

Hunter/Cole Ranch Master Planned Community

CITY COUNCIL – DECEMBER 17, 2019

Background

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

- Follow-up on MPC Amendment & Land Use Questions
- Review of Municipal Management District (MMD)
- Overview of Agreement Terms
- Next Steps

Municipal Management District Statutory Structure

Chapter 3980, Special Districts Local Laws Code, created Hunter Ranch Improvement District No.1 of Denton County

Chapter 3981, Special Districts Local Laws Code, created Cole Ranch Improvement District No.1 of Denton County

Each district is a conservation and reclamation district created under Section 59, Article XVI, Texas Constitution

Except as otherwise provided in Chapters 3980 and 3981, Chapter 375, Local Government Code (general law relating to MMDs), applies to the districts.

District powers subject to and limited by Consent Resolution and Operating Agreement.

Municipal Management District

Other Applicable Regulatory Laws

- Chapter 54, Water Code
- Chapter 49, Water Code
- TCEQ Rules: Chapter 293, 30 Texas Administrative Code
- Attorney General of Texas approval of bond issues
- Open Meetings Act
- Public Information Act
- Management and Preservation of Records
- Conflicts of interest provisions for local governments
- Disclosure of certain relationships with contractors and vendors
- Statutes prohibiting bribery and corrupt influence
- Election Code
- U.S. Voting Rights Act
- Laws relating to environmental quality
- Property Tax Code
- Public Funds Investment Act
- Public Securities Procedures Act
- Interlocal Cooperation Act
- Professional Services Procurement Act
- Public Works Payment and Performance Bonds
- Prevailing Wage Rates

Municipal Management District Notices and Disclosures

DISTRICT SIGNS (Sec. 49.451, Water Code)

District required to post signs indicating the existence of the district at 2 principal entrances to the district.

The size and exact location of the information contained on the signs determined by TCEQ.

SELLER NOTICE TO PURCHASERS (Sec. 49.452(c), Water Code)

Any person proposing to sell or convey real property in the district must first give the purchaser written notice in the form prescribed by the Water Code.

The purchaser is notified that the property to be purchased is located within the district, the current or proposed district tax rate, amount of district bonds authorized and sold, the land is located within the City, and that taxpayers of the district are subject to taxes of district and City until district is dissolved.

First notice to be given to prospective purchaser prior to execution of a binding contract of sale and purchase. Purchaser required to sign separate form of notice or purchase contract containing notice.

At closing, a second notice to be executed by the seller and purchaser, acknowledged, and recorded in County deed records.

Municipal Management District

Additional Disclosures and Sources of Information

Community websites

Project Collateral and Marketing Material

Private contract requirements between Builder and Developer

Denton Central Appraisal District <https://www.dentoncad.com/>

Texas Commission on Environmental Quality <https://www.tceq.texas.gov/>

Comptroller <https://comptroller.texas.gov/>

Municipal Management District

District Management by Board of Directors

- Management, operation & control of property belonging to the district
- Five directors are elected by the duly qualified resident voters within the district.
- The City may appoint one additional director.
- Five temporary directors named in district legislation to call election to elect 5 permanent directors.
- Five elected directors must meet the following qualifications:
 1. At least 18 years old
 2. A resident citizen of the State of Texas
 3. An owner of property in the district
 4. An owner of stock, whether beneficial or otherwise, of a corporate owner of property in the district
 5. An owner of a beneficial interest in a trust that owns property in the district
 6. An agent, employee, or tenant of a person covered by #3, #4, or #5
- The right of a director to participate in voting on matters coming before the board is subject to Section 375.072, Local Government Code

Municipal Management District

City of Denton Appointments to Board of Directors

- COD may appoint 1 representative to each district board
- Appointments should be persons with experience in one or more of the following areas:
 1. Energy matters
 2. Commercial banking
 3. Real estate development
 4. Finance and insurance matters
 5. Matters relating to retail or the provision of services
 6. Provision of utilities
 7. General issues the district will address

