

# **Hunter/Cole Ranch Master Planned Community**

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CITY COUNCIL – JANUARY 28, 2020

# Background

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## **Hunter/Cole Ranch**

- Approximately 6,400-acre master planned community (MPC)
  - 12,900 single family units
  - 6,450 multifamily units
  - 485 commercial acres
  - 256 industrial acres

## **Financing - Municipal Management District (MMD)**

- Resolution of support on February 12, 2019
- State approved enabling legislation on June 14, 2019
- City Council resolution required to activate the MMD
  - Sunset date: December 31, 2020

# Today's Discussion

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- Follow-up on 12/17 Questions
- Review Studies & Analyses
- Review Project & Operating Agreements
- Overview of Improvement Projects
- Development Benefits

# Fiscal Analysis

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## Key Assumptions

- Costs estimated with multiple approaches
  - Demographic/Location Characteristics of Development
  - Facility Capacity Analysis to Determine Capital Needs & Associated Operating Costs
  - Capacity & Thresholds for Staffing and Averages for Non-Salary Operating Costs
- Sales Tax revenue generated on a per square foot basis based on historical data
- Property Tax & Utility Rates held constant
  - Fiscal impacts represented as revenue surpluses
  - Surpluses could translate to decreased rates

# Hunter/Cole Financial Impact Summary

## Summary

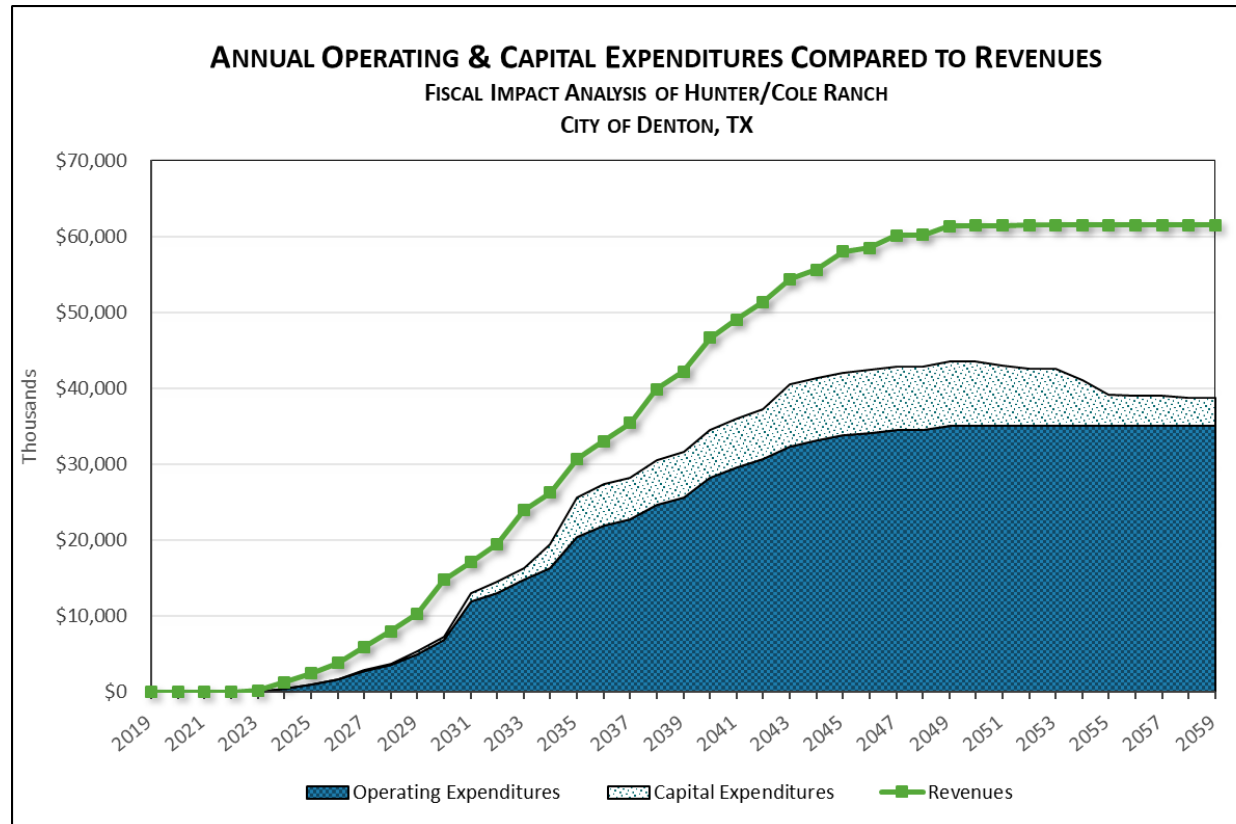
- 40-Year Cumulative Fiscal Impact
- Total Cumulative Net Fiscal Impact \$847 Million

