

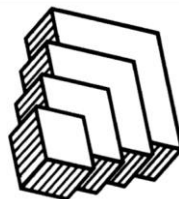
FINAL

FEASIBILITY ANALYSIS
(EXHIBIT D OF THE FINANCE PLAN)

December 2010

Tax Increment Financing Reinvestment Zone No. 1

City of Denton, Texas



SCHRADER & CLINE, LLC

George R. Schrader Larry D. Cline

4800 Broadway, Ste A Addison, TX 75001 972-661-1973
schcli@swbell.net

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FORWARD

Schrader & Cline, LLC was asked to prepare a Feasibility Analysis using tax increment financing to encourage accelerated development and redevelopment for **Tax Increment Financing Reinvestment Zone (TIF) No. 1 in the City of Denton, Texas**. The areas of the City within the boundary of the TIF need public infrastructure projects that will provide a stimulus for new development.

Section I summarizes the history of Denton.

Section II is a brief discussion of the current condition/state.

Section III details the tax increment analysis.

Section IV contains Tables.

Section V contains Exhibits.

The following projections of development, redevelopment and tax revenues are subject to change. As underlying conditions in the national and regional economy change, the pace and value of new development and redevelopment projected for the TIF area may shift. Future property tax rates are particularly difficult to predict given their dependence on changes in the tax base, the mix of taxes levied and the various jurisdictions' overall fiscal and budgetary policies. Thus, the projected tax increments are subject to change. The analysis of future tax increment funds is dependent on

a series of projections, assumptions, and other inputs. As a result, the report should be reviewed

in totality.

Neither this report nor its conclusions may be referred to or included in any prospectus or part of any offering made in connection with private syndication of equity, sale of bonds, sale of securities or sale of participation interests to the public without express written approval.

SECTION I: HISTORY

Denton, the county seat of Denton County, is located on IH 35, less than forty miles north of Dallas and Fort Worth. Because of its proximity, Denton has become closely associated with the Dallas - Fort Worth metropolitan area. The City was founded in 1857 in order to become the county seat, because it was located near the center of the County. Although established in 1857, and with a courthouse built on the north side of the square, it was not until 1866 that Denton was incorporated.

In its early years, Denton grew slowly, but that changed with completion of the Texas and Pacific Railway and the Missouri, Kansas and Texas Railway through Denton in 1881. With only north and south rail connections, however, the town did not develop as a manufacturing and wholesale center. The next spur to Denton's growth came in 1890 with the opening of North Texas Normal College (now the University of North Texas) and in 1903 with the opening of the Girls Industrial College (now Texas Woman's University). With these developments as catalysts, the City grew from a population of 1,194 in 1880 to 2,558 in 1890 and subsequently, over time, to a population of 26,844 in 1960 and to 48,063 in 1980. Proximity to Dallas and Fort Worth, with good interstate highway connections, played a major role in this growth. Steady and at times rapid growth of enrollment at the two universities was important also. Additionally, after 1974 the City added many new residents as a result of the opening of Dallas - Fort Worth International Airport, which is closer to Denton than to many parts of Dallas and Fort Worth. Many airline employees and executives who traveled for major companies took up residence in Denton. The City of Denton has also benefitted from the continued rapid growth of the metropolitan area and as this growth

has moved northward, the City has grown in population from 66,270 in 1990 to 80,537 in 2000 to a currently estimated 122,830, according to the U.S.

Census Bureau.

SECTION II: CURRENT CONDITION / STATE

While Denton has grown to a population in excess of 100,000, the Denton downtown has not shared in the growth. One of the primary reasons for the lack of growth in the downtown area is the condition of the infrastructure. Many of the water and sewer lines serving downtown are 50 years old or older and are undersized to support new and more dense development and redevelopment. Drainage is poor. Many streets have fallen in need of repair or reconstruction, with unsafe sidewalks which do not meet ADA requirements. There also is a lack of parking to serve a higher level of development.

