



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Meeting Agenda

Economic Development Partnership Board

Wednesday, February 14, 2024

11:00 AM

Development Service Center

After determining that a quorum is present, the Economic Development Partnership Board of the City of Denton, Texas, will convene in a Regular Meeting on Wednesday, February 14, 2024 at 11:00 a.m. in the Development Service Center Training Rooms 3, 4, and 5 at 401 N. Elm Street, Denton, Texas at which the following items will be considered:

1. ITEMS FOR CONSIDERATION

- A. [EDP24-016](#) Consider approval of the minutes of the January 10, 2024 Economic Development Partnership Board.

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - January 10, 2024 EDPB Meeting Minutes](#)

- B. [EDP24-017](#) Receive training and hold a discussion regarding an Economic Development Partnership Board member orientation.

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - Economic Development Tools and Statutes](#)
[Exhibit 3 - Board Orientation Presentation](#)

- C. [EDP24-018](#) Staff Reports:
1. Fine Arts Theatre - Christine Taylor
 2. City and Chamber Recruitment Update - Erin Carter and Christine Taylor
 3. Downtown Reinvestment Grant Update - Kristen Pulido
 4. Future Agenda Items - Christine Taylor

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - Fine Arts Theater](#)
[Exhibit 3 - Downtown Reinvestment Grant Presentation](#)
[Exhibit 4 - Queue of Future Agenda Items](#)

2. CONCLUDING ITEMS

A. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Economic Development Partnership Board or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

NOTE: The Economic Development Partnership Board reserves the right to adjourn into a Closed Meeting on any item on its open meeting agenda consistent with Chapter 551 of the Texas Government Code, as amended, or as otherwise allowed by law.

CERTIFICATE

I certify that the above notice of meeting was posted on the official website (<https://tx-denton.civicplus.com/242/Public-Meetings-Agendas>) and bulletin board at City Hall, 215 E. McKinney Street, Denton, Texas, on February 9, 2024, in advance of the 72-hour posting deadline, as applicable, and in accordance with Chapter 551 of the Texas Government Code.

OFFICE OF THE CITY SECRETARY

NOTE: THE CITY OF DENTON'S DESIGNATED PUBLIC MEETING FACILITIES ARE ACCESSIBLE IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT. THE CITY WILL PROVIDE ACCOMMODATION, SUCH AS SIGN LANGUAGE INTERPRETERS FOR THE HEARING IMPAIRED, IF REQUESTED AT LEAST 48 HOURS IN ADVANCE OF THE SCHEDULED MEETING. PLEASE CALL THE CITY SECRETARY'S OFFICE AT 940-349-8309 OR USE TELECOMMUNICATIONS DEVICES FOR THE DEAF (TDD) BY CALLING 1-800-RELAY-TX SO THAT REASONABLE ACCOMMODATION CAN BE ARRANGED.



City of Denton

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Legislation Text

File #: EDP24-016, **Version:** 1

AGENDA CAPTION

Consider approval of the minutes of the January 10, 2024 Economic Development Partnership Board.



City of Denton

City Hall
215 E. McKinney Street
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AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: February 14, 2024

SUBJECT

Consider approval of the minutes of the January 10, 2024 Economic Development Partnership Board.

BACKGROUND

The draft minutes of the January 10, 2024 meeting are attached for the Board's review and consideration.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Draft Minutes of January 10, 2024

Respectfully submitted:
Matilda Weeden
Economic Development Specialist

MINUTES
CITY OF DENTON
ECONOMIC DEVELOPMENT PARTNERSHIP BOARD
January 10, 2024

After determining that a quorum was present, the Economic Development Partnership Board convened in a Special Called Meeting on Wednesday, January 10, 2024, at 11:06 a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas, 76201 at which the following items were considered:

PRESENT: Erin Carter (ex-officio), Tony Clark, Brian Danhof, Steven Edgar, Jeremy Fykes, Gerard Hudspeth, Lee Ramsey, Aaron Roberts, Jason Tomlinson, Jamie Wilson (ex-officio), Clyde Rick Woolfolk

ABSENT: Kerry Goree, Sara Hensley (ex-officio), Jimmy Mejia, and Paul Meltzer

STAFF: Ryan Adams, Scott Bray, Vicki Byrd, Christina Davis, Vanessa Esparza, Christa Foster, Emilio Montalvo, Cassandra Ogden, Kristen Pulido, Christine Taylor, and Matilda Weeden

1. ITEMS FOR CONSIDERATION

Note: Items are listed in the order they were considered.

A. EDP24-003 Elect a Chair and Vice-Chair to the Economic Development Partnership Board.

Clark made a motion to approve Edgar as Chair. Woolfolk seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Edgar, Fykes, Ramsey, Roberts, Tomlinson, Woolfolk

NAYS (0): None

ABSENT (1): Hudspeth

Woolfolk made a motion to approve Clark as Vice-Chair. Ramsey seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Edgar, Fykes, Ramsey, Roberts, Tomlinson, Woolfolk

NAYS (0): None

ABSENT (1): Hudspeth

B. EDP24-001 Consider approval of the minutes of the June 14, 2023 Economic Development Partnership Board.

Ramsey made a motion to approve the minutes of June 14, 2023. Clark seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Edgar, Fykes, Ramsey, Roberts, Tomlinson, Woolfolk

NAYS (0): None

ABSENT (1): Hudspeth

- C. EDP24-007 Consider recommending adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a first amendment to a contract between the City of Denton and the Denton Chamber of Commerce, amending the contract approved by the City Council on September 27, 2022, and extended through September 30, 2024 by consent of both parties, in the not to exceed amount of \$125,000, said first amendment to provide additional funding to provide for a program to promote economic development, providing for the expenditure of funds therefore; and providing for an effective date (Providing for an additional first amendment expenditure amount not-to-exceed \$25,000, with the total contract amount not-to-exceed \$150,000).**

Staff presented the item and discussion followed. Hudspeth arrived at 11:28 a.m.

Woolfolk made a motion to approve the recommendation that City Council adopt an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a first amendment to a contract between the City of Denton and the Denton Chamber of Commerce, amending the contract approved by the City Council on September 27, 2022, and extended through September 30, 2024 by consent of both parties, in the not to exceed amount of \$125,000, said first amendment to provide additional funding to provide for a program to promote economic development, providing for the expenditure of funds therefore; and providing for an effective date (Providing for an additional first amendment expenditure amount not-to-exceed \$25,000, with the total contract amount not-to-exceed \$150,000). Danhof seconded the motion. Motion carried (9-0).

AYES (9): Clark, Danhof, Edgar, Fykes, Hudspeth, Ramsey, Roberts, Tomlinson, Woolfolk

NAYS (0):

- D. EDP24-004 Receive a report, hold a discussion, and appoint or reappoint members and an Economic Development Partnership Board representative to the Downtown Economic Development Committee.**

Edgar stepped out to take a phone call at 11:43 a.m.

