RESOLUTION NO. 19-387

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DENTON, TEXAS, APPROVING THE 2017-2018 TAX INCREMENT FINANCING REINVESTMENT ZONE NUMBER ONE (DOWNTOWN TIF) ANNUAL REPORT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, the City of Denton recognizes the importance of its role in local economic development initiatives and programs; and

WHEREAS, the City has established Tax Increment Financing Reinvestment Zone Number One (Downtown TIF) (the “District”) and established a Board of Directors (the “Board”) for the District to promote development or redevelopment in the downtown area pursuant to Ordinance No. 2010-316, authorized by the City Council on December 7, 2010, as provided by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, as amended; and

WHEREAS, on December 7, 2010, the City Council authorized the Project and Finance Plans for the District; and

WHEREAS, the Tax Increment Financing Act specifies that the governing body of a city shall submit an annual report on the financial status of the district to the Chief Executive Officer of each taxing unit that levies taxes on real property in a reinvestment zone, and a copy of the report shall be forwarded to the State Comptroller; and

WHEREAS, on January 23, 2019, the District Board reviewed and recommended approval of the District 2017-2018 Annual Report to the City Council. NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The 2017-2018 Annual Report for Tax Increment Financing Reinvestment Zone Number One (Downtown TIF), City of Denton, Texas, as of January 23, 2019, a copy of which is attached hereto as Exhibit A, is hereby accepted.

SECTION 2. The City Manager, or his designee, is hereby authorized to submit the 2017-2018 Annual Report for Tax Increment Financing Reinvestment Zone Number One (Downtown TIF) to the Chief Executive Officer of each taxing jurisdiction that levies tax on real property in the District; and to the State Comptroller, as required by state law.

SECTION 3. This resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Denton, and it is accordingly so resolved.
The motion to approve this resolution was made by Keely Briggs and seconded by Deb Armintor, the resolution was passed and approved by the following vote [6 - 0]:

<table>
<thead>
<tr>
<th></th>
<th>Aye</th>
<th>Nay</th>
<th>Abstain</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor Chris Watts:</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gerard Hudspeth, District 1:</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keely G. Briggs, District 2:</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Don Duff, District 3:</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>John Ryan, District 4:</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deb Armintor, At Large Place 5:</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Paul Meltzer, At Large Place 6:</td>
<td>✓</td>
<td></td>
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</table>

PASSED AND APPROVED this the 5th day of March, 2019.

CHRIS WATTS, MAYOR

ATTEST:

RACHEL WOOD, INTERIM CITY SECRETARY

BY: Jane Richardson, Asst.

APPROVED AS TO LEGAL FORM:

AARON LEAL, CITY ATTORNEY

BY: Mack Reidward
EXHIBIT A

2017-2018 Annual Report for
Tax Increment Financing Reinvestment Zone Number One (Downtown TIF)
City of Denton, Texas
Tax Increment Financing Reinvestment Zone Number One

(Downtown TIF)

2017-2018 Annual Report

City of Denton
Economic Development Department
215 E. McKinney Street
Denton, Texas 76201
940-349-7776
www.dentonedp.com
October 1, 2017 to September 30, 2018

Photo by Michael Leza
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Reinvestment Zone Number One
Downtown Tax Increment Financing District

Legend
- TIF Boundary
- Centerline Streets

Property Description
- Acreage w/ or w/o Agr use
- Cable Company
- Duplex
- Exempt
- Gas Company
- Multifamily
- Phone Company
- Real and Commercial
- Single Family
- Townhome
- Vacant Commercial Lots

This map is a graphic representation prepared by the City of Denton and is intended for use only as a reference. Data depicted is not guaranteed for accuracy and may be subject to revision at any time without notification. A Registered Surveyor for the State of Texas was not consulted. For Survey level accuracy, supervision and certification of the produced data by a Registered Professional Land Surveyor for the State of Texas would need to be performed.
Mission Statement

The mission of the Tax Increment Financing Reinvestment Zone Number One (Downtown TIF) is to provide a source of funding for public infrastructure improvements to encourage and accelerate necessary development and redevelopment within the Downtown TIF District.

