Tax Increment Financing Reinvestment Zone Number One

(Downtown TIF)

2016 Annual Report

City of Denton
Economic Development Department
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January 1, 2016, to December 31, 2016
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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 area.

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>Percentage</th>
</tr>
</thead>
<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

During calendar year 2016, $458,739 was collected after the end of the supplemental period determined by the City of Denton. An additional $1,676 in interest brings the total contribution in 2016 to $460,415. The annual grant payment of $76,000 was distributed to Rail Yard Partners, LTD, through a Chapter 380 Agreement for a catalyst project located within TIF #1.

Value and Increment Summary

According to Denton Central Appraisal District (DCAD) supplemental figures, the 2016 total appraised valuation of taxable real property in TIRZ Number One was $150.0 million. This represents a $22.8 million increase from the 2015 supplemental value of $127.2 million. The annual TIRZ fund contribution of property taxes and interest income for 2016 is $460,415. Since its inception, the value of the TIRZ has increased an estimated $70.7 million, which represents an 89.0% increase in valuation.
Summary of TIF Board meetings

The Downtown TIF Board met on January 15, 2016

Bob Moses, Property Owner
Hank Dickenson, Chamber of Commerce Member
Marty Rivers, Chamber of Commerce Member
Virgil Strange, Property Owner
Chris Watts, City Council Member
Kevin Roden, City Council Member
Absent: Harold Strong

The Downtown TIF Board met on April 1, 2016

Bob Moses, Property Owner
Hank Dickenson, Chamber of Commerce Member
Marty Rivers, Chamber of Commerce Member
Virgil Strange, Property Owner
Melissa Lenaburg, Qualified Voter of the City of Denton
Absent: Chris Watts, Kevin Roden

During 2016, the TIF Board took the following action on items:

Received briefings on: preliminary annual ad valorem value of TIF Number One, gave direction regarding appointment of board members, received a request for funding from 608 E. Hickory for removing overhead utility lines (not approved), reviewed a request to pay for the downtown building outline light maintenance (not approved), suggested a policy or procedure for setting aside a percentage or a certain dollar amount in regard to small projects (no action at this time), approved the 2016 Annual Report for TIF #1.
Budget and Spending Status

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

In 2016, $460,415 of property taxes and interest income was collected. In the January 16, 2015, meeting, the Board voted in favor of using Downtown TIF Number One funds for a Chapter 380 incentive for a catalyst project located within the TIF District.

At the January 16, 2015, meeting, the Board voted in favor of using Downtown TIF Number One funds for a Chapter 380 incentive for a catalyst project located within the TIF District.

The Rail Yard downtown project is located in TIF Number One, the Downtown Implementation Plan (DTIP) area and Transit Oriented Development (TOD) area.

Rail Yard Partners, LTD, has renovated an existing 28,000 square foot building as a part of a larger transit-oriented catalyst project that includes office, retail and restaurant space along with multi-family housing.

The Agreement involves an annual grant in the amount of $76,000 for five years, for a total incentive of $380,000.

Dickenson moved to approve making a recommendation to City Council regarding using the Downtown TIF Number One funds for a Chapter 380 Incentive Agreement for a catalyst project located within the TIF District by allowing 100 percent abatement of the revenue, maximum of $76,000 per year, generated by the project in the TIF Number One, up to $380,000 cumulative, allowing five to ten years to receive that reimbursement amount. The motion was seconded by Harold Strong and carried unanimously (5-0).

The first year payment in the amount of $76,000 was distributed for this project in 2016.
2016 Work Program

One project was approved for a Chapter 380 Incentive Agreement; $76,000 were expended.

The TIF Valuation and interest contribution into the TIRZ fund are illustrated in the table that follows.

Certified and Supplemental TIRZ No. 1 Contribution 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>
</tr>
<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>
</tr>
<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>
</tr>
<tr>
<td>2016**</td>
<td>136,021,478</td>
<td>150,021,979</td>
<td>$70,665,125</td>
<td>458,739</td>
<td>1,676</td>
<td>460,415</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td>$121,013,377</td>
<td>1,293,429</td>
<td>11,750</td>
<td>1,305,179</td>
</tr>
</tbody>
</table>

*95% contribution from decreasing ratio begins
Interest is earned through 12/31/16