	Operating Revenues	Impact Fee Revenues	Operating Expenses	Capital Expenses	Net Impact
General Government	\$1,581,858	\$52,168	\$989,254	\$170,821	\$473,951
Electric	\$966,695	-	\$565,517	\$115,070	\$286,109
Water	\$385,937	\$153,053	\$237,204	\$242,590	\$59,177
Wastewater	\$301,377	\$144,469	\$212,211	\$227,228	\$6,407
Solid Waste	\$304,055	-	\$243,535	\$38,967	\$21,553
<b>Total</b>	<b>\$3,539,922</b>	<b>\$349,690</b>	<b>\$2,547,721</b>	<b>\$794,676</b>	<b>\$847,197</b>

\* ( X 1,000)

# Fiscal Analysis

## Net Annual Operating & Capital Expenditures Compared to Revenues General Government Funds



# Fiscal Analysis

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## Key Findings

- MMD will provides a significant positive impact for the General Fund without placing a disproportionate burden on the City's ability to fund the infrastructure required to maintain levels-of-service related to capital facilities
- MMD will still require the City to make citywide investments in infrastructure and operational capacity
  - Projected to an increase average annual operating expenditures by approximately \$21 million per year
  - MMD is projected to produce enough revenue to cover the increased Costs
- Holding all else equal, the growth generated by the MMD would not require the City to raise utility rates

# Fiscal Analysis

Home Value \$ 200,000

	Tax Rate	Homestead Exemption	Tax Levy
Denton	\$ 0.590454	\$ 5,000	\$ 1,151
DISD	\$ 1.470000	\$ 25,000	\$ 2,573
Denton County	\$ 0.225278	\$ -	\$ 451
<b>Total Non-MMD Residential Tax Bill</b>			<b>\$ 4,174</b>
MMD	\$ 0.490000	\$ -	\$ 980
<b>Total MMD Residential Tax</b>			<b>\$ 5,154</b>

Home Value \$ 275,000

	Tax Rate	Homestead Exemption	Tax Levy
Denton	\$ 0.590454	\$ 5,000	\$ 1,594
DISD	\$ 1.470000	\$ 25,000	\$ 3,675
Denton County	\$ 0.225278	\$ -	\$ 620
<b>Total Non-MMD Residential Tax Bill</b>			<b>\$ 5,889</b>
MMD	\$ 0.490000	\$ -	\$ 1,348
<b>Total MMD Residential Tax</b>			<b>\$ 7,236</b>

Home Value \$ 350,000

	Tax Rate	Homestead Exemption	Tax Levy
Denton	\$ 0.590454	\$ 5,000	\$ 2,037
DISD	\$ 1.470000	\$ 25,000	\$ 4,778
Denton County	\$ 0.225278	\$ -	\$ 788
<b>Total Non-MMD Residential Tax Bill</b>			<b>\$ 7,603</b>
MMD	\$ 0.490000	\$ -	\$ 1,715
<b>Total MMD Residential Tax</b>			<b>\$ 9,318</b>



# Transportation Study

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- Council questions to answer:
  - Traffic flow management and the impact of the development (Hudspeth)
  - \*\*\*Slides should be representative of the Executive Summaries\*\*\*

