

# Executive Summary

## Prepared for Board of Trustees Meeting

### September 23, 2014

Tax Increment Reinvestment Zone for Denton Convention Center

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#### **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 how the proposed 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) is progressing and to request that the Denton Independent School District (DISD) consider participation in the City of Denton Tax Increment Reinvestment Zone (TIRZ) Number Three. If there is support to participate in the proposed TIRZ, the City is also seeking your input on what level the DISD would consider contributing into the Tax Increment Fund. This feedback will allow the City to finalize the details necessary to bring back a Participation Agreement for you to consider in an expedient manner. This information will also allow other steps in the final approval process to come together.

#### **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 and Scope**

The proposed project involves the developer privately funding the construction of a full-service hotel with approximately 318 guest rooms and an adjoining restaurant; and the City publicly funding the construction of an adjoining single-story Convention Center with a current estimated size of 69,570 square feet and a total estimated cost of approximately \$28 million. The facility would accommodate conventions for up to 650 participants and banquets of 1,800 attendees. The overall size of the convention center has been reduced from 97,000 square feet since the last time the project was presented to DISD. The reduction was necessary due to higher than anticipated construction costs. Though the overall size has been reduced, the current design maintains maximum meeting capacity as described above.

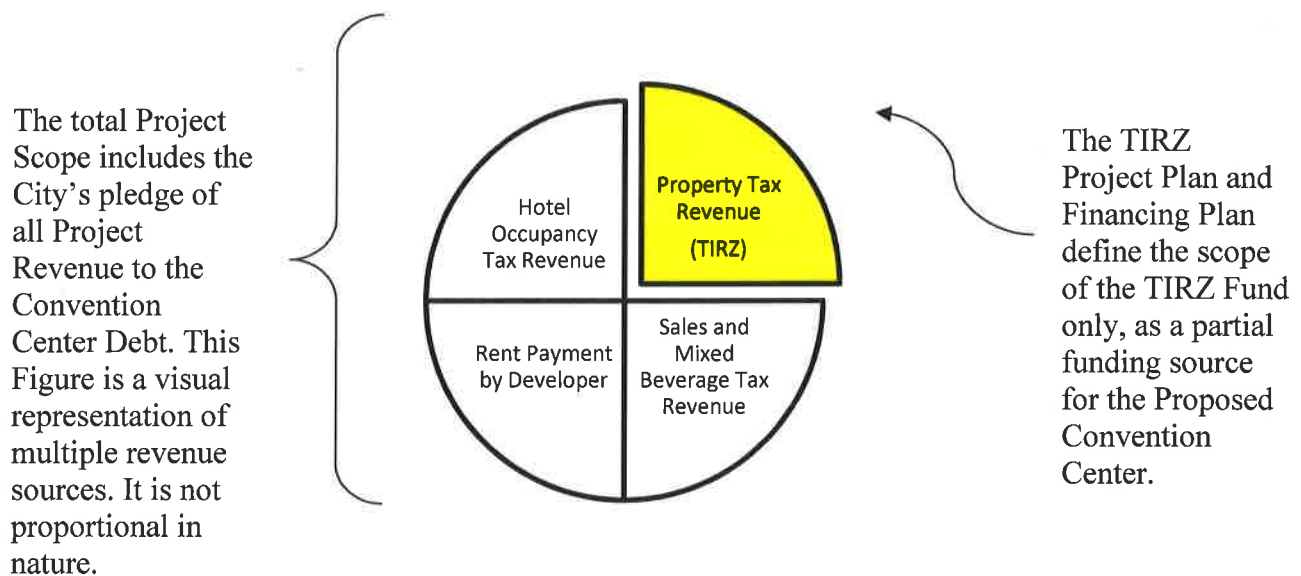
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### Tax Increment Reinvestment Zone for Denton Convention Center

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 multiple revenue sources to include: property tax revenue; Hotel Occupancy Tax (HOT) revenue; and sales and mixed beverage tax revenue (restaurant). Any remaining “gap” between the annual debt service and the revenue generated from the Proposed Project will be due from the Developer in the form of a rent payment (See Figure 1).

**Figure 1: Sources to Service Debt on Convention Center Construction**



**Impact**

The 2013 certified base value of TIRZ Three, according to the Denton Central Appraisal District (DCAD), is \$0.00 (tax exempt). The TIRZ Project and Financing Plan assumes County and DISD participation to estimate the revenue, to be generated over the life of the TIRZ, at \$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 estimates 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 term. The TIRZ Project and Financing Plan is a requirement under the statute in order to establish the TIRZ. Approval of such a plan does not constitute approval of the convention center project as a whole. Rather it simply estimates the contributions into the Tax Increment Fund and defines eligible expenditures from that revenue source. It also does not determine or limit the building size or budget of the convention center, but determines the methodology for how TIRZ revenue will be allocated to the project.

**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* from the Interest and Sinking (I and S) portion of the real

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property tax revenue to the TIRZ. The attached Project and Finance Plan assumes a 75% participation rate by the County and DISD. Estimated TIRZ revenue is based upon participation and development assumptions. The actual amount will be higher or lower depending on the TIRZ revenue captured during the term.

The request to DISD is to consider participation from *only* the I&S portion of your tax rate. The District will keep 100% of the increased revenue from the O&M portion of the rate. The benefit to the DISD is that the organization's participation would generate new local, 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. Another benefit to DISD is it will receive all of the balance of the revenue from the I&S rate not allocated to the TIRZ. 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.