Clark made a motion to appoint and reappoint all members recommended by staff for the Downtown Economic Development Committee. Woolfolk seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Fykes, Hudspeth, Ramsey, Roberts, Tomlinson, Woolfolk
NAYS (0): None
ABSENT (1): Edgar

Ramsey made a motion to appoint Fykes as Chair for the Downtown Economic Development Committee (DEDC). Clark seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Fykes, Hudspeth, Ramsey, Roberts, Tomlinson, Woolfolk
NAYS (0): None
ABSENT (1): Edgar

E. EDP24-005 Receive a report, hold a discussion, and give staff direction regarding the meeting dates and times for calendar year 2024.

Woolfolk made a motion to keep the EDPB meetings on the second Wednesday of every month in 2024 at 11:00 a.m. to 12:30 p.m. Fykes seconded the motion. Motion carried (8-0).

AYES (8): Clark, Danhof, Fykes, Hudspeth, Ramsey, Roberts, Tomlinson, Woolfolk
NAYS (0): None
ABSENT (1): Edgar

F. EDP24-002 Receive training and hold a discussion regarding an Economic Development Partnership Board member orientation.

Staff presented the item and discussion was held.

Edgar rejoined the meeting at 11:58a.m.

G. EDP24-006 Staff Reports

- 1. Commercial Services Deposit Report - Christa Foster**
- 2. Update on Hiring Process - Christine Taylor and Erin Carter**
- 3. PACCAR Texas Enterprise Zone Staff Report Memo - Erica Sullivan**
- 4. STaND Report - Erica Sullivan**
- 5. Economic Development Partnership Quarterly Report Q4 - Matilda Weeden**

Staff presented Staff Reports 1 and 2 and discussion was held after each item. Items 3, 4, and 5 were tabled for a later date.

2. CONCLUDING ITEMS

With no further business, the meeting adjourned at 12:35 p.m.

Steven Edgar, Chair
Economic Development Partnership Board

Vanessa Esparza
Administrative Assistant

Minutes Approved On: _____



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File #: EDP24-017, **Version:** 1

AGENDA CAPTION

Receive training and hold a discussion regarding an Economic Development Partnership Board member orientation.



City of Denton

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AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor, Assistant City Manager

DATE: February 14, 2024

SUBJECT

Receive training and hold a discussion regarding an Economic Development Partnership Board member orientation.

BACKGROUND

The Economic Development Partnership Board Orientation is designed to orient new members and act as a refresher training for existing board members. This training session will cover the following topics: an overview of Economic Development Strategic Plan, Financing Tools and Development Districts utilized in Denton.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Economic Development Tools and Statutes

Exhibit 3 – Board Orientation Presentation

Respectfully submitted:

Erica Sullivan

Economic Development Program Administrator

Economic Development Tools and Statutes Resource Summary

Currently Utilizing in Denton

Finance Tools

Tax Abatements allow local government to exempt all or a portion of the valuation increase of real and personal property taxes from a new or expanded business development for a period of up to 10 years. The statutes regulating tax abatements can be found in Chapter 212 of the Texas Property Tax Code [here](#).

Chapter 380 of the Texas Local Government Code (LGC) states that a municipality may establish and provide for the administration of one or more programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality [here](#).

Sales and Use Tax for Construction Rebate is accomplished through a Texas Direct Payment Permit. This incentive involves a rebate of all or a portion of the sales and use taxes for the purchase of construction materials that would generate additional local use taxes that the City of Denton would not otherwise receive. The permit allows for storage without the payment of taxes until the location is determined, so they are not taxed when holding the goods. This program is regulated by the Texas Administrative Code (TAC) Title 34, Chapter 3, Subchapter O, Rule 3.288 [here](#) and Tax Code Title 2, Subtitle E, Chapter 151 Limited Sales Excise and Use Taxes [here](#).

Cities may adopt a local Hotel Occupancy Tax (HOT) through an ordinance calling for the levy of the tax. The ordinance is required to be approved by a simple majority of the City Council in an open meeting. The adoption of a local hotel occupancy tax does not require voter approval. Chapter 351 of the Texas Tax Code regulates HOT [here](#).

A Freeport Exemption involves an exemption from property tax of goods that have been held in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. The exemption applies throughout the entire taxing jurisdiction. We have a triple freeport exemption meaning that the City, County and school district all participate. This was accomplished through a self-enacting constitutional amendment where no action was necessary by taxing units interested in granting exempt Freeport property from taxation. Taxing units could take specific action to opt out of the exemption. Tax Code Sections [11.251](#), [11.437](#) and [11.253](#) and Tax and Article 8, Sec. 1-j of the Texas Constitution [here](#) regulate freeport exemptions.

Denton County is part of the DFW Foreign Trade Zone (FTZ) No. 39. FTZ is a Federal designation whereby businesses can get reduced custom duties and tariffs to promote trade. FTZs are the domestic equivalent of international "Free trade Zones." Business in Dallas, Tarrant, Collin, Denton, Grayson and Rockwall counties fall under FTZ No. 39. FTZ and are regulated under 15 Code of Federal Regulations (CFR) 400 [here](#).

Development Districts

A Tax Increment Reinvestment Zone (TIRZ) is a tool that local governments can use to publicly finance needed structural improvements and enhance infrastructure within a defined area in order to stimulate private development and redevelopment. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation from subsequent years is allocated to TIRZ development. The statutes that regulate Tax Increment Financing are located in Chapter 311 of the Texas Tax Code, also known as the Tax Increment Financing Act [here](#).

A Public Improvement District (PID) is a defined area where public improvements may be financed through the use of special assessments. The funds from the assessment can be used to maintain those improvements. The regulations for PIDs can be found under Chapter 372 of the Local Government Code [here](#).

Municipal Utility Districts (MUD) functions as an independent, limited government, which can levy and collect taxes, issue bonds, charge for services, condemn property, enforce restrictive covenants, and make regulations to accomplish its purpose. The general statutes regulating MUDs are Chapter 54 of Water Code and TCEQ administrative code [here](#); Chapter 42 of Local Government Code [here](#); and special legislation codified into Texas Special Districts Local Laws Code [here](#).

Municipal Management Districts (MMD) are a separate political subdivision and government agency that can collect property taxes or an assessment from property owners. They are developed within an existing area to fund infrastructure improvements and services in addition to those already provided by property owners or the City. These improvements may be financed through special assessments, impact fees, or by other charges against property owners within the district. A district is designed to supplement, not supplant, the municipal services. The general statutes regulating municipal management districts are located in Chapter 375 of the Local Government Code [here](#).

Additional Tax Initiatives not Presently Used in Denton

Venue Project Tax projects are regulated by Chapters [334](#) and [335](#) of the Local Government Code and provides local governments the authority to finance economic development sports and community venue projects. An election approving the venue project and the revenue sources is required. Venue project revenue sources include: sales tax, hotel occupancy tax, motor vehicle rental tax, event parking tax, event admissions tax, and a venue facility use tax.

The Texas Economic Development Act falls under Chapter 313 of the Tax Code, which authorizes property tax incentives provided by school districts. School districts can provide tax credits and an eight-year limitation on appraised value of a property for the maintenance and operations portion of the school district property tax to eligible corporations [here](#).

Municipal Development Districts (MDD) are financed through a sales tax that is similar to the Economic Development Sales Tax as it needs to be approved by the city's voters. It can be for an area

rather than the entire city and can also be used in the extraterritorial jurisdiction of the city. MDDs are governed under Chapter 377 of the Local Government Code [here](#).

