

Executive Summary

Prepared for Board of Trustees Meeting

June 24, 2014

Tax Increment Reinvestment Zone for Denton Convention Center

Board Goal(s):

IV. Parent and Community Involvement - In pursuit of excellence, the district will:

- foster a positive and welcoming environment that encourages parent and community partnerships to achieve success for all our students
- work continuously with the community in planning and facility development

VI. Growth, Change and Fiscal Responsibility - In pursuit of excellence, the district will:

- review and adjust policies and procedures as appropriate to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community
- create and continuously modify strategies to mitigate increasing stresses on our children, our schools and our community
- work continuously with our community to adjust and enhance district goals as appropriate
- demonstrate effective and efficient management of district resources

Purpose of Report

The purpose of the report is to update the Board of Trustees on the status of the Denton Convention Center collaboration project between the City of Denton, O'Reilly Hospitality Management (OHM), O'Reilly Hotel Partners Denton (OHPD), and the University of North Texas (UNT) and to request that the Denton Independent School District (DISD) consider participation in the City of Denton Tax Increment Reinvestment Zone (TIRZ) Number Three to facilitate the development of a Convention Center.

Objectives

- The project would provide Convention Center facilities to meet community needs and to encourage and promote economic development through convention and tourism related activity.
- The Denton Convention Center will be a significant driver of economic activity in the region, and will increase tax revenues to the City, County and DISD.
- Create a TIRZ to capture the tax increment growth to facilitate the development and support the City's debt service on the Convention Center.

Operational Impact

Budget

The Convention Center would be City funded and is estimated to cost \$25 million. The City will sell Certificates of Obligation bonds to fund the Convention Center construction, and the goal is for the Convention Center to be self-funding. The debt service would be funded by Hotel Occupancy Taxes (HOT) related to the development of the project plus up to \$100,000 in other HOT revenue, revenue generated through the creation of a TIRZ, City sales tax derived from the project, and OHPD lease payments to the City. Located next to the Convention Center will be a

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Hotel and Restaurant built and funded by OHPD at an estimated cost of \$60 million. The total project cost is estimated at \$85 million.

Impact

The 2013 certified base value of TIRZ Three, according to the Denton Central Appraisal District (DCAD), is \$0.00 (tax exempt). Assuming County and DISD participation, the estimated revenue to be generated over the life of the TIRZ is \$13,673,693. The City, County and DISD would contribute an estimated \$7,420,856, \$2,298,992 and \$3,953,845 into the TIRZ fund, respectively. These dollars reflect City of Denton participation at 100% for a period of 30 years, and 75% participation by the County and DISD for the same duration. The actual amount will depend on tax entity participation and will be equal to the TIRZ revenue captured during the TIRZ term, which may differ from the amount stated above.

Commitment

The City is seeking the support of both the County and DISD for the Convention Center project. Should the DISD participate, it is assumed that it would be at a rate less than the City's 100% contribution. It is also assumed that the district would pledge only the Interest and Sinking (I and S) portion of the real property tax revenue to the TIRZ. The attached Preliminary Project and Finance Plan assumes a 75% participation rate by the County and DISD. The benefit to the DISD is that the organization's participation would generate new, net taxes to the district. This would reduce the amount of state funds required to balance the Foundation School Program allotment. As local revenues increase, the state allocation decreases, but the total funding per student remains the same. Without the implementation of the TIRZ the potential development outlined above would not occur and the taxing entities would receive no revenue from the tax exempt property.

Schedules

The following table summarizes the project related decisions and steps that must occur during the feasibility period prior to the completion of the final design and initiation of construction. Please note that these steps are not necessarily sequential and may overlap at times.

Status	Step
Complete	Approve Master Development Agreement
Complete	Approval of design development drawings
In Progress	Approval of guaranteed max price construction contract
In Progress	Finalize Convention Center development budget and determine overall project affordability
	OHPD to provide hotel funding commitment
	OHPD to provide franchise commitment

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In Progress	Initiate creation of TIRZ and determine possible participation by other governmental entities
	City and OHPD evaluates favorability of market conditions
	City initiates the sale of bonds to fund construction of the Convention Center
	City issues debt

The following represents the next steps to create the TIRZ:

- TIRZ Board Appointment – City Council (Each taxing unit other than the City that contributes incremental taxes to the TIF Fund may, but is not required to, appoint one member to the Board.)
- Project and Financing Plan Consideration – TIRZ Board
- Project and Financing Plan Consideration – City Council
- Participation Agreements – Denton County and DISD
- Participation Agreement – City Council
- Reimbursement Agreement – TIRZ Board
- Reimbursement Agreement – City Council

Results

The collaborative project, if implemented, would result in the development of a 100,000 square foot Convention Center, a full-service hotel with approximately 318 rooms and a separate 7,485 square foot restaurant. Without the implementation of the TIRZ the potential development outlined above would not occur and the land would continue to remain tax exempt.

Other Options

The DISD Board of Trustees, at its discretion, may choose to participate in the Denton Convention Center TIRZ at varying rates or duration.

Attachments

TIRZ Project Detail

Ordinance 2014-191

TIRZ Number Three PowerPoint Presentation

Preliminary Project and Finance Plan (Please note that this document may be provided by link or hardcopy as the file is very large)