Should it be determined, now or in the future, that DISD's participation in the TIRZ will have an adverse impact on their state funding formula calculation or annual allocation, then such trigger will allow DISD to cease participation in the TIRZ. A decision by DISD or the County to participate in the TIRZ does not constitute ultimate approval of the project. While this is an important element for the project to move forward, the City Council will consider final approval upon the completion of the defined project steps outlined below.

**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 and architectural drawings
Complete	Solicitation of Construction bids
In Progress	Approval of guaranteed max price construction contract
In Progress	Finalize Convention Center development budget and determine overall project affordability
In Progress	OHPD to provide hotel funding commitment
In Progress	OHPD to provide franchise commitment
In Progress	Initiate creation of TIRZ and determine possible participation by other governmental entities
Complete	Project and Financing Plan Consideration – City Council
In Progress	City and OHPD evaluates favorability of market conditions
Pending	City initiates the sale of bonds to fund construction of the Convention Center

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Pending	City issues debt
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The following represents the steps to create the TIRZ:

- TIRZ Board Appointment – The City Council has already appointed the nine-member Board. (Each taxing unit other than the City that contributes incremental taxes to the TIRZ Fund may, but is not required to, appoint one member to the Board.)
- Project and Financing Plan Consideration – The TIRZ Board and the City Council have approved the Project and Financing Plan.
- Participation Agreements – The City is currently seeking support from both Denton County and DISD. The City Council will execute the participation agreements upon completion.
- Reimbursement Agreement – TIRZ Board and City Council.

#### Results

The collaborative project, if implemented, would result in the development of a 69,570 square foot Convention Center, a full-service hotel with approximately 318 rooms and a separate 7,485 square foot restaurant. The project will stimulate economic activity in the region and will create new tax revenues for the City, County and DISD. 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 a specified rate and duration.

#### Attachments

Attachment 1: TIRZ Project Detail

Attachment 2: Draft DISD Participation Agreement

\*Link to Exhibit B: Project and Finance Plan – <https://dpedllc.box.com/s/v3g7jybg2d8luf7e973c>

(link provided as the document file is very large)

## **DISD Executive Summary Report Attachment**

### **Tax Increment Reinvestment Zone for Denton Convention Center Project Detail**

Tax Increment Financing 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. 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. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation from subsequent years is allocated to Tax Increment Reinvestment Zone (TIRZ) development. The City enlisted the services of David Pettit Economic Development, a Fort Worth economic development consulting firm, to assist in establishing the Preliminary Project Plan and Finance Plan for the TIRZ.

The proposed TIRZ would be the third in the City of Denton. The first TIRZ was established in 2010 for Downtown Denton, and the second TIRZ was established in 2012 for the industrial park near Denton Enterprise Airport.

The TIRZ consists of approximately 13 acres and is located along Interstate 35 on University of North Texas property next to Apogee Stadium. 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 site is currently tax exempt and owned by the University of North Texas. The TIRZ would generate revenue from the privately-owned Hotel and Restaurant portion of the project. The TIRZ revenue would be dedicated entirely to the debt service for the approximate \$28 million Convention Center project.

The Project is a collaborative effort between the City of Denton, O'Reilly Hospitality Management (OHM), O'Reilly Hotel Partners Denton (OHPD), and the University of North Texas. The Hotel and Restaurant would likely be an Embassy Suites Hotel and Houlihan's Restaurant (OHPD Funded). The Convention Center would be City funded.

#### **Convention Center Overview:**

- City to lease the land from UNT
- City to fund and own Convention Center
  - TIRZ revenue to support Convention Center only
- City is not funding the Hotel
- OHM to serve as architect and construction manager
- Sub-lease Convention Center to OHPD
  - Operated and managed by OHM
- Approximate size of 69,570 square feet

#### **Hotel/Restaurant Overview:**

- OHPD to lease the land from UNT
- Funded and owned by OHPD
- Management of construction and operated by OHM

- Goal of 318 suites (minimum allowed - 275 suites and 9 stories)
- LEED Certified
- Houlihan's Restaurant
- Educational opportunity through the UNT School of Hospitality

**AGREEMENT TO PARTICIPATE IN  
TAX INCREMENT REINVESTMENT ZONE NUMBER THREE,  
CITY OF DENTON, TEXAS**

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This **AGREEMENT TO PARTICIPATE IN TAX INCREMENT REINVESTMENT ZONE NUMBER THREE, CITY OF DENTON, TEXAS** (“**Agreement**”) is entered into by and between the **CITY OF DENTON, TEXAS** (the “**City**”) and **DENTON INDEPENDENT SCHOOL DISTRICT** (the “**District**”).

WHEREAS, On June 17, 2014, the City Council of the City of Denton, Texas (the “**Council**”) adopted Ordinance No. 2014-191 designating certain real property generally located on University of North Texas property near Apogee Stadium as Tax Increment Reinvestment Zone Number Three, City of Denton, Texas (the “**Zone**” or “**TIRZ Three**”). On September 9, 2014, the Council amended Ordinance 2014-191 by Ordinance No. 2014-273 to appoint members to the Board of Directors for TIRZ Three. Ordinance No. 2014-191 and Ordinance No. 2014-273 are hereby incorporated by reference for all purposes and collectively attached hereto as **Exhibit “A”**; and

WHEREAS, Designation of the Zone will cause development of property in and around the Zone to occur that would not occur otherwise in the foreseeable future. It is anticipated that other complementary development in the Zone will follow. This overall development will result in increased tax revenues and other public benefits for both the City and the District; and

WHEREAS, Pursuant to Section 311.013(f) of the Texas Tax Code, the District is not required to pay any tax increment into the tax increment fund of the Zone unless it enters into an agreement to do so with the City. The Board of Trustees of the Denton Independent District, acting on behalf of the District, wishes to enter into such an agreement with the City.