Neighborhood Empowerment Zones are created to promote some economic development activities. These zones are governed by Chapter 378 of the Local Government Code [here](#). They are designed to promote: the creation or rehabilitation of affordable housing, social services, education or public safety provided to citizens in the zone.

There are a number of statutes that provide for the issuance of bonds for economic development. Chapter 311 of the Tax Code, which ties back to Tax Increment Financing, allows for the issuance of tax increment bonds to finance economic development projects within the district [here](#). Chapter 1509 of the Government Code allows cities to finance certain manufacturing and commercial facilities [here](#). Chapters 501 through 507 of the Local Government Code [here](#), Development Corporation Act, allow development corporations to issue bonds for certain economic development projects.

Other Resource

Texas Municipal League's Economic Development Handbook is another excellent resource found [here](#).

An aerial photograph of the City of Denton, Texas, featuring the historic Denton County Courthouse with its prominent dome. The image is overlaid with a semi-transparent green filter. The text is positioned on the right side of the image.

CITY OF DENTON

**ECONOMIC
DEVELOPMENT
PARTNERSHIP**

**BOARD
ORIENTATION**

Economic Development Board Orientation

- Strategic Plan
- Financing Tools
- Development Districts

STRATEGIC PLAN: GUIDING PRINCIPLES



CORE RESILIENCY

Protect the City's core economic base and major employers by retaining businesses and providing them with the support necessary to continue doing business in Denton



FUTURE FOCUSED

Position Denton for future growth by understanding trends and adopting a proactive approach to economic development.



INCLUSIVE GROWTH

Enhance economic opportunity for all residents by utilizing different strategies that recognize the diverse needs and assets of different communities, especially those in south and east Denton.



ENTREPRENEURIAL SPIRIT

Cultivate the City's entrepreneurial ecosystem by investing in quality of place and catalyzing innovation that will continue to attract creative professionals to Denton.



CULTURAL VITALITY

Strengthen Denton's cultural vitality by continuing to promote arts and music while also marketing the City as DFW's cultural hub.

STRATEGIC PLAN: GOALS

ACCELERATE RECOVERY

Coordinate short-term economic recovery efforts from the COVID-19 pandemic by aggregating information, collaborating with regional partners, and allocating resources to top priorities.

FOSTER GROWTH

Attract long-term economic growth aligned with community priorities by focusing on four strategic growth areas: connectivity, creativity, sustainability, and competitiveness.

STRENGTHEN COMMUNITY INCLUSION

Align economic, workforce, and community development efforts to meet critical community needs and to strengthen community inclusion.



STRATEGIC GROWTH AREAS

Denton is a **transportation and logistics hub** for the DFW Metroplex.

Denton's unique culture is driven by a **growing entrepreneurship and creative community**.



CONNECTIVITY



SUSTAINABILITY



CREATIVITY



COMPETITIVENESS

Denton is positioned to be a global leader in **renewable and green technology**.

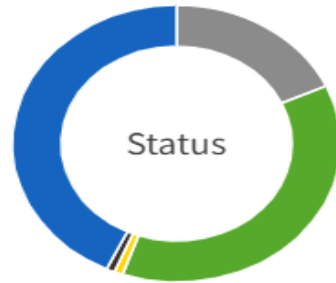
Denton will become more **economically competitive** with planned investments.



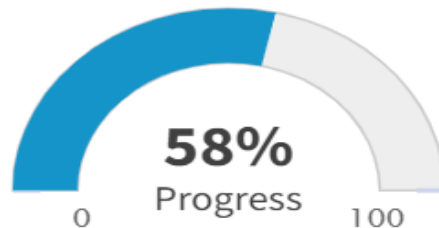
Tracking our Progress



Plan Status & Progress



	%	#
● Status Pending	18.18	22
● On Track	37.19	45
● Some Disruption	0.83	1
● Discontinued	0.83	1
● Completed	42.98	52



Accelerate Recovery ▾ Foster Growth: Connected Denton ▾ Foster Growth: Creative Denton ▾
Foster Growth: Sustainable Denton ▾ Foster Growth: Competitive Denton ▾ Strengthen Community Inclusion ▾
Other Considerations: Resources and Capacity ▾

Select Language ▾ 🔍

Economic Development Strategic Plan

The Economic Development Strategic Plan, adopted by Council in January 2021, provides a modern approach to economic development that is appropriate for a community of its size and is capable of leveraging public and private resources to capitalize on the opportunities that lie ahead. In addition, the plan is meant to help focus economic development efforts to be more strategic and effective in responding to forthcoming changes in Denton. It was built around three major goals: accelerate recovery, foster growth, and strengthen community inclusion. Developed based on input from stakeholder engagement and economic assessments, the set of strategies and actions identified under each goal are meant to provide the City with a roadmap to organize its programs and bolster Denton's vitality over the next several years.

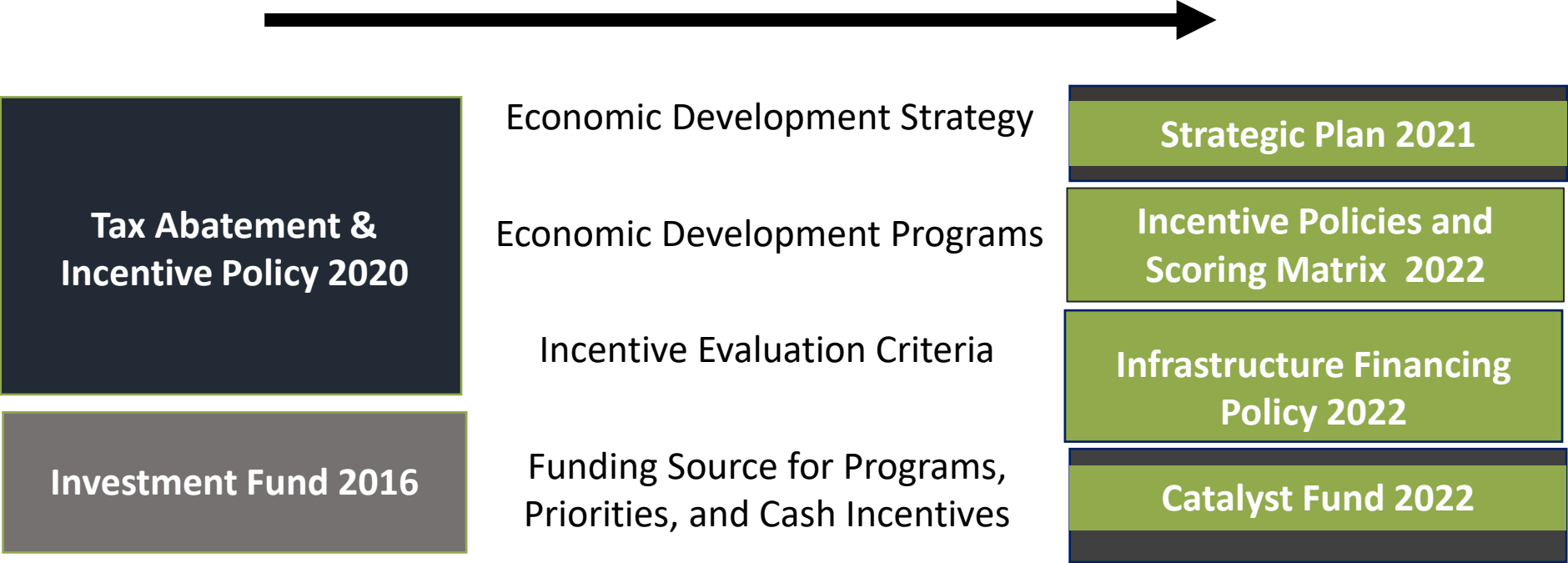
To read the plan in its entirety, click [here](#).



