

MINUTES OF THE ECONOMIC DEVELOPMENT ADVISORY COMMITTEE
OF THE CITY OF NORTH RICHLAND HILLS, TEXAS
HELD IN THE COUNCIL WORK SESSION ROOM, 4301 CITY POINT DRIVE

March 28, 2024

The Economic Development Advisory Committee of the City of North Richland Hills, Texas, met on the 28th of March at 11:30 a.m. in the Council Work Session Room.

Present:	Mr. Mikhail Orlov	GRITR
	Mr. Jay Garrison	JA Garrison & Associates
	Mr. Jay Redford	CBRE Commercial
	Mr. Mark Wood	Howe/Wood & Company
	Ms. Mindy Monroe	Legend Bank
	Ms. Darlisa Diltz	NTEEC
	Mr. Curtis Nash	Grace's Tiers Bakery
	Mr. Mark Deno	Medical City North Hills
	Ms. Stephanie Seybert	Seytec
	Mr. Joshua Fichter	Five StarFord
Staff Members:	Mr. Craig Hulse	Economic Development Director
	Ms. Elizabeth Copeland	Economic Development Analyst
	Ms. Paulette Hartman	Deputy City Manager
	Ms. Kelly Vaughn	Administrative Secretary

A. CALL TO ORDER

Chairman Wood called the meeting to order at 11:35 a.m.

B. PUBLIC COMMENTS

No citizens present for public comments.

C. APPROVAL OF MINUTES OF THE NOVEMBER 9th, 2023, MEETING

APPROVED

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A MOTION WAS MADE BY MR. GARRISON, SECONDED BY MS. MONROE TO APPROVE THE MINUTES FROM THE NOVEMBER 9, 2023, MEETING. MOTION TO APPROVE CARRIED 10-0.

D. ECONOMIC DEVELOPMENT DIRECTOR'S REPORT

Mr. Hulse presented a high level of what is going on in the community, specifically from an economic standpoint.

D.1 Update on City Management Organizational Changes

Mark Hindman has been the North Richland Hills City Manager for 15 years since 2009. His last day will be March 31st. Paulette Hartman will become the new City Manager effective April 1st, 2024. She has a tremendous amount of experience working with the city of North Richland Hills and we are fortunate that the City Council has chosen her.

D.2 Review 2023 Citizen Survey Results

Every 2 years the city conducts a citizen survey, and it serves as a guidepost for staff and council to identify areas that need focus and prioritization of the city's budget. It was conducted in October through November of this past year with a very high response rate, almost 1,700 respondents providing a 95% confidence level. In addition to doing a mailer to 10,000 random households, it was promoted through social media, the city's website, and other promotional material, like the monthly water bill. The survey company distilled the results down into four areas where we should a) increase our focus, b) maintain our efforts, c) where we are meeting or exceeding expectations and then d) things that are no longer as important. The final category was completely empty, showing that there is nothing that the city is doing that is not deemed important. The area of greatest focus is the improvement of our streets. A concern as well is signal timing and traffic and code enforcement. From a staff and council perspective this reaffirms that and could lead to another street bond consideration in the next couple of years. The good news is that the citizens are happy with maintaining efforts on a lot of services and are extremely happy with the library and special events. We must remind our citizens that we do not have control over Davis Boulevard, Boulevard 26, State Highways 820 or its frontage Roads. We do have control over residential streets, Rufe Snow, Iron Horse, and Bedford-Eules. Our department is always most interested in learning what types of business our citizens want to see come to our city. Every year restaurants are number one. Our primary focus is to be as visible and as attractive as possible to the restaurant community. We also put an inordinate amount of effort into those that are fast casual and sit down. Conversely, these businesses have the lowest margins and highly reliant upon consumer discretionary income. This is a key target industry of the city with 165 total food service businesses, of which 71 are of the fast casual or sit-down variety.

Another interesting topic from the survey is work from home. Since the pandemic 59% of NRH residents work from home at least one day per week. 37% work from home at least

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three days per week and 25% work from home daily. While the office real estate sector is on shaky ground right now, the city has benefitted from the work from home element as a lot of our professionals are staying within the community.

D.3 Update on Local and Regional Economic Trends

Unemployment remains historically low. Inflation is at 5%. The Fed is planning to lower the rate at least twice this year. Consumer confidence is up 12%. Unfortunately, the taxable sales, while they are up two and half percent, are not keeping up with inflation. Property Values, especially single-family property values, are continuing to increase.

Mr. Hulse asked each member of the Advisory Council to give an update on their industry and how it is currently doing, beginning with Mark Deno.