**NOW, THEREFORE**, for and in consideration of the conditions set forth herein, the sufficiency of which is hereby acknowledged, the City and the District do hereby contract, covenant and agree as follows:

**Section 1. Incorporation of Recitals.**

The parties hereby agree that the recitals set forth above are true and correct and form the basis upon which they have entered into this Agreement.

**Section 2. Definitions.**

In addition to any terms defined in the body of this Agreement, the following terms shall have the definitions ascribed to them as follows:

**Act** means the Tax Increment Financing Act, as amended and as codified in Chapter 311 of the Texas Tax Code.

**Captured Appraised Value** in a given year means the total appraised value of all real property taxable by the District and located in the Zone for that year less the Tax Increment Base.

**Project Plan** means the project plan for the development and/or redevelopment of the Zone, as adopted by the TIRZ Board and approved by the City Council of the City of Denton and attached hereto as **Exhibit “B”**.

**TIRZ Board** means the governing board of directors of the Zone appointed in accordance with Section 311.009 of the Act and pursuant to Section 4.4 of this Agreement.

**Tax Increment** in a given year means the amount of property taxes levied and collected by the District for that year on the Captured Appraised Value of real property taxable by the District and located in the Zone.

**Tax Increment Base** means the total appraised value as of January 1, 2015 of all real property taxable by the District and located in the Zone.

**Tax Increment Fund** means that fund created by the City pursuant to Section 311.014 of the Act and Ordinance No. 2014-191, which will be maintained by the City as a separate and individual account into which all revenues of the Zone will be deposited, including (i) deposits of Tax Increment by the City and by other taxing units with jurisdiction over real property in the Zone, including the District, and (ii) all accrued interest earned on the cash balance of the fund.

**TIRZ Ordinance** means Ordinance No. 2014-191 adopted on June 17, 2014, as amended by Ordinance No. 2014-273 adopted on September 9, 2014, attached hereto as **Exhibit “A”**.

**Zone or TIRZ Three** means the certain real properties and boundaries as described in Ordinance No. 2014-191 as amended by Ordinance No. 2014-273.

### **Section 3. Deposit of Tax Increment.**

The District hereby agrees to deposit each year during the term of the Zone (as established in SECTION 5 of Ordinance No. 2014-191), beginning with the 2015 tax year, [\_\_\_\_\_ %] of the District's Tax Increment into the Tax Increment Fund. The District's contribution shall be calculated and based solely from and on the Interest and Sinking Fund (“I&S”) portion of the District's tax rate. The funds shall be deposited in the City's Tax Increment Fund fund for TIRZ Three following receipt of a bill from the City that outlines the City's calculation of the amount of the deposit that is required for that year.

The District is not obligated to pay the District Tax Increment from any source other than taxes collected on the Captured Appraised Value. Furthermore, the District has no duty or obligation to pay the District Tax Increment from any other taxes or revenues, or until the District Tax Increment in the Zone is actually collected. Any portion of the taxes representing the District Tax Increment that are paid to the District and subsequently refunded pursuant to the provision of the Texas Tax Code shall be offset against future payments to the Tax Increment Fund.

### **Section 4. Limitations on Tax Increment Deposits and Use of Funds.**

This Agreement is based on the following conditions:

#### **4.1 Amendments to TIRZ Ordinance.**



The TIRZ Ordinance designates the boundaries, the eligible real properties for the calculation of Tax Increment for the Zone and the specific participation level of the City. If the TIRZ Ordinance is amended, the District may suspend payment into the TIRZ Fund as described in Section 3 until the amendment is approved by the Board of Trustees of the Denton Independent School District as an amendment to this Agreement.

#### **4.2. Certain Zone Project Costs Excluded.**

The Tax Increment deposited into the Tax Increment Fund by the District shall be used to pay project costs for purposes as set forth and identified in the Project Plan. All TIRZ Fund allocations, including but not limited to any management and administrative costs, must be approved by the TIRZ Board in accordance with the Project Plan. If the Project Plan, attached hereto and incorporated herein as Exhibit "B", is amended to substantially change the scope and nature of the projects included in the Project Plan or to include additional projects and associated costs that will increase the Total Public Improvement Costs of the Project Plan, the District may suspend payment into the TIRZ Fund as described in Section 3 until the amended Project Plan is approved by the Board of Trustees of the Denton Independent School District as an amendment to this Agreement.

#### **4.3. Zone Expansion.**

As defined, the Zone shall include real properties located within the boundaries as described in the TIRZ Ordinance. If the Zone is expanded, the District is not required to deposit into the Tax Increment Fund any Tax Increment generated from properties in the expanded area unless participation in the expanded boundary area is approved by the Board of Trustees of the Denton Independent School District as an amendment to this Agreement. Additionally, the Tax Increment deposited into the Tax Increment Fund by the District may not be used for any permissible project costs in any portion of the expanded area of the Zone unless approved by the Board of Trustees of the Denton Independent School District as an amendment to this Agreement.

#### **4.4 TIRZ Board Membership.**

Membership on the TIRZ Board was established by Ordinance No. 2014-191, as amended by Ordinance No. 2014-273. By the referenced provisions, the Board of Directors for TIRZ Three was set at up to eleven (11) members, consisting of the nine (9) members of the Economic Development Partnership Board ("EDP"), and one member to be appointed by each taxing unit, other than the City, that contributes incremental taxes to the TIF Fund. Upon execution of this Agreement, the District shall appoint one (1) member to the TIRZ Board.

