



# City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

---

## AGENDA INFORMATION SHEET

**DEPARTMENT:** Economic Development

**CM/ DCM/ ACM:** Bryan Langley

**DATE:** June 20, 2017

### **SUBJECT**

Hold a public hearing regarding the potential termination of Tax Increment Financing Reinvestment Zone Number One (Downtown TIF), City of Denton, Texas.

### **BACKGROUND**

As authorized by Chapter 311 of the Texas Tax Code, a Tax Increment Financing Reinvestment Zone (TIF) is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined zone. These improvements are usually undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the zone. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation in subsequent years is allocated into a TIF fund to support eligible projects.

Chapter 311 stipulates that an area must meet at least one of a list of criteria in order to be considered for tax increment financing (see Exhibit 7 for full list). The following criteria were used for Denton's Tax Increment Financing (TIF) Reinvestment Zone Number One (Downtown TIF):

- It is a contiguous geographic area located wholly within the corporate limits of the municipality.
- The area's present condition substantially impairs the sound growth of the municipality creating the zone or constitutes an economic or social liability in its present condition and use because of the presence of:
  - A substantial number of substandard or deteriorating structures
  - Deterioration of site or other improvements
  - Inadequate sidewalks or street layout
  - Conditions that endanger life or property by fire, flooding, or other causes
- The proposed project plan includes the use of land in the zone in connection with the operation of a proposed regional commuter or mass transit rail system.

At the time of the Downtown TIF's creation, the statute read that a reinvestment zone may not be created if more than 10% of the property in the proposed zone (excluding publicly owned property) is used for residential purposes, which is defined as any property occupied by a house which has less than five living units. The statute now states that a reinvestment zone may not be created if more than 30% of the property in the proposed zone is used for residential purposes.

The Downtown TIF Board members are: Chris Watts and Kevin Roden (two City Council members), Bob Moses and Virgil Strange (two owners of property located within the zone), Marty Rivers and Hank Dickenson (two members of the Denton Chamber of Commerce Board of Directors), and Melissa Lenaburg (a qualified voter in the City of Denton).

At the request of City Council members, staff has compiled an estimate of expenditures made within the Downtown TIF zone from the first year of the TIF (2011) to date. This estimate, found in Exhibit 8, includes expenditures from nine different funds, and totals \$12,963,384.

**Expenditures Within the Downtown TIF Zone 2011 to Date**

Funding Source	
General fund	\$ 2,180,635
Bond Funding	\$ 8,808,089
Solid Waste	\$ 66,290
Street Improvement Fund	\$ 793,973
Downtown Reinvestment Grant fund	\$ 525,045
Hotel Occupancy Tax	\$ 159,642
Parkland Dedication	\$ 167,984
Traffic Safety	\$ 109,726
Downtonw TIF Fund	\$ 152,000
	<b>\$ 12,963,384</b>

**PRIOR ACTION/REVIEW**

In 2003, the Downtown Master Plan (Ordinance No. 2003-164) was adopted by the City Council after a review process that included a public hearing and a report and recommendation by the Planning and Zoning Commission. The plan was a framework of recommendations on future land use, transportation, and public improvements that was formulated to assist with redevelopment and development in the Downtown area.

In 2005, RTKL was hired to identify five catalyst projects Downtown that would be capable of becoming viable developments and would spur other development in those areas. This information was one of the primary sources ultimately used in formulating the Downtown TIF Project, Feasibility and Finance Plans.

In 2008, the City Council reviewed the process and purpose of a TIF. After several meetings regarding the Downtown TIF, it was decided to postpone the establishment of the TIF until the Downtown Implementation Plan (DTIP) was complete.

On August 17, 2010, the DTIP was approved by City Council (Resolution No. R2010-032). It identified specific projects and goals in order to spur development and redevelopment in Downtown, as well as financing opportunities, which included creating a TIF district.

The Downtown Master Plan, the RTKL Catalyst Project study, and the DTIP all were reviewed and endorsed by stakeholders, the Downtown Task Force, the Economic Development Partnership Board and City Council. All three of these studies/plans recommended the creation of a TIF.

On December 7, 2010, the City Council passed Ordinance No. 2010-316, which established the Downtown TIF. It took effect on January 1, 2011, and the City of Denton is the sole participating jurisdiction.

On August 16, 2011, Council passed Ordinances No. 2011-128 and 2011-129, the Downtown TIF Project Plan and Finance/Feasibility Plan, respectively. The plans define the boundaries, scope, feasibility, and projects that may be funded by the TIF.

On August 5, 2014, Council passed Ordinance No. 2014-221 approving the following amendment to Exhibit D of the Project Plan:

“Pursuant to the Texas Local Government Code, section 272.001, the City of Denton may utilize City-owned property that is located in a reinvestment zone to facilitate economic projects which the

City and TIF Board deem appropriate and desirable. The City may acquire, lease, sell or otherwise transfer property to accomplish the public purpose of economic development that is consistent with the Project Plan. Such projects may include public-private partnerships, transit-oriented developments, or the recruitment of specific industries including, but not limited to, hi-tech or emerging technology companies, local start-up businesses, artisan or “maker” industries, the creative sector, bakeries, microbreweries, micro-distilleries, wineries, grocery stores, or other industries that the TIF Board and the City Council deem desirable.”