Mark Deno said the hospital had a banner year in 2023. 2024 has started off with good volumes in revenues. However, they have noticed a compounding effect of inflation over the last few years. Patients are cancelling medical procedures due to rising out-of-pocket costs. Overall, however, Mark said that the hospital is doing well.

Joshua Fichter spoke next representing the Auto industry. He said that revenues are up. Credit is becoming a challenge. The banks are tightening up as to what they will approve. Inventory and auction prices are up, but trade-ins are down, and people are overpaying. Business is going well. Parts and service, body shops are all still doing gangbuster business.

Stephanie Seybert from SeyTec said that her customers are Lockheed Martin and NASA. They are competing against UPS, and Amazon for warehouses. They notice that although they match 6% for the 401k, the younger generation employees are less interested in that. They want to keep their money. SeyTec is having a record year as well. 60% of their business is Lockheed Fort Worth and missiles and fire control. She said their industry is very strong. They have increased every quarter, even doubling in the last few quarters, which were both record quarters.

Mikhail Orlov with GRITR spoke next representing the retail industry. He said his business is directly related to how people feel about the immediate future because it is how they spend their disposable income. 85% of his business occurs nationwide. It is a tough competitive business. He is cautiously optimistic because he knows during an election year there is a lot of turmoil associated with people's expectations. He said, while they are contributing to retail sales, taxable sales, and growth, he still has a lot of concerns.

Mark Wood mentioned that the DFW metroplex is experiencing exponential growth in comparison to other parts of the country and this is driving the prices of everything. Affordability is a problem. We are running out of land in North Richland Hills. There are a

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lot of redevelopments and a lot of buildings that are getting cut up into smaller deals. New developments are hard to find because the prices are too high. New construction costs can make older buildings look like bargains.

Mindy Monroe began by saying that banking is interesting right now and there are a lot of factors impacting people's access to loans. The Bank regulators are trying to increase capital requirements which affect how much banks can loan. There are many new regulatory bills that are coming out that will cost banks a lot of money to implement. The examiners are very critical of the growth taking place in area banks which is primarily in various types of real estate, residential and commercial. Loan demand is still very high on the commercial side. Standard commercial rates are between 8.5% and 9.5%, which is very high. From the commercial side, there is still a lot of activity. The other thing that has happened in banks this past year is the outflow of deposits. Loans are predicated on deposits and nationwide, deposits have flown out of banks. When people come to banks for loans, they are required to have deposits at the bank. This is impacting lending on a local level at your local banks. Also impacting banks is the amount of money that comes out of the industry, including increased prepaid card usage..

Jay Garrison is celebrating his 40th year in CPA practice and his 46th tax season. He provided multiple observations from his clients for this past year. He noticed that the revenues of several full-service food operators are flat or even below what they were last year. He has also observed that oil and gas revenues are down. There are many people leaving their employers and wanting to start up their own businesses. Being an election year, nothing will be changing in 2024, however there will be new tax legislation in 2025 and Jay mentioned he is getting a lot of new business. A lot of CPA firms are not accepting new clients.

Curtis Nash shared that May 1st will be the two-year anniversary of Grace's Tiers Bakery. They continue to face challenges with growth and staffing. He is a passionate son who supports his mother's bakery. Nash said that one thing he has learned in small business is that after being in a brick and mortar for 2 years, people come to support you because you are the brand. They are trying to grow at a consistent pace and still compete. They are trying to stand out, do their best and keep pushing.

Jay Redford shared from the perspective of a Commercial Real Estate Appraiser. He said that the number of appraisals he is doing is up this year over last year. It is still nowhere near 2022 but is catching up. He said there is still a large disconnect between buyers and sellers. We see a lot of refinancing or banks looking in on assets that are maybe higher value or risky. The disconnect between buyers and sellers is because of the increase in cap rates.

D.4 Development Trends (Commercial, Residential, Multi-Family)

Mr. Hulse shared some local development trends taking place in North Richland Hills. Number one, we saw a dramatic drop in new single family starts in fiscal year 2023. It

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was likely a byproduct of interest rates on mortgages and a lull in lot development in North Richland Hills. The good news is that NRH is projecting for fiscal year 2024 back to the level of over 200 new housing starts. Buyers are no longer waiting for interest rates to drop because they expect to refinance later. NRH is outperforming Tarrant County, and we believe that is due to location, quality of life and diversity of housing stock. However, the city is starting to have a reduction in lots available for development, becoming fully built out, currently at 90-95%. The city is no longer going to be able to live on just pure growth and new construction.