### **Section 5. Term.**

This Agreement shall take effect on the date on which the parties have executed it and shall expire upon the earlier of: 1) December 31, 2044; or 2) an earlier termination date designated by ordinance subsequently adopted by the City Council of the City; or 3) the date on which all project costs of the Zone, including, but not limited to, tax increment bonds and interest on those bonds, have been paid or otherwise satisfied in full; or 4) such date as the Board of Trustees determines

that the District's participation in the TIRZ Three financing has a materially adverse impact on the District's funding from the State of Texas School Fund allocations.

Nothing in this Agreement limits the authority of the Board of Trustees of the Denton Independent School District to extend the term of the Agreement. Upon termination of the Agreement, the obligation of the District to contribute to the Tax Increment Fund for the Zone shall end; however, any refund obligations of the City or the Zone shall survive such termination.

#### **Section 6. TIRZ Fund Accounting.**

Throughout the term of the Zone, no later than 90<sup>th</sup> day following the end of each fiscal year of the City, the City shall provide the District with an annual report on the Zone and an accounting of the funds deposited to and disbursed from the Tax Increment Fund, including accrued interest. After all project costs, obligations and/or bonded indebtedness of the Zone have been paid or at the time of the expiration of this Agreement, whichever occurs first, any funds remaining in the Tax Increment Fund following the final annual accounting by the City shall be paid to those taxing units participating in the Zone in proportion to each taxing unit's share of the total amount of Tax Increment deposited into the Tax Increment Fund.

Furthermore, if the projects to be undertaken pursuant to the Project Plan are not undertaken, are discontinued, or are terminated, all monies remaining in the Tax Increment Fund after satisfaction of lawful claims, shall be paid to the participating taxing entities in proportion to their respective share of the total amount of Tax Increment deposited into the Tax Increment Fund derived from taxable real property in the Zone that were deposited in the Tax Increment.

#### **Section 7. Notices.**

All written notices called for or required by this Agreement shall be addressed to the following, or such other party or address as either party may subsequently designate in writing, by certified mail, postage prepaid, or by hand delivery:

**City:**  
City Manager  
City of Denton  
215 E. McKinney  
Denton, Texas 76201

**Denton Independent School District:**  
Superintendent's Office  
Denton Independent School District  
1215 North Elm  
Denton, Texas 76201

#### **Section 8. No Waiver.**

The failure of either party to insist upon the performance of any term or provision of this Agreement or to exercise any right granted hereunder shall not constitute a waiver of that party's right to insist upon appropriate performance or to assert any such right on any future occasion.

#### **Section 9. Venue And Jurisdiction.**

If any action, whether real or asserted, at law or in equity, arises on the basis of any provision of this Agreement, venue for such action shall lie in state courts located in Denton County, Texas or the United States District Court for the Northern District of Texas. This Agreement shall be construed in accordance with the laws of the State of Texas.

**Section 10. No Third Party Rights.**

The provisions and conditions of this Agreement are solely for the benefit of the City and the District and are not intended to create any rights, contractual or otherwise, to any other person or entity.

**Section 11. Force Majeure.**

The parties shall exercise every reasonable effort to meet their respective obligations as set forth in this Agreement, but shall not be held liable for any delay in or omission of performance due to *force majeure* or other causes beyond their reasonable control, including, but not limited to, compliance with any government law, ordinance or regulation, acts of God, acts of omission, fires, strikes, lockouts, national disasters, wars, riots, material or labor restrictions, transportation problems and/or any other cause beyond the reasonable control of either party.

**Section 12. Entirety Of Agreement.**

This Agreement, including any exhibits attached hereto and any documents incorporated herein by reference, contains the entire understanding and agreement between the City and the District as to the matters contained herein. Any prior or contemporaneous oral or written agreement is hereby declared null and void to the extent in conflict with any provision of this Agreement. Notwithstanding anything to the contrary herein, this Agreement shall not be amended unless executed in writing by both parties and approved by the City Council of the City of Denton and the Board of Trustees of the Denton Independent School District in an open meeting held in accordance with Chapter 551 of the Texas Government Code.

**Section 13. Counterparts.**

This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute one instrument.

**EXECUTED** as of the later date below:

**DENTON INDEPENDENT SCHOOL DISTRICT:**

By: \_\_\_\_\_  
JAMIE WILSON, Superintendent

Date: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
RANDY STOUT, Attorney at Law

**CITY OF DENTON, TEXAS**

By: \_\_\_\_\_  
CHRIS WATTS, Mayor

Date: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
JENNIFER WALTERS, City Secretary

APPROVED AS TO FORM:

By: \_\_\_\_\_  
ANITA BURGESS, City Attorney

ORDINANCE NO. 2014-191

AN ORDINANCE DESIGNATING AND DESCRIBING THE BOUNDARIES OF A TAX INCREMENT REINVESTMENT ZONE THREE, CITY OF DENTON, TEXAS ("CONVENTION CENTER TIRZ"); ESTABLISHING THE DURATION OF THE ZONE; ESTABLISHING A TAX INCREMENT FUND; ESTABLISHING A BOARD OF DIRECTORS FOR THE TAX INCREMENT REINVESTMENT ZONE; MAKING CERTAIN FINDINGS AND OTHER MATTERS RELATED THERETO; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Denton, Texas, (the "City"), desires to promote the development of a certain contiguous area within the City of Denton by the creation of a Tax Increment Financing Reinvestment Zone, as authorized by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated (the "Act"); and

WHEREAS, the City has called a public hearing to hear the public comments on the creation of the proposed Tax Increment Reinvestment Zone and its benefits to the City and the property in the proposed Tax Increment Reinvestment Zone; and