The Downtown TIF took effect on January 1, 2011, and will terminate on December 31, 2041, or when the budget of $24.8 million has been collected. The City of Denton is the sole participating jurisdiction. The City's participation is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Participation</th>
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<tbody>
<tr>
<td>1-5</td>
<td>100%</td>
</tr>
<tr>
<td>6-10</td>
<td>95%</td>
</tr>
<tr>
<td>11-20</td>
<td>90%</td>
</tr>
<tr>
<td>21-30</td>
<td>85%</td>
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</table>

District Accomplishments

The City has changed the reporting period for the TIRZ annual reports from calendar year to Fiscal Year. This report represents the first year with the new method, which includes October 1, 2017 through September 30, 2018, which was previously reported in the 2017 Annual Report (interest for that period was $3,673.36). During Fiscal Year 2017-2018, $496,856 was collected after the end of the supplemental period determined by the City of Denton. An additional $6,712 in interest brings the total contribution in 2018 to $503,568.

The third annual grant payment of $76,000 was distributed to Rail Yard Partners, LTD, through a Chapter 380 Agreement for a catalyst project located within the Downtown TIF District. The Agreement with Rail Yard Partners, LTD., involves an annual grant of $76,000 for five years, for a total incentive of $380,000.

Value and Increment Summary

According to Denton Central Appraisal District (DCAD) supplemental figures, the 2017-2018 total appraised valuation of taxable real property in the Downtown TIF District was $161.4 million. This represents an $11.3 million increase from the previous supplemental value of $150 million. The annual Downtown TIF fund contribution of property taxes and interest income for 2017-2018 is $503,568. Since its inception, the final value with supplements of the Downtown TIF has increased an estimated $82 million, which represents a 103% increase in valuation.
Summary of TIF Board meetings

The Downtown TIF Board met on November 17, 2017
Board Member List and attendance

Virgil Strange, Property Owner
Hank Dickenson, Chamber of Commerce Member
Sara Bagheri, City Council Member
Ben Esely, Business Owner
Paul Meltzer, Qualified Voter

The Downtown TIF Board met on January 24, 2018
Board Member List and attendance

Sara Bagheri, City Council Member
Gerard Hudspeth, City Council Member
Paul Meltzer, Qualified Voter
Alex Payne, Chamber of Commerce Member
Ben Esely, Property Owner
Melissa Lenaburg, Property Owner

The Downtown TIF Board met on May 23, 2018
Board Member List and attendance

Gerard Hudspeth, City Council Member
Paul Meltzer, City Council Member
Alex Payne, Property Owner
John Lenz, Property Owner
Melissa Lenaburg, Property Owner
Absent: Ben Esely, Business Owner

During 2017-2018, the Downtown TIF Board took the following action on items:
Received briefings on: preliminary annual ad valorem value of the Downtown TIF, gave direction regarding appointment of board members, information regarding a large fire on the East side of the Square on December
26, 2017, information about a fire on S. Elm Street on January 20, 2018, approved the 2017 Tax Increment Financing Reinvestment Zone Number One (Downtown TIF) Annual Report, and made a recommendation to City Council regarding changes to the Downtown Reinvestment Grant Program’s funding source, policy, and procedures.

**Budget and Spending Status**

The Downtown TIF has established in its Project and Finance Plans a budget for public improvement expenditures necessary to support private investment in the district.

In 2017-2018, $503,568 of property taxes and interest income was collected in the Downtown TIF District.

On May 23, 2018, the Downtown TIF Board met and recommended to the Denton City Council the following changes to the Downtown Reinvestment Grant Program:

- Fund the grant through monies collected by the Downtown TIF, beginning in Fiscal Year 2018-2019, October 1, 2018 – September 30, 2019, and in future years for the life of the Downtown TIF. We are now in the year six of 30 year TIRZ.

- Add a category for interior or code improvements, which will include asbestos, mold abatement, and fire suppression systems.

- Take out the location category because by State law moneys can only be spent within the Downtown TIF District.

- Add longevity and make changes to the scoring system.

- 0-14 points would equal no funding
  15-19 points would allow for a recommendation of up to $5000
  20-24 points would allow for a recommendation of up to $10,000
  25-35 points would allow for a recommendation of up to $25,000

On September 17, 2013, Council adopted Ordinance 2013-237, establishing the Downtown Reinvestment Fund, a Special Revenue Fund and committed $100,000 annually of mixed beverage taxes for downtown reinvestment activities. On September 12, 2017, Council adopted Ordinance 2017-251, removing future commitments of revenues to the Downtown Reinvestment Fund, but committing the existing Downtown Reinvestment Fund balance in the fund for the Downtown Reinvestment Grant Program.