The City of Denton has the potential, the need and the desire to undergo a successful revitalization of its downtown. To begin the effort, the City approved a Downtown Masterplan by Fregonese Calthorpe Associates and TIP Strategies in May/June 2003. This was followed by a Downtown Redevelopment Implementation Plan done by Leland Consulting Group and RTKL in 2005. The Leland / RTKL plan suggested five catalyst projects which would --

- Address underserved market niches
- Provide direction for targeting and leveraging public investment
- Advance market-tested vision over near-term and long-term
- Create a physically and economically sustainable plan

As one of the potential implementation tools for this plan, Leland/RTKL recommended creation of a Tax Increment Financing (TIF) Reinvestment Zone to fund public improvements which would provide assistance and stimulus for private redevelopment and new development.

To further define and guide downtown public infrastructure improvements that would help stimulate private development and be funded by a TIF, the City of Denton asked Jacobs to prepare a Downtown Implementation Plan. This plan, presented to the community and adopted by the

Denton City Council in August 2010, focused on parking, complete streets, solid waste, a form base code and the planned transit oriented development.

Based on the Leland/RTKL recommendation, and following the Downtown Implementation Plan recommendations, the City of Denton is proposing creation of a TIF Reinvestment Zone for the downtown area. The “defined area” of approximately 225.73 acres was developed by city staff along with the Downtown Task Force and the Economic Development Partnership Board. New private development and redevelopment expected to occur as a result of public improvements funded by the TIF will increase downtown property values and tax income as well as bolster business personal property value and its related tax income for all taxing jurisdictions. TIF has been used in many other cities and is a proven method to stimulate private development and redevelopment growth sooner, rather than later, and in many cases will stimulate growth in value which might never occur without public improvements funded by the TIF.

SECTION III: TAX INCREMENT ANALYSIS

This section documents the detailed analysis and inputs used to generate the tax increment revenue estimates. Tax Increment Financing involves:

- Designating an eligible redevelopment area as a Tax Increment Financing Reinvestment Zone;
- Soliciting participation of other taxing jurisdictions;
- Setting the assessment base at the level of the most recent assessment; and
- Placing tax revenues generated by the increase in assessed value in a tax increment fund for funding public improvements.

Thus, future tax increment revenues depend on four elements:

- The timing and added value of new development;
- Appreciation of existing land and improvements;
- The loss of value from any existing improvements demolished to make way for new development; and
- Future tax rates and the percentage of participation of each taxing jurisdiction.

Assessment policies typically set building assessments at 100 percent of fair market value, which are generally comparable to construction costs for new construction. Assessed values are established as of January 1 of the tax year. Thus, development in 2010 goes on the tax rolls for the Tax Year 2011. In this analysis, to be conservative, no increase in value on redevelopment or new development after completion has been included. In addition, after the initial five years, only a portion of the taxes from increases in real property values for the City of Denton are directed to the TIF Fund. Taxes from the remaining portion on real property values and 100% of all taxes from increases in business personal property values will flow to the City. All taxes from increases in real property and business personal property values will flow to the other taxing jurisdictions. Sales tax income generated from both existing retail and new retail will continue to flow to the City of Denton.

The total year 2010 taxable value of the property within the TIF boundary is estimated to be \$80.2 million.

For the purposes of this tax increment analysis, the initial tax base for the Tax Increment Fund is assumed to be \$80.2 million. Taxes on the amount of base tax value will continue to flow to all taxing jurisdictions during the 30-year life of the TIF.

The increase in value as a result of development and redevelopment within the TIF boundary is expected to be created in three different categories:

1. the general increase in values over time through normal Appraisal District revaluations and overall inflation;
2. the new values created by completion of the catalyst projects identified in the Downtown Redevelopment Implementation Plan; and
3. other general development and redevelopment expected to occur within the TIF boundary.

Each of these will be discussed in more detail in the following sections.