The legend below explains the various status indicators using a color-coding system.

- Pending: Indicates actions for which an update has not yet been provided.
- On Track: Indicates actions is on track and expected to be completed on time.
- Some Disruption: Indicates a minor block in the action that may jeopardize the on-time completion or outcome.
- Major Disruption: Indicates a major roadblock in the action that will impact the on-time completion or outcome.
- Completed: Indicates completed actions.
- Upcoming: Indicates upcoming actions set to begin at a future date.

Strategic Plan Alignment and Policy Transition





Financing Tools



Tax Abatements

- ✓ Minimum capital investment
- ✓ Receives exception from tax statement

Chapter 380 Agreements

- ✓ City loan or grant
- ✓ Property owner receives reimbursement from City

Triple Freeport Exemption

- ✓ Personal property exemption from property taxes
- ✓ City, County, and DISD



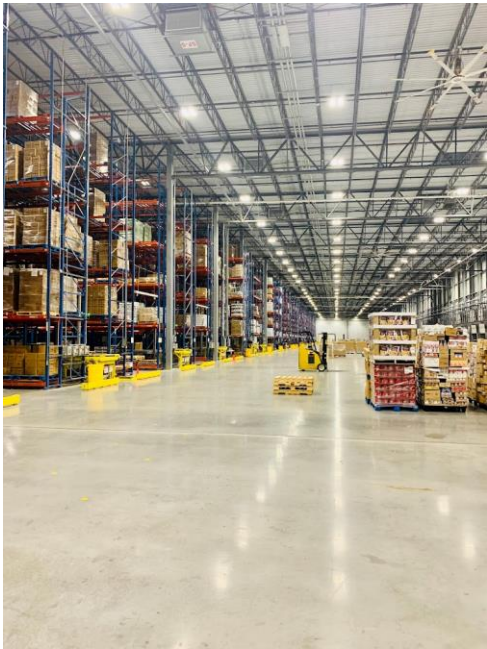
Financing Tools: Utility

Infrastructure Assistance

- ✓ Available for inadequate or aging infrastructure
- ✓ Water and Wastewater Planned Line Funds

Economic Growth Rider

- ✓ Managed by DME
- ✓ Metered demand in excess of 1,000 Kva per month



Financing Tools: Creative

Sales and Use Tax for Construction

- ✓ State program that allows for the sourcing of sales taxes
- ✓ Rebate of the City's of sales taxes for the construction and equipping of a facility

Qualified Hotel Project

- ✓ State program to assist with hotel financing projects
- ✓ Rebate of state HOT and sales taxes collected at a QHP for 10 years





Tax Increment Reinvestment Zones



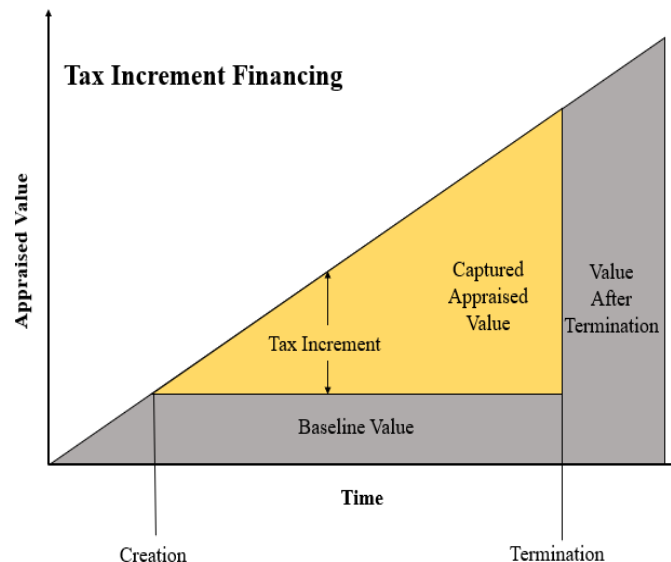
TIRZ

State Statute: Chapter 311 of Texas Tax Code

Local Policy: Draft guidelines in process

Key Elements

- Can be initiated by petition or directly by a local government
- Can capture portions of sales or property tax
- Often used to fund development or large infrastructure projects; pay as you go often used for maintenance and smaller projects
- TIRZ have their own governing body
- Requires adoption of project and finance plans
- Funds must be used in accordance with Ch. 311 and adopted project plan
- City can adopt its own criteria and terms for creating a TIRZ



Public Improvement Districts

PID

Key Elements

State Statute: Chapter 372 of Local Government Code

Local Policy: Resolution 18-1039 PID Guidelines

- Allowed uses: landscaping, sidewalks, streets, parking, water/wastewater facilities, art, libraries, mass transportation, affordable housing, district administration, and supplemental services
- Requires petition to be submitted to governing body and adoption of Service and Assessment Plan
- Assessments typically paid annually or in aggregate by property owner
- Governing body has discretion to create PID and levy assessments
- City can adopt its own criteria and terms for PIDs beyond what is in statute

MMD

Key Elements

State Statute: Chapter 375 of Local Government Code; special legislation codified into Texas Special Districts Local Laws Code

Local Policy: None

- MMD is separate political subdivision and government agency that can collect property taxes or an assessment from property owners
- Created to supplement, not supplant, services of the municipality
- Funds used for water/wastewater, drainage, roads, and recreational facilities
- Have authority to levy an ad valorem property tax
- Cities typically retain some control through a consent ordinance requirement, development agreements and board appointments



MUD

Municipal Utility Districts



Key Elements

State Statutes: Chapter 54 of Water Code and TCEQ administrative code; Chapter 42 of Local Government Code; special legislation codified into Texas Special Districts Local Laws Code

Local Policy: Resolution 20-920 (interim MUD policy)

- MUDs can levy and collect taxes, issue bonds, charge for services, condemn property, enforce restrictive covenants, and make regulations to accomplish its purpose.
- MUDs can engage in the supply of water; conservation; irrigation; drainage; fire fighting; solid waste collection and disposal; wastewater treatment and recreational facilities.