On September 18, 2018, City Council adopted Ordinance 18-1321, changing the funding source, policy, and procedures for the Downtown Reinvestment Grant Program. Changes included that grants will be funded by the Downtown TIF.
As of September 20, 2018, $108,513 remains in this fund account for the grant, which Council directed be spent down to $0. This grant of the remaining funds will follow the current procedure of 1.) Recommendation from the Downtown Task Force to the Economic Development Partnership (EDPB) Board, 2.) Recommendation from the EDPB to City Council, 3.) Final approval from City Council.

Once the current fund balance has reached $0, the approval sequence will be 1.) Recommendation from the Downtown Task Force to the Downtown TIF Board, 2.) Recommendation from the Downtown TIF Board to City Council, 3.) Final approval from City Council.

On December 5, 2017, City Council met and reviewed the proposed Capital Improvement Projects, using Downtown TIF funds in the amount of $1,466,845, and gave staff direction to proceed with the following projects:

   Project A: North Locust, north of the Square: sidewalks repair or replacement, ADA ramps, and pedestrian-scale lighting from West Oak to McKinney.

   Project B: North Elm, north of the Square: sidewalks repair or replacement, ADA ramps, and pedestrian scale lighting from West Oak to Parkway.

   Project C: Pedestrian scale lighting on West Oak Street, west of the Square, from the 200 block to the east side of Carroll Boulevard.

   Project D: Pedestrian scale lighting on West Hickory Street, west of the Square, Cedar Street to the east side of Carroll Boulevard.

On January 9, 2018, the City Council met and approved funding projects A, B, C and D from the Downtown TIF, for a total of $1,466,845. The City encumbered the funds for these projects and construction is slated to begin in January 2019.

The third year payment, in the amount of $76,000, was distributed to The Railyard Project in 2017-18.
The TIF Valuation and interest contribution into the TIRZ fund are illustrated in the table that follows.

### Certified and Supplement Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>TIRZ Certified Value</th>
<th>Supplement TIRZ Value</th>
<th>Annual Captured Supplement Value</th>
<th>Supplement Contribution to TIRZ Fund</th>
<th>Interest</th>
<th>Total TIRZ Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>79,356,854</td>
<td>79,356,854</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>2011</td>
<td>81,657,808</td>
<td>80,331,050</td>
<td>$974,196</td>
<td>6,720</td>
<td>17</td>
<td>6,737</td>
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<tr>
<td>2012</td>
<td>89,605,635</td>
<td>93,040,263</td>
<td>$13,683,409</td>
<td>94,381</td>
<td>297</td>
<td>94,678</td>
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<tr>
<td>2013</td>
<td>96,287,950</td>
<td>100,452,300</td>
<td>$21,095,446</td>
<td>145,506</td>
<td>1,084</td>
<td>146,590</td>
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<tr>
<td>2014</td>
<td>114,885,073</td>
<td>116,769,435</td>
<td>$37,412,581</td>
<td>258,053</td>
<td>2,821</td>
<td>260,874</td>
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<tr>
<td>2015</td>
<td>118,440,576</td>
<td>127,204,599</td>
<td>$47,847,745</td>
<td>330,030</td>
<td>5,855</td>
<td>335,885</td>
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<tr>
<td>2016*</td>
<td>136,021,478</td>
<td>150,021,979</td>
<td>$70,665,125</td>
<td>458,739</td>
<td>11,439</td>
<td>470,178</td>
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<tr>
<td>2017</td>
<td>142,050,751</td>
<td>161,351,215</td>
<td>$81,994,361</td>
<td>496,856</td>
<td>6,712</td>
<td>503,568</td>
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<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td><strong>$273,672,863</strong></td>
<td><strong>1,790,285</strong></td>
<td><strong>28,225</strong></td>
<td><strong>1,818,510</strong></td>
</tr>
</tbody>
</table>

*interest income through 9/30/18

Total Fund Balance at 9/30/18 is $123,665

*95% contribution from decreasing ratio begins