General Increase

General value increases are based on the City of Denton forecast through 2014. The average increase through 2014 is 2.2% per year. To be somewhat conservative, beyond 2014 an average annual increase of 2% per year was used. This annual increase still generated an increase in value within the TIF from \$80.2 million to \$143.7 million, an increase of \$63.5 million (see attached Table 1).

Catalyst Projects

As mentioned previously, the city of Denton commissioned the team of Leland Consulting Group and RTKL Associates, Inc. to provide a Downtown Redevelopment Implementation Plan.

This team evaluated five potential catalyst projects (see Exhibit I) which would-- •

Address underserved market niches in Denton,

- Promote density and increase in “rooftops”,
- Provide direction for targeting and leveraging public investment,

- Advance market-tested vision over near- and long-term, and •
Create a physically and economically sustainable plan.

These catalyst projects would focus on--

- Strengthening the core,
- Transit,
- Infill development,
- Connecting the Civic Center to downtown, and •
Gateways into downtown.

For this analysis, the project values developed by the team for each catalyst project except catalyst project A were used. Project A value was developed based on more recent input from City Staff. Each project is projected to develop over the time periods shown below. The location of each project is shown in Exhibits II, III, IV, V, and VI, and a summary is shown below.

<u>Area</u>	<u>Description</u>	<u>Value, \$M</u>	<u>Development Time Period</u>
A	Mixed-use Residential/Retail/Transit	55	2012-2028
B	Mixed-use Residential/Retail	14	2017-2029
C	Residential Infill	16	2020-2034
D	Mixed-use Office/Residential	27	2022-2038
E	Residential Infill	13	2017-2027

The value created over the life of the TIF by these five catalyst projects is shown in attached Table 2.

Other Development/Redevelopment

New development and redevelopment value increases during the past few years within the downtown area have averaged about \$1.7 million per year. With the stimulus provided by the catalyst projects and with the potential aid of TIF funds, this analysis assumed that a higher level of development and redevelopment within the TIF are would occur as shown below.

Development	Annual Value <u>Time Period</u> <u>Increase, \$M</u>
2010 -- 2011	3.0
2012-2014	1.5
2015-2019	2.0
2020-2024	2.5
2025-2029	3.0
2030-2034	3.5
2035-2039	4.0

The value created over the life of the TIF by general development/redevelopment is shown in attached Table 3.

The forecast of increased value created within the TIF boundary during the next 30 years from these three categories is shown in Table 4. Income to the TIF Fund based on the values shown in attached Table 4 and the City of Denton tax rate assumptions shown below is detailed in attached Table 5.

<u>Jurisdiction</u>	<u>Years</u>	2010 Tax Rate <u>\$/100 Value</u>	% of <u>Tax Rate</u>
City of Denton	1-5	0.6897500	100
	6-10	0.6552625	95
	11-20	0.6207750	90
	21-30	0.5862875	85

Attached Table 5 also shows income which flows to the general fund of the City from the remaining tax rate not applied to the TIF.

Business Personal Property tax income will also be generated from increased values within the TIF. Business Personal Property & Inventory (BPP) values for 2009 in the TIF area was 39.1% of

real property values. For this analysis, a conservative forecast of BPP tax income to the City in the TIF District is based on BPP values being 40% of real property values initially, declining annually to 30% by 2021 and remaining at 30% thereafter using 100% of the tax rate. This income from BPP is shown in attached Table 6.

Attached Table 7 shows a forecast of total income to the City during the 30 year life of the TIF. This income is generated from the non-TIF portion of the real property tax rate and BPP income, both from new values generated within the TIF and also from real property and BPP base values. A summary of income to the TIF and the City General Fund over the 30-year life of the TIF is shown below.

<u>Jurisdiction</u>	<u>TIF Fund, \$K</u>	<u>CITY Income, \$K</u>
City of Denton	24,811	35,615

The public infrastructure projects planned to stimulate the higher values created by the TIF are shown in Project Plan Exhibit D.