WHEREAS, notice of such public hearing was published in the Denton Record-Chronicle, a daily paper of general circulation in the City, such publication date being not later than seven (7) days prior to the date of the public hearing; and

WHEREAS, such hearing was convened at the time and place mentioned in the published notice, on the 17<sup>th</sup> day of June 2014, at 6:30 p.m., in Council Chambers of the City of Denton, Texas; and

WHEREAS, the City, at such hearing, invited any interested person, or his/her representative, to appear and speak for or against the creation of the Tax Increment Reinvestment Zone Three, the duration of the Tax Increment Reinvestment Zone, the boundaries of the proposed Tax Increment Reinvestment Zone, whether all or part of the territory which is described in Exhibit "A" attached hereto and depicted on the map attached hereto as Exhibit "B" should be included in such proposed Tax Increment Reinvestment Zone, the concept of tax increment financing and the appointment of a board of directors of the proposed Tax Increment Reinvestment Zone; and

WHEREAS, all owners of property located within the proposed Tax Increment Reinvestment Zone and all other taxing units and other interested persons were given a reasonable opportunity at such public hearing to protest the creation of the proposed Tax Increment Reinvestment Zone and/or the inclusion of their property in such ; Tax Increment Reinvestment Zone; and

WHEREAS, the proponents of the Tax Increment Reinvestment Zone offered evidence, both oral and documentary, in favor of all of the foregoing matters relating to the creation of the Tax Increment Reinvestment Zone, and opponents of the Tax Increment Reinvestment Zone

were given the opportunity to appear to contest creation of the zone, after which the hearing was closed; and

WHEREAS, the City Council finds, as evidenced by the development history of said area, that the area encompassing the Tax Increment Financing Reinvestment Zone would not develop absent the creation of the said zone and its inclusion therein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. That the facts and recitations contained in the preamble of this ordinance are hereby found and declared to be true and correct.

SECTION 2. The City Council, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) The public hearing on adoption of the Tax Increment Financing Reinvestment Zone has been properly called, held and conducted and that notice of such hearing has been published as required by law.
- (b) Creation of the proposed Tax Increment Reinvestment Zone with boundaries as described in Exhibits "A" and "B" will result in benefits to the City, its residents, and property owners, in general, and to the property, residents and property owners in the Tax Increment Reinvestment Zone.
- (c) That the Tax Increment Reinvestment Zone, as defined in Exhibits "A" and "B", meets the criteria for the creation of a Tax Increment Financing Reinvestment Zone set forth in the Act by, including but not limited to:
  - (i) It is a contiguous geographic area located wholly within the corporate limits of the City.
  - (ii) It substantially impairs or arrests the sound growth of the municipality creating the zone or constitutes an economic or social liability in its present condition and use because of the presence of:
    - a. The area has a predominance of defective or inadequate sidewalks or street layout; and/or
    - b. Predominately open or undeveloped and, because of obsolete platting, deterioration of structures or site improvements, or other factors; and/or
    - c. Faulty lot layout in relation to size, adequacy, accessibility or usefulness.
- (d) That 30 percent or less of the property in the proposed Tax Increment Financing Reinvestment Zone, excluding property that is publicly owned, is used for

residential purposes, which is defined in the Act as any property occupied by a house which has less than five living units.

- (e) That the total appraised value of all taxable real property in the proposed Tax Increment Financing Reinvestment Zone according to the most recent appraisal rolls of the City, together with the total appraised value of taxable real property in all other existing Tax Increment Reinvestment Zones within the City, according to the most recent appraisal rolls of the City, does not exceed 25 percent of the current total appraised value of taxable real property in the City and in the industrial districts created by the City, if any.
- (f) That the improvements in the Tax Increment Reinvestment Zone will significantly enhance the value of all taxable real property in the Tax Increment Financing Reinvestment Zone.
- (g) The development or redevelopment of the property in the proposed Tax Increment Financing Reinvestment Zone will not occur solely through private investment in the reasonable foreseeable future.

SECTION 3. That the City hereby creates a Tax Increment Reinvestment Zone Three over the area described in Exhibit "A," attached hereto and depicted in the map attached hereto as Exhibit "B," and such Tax Increment Reinvestment Zone shall hereafter be identified as Tax Increment Reinvestment Zone Number Three, City of Denton, Texas (the "Zone" or "Reinvestment Zone").

SECTION 4. There is hereby established a board of directors for the Zone that shall consist of up to eleven (11) members. The board of directors of Tax Increment Reinvestment Zone Number Three shall be appointed as follows:

- a) Nine (9) of the up to eleven (11) board members shall be appointed by the City Council of the City. Board membership shall consist of the nine (9) members of the Economic Development Partnership Board ("EDP"). 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. After each taxing unit other than the City designates to the City either the name of the member that the taxing unit wishes to appoint or the fact that the taxing unit wishes to waive its right to appoint a member, the City Council shall appoint whatever number of members are necessary to fill the remaining positions on the Board. Nine (9) of the up to eleven (11) member board shall be appointed by the City Council as provided here within sixty (60) days of the passage of this ordinance or within a reasonable time thereafter. All members appointed to the board shall meet the eligibility requirements set forth in the Act.
- b) The terms of the board members shall be two-year terms; the nine members appointed by City Council will serve terms concurrent with their EDP terms. A board member may serve no more than three consecutive terms.