Development District Matrix

	PID	TIRZ	MMD	MUD
Key Elements	Used to finance public infrastructure in a specific area	Mechanism to dedicate incremental revenues to a particular area	Ability to provide/supplement certain services and finance infrastructure	Used frequently in the ETJ
Additional Levy/Tax	Yes	No	Yes	Yes
City Role	Authority to create and regulate	Authority to create and regulate	Consent to creation Negotiated operating/management agreements	Consent to creation but limited
Advantages	City has control over various elements and can set own guidelines for how/when to use	Lots of flexibility in allowable uses. No additional taxes/assessment	Lots of flexibility in allowable uses.	Lots of flexibility in allowable uses. Helps development occur when services/infrastructure are limited
Disadvantages	Additional levy paid by property owners who may not see additional value	Revenues are restricted to a geographic area and specific projects for a given amount of time	Additional taxes may be paid by property owners who many not see additional value.	City has limited control in ETJ. As growth occurs, confusion over responsibilities

Questions, Resources, and Contact

2023 Economic Development Handbook

[2023-Economic-Development-Handbook](https://www.tml.org/2023-Economic-Development-Handbook)
(tml.org)

Strategic Plan Dashboard

[https://performance.envisio.com/dashboard/Economic Development Strategic Plan](https://performance.envisio.com/dashboard/Economic%20Development%20Strategic%20Plan)

Staff Contact:

Erica Sullivan

Economic Development Program

Administrator

940-349-7731

Erica.sullivan@cityofdenton.com



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Legislation Text

File #: EDP24-018, **Version:** 1

AGENDA CAPTION

Staff Reports:

1. Fine Arts Theatre - Christine Taylor
2. City and Chamber Recruitment Update - Erin Carter and Christine Taylor
3. Downtown Reinvestment Grant Update - Kristen Pulido
4. Future Agenda Items - Christine Taylor



AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: February 14, 2024

SUBJECT

Staff Reports:

1. Fine Arts Theater – Christine Taylor
2. City and Chamber Recruitment Update – Erin Carter and Christine Taylor
3. Downtown Reinvestment Grant Update – Kristen Pulido
4. Future Agenda Items – Christine Taylor

BACKGROUND

Fine Arts Theater:

Receive a report on an incentive request that the City has received from Fine Arts Theater of Denton, LLC. This report shall address the project; financial evaluation; alignment with the incentive policies, Economic Development Strategic Plan and TIRZ Project Plan; and next steps.

Proposed Project:

- Facility Renovation: Renovation of the Denton Fine Arts Theater to modernize facilities, improve accessibility, and ensure compliance with safety and building codes.
- Technological Upgrades: Implementation of cutting-edge audio-visual technology to enhance the audience experience and attract a broader range of performances and events.
- Artistic Expansion: Investment in programming and partnerships to diversify artistic offerings, fostering inclusivity and broadening the appeal to a wider audience.
- Community Engagement Initiatives: Implementation of outreach programs and educational partnerships to engage the local community and schools, promoting a culture of arts appreciation.

Economic Impact:

- The Denton Fine Arts Theater's revitalization is expected to generate economic benefits:
- Increased Tourism: A revitalized and culturally enriched theater will attract visitors, contributing to increased foot traffic for local businesses, hotels, and restaurants.
- Cultural Hub: Positioning Denton as a cultural hub will attract artists, performers, and tourists, thereby boosting the city's reputation and attractiveness.
- Educational Opportunities: Enhanced educational programming will provide local schools and colleges with valuable resources, fostering creativity and educational development.

City and Chamber Recruitment Update:

A comprehensive update on the hiring process for the Economic Development Director (formerly Wayne Emerson) and Chamber – Economic Development Director of Strategic Partnerships (formerly Dan Rosenfield). This will include an overview of the progress made, and the proposed timeline moving forward.

Downtown Reinvestment Grant Update:

Two Downtown properties, 116 W. Oak St. (formerly McBride's Music & Pawn) and 104-106 W. Oak St. (formerly McNeill's Appliance Store) presented their applications for the grant program. Each property submitted fire suppression and reinvestment grant requests. These are the first grant applications for fire suppression since the grant program was updated to include fire suppression as a grant category last year. Together, these projects will invest about \$1.5M (not including tenant finish-out) and bring at least 75 jobs to the downtown area. The next step in the grant process will be presenting the grant requests at the February 28 Downtown TIRZ No. 1 meeting.

A previously approved grant for 108 W. McKinney St. by Bullseye Bike is in the construction phase with a mid-summer completion date. The space will be home to Bullseye Bike and two micro-retail spaces. They were approved for a \$50,000 Reinvestment grant.

Future Agenda Items:

An overview of current items in the Agenda Queue and discussion of possible future agenda items.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Fine Arts Theater

Exhibit 3 – Downtown Reinvestment Grant Presentation

Exhibit 4 – Queue of Future Agenda Items

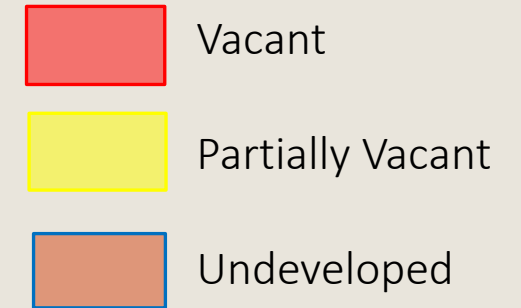
Respectfully submitted:
Matilda Weeden
Economic Development Specialist



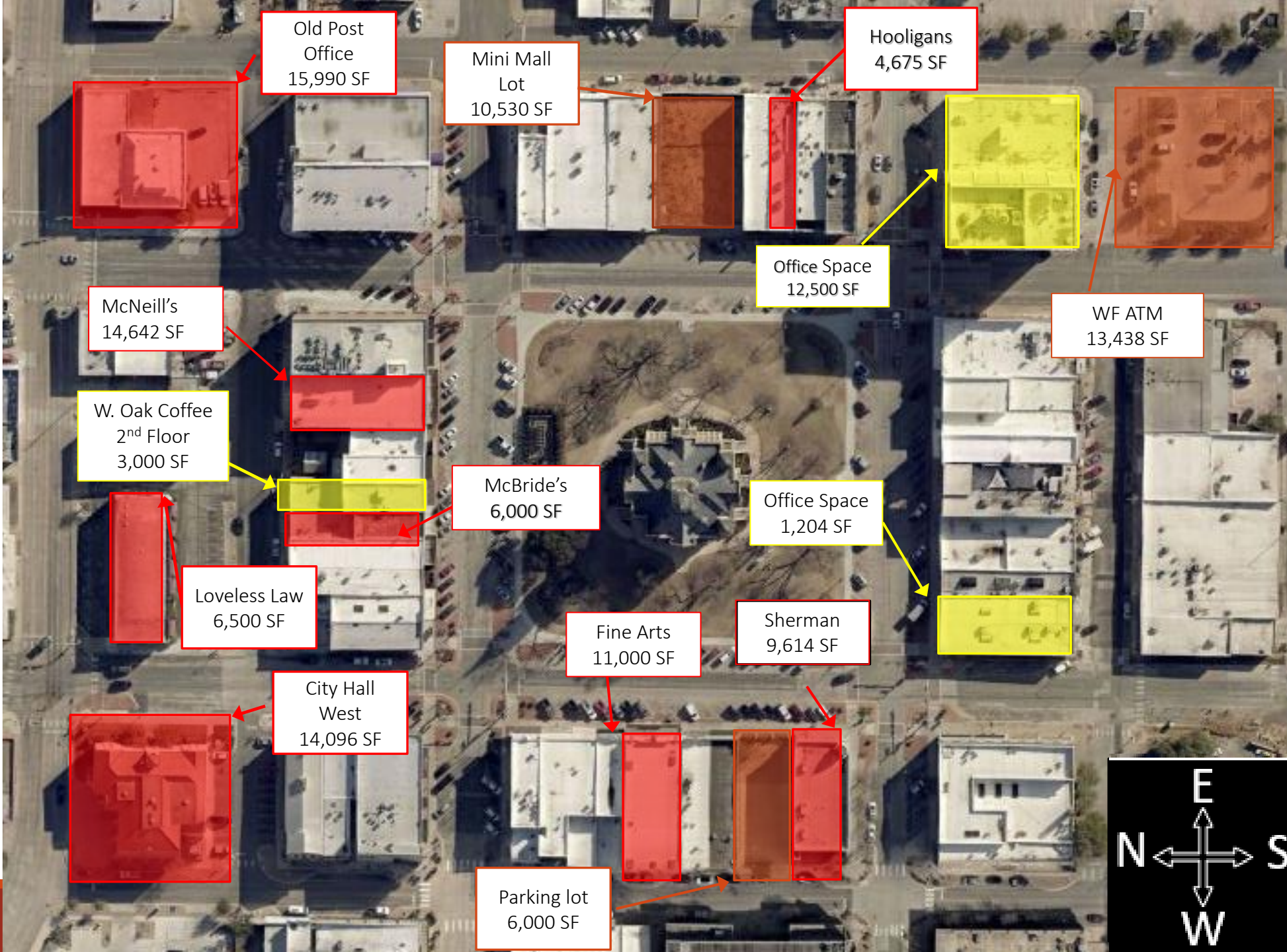
Economic Development Incentive Fine Arts Theater