### **FISCAL INFORMATION**

The Downtown TIF is set to terminate on December 31, 2041, or when the budget of \$24.8 million has been collected. The percentage of the increased valuation allocated to the TIF fund is as follows:

Years 1-5	100%
Years 6-10	95%
Years 11-20	90%
Years 21-30	85%

Estimated project costs are as follows:

<u>PROJECT</u>	<u>ESTIMATED COST</u>
Parking / Transportation	\$8.0 million
Complete Streets	\$7.9 million
Support for Downtown Projects	\$4.9 million
Utility / Drainage Improvements	\$4.0 million
<b>TOTAL</b>	<b>\$24.8 million</b>

On September 15, 2015, the City Council passed Ordinance No. 2015-300 approving a Chapter 380 incentive grant of \$76,000 for five years (\$380,000) for the Railyard development at 608 E. Hickory. To date, two payments have been made.

As of September 30, 2016, the actual tax revenue that has gone into the Downtown TIF Fund is \$1,293,429. The current estimated bonding capacity of the Downtown TIF fund is \$8 million.

<b>Downtown TIRZ Value History - Certified Values</b>							
<u>Tax Year</u>	<u>Base Value</u>	<u>Existing Growth</u>	<u>New Construction</u>	<u>Total Value</u>	<u>TIRZ Increment</u>	<u>Actual TIRZ Tax Revenue</u>	
2010 <sup>(1)</sup>	\$ 79,356,854	\$ -	\$ -	\$ 79,356,854	\$ -	N/A	
2011	\$ 79,356,854	\$ 2,300,954	<sup>(2)</sup>	\$ 81,657,808	\$ 2,300,954	\$6,720	
2012	\$ 79,356,854	\$ 6,263,531	\$ 3,985,250	\$ 89,605,635	\$ 10,248,781	\$94,381	
2013	\$ 79,356,854	\$ 13,075,120	\$ 3,855,976	\$ 96,287,950	\$ 16,931,096	\$145,506	
2014	\$ 79,356,854	\$ 32,800,329	\$ 2,727,890	\$ 114,885,073	\$ 35,528,219	\$258,053	
2015	\$ 79,356,854	\$ 34,280,051	\$ 4,803,671	\$ 118,440,576	\$ 39,083,722	\$330,030	
2016	\$ 79,356,854	\$ 56,330,484	\$ 334,140	\$ 136,021,478	\$ 56,664,624	\$458,739	
Estimate 2017 <sup>(3)</sup>	\$ 79,356,854	\$ 72,653,962	\$ 6,220,184	\$ 158,231,000	\$ 78,874,146		
			\$ 21,927,111			\$1,293,429	
<sup>(1)</sup> Base year Value							
<sup>(2)</sup> Not available in first year							
<sup>(3)</sup> Preliminary Estimate - Certified value not available until 7-25-2017							

## **POTENTIAL USES OF TIF FUNDS**

Under the Project Plan, eligible categories for expenditures include:

- Parking/Transportation – garages, surface parking, parking lighting or signage, wayfinding, transit oriented development
  - Wayfinding signage in the Downtown TIF zone, to include three phases of the five-phase project
- Complete Streets – sidewalks, bus or bicycle lanes, bike racks, crosswalks, pedestrian lighting, etc.
  - Complete Street elements for Elm and Locust in the Downtown TIF zone
- Downtown Projects – includes grants, loans, and services for public and private development (historic preservation, environmental remediation, economic development)
  - Example: Funding the Downtown Reinvestment Grant program, but only within the boundaries of the Downtown TIF zone, not in the larger Downtown Implementation Plan area
- Utility Drainage – physical provisions to accommodate and regulate stormwater runoff
  - Elements of the Denton Downtown Drainage Master Plan, such as the Downtown Storm Sewer Improvements Trunk Line, South Bell and Oak Street Systems project, or the Hickory System and Parkway Laterals system

## **OPTIONS**

1. Terminate the Downtown TIF, at which point the fund balance would revert to the General Fund and the Downtown TIF Fund would cease to exist.
2. Preserve the Downtown TIF under the existing Project and Finance/Feasibility Plans, but identify eligible projects for immediate use of TIF funds.
3. Change the terms of the Downtown TIF to alter its length (by amending the creation ordinance) or the percentage of the tax increment that is dedicated to the TIF Fund (by an ordinance amending the Finance Plan).

## **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area:   Economic Development**

**Related Goal:               3.4 Encourage development, redevelopment, recruitment, and retention**

## **EXHIBITS**

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance No. 2010-316

Exhibit 3 – Ordinance No. 2011-128

Exhibit 4 – Ordinance No. 2011-129

Exhibit 5 – Ordinance No. 2014-221

Exhibit 6 – Downtown TIRZ (TIF) Value History

Exhibit 7 – Secs. 311.005 and 311.006 Texas Tax Code

Exhibit 8 – Expenditure Estimate Within the Downtown TIF Zone, 2011 to Date

Exhibit 9 – Presentation

Respectfully submitted:

Caroline Booth  
Director of Economic Development