SECTION IV: TABLES

CITY OF DENTON

TABLE 1

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

GENERAL VALUE INCREASE, \$M

YEAR	VALUE	BASE VALUE	VALUE INCREASE
2010	80.2	80.2	-
2011	78.6	80.2	(1.6)
2012	81.0	80.2	0.8
2013	84.2	80.2	4.0
2014	87.6	80.2	7.4
2015	89.4	80.2	9.2
2016	91.1	80.2	10.9
2017	93.0	80.2	12.8
2018	94.8	80.2	14.6
2019	96.7	80.2	16.5
2020	98.7	80.2	18.5
2021	100.6	80.2	20.4
2022	102.6	80.2	22.4
2023	104.7	80.2	24.5
2024	106.8	80.2	26.6
2025	108.9	80.2	28.7
2026	111.1	80.2	30.9
2027	113.3	80.2	33.1
2028	115.6	80.2	35.4

**CITY OF DENTON
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1**

2029	117.9	80.2	37.7
2030	120.3	80.2	40.1
2031	122.7	80.2	42.5
2032	125.1	80.2	44.9
2033	127.6	80.2	47.4
2034	130.2	80.2	50.0
2035	132.8	80.2	52.6
2036	135.4	80.2	55.2
2037	138.1	80.2	57.9
2038	140.9	80.2	60.7
2039	143.7	80.2	63.5
TOTAL	143.7	80.2	63.5

*Increases based on City of Denton forecast through 2014. Beyond 2014 assumed average of 2% / year increase.

TABLE 2

**CITY OF DENTON
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1**

CATALYST PROJECT VALUE INCREASE, \$M

YEAR	A	B	C	D	E	TOTAL	CUM.TOTAL
2010	-	-	-	-	-	-	-

2011	-	-	-	-	-	-	-
2012	10.0	-	-	-	-	10.0	10.0
2013	-	-	-	-	-	-	10.0
2014	10.0	-	-	-	-	10.0	20.0
2015	-	-	-	-	-	-	20.0
2016	15.0	-	-	-	-	15.0	35.0
2017	-	2.0	-	-	2.0	4.0	39.0
2018	-	-	-	-	-	-	39.0
2019	5.0	2.0	-	-	2.0	9.0	48.0
2020	-	-	2.0	-	-	2.0	50.0
2021	-	2.0	-	-	2.0	4.0	54.0
2022	5.0	-	2.0	3.0	-	10.0	64.0
2023	-	2.0	-	-	2.0	4.0	68.0
2024	-	-	2.0	3.0	-	5.0	73.0
2025	5.0	2.0	-	-	2.0	9.0	82.0
2026	-	-	2.0	3.0	-	5.0	87.0
2027	-	2.0	-	-	3.0	5.0	92.0
2028	5.0	-	2.0	3.0	-	10.0	102.0
2029	-	2.0	-	-	-	2.0	104.0
2030	-	-	2.0	3.0	-	5.0	109.0
2031	-	-	-	-	-	-	109.0
2032	-	-	2.0	3.0	-	5.0	114.0
2033	-	-	-	-	-	-	114.0
2034	-	-	2.0	3.0	-	5.0	119.0
2035	-	-	-	-	-	-	119.0
2036	-	-	-	3.0	-	3.0	122.0
2037	-	-	-	-	-	-	122.0
2038	-	-	-	3.0	-	3.0	125.0

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TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1**

2039	-	-	-	-	-	-	125.0
TOTAL	55.0	14.0	16.0	27.0	13.0	125.0	125.0

TABLE 3

**OTHER DEVELOPMENT/REDEVELOPMENT VALUE INCREASE,
\$M**

YEAR	VALUE	CUM. VALUE
2010	-	-
2011	3.0	3.0
2012	1.5	4.5
2013	1.5	6.0
2014	1.5	7.5
2015	2.0	9.5
2016	2.0	11.5
2017	2.0	13.5
2018	2.0	15.5
2019	2.0	17.5
2020	2.5	20.0
2021	2.5	22.5
2022	2.5	25.0
2023	2.5	27.5
2024	2.5	30.0
2025	3.0	33.0
2026	3.0	36.0
2027	3.0	39.0
2028	3.0	42.0