# Transportation Study

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- Placeholder

# Water & Wastewater Analysis

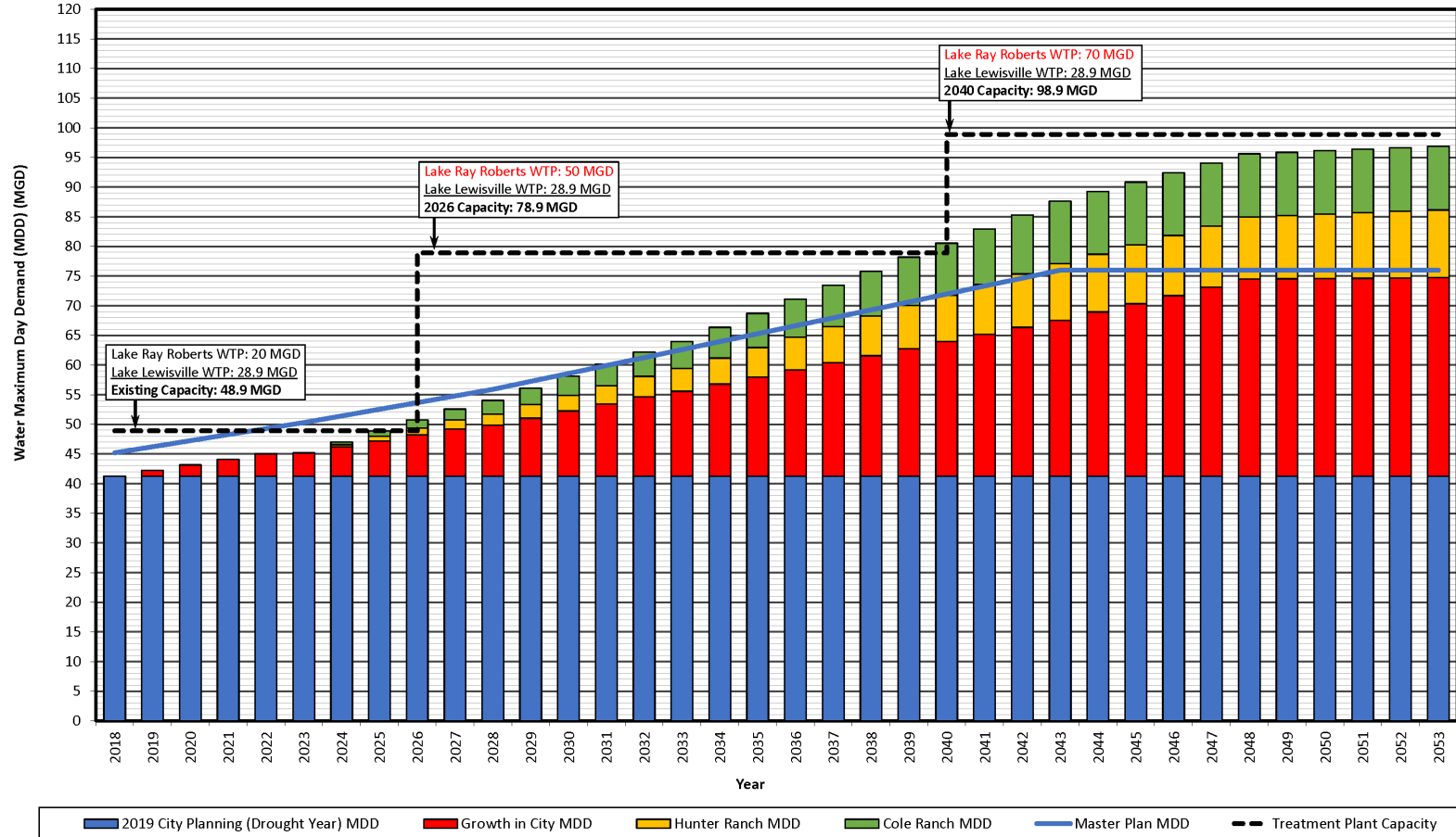
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**Objective** – Evaluate necessary improvements to and effects upon the water and wastewater utilities by providing service to Hunter Cole

- Hydraulic analysis completed to evaluate the impacts of the developments on the water and wastewater systems
  - Analysis used planning values from City Criteria Manual, assumptions vetted by the developer, and historical demand
- A Capital Improvement Plan (CIP) including Major on-site and Regional off-site projects was prepared to serve the developments
  - CIP is phased to account for build-out timing, provided by developer
  - Water CIP includes 10 Major and 9 Regional projects
  - Wastewater CIP includes 10 Major projects and 5 Regional projects

**Figure 3-2  
Water Treatment Plant Expansions**

# Water & Wastewater Analysis





# City Facility Needs Assessment

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**Objective** – Evaluate land and space needs for a future Service Center to service Hunter Cole Ranch