Regarding commercial real estate, there is an increasing diversity in traditional retail space. NRH has family entertainment centers and fitness centers that occupy former grocery stores and materials such as Floor and Décor and Seconds and Surplus. Because of this the city has a record low vacancy rate at 6.2%. This is the lowest in 25 years.

D.5 New and Upcoming Business Report

NRH has had a good year welcoming 114 new business,. The city did lose a good share with a net increase of 45. Most recently Jason's Deli announced they will be going in to replace the former Chick-fil-A. NRH will also be welcoming Einstein's Bagels, as well as a Five Guy's Burgers in the northern part of town. Braums is working on both locations and will begin hiring soon. Caddo office space is going up next to the Braums in front of the B & B theater at North Tarrant and Davis. Caddo is a 40,000 square foot ,160 suite building for professionals and entrepreneurs. The new Chick-fil-A will open April 19. It is a 50,170 square foot building, which is a 26% increase from the current one they are in right now. It has two dedicated drive through lanes on each side.

Wal-Mart is going to start with drone delivery and the number one delivery item is Rotisserie chicken. NRH is the third community in North Texas to welcome Wing through Wal-Mart, the one up north as well as the one here off Loop 820.

Peppa Pig theme park's opening is delayed to late July. They have hired their managerial staff and are looking for their leadership team. They are having a recruitment fair in May for teens and two of their rides went vertical this week.

EOS Fitness opened on March 28th.

The update on Volli is that they are continuing to move forward with this facility. The budget they had originally identified to do this was \$7 million. It turned out to be more like \$10 million. They have reorganized the leadership structure and plan to open sometime in the fall of this year.

E. PROJECT AND PROGRAM UPDATES

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E.1 2020 Street Bond Project Update

Mr. Hulse updated the members on the \$49 million NRH bond package voted on in 2020 and gave progress on all major streets and where they are on the timeline towards completion.

During the month of May 2023, the city was awarded a \$4.2 million grant from the Economic Development Administration, the largest grant in North Central Texas for the Cares Act, that went to the cities for public infrastructure.

E.2 North Tarrant Express Capacity Improvement Project Update

The NTE Capacity Improvement Project will add a free general-purpose lane in each direction along the North Loop of I-820 and a (tolled) managed lane in each direction along Airport Freeway (SH183). The project will also adjust some of the ramps and connectors. The additional free lane will be paid with toll revenues, not from taxes. Full construction to begin mid-2024 and take place until early 2027. Along Loop 820, most construction activities occur overnight to minimize disruption to drivers.

E.3 City Point Development Update

Mr. Hulse reports positive development progress at City Point, including property that is now owned by a property developer who has approval from Hilton to develop a Homewood Suites. This is an upscale innovative brand that offers travelers a unique approach to longer stays by allowing guests to remain in their routines while on the road for business or leisure. There will be 102 rooms, 4 floors, a meeting room, fitness center, lobby bar and outdoor pool. The estimated cost of this project is \$19.8 million, and the construction timeline is 18-24 months.

E.3 Davis Boulevard/Boulevard 26 Neighborhood Empowerment Zone

The council adopted the EZ Street program to address financial barriers in business development along Boulevard 26 and Davis Boulevard. The program was officially launched in January through a Direct Mail and an email blast to 160 area property owners, 110 businesses and 30 brokers. Since that time, we have had 11 meetings, 5 potential projects and 1 under an agreement that Council just recently approved.

We are going to be home to an omni-channel business, the largest pool cue, case, and accessory retailer in the world. Omega Billards is the most recognized name in the industry and is the main fixture at the professional billiard shows. They are currently located in Hurst but just purchased 7921 Boulevard 26 and just got approval of their cost estimates to completely renovate the property inside and out. They will also be doing a lot of things to enhance curb appeal. Their plan includes landscape islands, sidewalks, and to improve lighting and signage. The project cost of just those exterior improvements

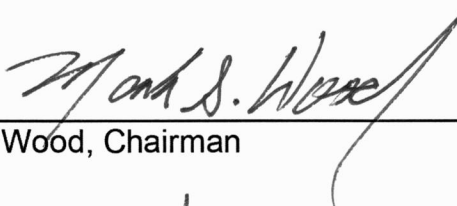
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is almost \$300,000. Through this program, we are providing them with a grant of \$50,000 to offset some of that expense.

F. ADJOURNMENT

Chairman Wood adjourned the meeting at 12:59 PM.



Mark Wood, Chairman



Craig Hulse, Secretary