- c) The board of directors shall make recommendations to the City Council concerning the administration of the Zone. It shall prepare and adopt a project plan and Tax Increment Reinvestment Zone financing plan for the Zone and must submit such plans to the City Council for its approval. The board of directors shall possess all powers necessary to prepare, implement and monitor such project plan and financing plan for the Tax Increment Reinvestment Zone as the City Council considers advisable, including the submission of an annual report on the status of the Zone. Any powers not herein delegated to the board of directors are specifically reserved to the City Council.

SECTION 5. That the Zone shall take effect immediately upon passage of this ordinance, and the termination of the Zone shall occur on December 31, 2044, or at an earlier time designated by subsequent ordinance of the City Council in the event the City determines that the Zone should be terminated due to insufficient private investment, accelerated private investment or other good cause, or at such time as all project costs and tax increment bonds, if any, and the interest thereon, have been paid in full.

SECTION 6. The Tax Increment Base for the Zone, as defined by Section 311.012(c), Texas Tax Code, shall be the total appraised value of all real property in the Zone taxable by a taxing unit for the year 2014, which is the year in which the Zone was designated as a reinvestment zone.

SECTION 7. That there is hereby created and established a Tax Increment Fund for the Zone which may be divided into such subaccounts as may be authorized by subsequent resolution or ordinance, into which all Tax Increments, less any of the amounts not required to be paid into the Tax Increment Fund pursuant to the Act, are to be deposited. The Tax Increment Fund and any subaccounts are to be maintained in an account at the City Treasurer's affiliated depository bank of the City and shall be secured in the manner prescribed by law for funds of Texas cities. In addition, all revenues from the sale of any tax increment bonds and notes hereafter issued by the City, revenues from the sale of any property acquired as part of the tax increment financing plan and other revenues to be dedicated to and used in the Zone shall be deposited into such fund or subaccount from which money will be disbursed to pay project costs for the Zone or to satisfy the claims of holders of tax increment bonds or notes issued for the Zone.

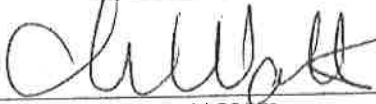
SECTION 8. The Tax Increment Fund shall consist of (i) the percentage of the tax increment, as defined by Section 311.012(a), Texas Tax Code, that each taxing unit which levies real property taxes in the Zone, other than the City, may elect to dedicate to the Tax Increment Fund under an agreement with the City authorized by Section 311.013(f), Texas Tax Code, plus (ii) one hundred percent (100%) of the City's portion of the tax increment, as defined by section 311.012(a), Texas Tax Code, subject to any binding agreement executed at any time by the City that pledges a portion of such tax increment or an amount of other legally available funds whose calculation is based on receipt of any portion of such tax increment.




SECTION 9. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 10. This Ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED this the 17th day of June, 2014.

  
CHRIS WATTS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY: 

APPROVED AS TO LEGAL FORM:  
ANITA BURGESS, CITY ATTORNEY

BY: 

## EXHIBIT A – BOUNDARY DESCRIPTION

BEING a 13.279 acre tract of land situated in the Eugene Puchalski Survey, Abstract No. 996, City of Denton, Denton County, Texas, and being part of those tracts of land described in Deeds to the State of Texas for the use and benefit of North Texas State Teachers College, as recorded in Volume 291, Page 82 and Volume 294, Page 21 of the Deed Records of Denton County, Texas, and also being part of Lot 1, Block 1 per the Final Plat of Sheraton North Texas Addition, an Addition to the City of Denton, Texas, as recorded in Cabinet C. Page 400 of the Plat Records of Denton County, Texas, and said tract being more particularly described as follows:

COMMENCING at a TXDOT concrete monument with 3 inch aluminum disk found in the existing Southerly line of Interstate Highway No. 35E (a variable width right-of-way), said point being the Northeast corner of a called 0.5980 acre tract of land described in an unrecorded Deed from the University of North Texas to the State of Texas, executed on October 9, 2013, from which a TXDOT concrete monument with 3 inch aluminum disk found for reference bears South  $61^{\circ}39'33''$  East a distance of 30.01 feet and a 1/2 inch iron rod found for the Northwest corner of the above cited Lot 1, Block 1 bears North  $61^{\circ}39'33''$  West a distance of 71.32 feet;

THENCE South  $28^{\circ}07'36''$  West departing the existing Southerly line of said Interstate Highway No. 35E, and along the Easterly line of said 0.5980 acre tract, for a distance of 46.82 feet to a PK nail found for corner in the proposed Southerly right-of-way line of said Interstate Highway No. 35E, said point being the POINT OF BEGINNING, for the herein described tract;

THENCE in a Southeasterly direction, along the proposed Southerly line of said Interstate Highway No. 35E, and along a non-tangent curve to the left having a central angle of  $03^{\circ}20'18''$ , a radius of 12158.17 feet, a chord bearing of South  $64^{\circ}44'25''$  East, a chord distance of 708.30 feet and an arc length of 708.40 feet to a PK nail found for corner at an angle point;

THENCE South  $57^{\circ}27'56''$  East continuing along the proposed Southerly line of said Interstate Highway No. 35E, for a distance of 101.62 feet to a PK nail found for corner at an angle point;

THENCE South  $66^{\circ}32'28''$  East continuing along the proposed Southerly line of said Interstate Highway No. 35E, for a distance of 279.96 feet to a PK nail found for corner at an angle point;

THENCE South  $20^{\circ}55'26''$  West departing the proposed Southerly line of said Interstate Highway No. 35E, for a distance of 163.35 feet to a 5/8 inch iron rod with cap stamped "TNP" found for corner in the Northwesterly line of a concrete road;