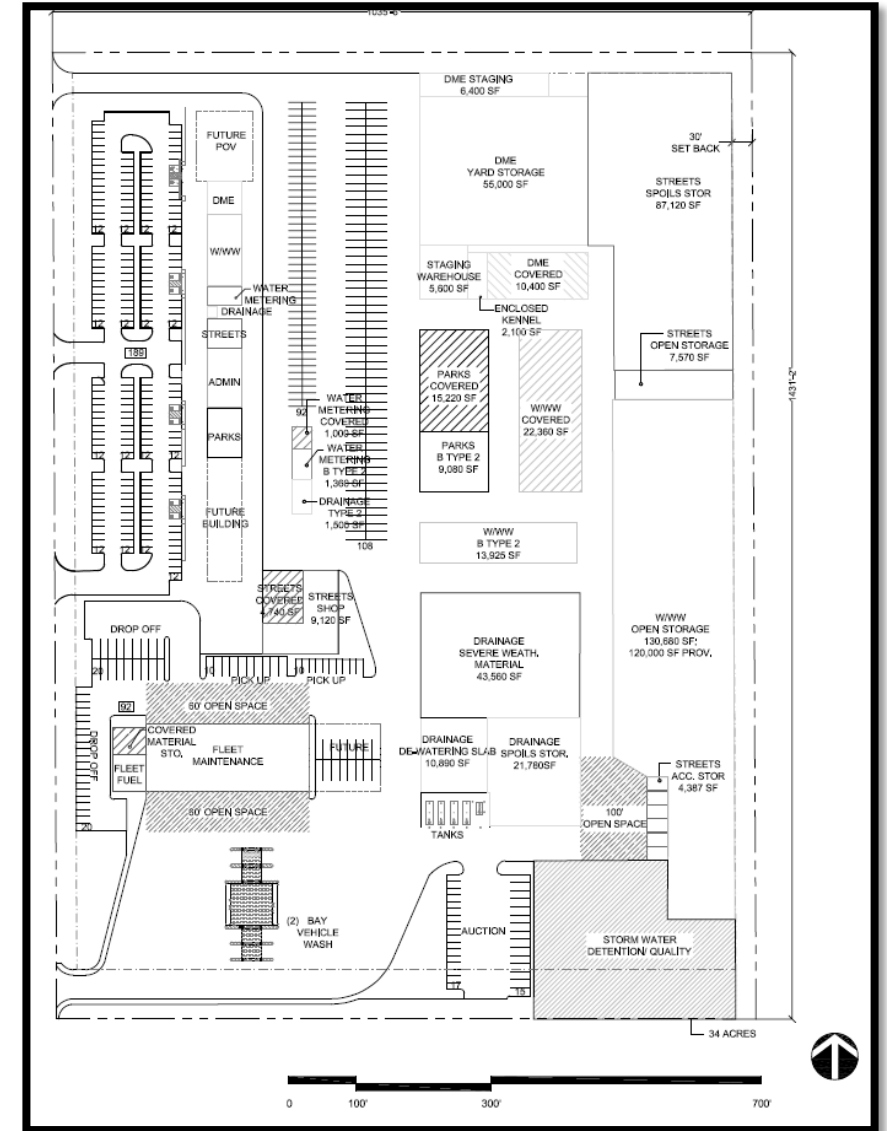
## **Key Assumptions**

- The current Service Center is currently at maximum capacity
- Departments to be partially housed at the new location include Streets, Drainage, Water, Wastewater, Parks, Solid Waste, and Fleet Maintenance
- Space projections account for employees, buildings, storage, and parking & circulation of equipment/vehicles
- Staffing and equipment projections were based on developer's final buildout

