepreneurship (Max Points 10) Project is from an industry not significantly represented in local economy or company is a new business startup or entrepreneurial endeavor	7
	Engages in Sustainable Practices (Max Points 10) Project has adopted sustainable or green business practices (e.g. LEED certification, renewable energy commitment or use, energy efficient construction)	2
	Increases High Wage Jobs (Max Points 10) Project includes new jobs with an average or has a significant percentage of jobs that earn an annual base salary of \$65,000 or more	0
	Encourage Knowledge Base Jobs (Max Points 10) Project includes new jobs or has a significant percentage of jobs that require specialized and theoretical knowledge, usually acquired through experience or a college education, or other training which provides comparable knowledge; requires some research, analysis, or requires special licensing, certification	3
	Pays a living wage for all new employees (Max 10 points) From the most current MIT Living Wage Calculator for Denton County	2
	Spur Infill Development Or Redevelopment (Max Points 10) Project is to develop/redevelop a property or facility in a manner that reduces urban sprawl and or increases density in a desirable area; project includes use of existing facility that has been vacant for at least 2 years	10
	Headquarters (Max Points 10) The project is an international or national headquarters facility	0
	Child Care Assistance (Max Points 10) Provides on-site child care; vouchers or other financial assistance; backup services; flexible or remote work accommodations; and flexible spending accounts	0
	Other Considerations (Max 10 points): Adds to the culture of Denton and will help with foot traffic, quality of life and enhancing the Downtown Square.	<u>7</u>
	Priority Considerations Subtotal	<u>35</u>

PUBLIC BENEFIT FACTORS	Public Benefit Factors (55 Points)	Points
	Expand The Tax Base (Max Points 10) Project provides new property, sales, HOT, or other taxes to the City, County, DISD, and DCTA through the development of property or facility or by making improvements to an existing property or facility, a new business or expansion, a new multi-tenant complex, or increase in jobs	8
	Fiscal and Economic Impacts (Max Points 15) Project cost-benefit analysis to include net new, indirect and induced jobs; wages; contributions through property, sales, HOT and other taxes; and rate of return	9
	Community Investment (Max Points 5) Project, company, or developer demonstrates a commitment to community support or involvement through monetary or in-kind support of local nonprofits, public institutions, or community organizations	8
	Public-Private Partnership (Max Points 10) Project includes development of public infrastructure or amenities deemed beneficial, or developer assumes responsibility for development of infrastructure or public facilities beyond what is required. Project will involve a significant relationship with DISD or institution of higher education	7
	Use of Local Contractors/Construction Vendors (Max Points 5) Project agrees to use vendors that have their principal place of business within the Denton City Limits	5
	Other Factors (Max 10 points):	
	Public Benefit Subtotal	<u>37</u>
TOTAL BY CATEGORY	Total by Category	Score
	Total	85
	Poor (0-44 points)	
	Acceptable (45-84 points)	
	Excellent (85-175 points)	X