Municipal Management District

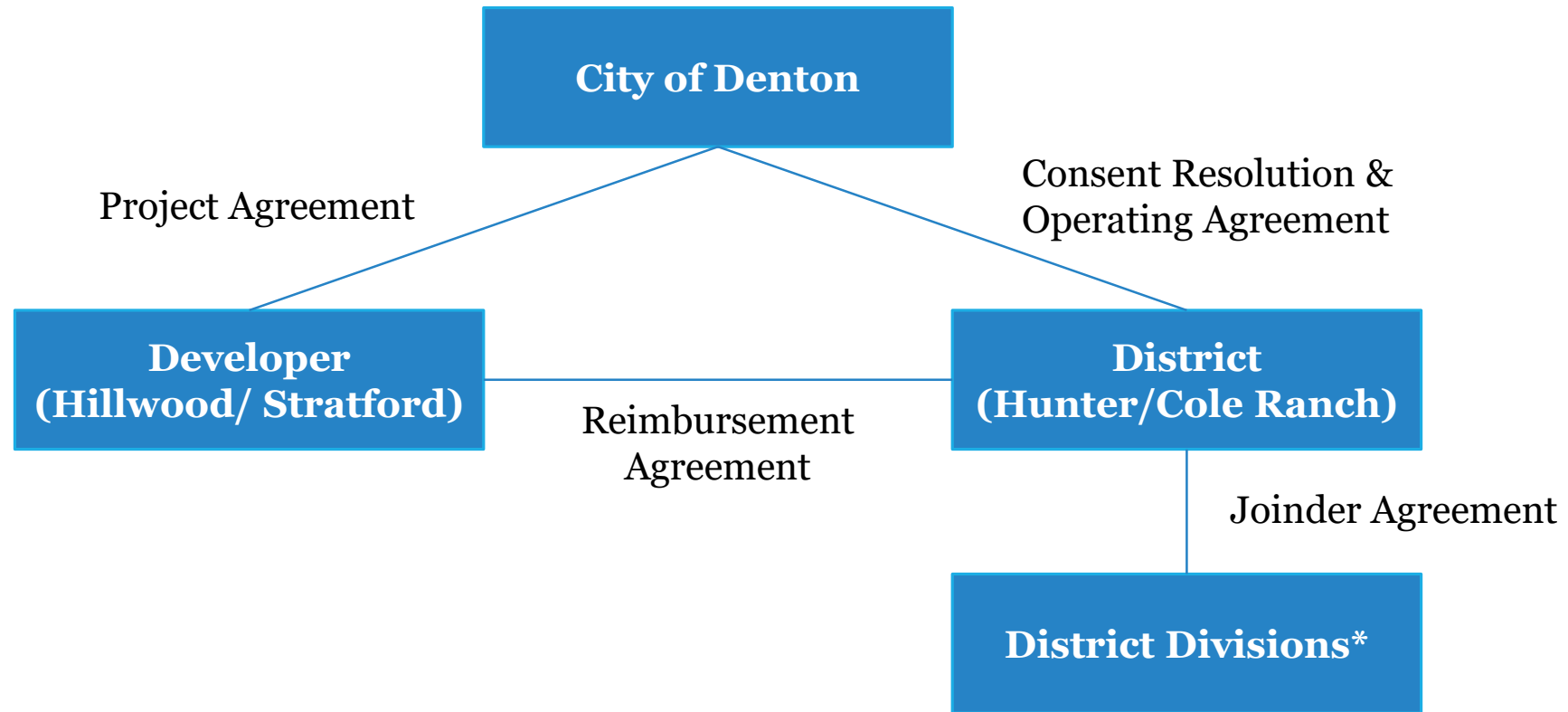
- All directors subject to the provisions of Chapter 171, Local Government Code, relating to the regulation of conflicts of interest of officers of local governments
- All directors subject to the provisions of the Texas Constitution prohibiting dual office holding
- Three members of the board constitute a quorum regardless of whether the board has 5 or 6 members
- A majority vote of quorum of the board is required for official action
- Board shall employ or contract with persons or firms deemed necessary for the conduct of the affairs of the district. These typically include:
 1. General Counsel, Bond Counsel, Disclosure Counsel, and Delinquent Tax Counsel
 2. Civil Engineer
 3. Financial Advisor
 4. Bookkeeper
 5. Auditor
 6. Tax Assessor/Collector