2029	3.0	45.0
2030	3.5	48.5
2031	3.5	52.0
2032	3.5	55.5
2033	3.5	59.0
2034	3.5	62.5
2035	4.0	66.5
2036	4.0	70.5
2037	4.0	74.5
2038	4.0	78.5
2039	4.0	82.5
TOTAL	82.5	82.5

CITY OF DENTON
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

TABLE 4

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

CUMULATIVE TOTAL VALUE INCREASE, \$M

YEAR	GENERAL	CATALYST	OTHER	TOTAL
2010	-	-	-	-
2011	(1.6)	-	3.0	1.4
2012	0.8	10.0	4.5	15.3
2013	4.0	10.0	6.0	20.0
2014	7.4	20.0	7.5	34.9
2015	9.2	20.0	9.5	38.7
2016	10.9	35.0	11.5	57.4
2017	12.8	39.0	13.5	65.3
2018	14.6	39.0	15.5	69.1
2019	16.5	48.0	17.5	82.0
2020	18.5	50.0	20.0	88.5
2021	20.4	54.0	22.5	96.9
2022	22.4	64.0	25.0	111.4
2023	24.5	68.0	27.5	120.0
2024	26.6	73.0	30.0	129.6
2025	28.7	82.0	33.0	143.7
2026	30.9	87.0	36.0	153.9
2027	33.1	92.0	39.0	164.1
2028	35.4	102.0	42.0	179.4
2029	37.7	104.0	45.0	186.7
2030	40.1	109.0	48.5	197.6
2031	42.5	109.0	52.0	203.5
2032	44.9	114.0	55.5	214.4
2033	47.4	114.0	59.0	220.4
2034	50.0	119.0	62.5	231.5
2035	52.6	119.0	66.5	238.1
2036	55.2	122.0	70.5	247.7
2037	57.9	122.0	74.5	254.4
2038	60.7	125.0	78.5	264.2

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2039	63.5	125.0	82.5	271.0
TOTAL	63.5	125.0	82.5	271.0

TABLE 5

CITY

YEAR	TOTAL REAL PROPERTY VALUE INCREASE, \$M	CONTRIBUTION TO TIF, \$K*	INCOME TO CITY, \$K
2010	-	-	-
2011	1.4	-	-
2012	15.3	10	-
2013	20.0	106	-
2014	34.9	138	-
2015	38.7	241	-
2016	57.4	254	13
2017	65.3	376	20
2018	69.1	428	23
2019	82.0	453	24
2020	88.5	537	28
2021	96.9	549	61
2022	111.4	602	67
2023	120.0	692	77
2024	129.6	745	83
2025	143.7	805	89
2026	153.9	892	99
2027	164.1	955	106
2028	179.4	1,019	113
2029	186.7	1,114	124
2030	197.6	1,159	129

CITY OF DENTON
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

2031	203.5	1,159	204
2032	214.4	1,193	211
2033	220.4	1,257	222
2034	231.5	1,292	228
2035	238.1	1,357	240
2036	247.7	1,396	246
2037	254.4	1,452	256
2038	264.2	1,492	263
2039	271.0	1,549	273
2040	-	1,589	280
TOTAL	271.0	24,811	3,479

* Based on 2010 tax rate of: Years 1 Years 6 -- 105
 \$0.6552625897500 / \$100 valuation (100%) / \$100 valuation (95%)
Years 11 - 20 \$0.6207750 / \$100 valuation (90%)
Years 21 - 30 \$0.5862875 / \$100 valuation (85%)