# City Facility Needs

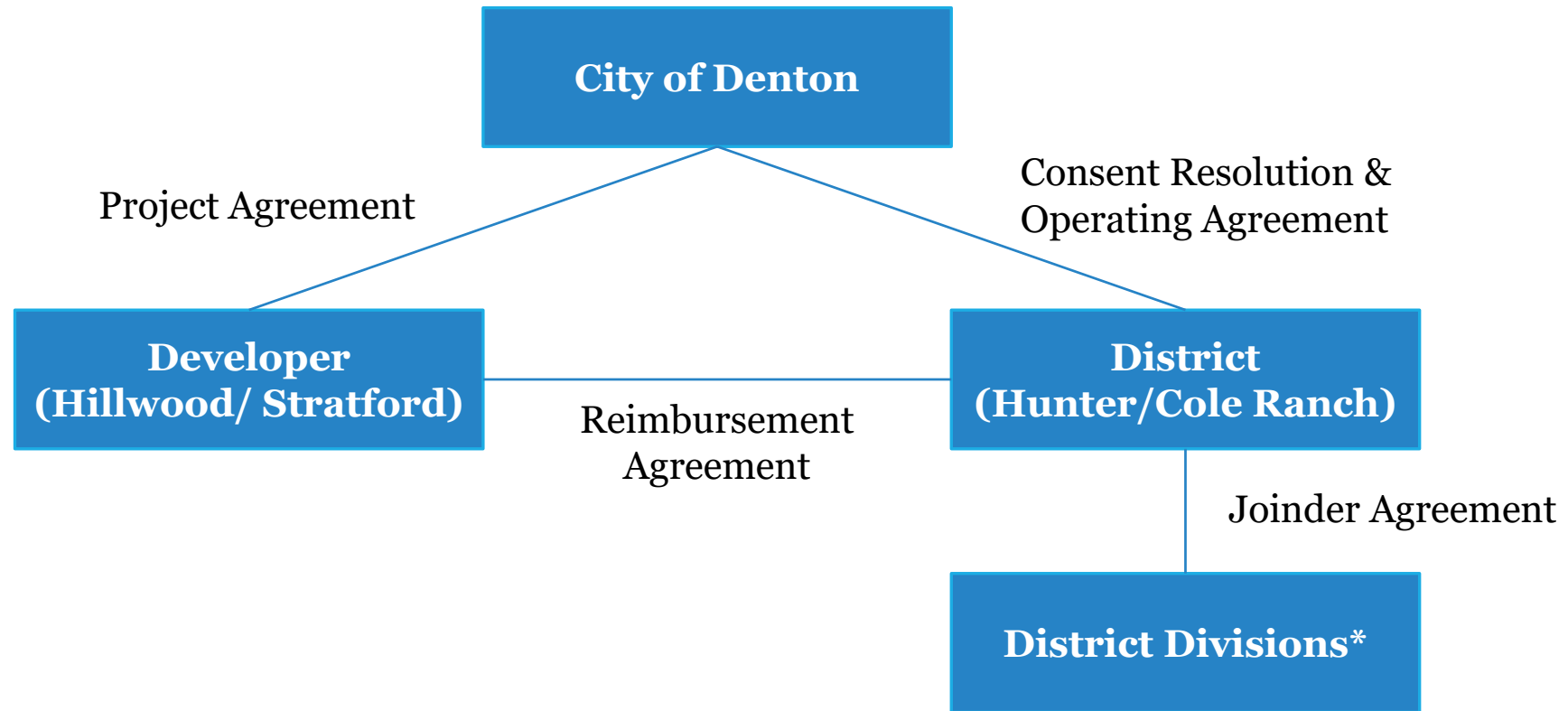
## Land Required

- 2 Fire Stations – X acres each
- Service Center Annex – 35 acres in a rectangular configuration
- Solid Waste – 15 acres to house a future transfer station
- Other Needs
  - DME substation – 10 acres
  - Water
  - Wastewater



# Parties & Agreements

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\*Both Hunter & Cole Ranch may divide into 4 districts for a total of 8 districts