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**

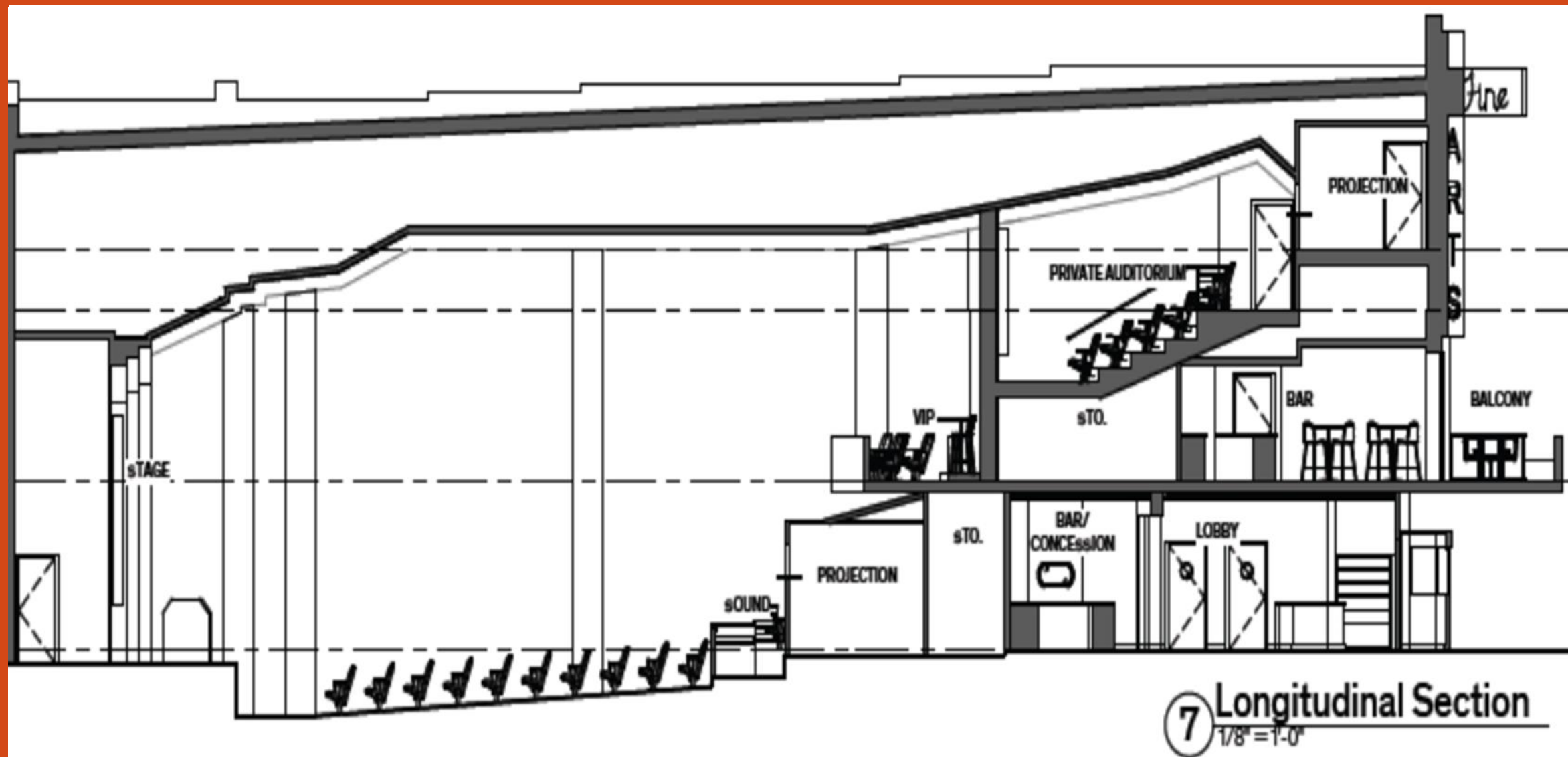
- Lobby
 - Bar/Concessions
 - Main Theater
 - 200 seats

- **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.