THENCE in a Southwesterly direction, along the Northwesterly line of said road, and along a non-tangent curve to the left having a central angle of  $29^{\circ}32'07''$ , a radius of 333.94 feet, a chord bearing of South  $65^{\circ}11'19''$  West, a chord distance of 170.24 feet and an arc length of 172.14 feet to a 5/8 inch iron rod with cap stamped "TNP" found for corner at the beginning of a reverse curve to the right;

THENCE in a Southwesterly direction, along the Northwesterly line of said road, and along said reverse curve to the right having a central angle of  $15^{\circ}07'01''$ , a radius of 491.13 feet, a chord bearing of South  $56^{\circ}09'37''$  West, a chord distance of 129.20 feet, and an arc length of 129.58

feet to a 5/8 inch iron rod with cap stamped "TNP" found for corner at the beginning of a reverse curve to the left;

THENCE in a Southwesterly direction, along the Northwesterly line of said road, and along said reverse curve to the left having a central angle of  $17^{\circ}16'55''$ , a radius of 408.58 feet, a chord bearing of South  $53^{\circ}59'05''$  West, a chord distance of 122.77 feet and an arc length of 123.24 feet to a 5/8 inch iron rod with cap stamped "TNP" found for corner;

THENCE South  $58^{\circ}27'31''$  West departing the Northwesterly line of said road, for a distance of 100.62 feet to a 5/8 inch iron rod with cap stamped "TNP" set for corner;

THENCE South  $79^{\circ}24'57''$  West for a distance of 121.03 feet to a 5/8 inch iron rod with cap stamped "TNP" set for corner;

THENCE North  $63^{\circ}45'10''$  West for a distance of 190.49 feet to a 5/8 inch iron rod with cap stamped "TNP" set for corner;

THENCE North  $33^{\circ}45'10''$  West for a distance of 577.58 feet to a 5/8 inch iron rod with cap stamped "TNP" set for corner;

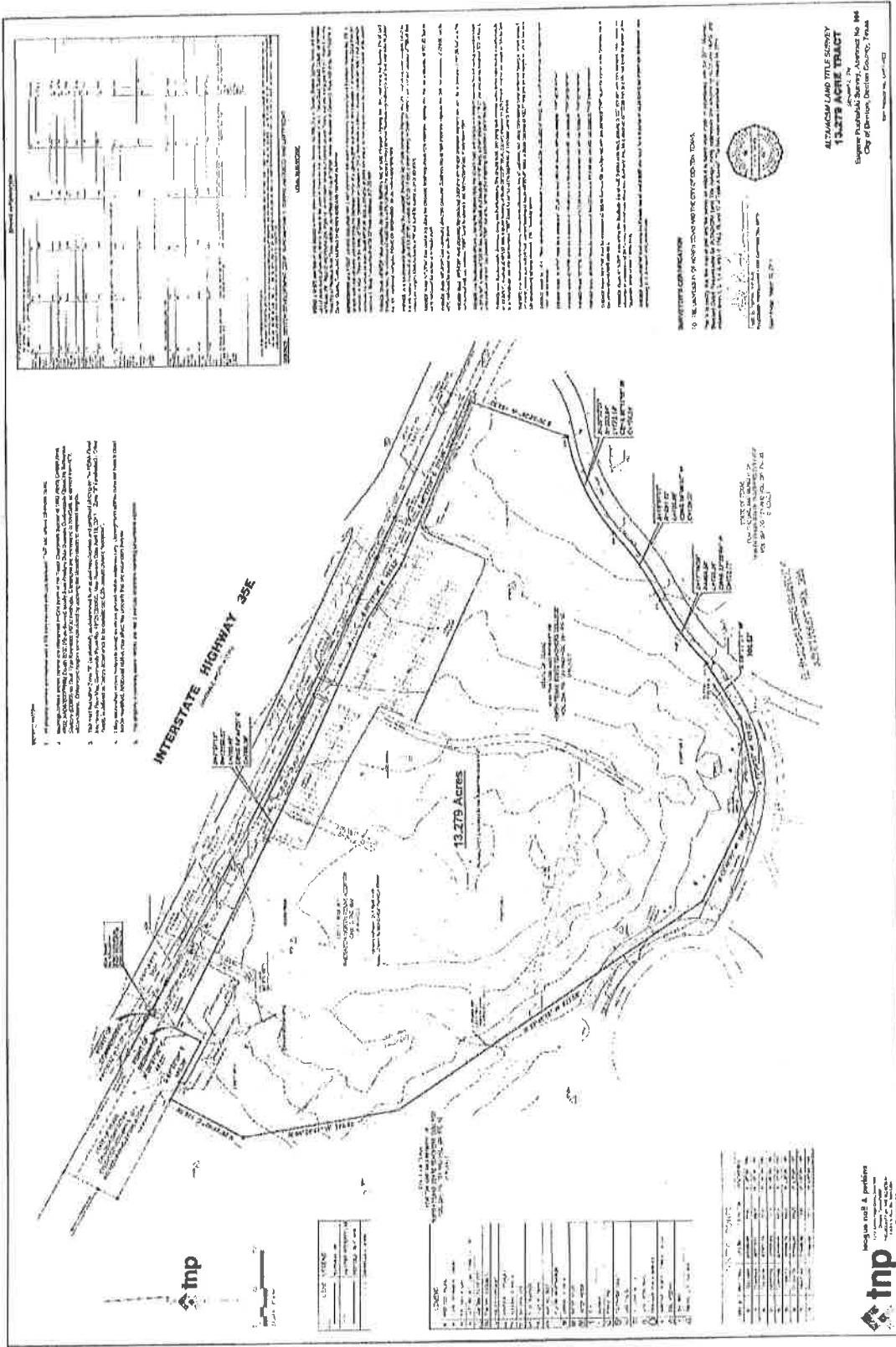
THENCE North  $09^{\circ}25'41''$  West for a distance of 244.92 feet to a 5/8 inch iron rod with cap stamped "TNP" found for corner;

