

Rayzor Ranch History

Original Agreement (Ord. 2007-113): In 2007, an agreement was approved for Allegiance Hillview for the Rayzor Ranch mixed-use development. This 410-acre development is generally located on both sides of US Highway 380 between I-35 and Bonnie Brae. The City granted a $\frac{3}{4}$ of 1% rebate of sales tax generated by the project for 36 months followed by $\frac{1}{2}$ of 1% for 204 months or a total of 20 years. The grant was capped at \$62 million. The incentive reimburses infrastructure costs of Highway 380 improvements in return for the creation of the retail development and for the dedication of right-of-way for the expansion of Bonnie Brae. The retail improvements included 600,000 square feet on the north and south sides of US Highway 380, which bisects the property. The Agreement stipulated that the grant could not commence before January 1, 2009. "Substantial Completion" of the retail improvements and "Required Infrastructure" was required to occur by January 1, 2012.

Grant payments were based on a percentage of the sales taxes generated by the project, excluding any anchor or junior anchor stores that might have left the Golden Triangle Mall to locate at the Rayzor Ranch development. This was put in place to ensure that Allegiance did not receive sales from an anchor or junior anchor that relocated and closed the store at the mall. This does not apply if the anchor were to open a second location at the Rayzor Ranch development and keep the original store open at the mall.

If grantee were to purchase any retail property at the Golden Triangle Mall, the grantee was required to offer to sell the buildings to Feldman Mall Properties (FMP) Denton, LLC at fair market value (see appendix for additional information). This provision was put in place to prevent Allegiance from owning a building in Golden Triangle Mall without offering FMP Denton, LLC the opportunity to purchase the property at fair market value. The intent was to prevent Allegiance from owning or holding a building vacant within the mall.

1st Amendment to Original Agreement (Ord. 2009-064): This amendment separated the development into two phases - the Marketplace on the north side (Phase I) and the south side, which includes the Town Center (Phase II). The thresholds required 400,000 square feet for Phase I and 600,000 square feet for Phase II. The incentive of a maximum of \$62 million, was split as well - \$20 million allowed for Phase I and \$42 million for Phase II. The number of years for Phase I was decreased to 15. Phase II remained at 20 years. The percentages were increased to begin at 60% and then decreasing in subsequent years to 50% and 33% (see appendix for phasing details). The Agreement stipulated that the grant could not commence before January 1, 2010. The amendment required the developer to meet their Phase I threshold of 400,000 square feet of retail by January 1, 2013, and Phase II threshold of 600,000 square feet by January 1, 2015.

Replacement Agreement (Ord. 2010-142): City Council approved 1 Phase I reverted back to 20 years as in the original Agreement. Phase I initiation was required to occur by January 1, 2013. Sales tax reimbursements from Phase I that exceed \$20 million could be applied to Phase II during the 20-year term, provided that all Phase II thresholds had been met by January 1, 2015, and incentive payments for Phase II had been initiated.

The agreement provides for a 50% share in the City's sales tax revenue generated by the project for a period of 20 years for each phase, eliminating the need for dollar thresholds. This Agreement no longer required the developer to spend minimum amounts per phase. Instead, it limits the reimbursement to the actual amount of eligible costs (see appendix), not to exceed a total of \$62 million.

1st Amendment (Ord. 2010-210): In July 2010, RED Development and Allegiance Hillview officially became partners in the Rayzor Ranch project. The Amendment assigned a portion of the incentive grant payments to RED Rayzor Ranch, LLC (RED Development).

This amendment documented the assignment to RED Development and defined how the incentive would be allocated between the parties. The amendment of the Agreement provided the first \$20 million of the Program Grant

Payments to be payable to Allegiance Hillview, and the remainder of the Program Grant Payments to be payable to RED Rayzor Ranch. The grant payment initiation for Phase I occurred in August 2012.

2nd Amendment (Ord. 2014-143): This amendment increased eligible improvements from \$62 million to \$68 million to cover an additional \$3 million for Texas Department of Transportation (TxDOT) access improvements and another \$3 million in carrying costs. The Phase II 600,000 square foot threshold was split into two 300,000 square foot thresholds (“initial” and “additional” retail improvements in Phase II). The maximum payments for the Phase II “initial” and “additional” improvements were broken into \$21 million and \$27 million, respectively. The Substantial completion of the infrastructure and retail improvements for the Phase II deadline was extended from January 1, 2015 to January 1, 2018. The program payments for Phase II were also extended from 240 to 300 consecutive monthly payments.

3rd Amendment (Ord. 2015-331): This amendment facilitates the development, by O’Reilly Hotel Partners of a Hotel and Convention Center. The project falls within the boundary of the existing Chapter 380 Agreement between the City and Allegiance Hillview, L.P. (RED Development). O’Reilly Hotel Partners Denton acquired the land for the Hotel and Convention Center project at a “pass through” cost from Allegiance Hillview, L.P. The land for the Hotel and Convention Center would no longer be available as retail acreage. Allegiance Hillview, L.P. estimated that these changes would lead to a revenue loss of \$5 million. The amendment compensates the grantee for that revenue loss.

The current iteration of the program grant includes 50% of the 1.5% sales taxes collected by the City to reimburse eligible Phase II costs not paid with the Phase I payments. An additional 15% sales tax rebate from sales taxes generated at the Market Place (Phase I) and Town Center (Phase II) was granted until \$5 million is reached, to offset the loss of the retail acreage. The thresholds require that 300,000 square feet of retail have been met, which includes the ground floor of the Convention Center project. Phase II initiation was required to occur by January 1, 2018. The program payments for Phase II remained at 300 consecutive monthly payments unless paid in full for the eligible Phase II costs prior. The maximum payments for the Phase II “initial” and “additional” improvements remain at \$21 million and \$27 million, respectively.