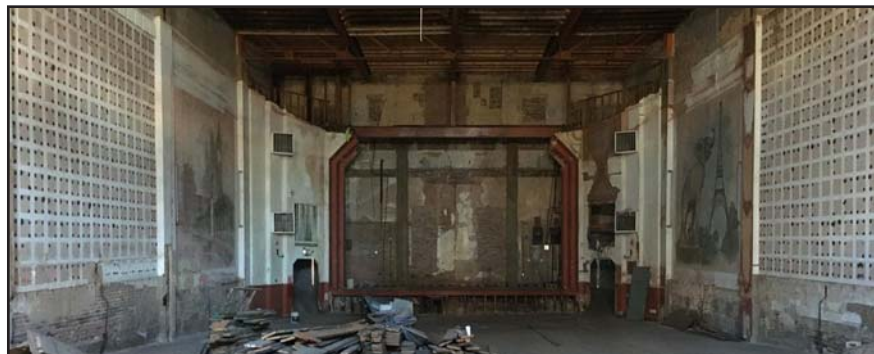


PRESENT CONDITION

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

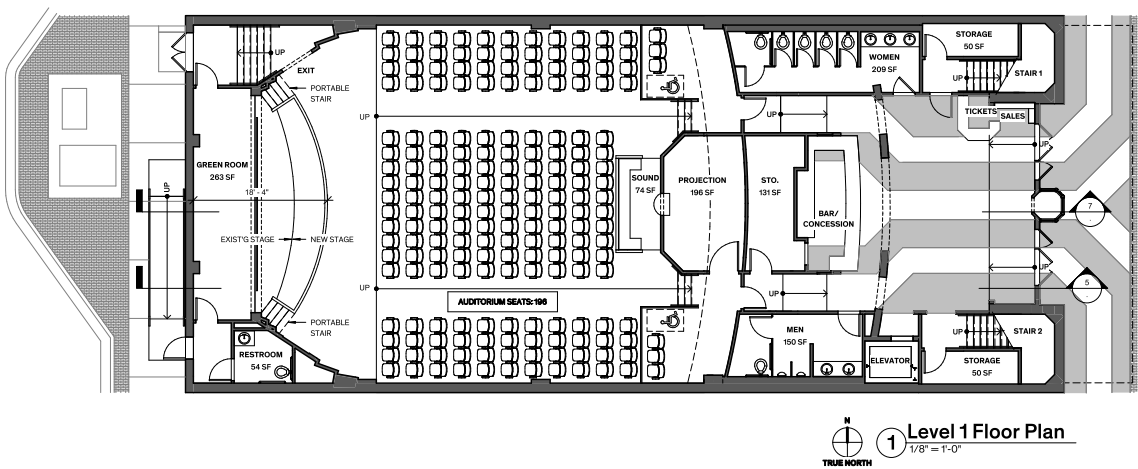
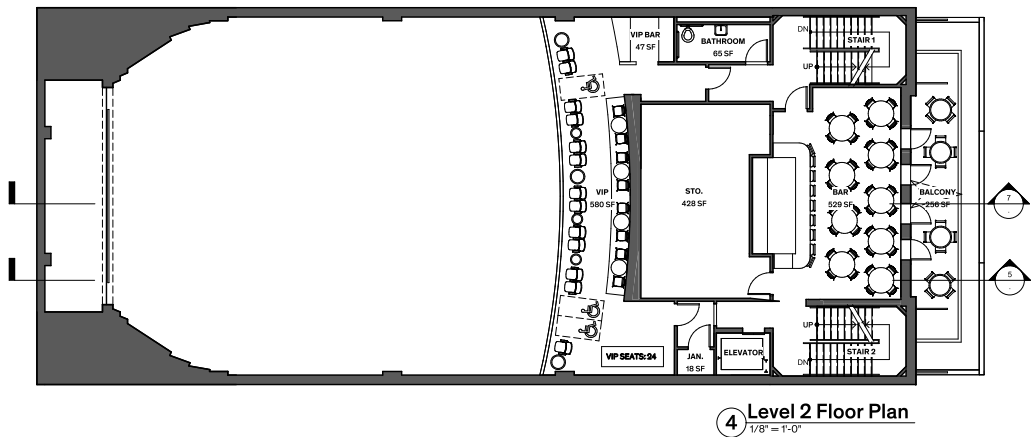
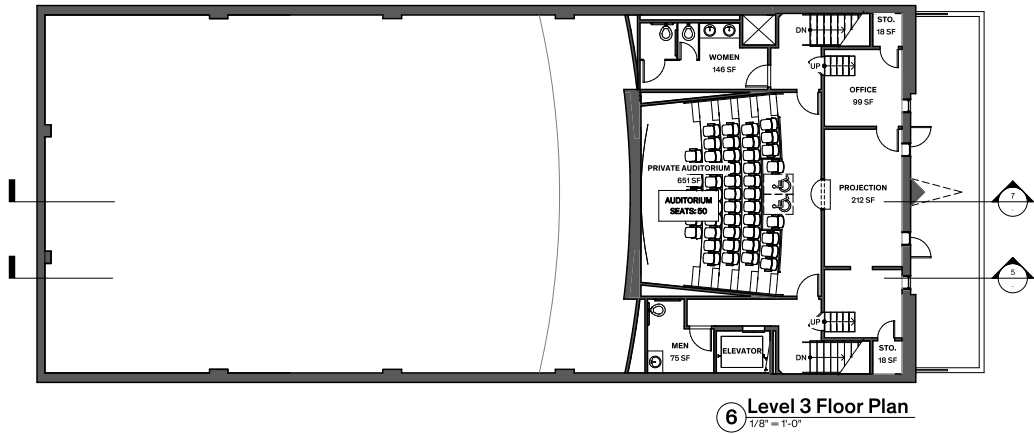
Alex Payne, Brad Andrus, Jason Reimer, Barak Epstein, and Martin Isles are all experienced investors and promoters representing the ownership group, which is intent on returning the Fine Arts Theater back to the community in its most viable function as a multi-use entertainment venue.

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.

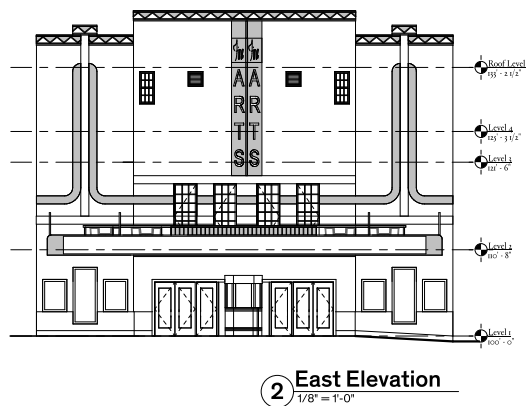
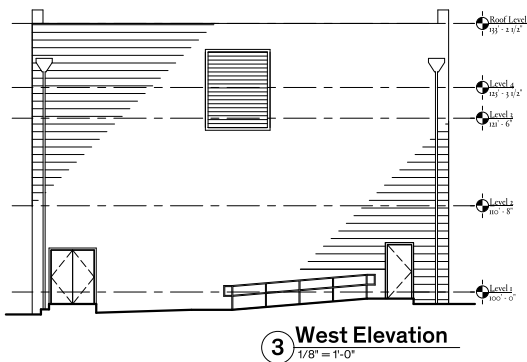
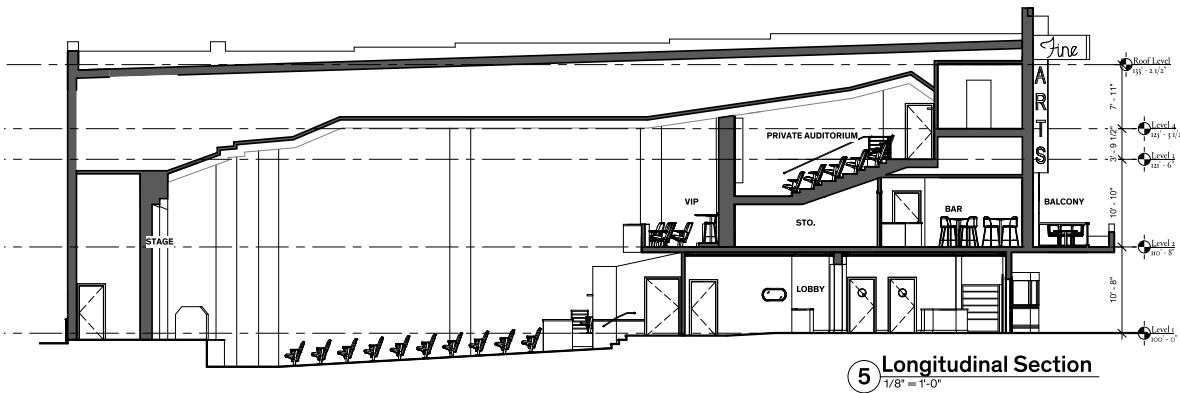
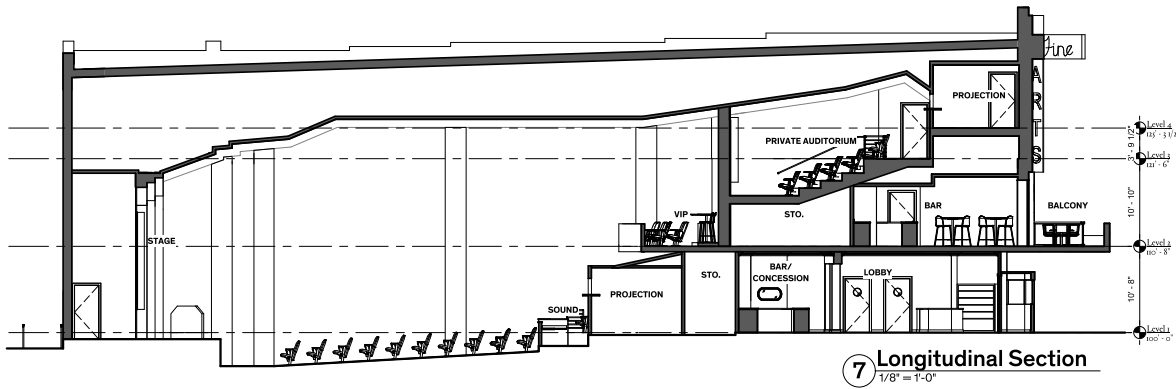
The rehabilitation plan includes a restored main theater with approximately 200 seats and V.I.P. mezzanine (25-30 seats), a smaller movie theater on the second level with approximately 50 seats, a new concession area at the entrance and a bar that overlooks the downtown courthouse open to theater patrons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