THENCE North  $28^{\circ}27'40''$  East for a distance of 129.59 feet to an "X" cut in concrete set for corner in the Southerly line of the above cited 0.5980 acre tract;

THENCE South  $61^{\circ}52'24''$  East along the Southerly line of said 0.5980 acre tract for a distance of 102.20 feet to a PK nail found for corner at the Southeast corner of said 0.5980 tract;

THENCE North  $28^{\circ}07'36''$  East along the Easterly line of said 0.5980 acre tract, for a distance of 44.83 feet to the POINT OF BEGINNING, and containing 13.279 acres of land, more or less.

# EXHIBIT B - BOUNDARY MAP



ORDINANCE NO. 2014-273

AN ORDINANCE AMENDING ORDINANCE No. 2014-191, BY APPOINTING THE BOARD OF DIRECTORS FOR TAX INCREMENT FINANCING REINVESTMENT ZONE NUMBER THREE TO BE CONCURRENT WITH THE APPOINTMENT AND TERMS OF THE ECONOMIC DEVELOPMENT PARTNERSHIP BOARD; REPEALLING ALL CONFLICTING ORDINANCES AND PORTIONS THEREOF; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on June 17, 2014, the City Council of the City of Denton, Texas, (the "City"), adopted Ordinance 2014-191, which designated and described the boundaries of a TIRZ Number Three; established the duration of the Zone; established a Tax Increment Fund and established a Board of Directors for the Tax Increment Reinvestment Zone; and

WHEREAS, it is deemed proper to appoint board members concurrently with the Economic Development Partnership Board appointments; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. Section 4, Subsection A of Ordinance 2014-191 is amended as follows:

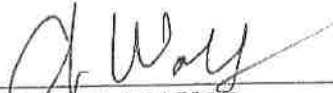
4. There is hereby established a board of directors for the Zone that shall consist of up to eleven (11) members. The board of directors of the Tax Increment Reinvestment Zone Number Three are hereby appointed as follows:
  - A. Nine (9) of the up to eleven (11) board members are hereby appointed by the City Council of the City. Board membership shall consist of the nine (9) members of the Economic Development Partnership Board ("EDP"). 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. After each taxing unit other than the City designates to the City either the name of the member that the taxing unit wishes to appoint or the fact that the taxing unit wishes to waive its right to appoint a member, the City Council shall appoint whatever number of members are necessary to fill the remaining positions on the Board. Nine (9) of the up to eleven (11) member board are hereby appointed by the City Council as provided here. All members appointed to the board shall meet the eligibility requirements set forth in the Act.

SECTION 2. All of the other provisions of Ordinance 2014-191 remain in full force and effect.

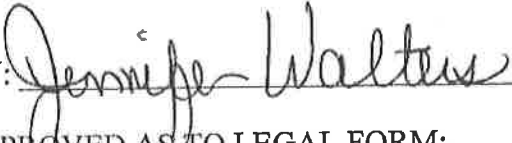
SECTION 3. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 4. This Ordinance is effective June 17, 2014.


PASSED AND APPROVED this the 9th day of September, 2014.

  
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CHRIS WATTS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY:   
\_\_\_\_\_

APPROVED AS TO LEGAL FORM:  
ANITA BURGESS, CITY ATTORNEY

BY:   
\_\_\_\_\_

ORDINANCE NO. 2014-275

AN ORDINANCE OF THE CITY OF DENTON, TEXAS. APPROVING THE PROJECT AND FINANCING PLAN FOR TAX INCREMENT REINVESTMENT ZONE NUMBER THREE (“CONVENTION CENTER TIRZ”); MAKING CERTAIN FINDINGS AND OTHER MATTERS RELATED THERETO; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on the 17<sup>th</sup> day of June 2014, the City Council of Denton, Texas (the “City”) established the Tax Increment Reinvestment Zone Number Three (Convention Center TIRZ) (the “Zone”); as authorized by Chapter 311 of the Texas Tax Code (the “Act”) and pursuant to Ordinance No. 2014-191, adopted by the City Council of the City of Denton, Texas; and

WHEREAS, the approval of the Project and Financing Plan is a requirement under the statute in order to establish the Tax Increment Reinvestment Zone Number Three, approval of such plan does not constitute approval of the convention center project as a whole; and

WHEREAS, as authorized by section 311.010 of the act on August 12, 2014 the board of directors of the Zone voted to approve the project and financing plan, which is attached hereto as Exhibit “A” and recommended the Project and Financing Plan be approved by the City Council; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The City Council of the City of Denton, Texas, hereby approves said Project and Financing Plan for the Convention Center TIRZ, which is attached and made part by reference herein.

SECTION 2. If any portion, section or part of a section of this Ordinance is subsequently declared invalid, inoperative or void for any reason by a court of competent jurisdiction, the remaining portions, sections or parts of sections of this Ordinance shall be and remain in full force and effect and shall not in any way be impaired or affected by such decision, opinion or judgment.

SECTION 3. This Ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED this the 9<sup>th</sup> day of September, 2014.

Chris Watts  
CHRIS WATTS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY: Jennifer Walters

APPROVED AS TO LEGAL FORM:  
ANITA BURGESS, CITY ATTORNEY

BY: Anita Burgess