# **Project Agreement (Developer & City of Denton)**

# **Project Agreement – Key Terms & Provisions**

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## **Zoning & Gas Wells**

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## **Parks & Trails**

## **Land Conveyance & COD Facilities**

## **Affordable Housing**

# Project Agreement Term Sheet

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Zoning, Design Guidelines, Development Standards</b>	<ul style="list-style-type: none"> <li>• Compliance with MPC Zoning (2019 DDC w/Amendments)</li> <li>• Design Guidelines – Exterior materials approved by Agreement and CCR (can't be reduced without City consent)</li> <li>• Public Improvements comply with city criteria manuals, as amended (Streets constructed w/concrete)</li> <li>• Building Codes and other development ordinances in effect at time of preliminary plat apply to that portion of development</li> <li>• Developer waives vested rights if conflict with terms of agreement</li> </ul>	<p align="center"><b>Negotiated</b></p>
<b>Parks, Open Space and Trails</b>	<ul style="list-style-type: none"> <li>• Developer dedicated park land, open space, and trails per the master park plan</li> <li>• In lieu of paying park development fees, Developer will improve parks and trails in a manner that meets or exceeds current Park standards</li> <li>• Developer will maintain or cause to be maintained parks and open space, except facilities installed by City (example: Rec center, skate park, etc.)</li> <li>• Private Parks and Amenities</li> </ul>	<p align="center"><b>Negotiated</b></p>
<b>Oversizing, City Cost of Participation</b>	<ul style="list-style-type: none"> <li>• Developer and MMD will construct public infrastructure and dedicate to City</li> <li>• City will own and maintain public infrastructure after acceptance of dedication</li> <li>• City will, at its option, elect oversizing on a project-by-project basis</li> </ul>	<p align="center"><b>Negotiated</b></p>
<b>Denton Municipal Electric</b>	<ul style="list-style-type: none"> <li>• DME will provide, and bill and collect for, retail service to all customers within the District where Denton Electric has service rights</li> <li>• Developer installs all street lights</li> <li>• The rates to be charged to the residents and users within the District shall be the same as charged to residents and users located in other areas of the City</li> </ul>	<p align="center"><b>Negotiated</b></p>

# Project Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Land Conveyance and Municipal Facilities</b>	<ul style="list-style-type: none"> <li>• Developer will convey or purchase land for Fire Station</li> <li>• Developer contributing Park property for co-location of Library and Rec Center</li> <li>• Developer contribution to new fire station (Hunter-Cole \$2.5 million each)</li> <li>• Developer contribution to Police Substation (Hunter-Cole \$2.5 million each)</li> <li>• Developer contribution to Water Treatment Plant for preliminary design (Hunter-Cole 1/6 of design cost each)</li> <li>• Developer provision of land for Service Center and Transfer Station (50 acres)</li> <li>• Developer provision of land for Water pump booster &amp; lift stations</li> <li>• Developer provision of land for DME substation (5-10 acres)</li> <li>• Developer contribution for design and construction documents for Water Treatment Plant expansion to avoid rate increase due to expedited timeline</li> </ul>	<p style="text-align: center;"><b>Negotiated</b></p>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Developer pays \$1.5 million each to the City's affordable housing program</li> </ul>	<p style="text-align: center;"><b>Negotiated</b></p>
<b>Exhibits</b>	<ul style="list-style-type: none"> <li>• Exhibit A - Metes and Bounds Description of the Property</li> <li>• Exhibit B - Park Plan</li> <li>• Exhibit C - Park Land Dedication Special Warranty Deed</li> <li>• Exhibit D - ESA Upland Habitat Deed Restriction</li> <li>• Exhibit E - Municipal Facilities</li> <li>• Exhibit F - Developer Certification</li> <li>• Exhibit G - Joinder Agreement</li> </ul>	<p style="text-align: center;"><b>Negotiated</b></p>

# **Operating Agreement (District & City of Denton)**

# Operating Agreement – Key Terms & Provisions

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## **Improvement Projects & Financing**

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## **Bond Issuance & Reimbursement**

## **Tax Rate & Assessments**

## **District Divisions**

# Operating Agreement Term Sheet

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Operation of District</b>	<ul style="list-style-type: none"> <li>The District shall operate at all times in accordance with the requirement of the Consent Resolution, District Enabling Act, the Operating Agreement, and applicable provision of the general laws relating to MMDs</li> </ul>	<b>Negotiated</b>
<b>Improvement Projects</b>	<ul style="list-style-type: none"> <li>Developer will request District to initiate design and construction of Improvement Projects</li> <li>City approves plans and specifications for District Improvements to be conveyed or dedicated to the City.</li> <li>City may participate on the oversizing of the District Improvements.</li> <li>City inspects the construction of District Improvements and is paid applicable fees for such services.</li> <li>After inspection and acceptance, District Improvements and associated easements and rights-of-way will be conveyed to the City to own, operate, and maintain</li> <li>District must follow Water Code requirements regarding form of contracts, public bidding, payment and performance bonds, and maintenance bonds.</li> <li>Unless otherwise authorized by the City, the District may acquire and construct <u>only</u> the following improvements consisting of water, wastewater, drainage, road, and landscaping (the “District Improvement(s)”):               <ul style="list-style-type: none"> <li>Regional infrastructure (both offsite and onsite); and</li> <li>Major infrastructure</li> </ul> </li> </ul>	<b>Negotiated</b>

# Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Parks, Open Space and Trails</b>	<ul style="list-style-type: none"> <li>Assessments are only for ongoing maintenance of street landscaping, parks, trails, and related recreational facilities.</li> </ul>	<b>Negotiated</b>
<b>Financing of Improvement Projects</b>	<ul style="list-style-type: none"> <li>Developer advances funds on behalf of District to acquire and construct Major Infrastructure and Regional Infrastructure</li> <li>District reimburses Developer's costs through issuance of bonds</li> <li>Bonds will not be secured by a pledge of City funds or revenue</li> <li>Benchmark tax rate of \$0.49 per \$100 of assessed value of taxable property in the District. This rate includes all tax debt, maintenance tax rate, and assessments (expressed as an equivalent tax rate).</li> </ul>	<b>Negotiated</b>
<b>Assessments</b>	<ul style="list-style-type: none"> <li>Requires approval by the owners of a majority of assessed value of property in the District</li> <li>District may not issue Bonds secured by assessments.</li> <li>Assessments are only for ongoing maintenance of street landscaping, parks, open space, trails, and related recreational facilities.</li> </ul>	<b>Negotiated</b>
<b>Financial Reporting</b>	<ul style="list-style-type: none"> <li>District sends the city copies of its annual ad valorem tax rate, orders approving service and assessment plans and rates, annual budget and audit, and material event notices filed under federal securities laws and regulations.</li> <li>After the sale of each series of bonds, the District provides the City with a copy of bond documents, final Official Statement or other offering document; and report regarding the distribution of bond proceeds to each applicable developer.</li> </ul>	<b>Negotiated</b>



# Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Bonds</b>	<ul style="list-style-type: none"> <li>• District may issue bonds only for District Improvements authorized by the Operating Agreement and District Act, and expenses authorized by Section 49.155, Water Code.</li> <li>• Principal amount of Bonds in aggregate may not exceed ten percent (10%) of the assessed value of all real property in the District</li> <li>• District must obtain approval of the TCEQ for the issuance of bonds for water, sanitary sewer or drainage facilities.</li> <li>• District will reimburse all costs of acquiring and constructing District Improvement projects to the extent permitted by the rules of TCEQ and Office of the Texas Attorney General, and the Operating Agreement.</li> <li>• Before entering into any bond purchase agreement for the sale of Bonds, the District submits documents authorizing the Bonds to the City together with certifications that District and Developer are compliant with all laws and agreements.</li> <li>• In the event of noncompliance, the City may object to the issuance of a series of Bonds, and the District must obtain consent of the City for the issuance of such Bonds</li> <li>• Cap on maximum amount of Developer reimbursements along with the applicable formula</li> </ul>	<b>Negotiated</b>
<b>Water/Sewer/ Recycling/Solid Waste</b>	<ul style="list-style-type: none"> <li>• City will provide, and bill and collect for, the retail water, sewer, recycling and garbage service provided to the area within the District.</li> <li>• The rates to be charged to the residents and users within the District shall be the same as charged to residents and users located in other areas of the City.</li> </ul>	<b>Negotiated</b>

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>Dissolution</b>	<ul style="list-style-type: none"> <li>• District shall dissolve district on written petition of the owners of 66% or more of assessed value of property assessed by district.</li> <li>• District may by majority vote dissolve district at any time.</li> <li>• Board may not dissolve district if district:               <ol style="list-style-type: none"> <li>1. has any outstanding bonded indebtedness until that bonded indebtedness has been repaid or defeased;</li> <li>2. has a contractual obligation to pay money until that obligation has been fully paid; or</li> <li>3. owns, operates, or maintains public works, facilities, or improvements unless the district contracts with another person for the ownership, operation, or maintenance of the public works, facilities, or improvements.</li> </ol> </li> <li>• City Council may by a vote of not less than two-thirds of its membership, adopt an ordinance dissolving the district.</li> <li>• On the adoption of the City Ordinance, the district is dissolved, and, in accordance with Section 43.075, Local Government Code, City succeeds to the property and assets of the district and assumes all bonds, debts, obligations, and liabilities of the district and performance of its functions.</li> <li>• Once district has issued maximum amount of bonds permitted by Operating Agreement and disbursed proceeds to developer, City may dissolve District.</li> <li>• Pursuant to the Operating Agreement, if the City dissolves district prior to its completion of construction of the Improvement Projects and reimbursement of developer, at dissolution, City reimburses developer for funds expended, and assumes obligation to reimburse developer for future expenditures necessary to complete the Improvement Projects</li> </ul>	<b>Negotiated</b>

# Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
<b>District Boundaries and Division</b>	<ul style="list-style-type: none"> <li>• The District may not annex or exclude property from its boundaries without prior written consent from the City Council.</li> <li>• Provided it has not issued bonds and is not imposing ad valorem taxes, District may divide into no more than four (4) separate improvement districts without further written consent from the City.</li> <li>• A new district created by division of the District is subject to the terms and conditions of the Consent Resolution.</li> <li>• A new district must enter into the Operating Agreement or new operating agreement</li> </ul>	<b>Negotiated</b>
<b>Exhibits</b>	<ul style="list-style-type: none"> <li>• Exhibit A: Metes and Bounds Description of District Area</li> <li>• Exhibit B: List of Improvement Projects</li> <li>• Exhibit B-1: Maps of Regional Infrastructure and Major Infrastructure</li> <li>• Exhibit C: Park Improvements</li> <li>• Exhibit C-1: Parks Location Plan</li> <li>• Exhibit D: Consent Resolution</li> <li>• Exhibit E: Phasing and District Boundary Map</li> <li>• Exhibit F: Form of Joinder</li> <li>• Exhibit G: Municipal Facilities Location Plan</li> <li>• Exhibit H: Plan of Finance</li> <li>• Exhibit I: District Certification</li> <li>• Exhibit J: Form of Special Warranty Deed</li> <li>• Exhibit K: Form of Grant of Easement</li> </ul>	<b>Negotiated</b>

# Improvement Projects

Project Type	Service	Total Cost	COD Cost	Developer Cost	Developer Reimbursement
<b>Offsite</b>	Water	\$300,875,200	\$257,306,000	\$43,569,200	\$43,569,200
	Wastewater	\$238,010,300	\$199,501,900	\$38,508,400	\$38,508,400
	Roads				
	Drainage	\$37,800,000	\$0	\$37,800,000	\$37,800,000
<b>Onsite</b>	Water	\$27,737,500	\$0	\$27,737,500	\$27,737,500
	Wastewater	\$52,431,500	\$0	\$52,431,500	\$52,431,500
	Roads		\$0		
<b>Amenity</b>	Public	\$38,173,800	\$0	\$38,173,800	\$8,194,983
	Private	\$109,299,965	\$0	\$109,299,965	\$0
<b>Land &amp; Funding</b>	Land Conveyance	\$630,000	\$0	\$630,000	\$330,000
	Transfer of Funds	\$14,430,000	\$0	\$14,430,000	\$10,930,000
<b>Maintenance &amp; Operation</b>	M&O	\$90,000,000	\$0	\$90,000,000	\$0
<b>Additional Costs</b>	Developer Interest	\$78,071,432	\$0	\$78,071,432	\$78,071,432
	Contingency (15%)	\$75,431,335	\$0	\$75,431,335	\$75,431,335
<b>Totals</b>					

# Agreements to be Considered

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## **Consent Resolution**

- Consents to creation of Hunter/Cole Ranch Improvement Districts
- Provisions in the consent resolution and incorporated by reference into the Operating Agreement
- Board appointments, construction, boundary changes, district division, issuance of bonds

## **Project Agreement (Developer & City)**

- Defines Developer/Owner obligations including development standards, design guidelines, land conveyances, financial commitments

## **Operating Agreement (District & City)**

- Governing rules under which each district will operate
- Describes improvement projects and includes terms/conditions for financing projects and operation of the district

# Next Steps

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- February 5 – P&Z Public Hearing
- February 18 – City Council Public Hearing

# Questions?

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