BRAD ANDRUS

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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.

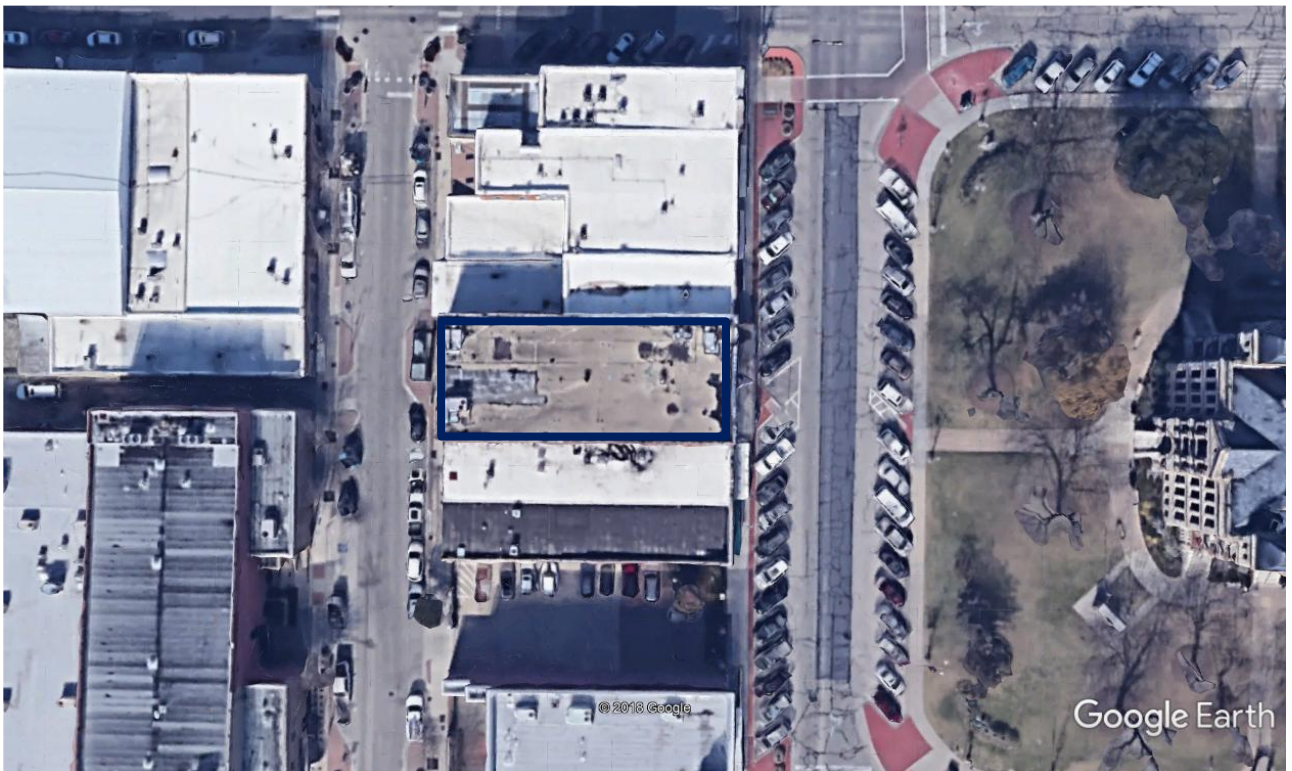
Option 2: \$1,076,366 City of Denton incentive at CO, this can be a grant over 10 years. An additional \$709,292 City of Denton incentive funded at opening or spread annually as needed, as a grant over 10 years. This includes \$223,145 City operating incentive over 4 years and \$78,802 debt service reserve. 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

Downtown Reinvestment Grant Update

At the February meeting of the DEDC, two Downtown properties presented their applications for the Downtown Reinvestment Grant Program.

Each property submitted fire suppression and reinvestment grant requests. These are the first grant applications for fire suppression since the grant program was updated to include fire suppression as a grant category last year.

For every dollar invested by the Grant Program during FY 21-22, we saw approximately \$84 reinvested/or a rate of return of 6 times.

116 W. Oak

Green Eggs & Ham LLC

- 🚒 Fire Suppression \$159,804
- 🚒 Exterior Reno \$138,529
- 🚒 3 floors total of 6,000 SF
- 🚒 Vodoo Brewery TFO not included

The DEDC recommended
\$50,000 for both grant
applications



104-106 W. Oak

Little D Property Group

- 🚒 Fire Suppression \$115,000
- 🚒 Renovation \$1,078,269
- 🚒 3 floors, total of 14,400 SF
- 🚒 Mixed-use: Engineer firm & Retail

The DEDC recommended
\$50,000 for both grant
applications



Meeting Dates	Deadlines	Item	Staff	
14-Feb-24				
		Orientation	Erica Sullivan	
		Staff Reports: -Fine Arts Theatre -Recruitment update: City and Chamber -Downtown Façade grants -Future agenda items	Various	
13-Mar-24				
10-Apr-24				
		Atmos Gas Utility Overview	Christine T/Guest	
		Stoke	Heather Gregory	
		Loop 288 Extension	Farhan B	
8-May-24				
12-Jun-24				
10-Jul-24				
14-Aug-24				
		Stoke	Heather Gregory	
11-Sep-24				
13-Nov-24				
11-Dec-24				

TBD:				
		Entrepreneurship Partnership Update (Stoke)	Heather Gregory	
		Economic Development Partnership Activity Report		
		STaND Report Update		
		Main Street Program Update	Kristen Pulido and Kristen Kendrick	