Municipal Management District

Board of Directors Powers & Responsibilities

- Board may only undertake the following improvement projects & services:
 - Improvements – Regional Infrastructure and Major Infrastructure – comprised of water, sanitary sewer, and drainage facilities and roads and streets
 - Services – Maintenance of landscaping in road right-of-way and Park Improvements
- Board may issue general obligation bonds for payment of all or part of authorized improvement projects
- Board may levy ad valorem taxes (at limited rate) for bond debt service and maintenance and operation of the district
- Board may levy and collect assessments (at limited rate) on property for the limited purpose of maintenance of landscaping in road right-of-way and Park Improvements
- All improvement projects to be designed and constructed in accordance with City standards and codes in existence at time of construction
- All contracts for construction of permitted improvement projects to be awarded pursuant to public bidding requirements in Chapter 49, Water Code
- All construction projects subject to periodic and final inspection by City
- Improvements to be conveyed to City for ownership and maintenance

Parties & Agreements



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

Agreements to be Considered

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

Project Agreement (Developer & City of Denton)

Project Agreement Term Sheet

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Zoning, Design Guidelines, Development Standards	• Compliance with MPC Zoning (2019 DDC w/Amendments) • Design Guidelines – Exterior materials approved by Agreement and CCR (can't be reduced without City consent) • Public Improvements comply with city criteria manuals, as amended (Streets constructed w/concrete)	Negotiated
	• Building Codes and other development ordinances in effect at time of preliminary plat apply to that portion of development • Developer waives vested rights if conflict with terms of agreement • Preservation standards and compliance with 2008 MPC for ESA and Upland Habitat	Unresolved
Parks, Open Space and Trails	• Developer dedicated park land, open space, and trails per the master park plan • In lieu of paying park development fees, Developer will improve parks and trails in a manner that meets or exceeds current Park standards • Developer will maintain or cause to be maintained parks and open space, except facilities installed by City (example: Rec center, skate park, etc.) • Private Parks and Amenities	Negotiated
Oversizing, City Cost of Participation	• Developer and MMD will construct public infrastructure and dedicate to City • City will own and maintain public infrastructure after acceptance of dedication • City will, at its option, elect oversizing on a project-by-project basis	Negotiated
Affordable Housing	• Developer pays \$1.5 million each to the City's affordable housing program	Negotiated

Project Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Land Conveyance and Municipal Facilities	- Developer will convey or purchase land for Fire Station - Developer contributing Park property for co-location of Library and Rec Center - Developer contribution to new fire station (Hunter-Cole \$2.5 million each) - Developer contribution to Police Substation (Hunter-Cole \$2.5 million each) - Developer contribution to Water Treatment Plant for preliminary design (Hunter-Cole 1/6 of design cost each)	Negotiated
	- Developer provision of land for Service Center and Transfer Station (50 acres) - Developer provision of land for Water pump booster & lift stations - Developer provision of land for DME substation (5-10 acres) - Developer contribution for design and construction documents for Water Treatment Plant expansion to avoid rate increase due to expedited timeline	
		Unresolved
Denton Municipal Electric	- DME will provide, and bill and collect for, retail service to all customers within the District where Denton Electric has service rights - Developer installs all street lights - 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	Negotiated
Exhibits	- Exhibit A - Metes and Bounds Description of the Property - Exhibit B - Park Plan - Exhibit C - Park Land Dedication Special Warranty Deed - Exhibit D - ESA Upland Habitat Deed Restriction - Exhibit E - Municipal Facilities - Exhibit F - Developer Certification - Exhibit G - Joinder Agreement	Unresolved

Operating Agreement (District & City of Denton)

Operating Agreement Term Sheet

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Operation of District	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	Negotiated
Improvement Projects	- Developer will request District to initiate design and construction of Improvement Projects - City approves plans and specifications for District Improvements to be conveyed or dedicated to the City. - City may participate on the oversizing of the District Improvements. - City inspects the construction of District Improvements and is paid applicable fees for such services. - After inspection and acceptance, District Improvements and associated easements and rights-of-way will be conveyed to the City to own, operate, and maintain - District must follow Water Code requirements regarding form of contracts, public bidding, payment and performance bonds, and maintenance bonds.	Negotiated
	- 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)”): - Regional infrastructure (both offsite and onsite); and - Major infrastructure	Unresolved (Waiting on Exhibits)

Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Parks, Open Space and Trails	Assessments are only for ongoing maintenance of street landscaping, parks, trails, and related recreational facilities.	Negotiated
Financing of Improvement Projects	- Developer advances funds on behalf of District to acquire and construct Major Infrastructure and Regional Infrastructure - District reimburses Developer's costs through issuance of bonds - Bonds will not be secured by a pledge of City funds or revenue - 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).	Negotiated
Assessments	- Requires approval by the owners of a majority of assessed value of property in the District - District may not issue Bonds secured by assessments. - Assessments are only for ongoing maintenance of street landscaping, parks, open space, trails, and related recreational facilities.	Negotiated
Financial Reporting	- 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. - 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.	Negotiated

Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Bonds	• 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. • Principal amount of Bonds in aggregate may not exceed ten percent (10%) of the assessed value of all real property in the District • District must obtain approval of the TCEQ for the issuance of bonds for water, sanitary sewer or drainage facilities. • 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. • 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. • 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	Negotiated
Water/Sewer/ Recycling/Solid Waste	• Cap on maximum amount of Developer reimbursements along with the applicable formula • City will provide, and bill and collect for, the retail water, sewer, recycling and garbage service provided to the area within the District. • 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.	Unresolved

Topic	Proposed Terms/Provisions	Ready for Recommendation?
Dissolution	• District shall dissolve district on written petition of the owners of 66% or more of assessed value of property assessed by district. • District may by majority vote dissolve district at any time. • Board may not dissolve district if district: 1. has any outstanding bonded indebtedness until that bonded indebtedness has been repaid or defeased; 2. has a contractual obligation to pay money until that obligation has been fully paid; or 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. • City Council may by a vote of not less than two-thirds of its membership, adopt an ordinance dissolving the district. • 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. • Once district has issued maximum amount of bonds permitted by Operating Agreement and disbursed proceeds to developer, City may dissolve District. • 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	Negotiated

Operating Agreement Term Sheet Cont'd

Topic	Proposed Terms/Provisions	Ready for Recommendation?
District Boundaries and Division	• The District may not annex or exclude property from its boundaries without prior written consent from the City Council. • 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. • A new district created by division of the District is subject to the terms and conditions of the Consent Resolution. • A new district must enter into the Operating Agreement or new operating agreement	Negotiated
	• Exhibit A: Metes and Bounds Description of District Area • Exhibit B: List of Improvement Projects • Exhibit B-1: Maps of Regional Infrastructure and Major Infrastructure • Exhibit C: Park Improvements • Exhibit C-1: Parks Location Plan • Exhibit D: Consent Resolution • Exhibit E: Phasing and District Boundary Map • Exhibit F: Form of Joinder • Exhibit G: Municipal Facilities Location Plan • Exhibit H: Plan of Finance • Exhibit I: District Certification • Exhibit J: Form of Special Warranty Deed • Exhibit K: Form of Grant of Easement	
Exhibits		Unresolved

