



## Legislation Text

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### Agenda Information Sheet

**DEPARTMENT:** Economic Development

**DCM:** Bryan Langley

**Date:** April 4, 2017

#### **SUBJECT**

Consider adoption of an ordinance approving a fourth amendment to an Economic Development Program Grant Agreement with Allegiance Hillview, L.P. (now Allegiance GL LLC, DB Denton II LLC, and Rayzor Ranch 380 Associates, LLC) for the Rayzor Ranch development.

#### **BACKGROUND**

In 2007, the City entered into a Chapter 380 Economic Development Program Grant Agreement with Allegiance Hillview, L.P. for the Rayzor Ranch development, a 400-acre mixed use project located on the north and south sides of University Drive near I-35.

As a ground-up construction project, the development required significant public improvements by the developer, including widening University Drive from Bonnie Brae to I-35, water and wastewater infrastructure, and drainage. Using sales tax revenue generated by the project, the agreement reimburses the developer for costs incurred for the project's public improvements.

In 2010, RED Development became partners with Allegiance Hillview, L.P. in the project. To date, the developers have invested about \$55 million in public improvements that are eligible for reimbursement, and another \$8 million in reimbursable public improvements are under construction.

Currently, RED Development has a deadline of January 1, 2018, to meet 300,000 square feet of retail and commercial space in the Rayzor Ranch Town Center (on the south side of University Drive) in order to initiate its sales tax reimbursement for that portion of the development. If the deadline is not met, RED Development will not be reimbursed for any of the costs incurred for the public improvements it has made - or will make - for the Town Center.

RED Development has requested a Fourth Amendment to its agreement to extend its deadline to meet 300,000 square feet from January 1, 2018, to April 1, 2018.

Additionally, if at least 270,000 square feet have received a certificate of occupancy or have a foundation certified by the City by April 1, the date may be extended to July 1, 2018, upon completion of a certificate of compliance with supporting documentation by RED Development and verification of compliance by the City Manager or his designee.

The request is for a total extension of 6 months, and the deadline may not extend beyond July 1, 2018.

According to the request letter from DB Denton II (RED Development), the extension will allow time to finish the City's design, permitting, and platting process for the projects currently in progress. The letter estimates the construction duration to be between 11-12 months, barring unforeseen circumstances.

As of March 20, 227,582 square feet of retail and commercial space has either been issued a certificate of occupancy or is under construction, which represents 75% of the 300,000 square foot threshold. More than 81,000 additional square feet were approved by the Planning and Zoning Commission in January 2017, and are now in the City's development process, including:

- Alamo Draft House - 44,052 square feet; second revisions to the plans were submitted to Development Services on March 9
- Rooms to Go - 39,120 square feet; fourth revisions to the plans were submitted on March 3

In addition to those projects, RED Development is planning three new-to-market family sit-down restaurants and another 8,000 square foot shop building to house three tenants. These are projected to open in 12-18 months.

The proposed Fourth Amendment also memorializes the assignment by Allegiance GL, LLC of Phase I rights, title, interest and obligations to Rayzor Ranch 380 Associates, through its sole member FidCal, LLC.

Given that RED Development has completed 75% of the square footage threshold and has enough square footage in the City's development process to exceed 300,000 square feet, staff thinks this request is reasonable and the proposed new deadlines are achievable. DB Denton II (RED Development) states in the amendment request letter that they do not expect to request any further amendments related to deadlines or the amount of completed improvements.

GTM Development, owners of Golden Triangle Mall, and Movie Tavern have submitted letters in opposition to the approval of RED Development's request for a Fourth Amendment.

## **RECOMMENDATION**

Staff recommends approval of the fourth amendment to the Economic Development Program Grant Agreement with the stipulation that no further amendment requests related to deadline or threshold changes be considered for this project.

## **PRIOR ACTION/REVIEW (Council, Boards, Commissions)**

*March 28, 2017* - Council held a work session and a closed session regarding the fourth amendment request.

*March 8, 2017* - The Economic Development Partnership Board recommends to Council to approval of the fourth amendment to an Economic Development Program Grant Agreement with Allegiance Hillview, L.P. (7-0).

*November 2015* - The Third Amendment (2015-331) facilitated the development by O'Reilly Hotel Partners of a hotel and convention center in Rayzor Ranch Town Center by compensating the grantee for the estimated revenue loss for the property that is no longer available as retail acreage.

*May 2014* - The Second Amendment (2014-143) increased eligible improvements to cover additional Texas Department of Transportation (TxDOT) access improvements and carrying costs.

*September 2010* - The first Amendment (2010-210) assigned a portion of the incentive grant payments to RED Rayzor Ranch, LLC (RED Development).

*June 2010* - Council approved an Economic Development Program Grant Agreement with Allegiance Hillview

(2010-142), which replaced the original Agreement.

*March 2009* - The First Amendment (2009-064) to the original agreement separated the development into two phases.

*May 2007* - Council approved a Chapter 380 Economic Development Program Grant Agreement with Allegiance Hillview, LP (2007-113).

### **FISCAL INFORMATION**

The current Agreement with Allegiance Hillview, L.P. (RED Development) has the following terms:

- 50% rebate on sales tax revenue for 20 years for Rayzor Ranch Marketplace (north side of University Drive); this incentive triggered in 2012; as of March 20, 2017, approximately \$4.7 million has been rebated under the agreement
- 65% rebate on sales tax revenue until \$5 million is reached, then a 50% rebate on sales tax revenue for 25 years for Rayzor Ranch Town Center (south side of University Drive)
- The incentives are capped at \$68 million total to Allegiance Hillview, L.P. (RED Development) for reimbursement of public infrastructure costs.

As 2015, the Rayzor Ranch development has generated \$11 million in net sales and property tax to the City.

Denton Independent School District and Denton County receive property tax revenue from the development, and the Denton County Transportation Authority receives sales tax revenue from the development.

### **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 - Ordinance and Fourth Amendment

Exhibit 2 - RED Development Amendment Request Letter

Exhibit 3 - GTM Development Opposition Letter

Exhibit 4 - Movie Tavern Opposition Letter

Exhibit 5 - Presentation

Respectfully submitted:

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Director of Economic Development