TABLE 6

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

CITY

YEAR	TOTAL REAL PROPERTY VALUE INCREASE, \$M	BUSINESS PERSONAL PROPERTY		INCOME TO CITY, \$K**
		%	VALUE INCREASE, \$M	
2010	-	-	-	-
2011	1.4	40	0.6	-
2012	15.3	39	6.0	4
2013	20.0	38	7.6	41
2014	34.9	37	12.9	52
2015	38.7	36	13.9	89
2016	57.4	35	20.1	96
2017	65.3	34	22.2	139

CITY OF DENTON

2018	69.1	33	22.8	153
2019	82.0	32	26.2	157
2020	88.5	31	27.4	181
2021	96.9	30	29.1	189
2022	111.4	30	33.4	201
2023	120.0	30	36.0	230
2024	129.6	30	38.9	248
2025	143.7	30	43.1	268
2026	153.9	30	46.2	297
2027	164.1	30	49.2	319
2028	179.4	30	53.8	339
2029	186.7	30	56.0	371
2030	197.6	30	59.3	386
2031	203.5	30	61.1	409
2032	214.4	30	64.3	421
2033	220.4	30	66.1	444
2034	231.5	30	69.5	456
2035	238.1	30	71.4	479
2036	247.7	30	74.3	492
2037	254.4	30	76.3	512
2038	264.2	30	79.3	526
2039	271.0	30	81.3	547
2040	-	-	-	561
TOTAL	271.0	30	81.3	8,607

*Estimated Business Personal Property & Inventory value for 2010 is \$29.9 million, 39.1% of real property value. To be conservative this percentage was reduced from 40% to 30% over the next 11 years. This value was used for the remainder of the TIF life.

**Based on tax rate of \$0. 68975 / \$100 valuation applied to business personal property & inventory value increases.

TABLE 7

CITY

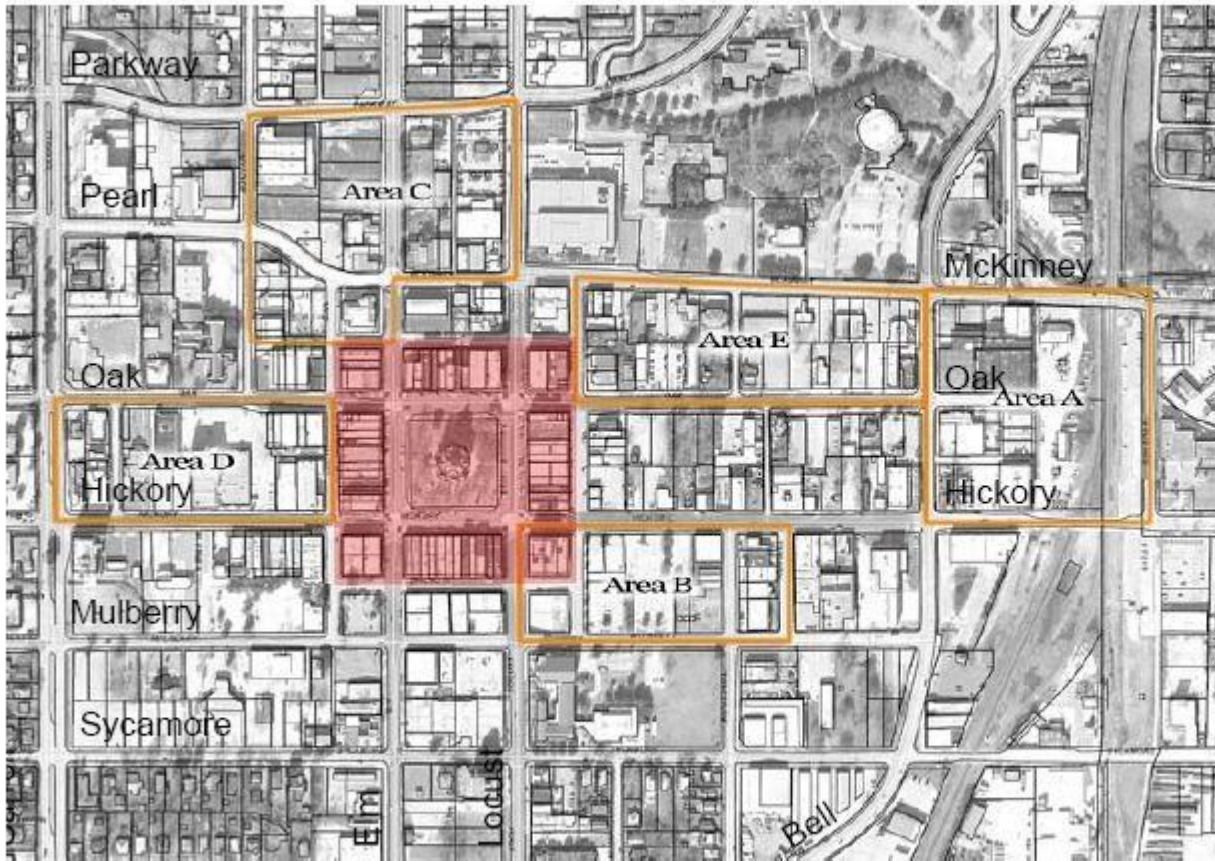
YEAR	INCOME FROM NEW REAL PROPERTY TAX, \$K	INCOME FROM NEW BUSINESS PERSONAL PROPERTY TAX, \$K	SUBTOTAL INCOME FROM NEW VALUES, \$K	INCOME TO CITY FROM BASE REAL AND BPP VALUES, \$K*	TOTAL INCOME TO CITY, \$K
2010	-	-	-	759	759
2011	-	-	-	759	759