January 14 Work Session

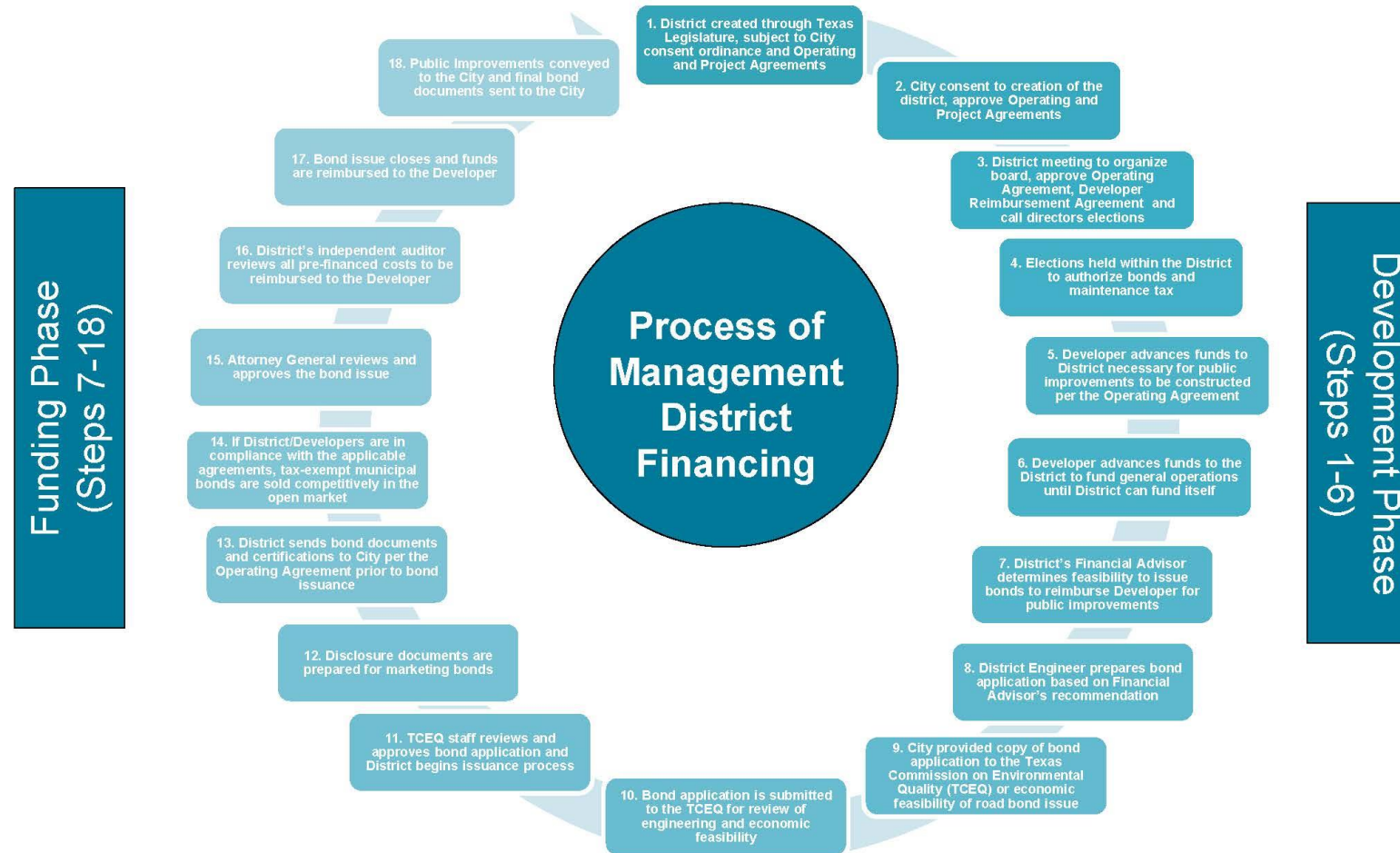
- Follow-up on Questions from December 17
- Respond to Questions on Project & Operating Agreements
- Review Studies
 - Fiscal Analysis
 - Traffic Analysis
 - Water/Wastewater Study
 - City Facility Needs Study

Next Steps

	January	February
City Council	• Jan 14 – Work Session • Jan 28 – Work Session (if necessary)	• Feb 4 – Public Hearing • Feb 18 – Public Hearing (if necessary)
Planning & Zoning	• Jan 22 – Public Hearing	• Feb 5 – Public Hearing (if necessary)

Questions?

Overview of In-City District Creation and Reimbursement Process



FORM OF NOTICE TO PURCHASERS

The real property, described below, that you are about to purchase is located in the _____ District. The district has taxing authority separate from any other taxing authority and may, subject to voter approval, issue an unlimited amount of bonds and levy an unlimited rate of tax in payment of such bonds. As of this date, the rate of taxes levied by the district on real property located in the district is \$_____ on each \$100 of assessed valuation. If the district has not yet levied taxes, the most recent projected rate of tax, as of this date, is \$_____ on each \$100 of assessed valuation. The total amount of bonds, excluding refunding bonds and any bonds or any portion of bonds issued that are payable solely from revenues received or expected to be received under a contract with a governmental entity, approved by the voters and which have been or may, at this date, be issued is \$_____, and the aggregate initial principal amounts of all bonds issued for one or more of the specified facilities of the district and payable in whole or in part from property taxes is \$_____.