The Third Amendment memorializes the second assignment. The Phase I rights and obligations for Phase I under the grant agreement were assigned from Allegiance Hillview, L.P. to a new subsidiary, Allegiance GL LLC (see appendix for additional information).

Proposed 4th Amendment (2017)

The proposed Fourth Amendment memorializes the third assignment and extends the Phase II deadline. Allegiance GL, LLC assigned Phase I rights, title, interest and obligations to Rayzor Ranch 380 Associates, through its sole member FidCal, LLC (see appendix for additional information). The project will have over 1 million square feet of retail with the completion of the two phases. Rayzor Ranch Marketplace completed over 582,000 square feet of retail and commercial space. Currently, 224,100 (approximately 75%) of the retail improvements have received a Certificate of Occupancy (CO) or are under construction at the Town Center. The Fourth Amendment extends the Phase II deadline from January 1, 2018, to April 1, 2018. In order for the grantee to be eligible for an extension beyond April 1, 2018, at least 270,000 square feet (approximately 90%) of the Phase II retail improvements must have a CO or have a completed foundation approved by the City’s Building Official at the time of the request and prior to the April 1, 2018 deadline. The deadline may not extend beyond July 2018.

Appendix

2007-113: Definitions

“Substantial Completion of the Improvements” means (i) with respect to the retail improvements when Certificates of Occupancy have been issued for the Retail Improvements; and (ii) with respect to the required infrastructure, when the required Infrastructure has been constructed in accordance with City and TxDOT standards and inspected and accepted by the City or TxDOT, as applicable.

“Required Infrastructure” means the public infrastructure designated as the Required Infrastructure on Exhibit C attached hereto including but not limited to Heritage Trail and the Highway 380 improvements, and including the improvements to North Lakes Park required by the zoning applicable to the Property.

The owner of the Golden Triangle Mall, Feldman Mall Properties (FMP) Denton, LLC, went into bankruptcy. Golden Triangle mall was purchased by GTM development, Ltd., a joint venture by the Herring Group and Weitzman Group.

2009-064: Phasing Detail

Phase I – Property North of Highway 380

Term	Percentage of Taxable Sales	Conditions
60 Months	60%	Or until a total of \$12 million in grant payments for Phase I have been paid, whichever comes first
120 Months	50%	Or until a total of \$15 million in grant payments for Phase I have been paid, whichever comes first
180 Months	33.3%	Or until a total of \$20 million in grant payments for Phase I have been paid, whichever comes first
The total term for Phase I will not exceed 180 monthly grant payments and will not exceed a total of \$20 million in grant payments.		

Phase II – Property South of Highway 380

Term	Percentage of Taxable Sales	Conditions
72 Months	60%	Or until a total of \$15 million in grant payments for Phase II have been paid, whichever comes first
156 Months	50%	Or until a total of \$30 million in grant payments for Phase II have been paid, whichever comes first
240 Months	33.3%	Or until a total of \$42 million in grant payments for Phase II have been paid, whichever comes first
The total term for Phase I will not exceed 240 monthly grant payments and will not exceed a total of \$42 million in grant payments.		

Assignment Clarification

- 2015-331
Allegiance Hillview, L.P. and the new entity Allegiance GL LLC are both disregarded entities of Torreonbridge National Investments LLC. The monthly Automated Clearing House (ACH) payments are deposited into Zions First National Bank to their Denver Corp., which is controlled by their Corporate Trust area.
- 2017 Proposed 4th Amendment
The City provided an Estoppel Certificate in October 2016, which documented the Amendments since the Replacement Agreement (Ord. 2010-142) and provided the total payments under Phase I of the Agreement. The amount that has been paid since initiation on August 2012 to the time of the Estoppel under the Agreement for Phase I was \$4,108,284.19. This estoppel was necessary for the sale of the north side

(Marketplace). Please note that some of the tenants own their own property (e.g. Walmart, Sam's Club and Kohl's).

Zions First National Bank continues to act as the Custodian for both Allegiance GL and FidCal/Fidelis Realty Partners (Rayzor Ranch 380 Associates). Monthly disbursements from the City will continue to be paid, via ACH, to the same account. The third assignment transfers all of its rights to the custodial account for Phase I, which is held at Zions First National Bank.

CATEGORIES OF ELIGIBLE IMPROVEMENTS

Categories of Eligible Improvements	Estimated Costs
Hwy 380 Improvements	\$ 8,133,150
Site drainage	4,720,750
Regional drainage improvements	2,696,750
Internal commercial roads, including water, sewer, streetscapes, plazas and amenities	20,004,064
Scripture Road improvements	675,050
Bonnie Brae improvements	1,271,900
Public Parking garage	6,730,375
Major public infrastructure relocation	2,013,650
Miscellaneous fees/services	5,754,311
Interest during construction on non-residential development	10,000,000
TOTAL	\$62,000,000

The actual cost of any individual Categories of Eligible Improvements may vary from the Estimated Costs shown on this Exhibit A. Grantee has the right to adjust individual line items of Estimated Costs of the individual Categories of Eligible Improvements so long as the Total of \$62,000,000 is not exceeded.