CITY OF DENTON
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

2012	-	4	4	759	763
2013	-	41	41	759	800
2014	-	52	52	759	811
2015	-	89	89	759	848
2016	13	96	109	759	868
2017	20	139	159	759	918
2018	23	153	176	759	935
2019	24	157	181	759	940
2020	28	181	209	759	968
2021	61	189	250	759	1,009
2022	67	201	268	759	1,027
2023	77	230	307	759	1,066
2024	83	248	331	759	1,090
2025	89	268	357	759	1,116
2026	99	297	396	759	1,155
2027	106	319	425	759	1,184
2028	113	339	452	759	1,211
2029	124	371	495	759	1,254
2030	129	386	515	759	1,274
2031	204	409	613	759	1,372
2032	211	421	632	759	1,391
2033	222	444	666	759	1,425
2034	228	456	684	759	1,443
2035	240	479	719	759	1,478
2036	246	492	738	759	1,497
2037	256	512	768	759	1,527
2038	263	526	789	759	1,548
2039	273	547	820	759	1,579
2040	280	561	841	759	1,600
TOTAL	3,479	8,607	12,086	23,529	35,615

* Based on 2010 real property value and 2009 business personal property & inventory value.

SECTION V: EXHIBITS



Catalyst Areas

Five areas have been identified as redevelopment zones capable of viable catalyst development projects.

These projects will rely on the strengthening of the Square through the roll-out of a retail and parking strategy.





Catalyst Project A

Transit-Oriented infill development with shared parking garage between McKinney, Bell, Hickory and the Commuter Rail.

Planned around existing historic structure, partnership defined by land assembly and parking.





Catalyst Project B

Mixed-use infill adjacent to the Wells Fargo tower. New shared garage is added as southeastern parking anchor for the Square.

Existing garage removed to make way for retail and motor bank with loft space above.





Catalyst Project C

Pocket park with new surrounding development to define northern gateway into Downtown.

Includes adaptive reuse of existing buildings (old city hall) and provides a northwestern parking anchor for the Square.





Catalyst Project D

Mixed-use Office infill between Oak and Hickory along Carroll. Existing businesses incorporated into development; shared parking lined with live-work space.

Verizon building now gains a “context.”





Catalyst Project E

Residential infill with ground level service uses between McKinney, Oak, Austin and Bell.

Provides an “urban edge” to contrast the municipal complex. Small scale live-work infill around existing structures on Oak.