The district has the authority to adopt and impose a standby fee on property in the district that has water, sanitary sewer, or drainage facilities and services available but not connected and which does not have a house, building, or other improvement located thereon and does not substantially utilize the utility capacity available to the property. The district may exercise the authority without holding an election on the matter. As of this date, the most recent amount of the standby fee is \$_____. An unpaid standby fee is a personal obligation of the person that owned the property at the time of imposition and is secured by a lien on the property. Any person may request a certificate from the district stating the amount, if any, of unpaid standby fees on a tract of property in the district.

The district is located in whole or in part within the corporate boundaries of the City of _____. The taxpayers of the district are subject to the taxes imposed by the municipality and by the district until the district is dissolved. By law, a district located within the corporate boundaries of a municipality may be dissolved by municipal ordinance without the consent of the district or the voters of the district.

The purpose of this district is to provide water, sewer, drainage, or flood control facilities and services within the district through the issuance of bonds payable in whole or in part from property taxes. The cost of these utility facilities is not included in the purchase price of your property, and these utility facilities are owned or to be owned by the City of _____. The legal description of the property you are acquiring is as follows:

Date

Signature of Seller

THE STATE OF TEXAS §

§

COUNTY OF _____ §

This instrument was acknowledged before me on this the ____ day of _____, 20____, by _____.

(NOTARY SEAL)

Notary Public, State of Texas

PURCHASER IS ADVISED THAT THE INFORMATION SHOWN ON THIS FORM IS SUBJECT TO CHANGE BY THE DISTRICT AT ANY TIME. THE DISTRICT ROUTINELY ESTABLISHES TAX RATES DURING THE MONTHS OF SEPTEMBER THROUGH DECEMBER OF EACH YEAR, EFFECTIVE FOR THE YEAR IN WHICH THE TAX RATES ARE APPROVED BY THE DISTRICT. PURCHASER IS ADVISED TO CONTACT THE DISTRICT TO DETERMINE THE STATUS OF ANY CURRENT OR PROPOSED CHANGES TO THE INFORMATION SHOWN ON THIS FORM.

The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or prior to execution of a binding contract for the purchase of the real property described in such notice or at closing of purchase of the real property.

Date

Signature of Purchaser
THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this the ____ day of _____, 20____, by _____.

(NOTARY SEAL)

Notary Public, State of Texas

Municipal Management District Notices and Disclosures

NOTICE FORM FROM DISTRICT (Sec. 49.453, Water Code)

District to maintain in the district office the form of Notice to Purchaser and shall, upon request of any person, issue the notice form completed by district.

DISTRICT INFORMATION FORM (Sec. 49.455, Water Code)

District required to file with County Clerk a duly affirmed and acknowledged information form that includes a map showing the boundaries of the district, and the following information:

1. the name of the district;
2. the complete and accurate legal description of the boundaries of the district;
3. the most recent rate of district taxes on property located in the district (if a district has not yet levied taxes, a statement to such effect together with the district's most recent projected rate of debt service tax);
4. the total amount of bonds that have been approved by the voters and which may be issued by the district (excluding refunding bonds and any bonds or portion of bonds payable solely from revenues received or expected to be received pursuant to a contract with a governmental entity);
5. the aggregate initial principal amount of all bonds of the district payable in whole or part from taxes (excluding refunding bonds and any bonds or portion of bonds payable solely from revenues received or expected to be received pursuant to a contract with a governmental entity) that have been previously issued;
6. whether a standby fee is imposed by the district and, if so, the amount of the standby fee;
7. the date on which the election to confirm the creation of the district was held if such was required;
8. a statement of the functions performed or to be performed by the district; and
9. the particular form of Notice to Purchasers required by Section 49.452 to be furnished by a seller to a purchaser of real property in that district completed by the district with all information required to be furnished by the district.

The information and map to be filed with county clerk within 48 hours after the district is officially created, and must be amended within 7 days after there is a change in any of the information contained in the information form or map.

Municipal Management District

Other Sources of District Financial Information

Denton Central Appraisal District <https://www.dentoncad.com/>

Texas Commission on Environmental Quality <https://www.tceq.texas.gov/>

Comptroller <https://comptroller.texas.gov/>