

Cole Ranch Agreements

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Director of Development Services

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Items for Consideration

- Cost Sharing Agreement between the City, Cole Ranch, and Hunter Ranch (File ID 26-0663)
- Second Amendment to the Operating Agreement (File ID 26-0098)

Background

- Approximately 3169-acre master planned community
 - 5,900 single-family units
 - 3,200 multifamily units
 - 120 commercial acres
 - 256 industrial acres
- Municipal Management District (MMD) – Hunter Ranch
 - Resolution of support – February 12, 2019
 - City Council resolution & approval – April 7, 2020
 - First Amendment to the Operating and Project Agreement – February 18, 2025

Operating Agreement Amendment

The Operating Agreement is the primary contract between the City of Denton and the Cole Ranch Improvement District No. 1 that defines the legal and financial responsibilities for the design, construction, ownership, and long-term maintenance of all public infrastructure serving the development.

The Operating Agreement Amendment is to:

1. The amendment removes the previous requirement that original Improvement Projects must be completed before a Supplemental Project can be funded, allowing the District to utilize its taxing authority for any Authorized Project.
2. A formal process is established for cost-sharing joint wastewater facilities based on "benefits received," which is calculated as the prorated share of design capacities allocable to the City and the District. This amendment would also establish the form of the cost-sharing agreement for wastewater facilities moving forward.
3. Update the form of the joinder and reimbursement agreements to accommodate the structure of the development having multiple districts.



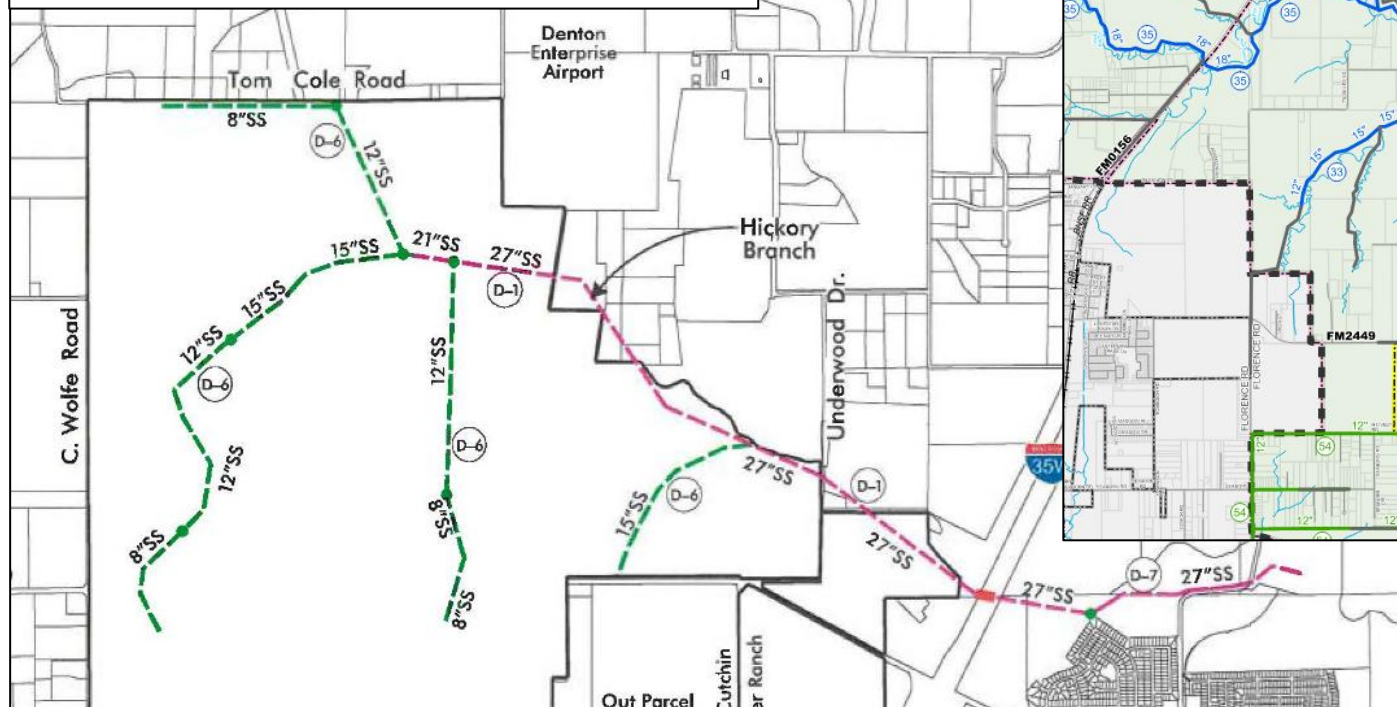
Cost Sharing Agreement- Background

- **Project Identification:** The Hickory Branch Wastewater Trunk Main was identified as a required "Improvement Project" in the original 2020 Operating Agreement.
- **Developer Notice:** In accordance with Section 4.04, the Developer provided written notice to the City of the intent to initiate the wastewater facility.
- **Intent to Oversize:** Exercising rights under Section 4.08, the City issued a written intent to "oversize" the line to accommodate regional growth.
- **Design & Bidding:** The District completed the engineering design and public bidding processes, selecting the lowest responsive bidder.

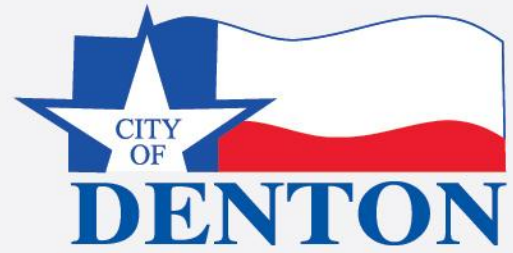
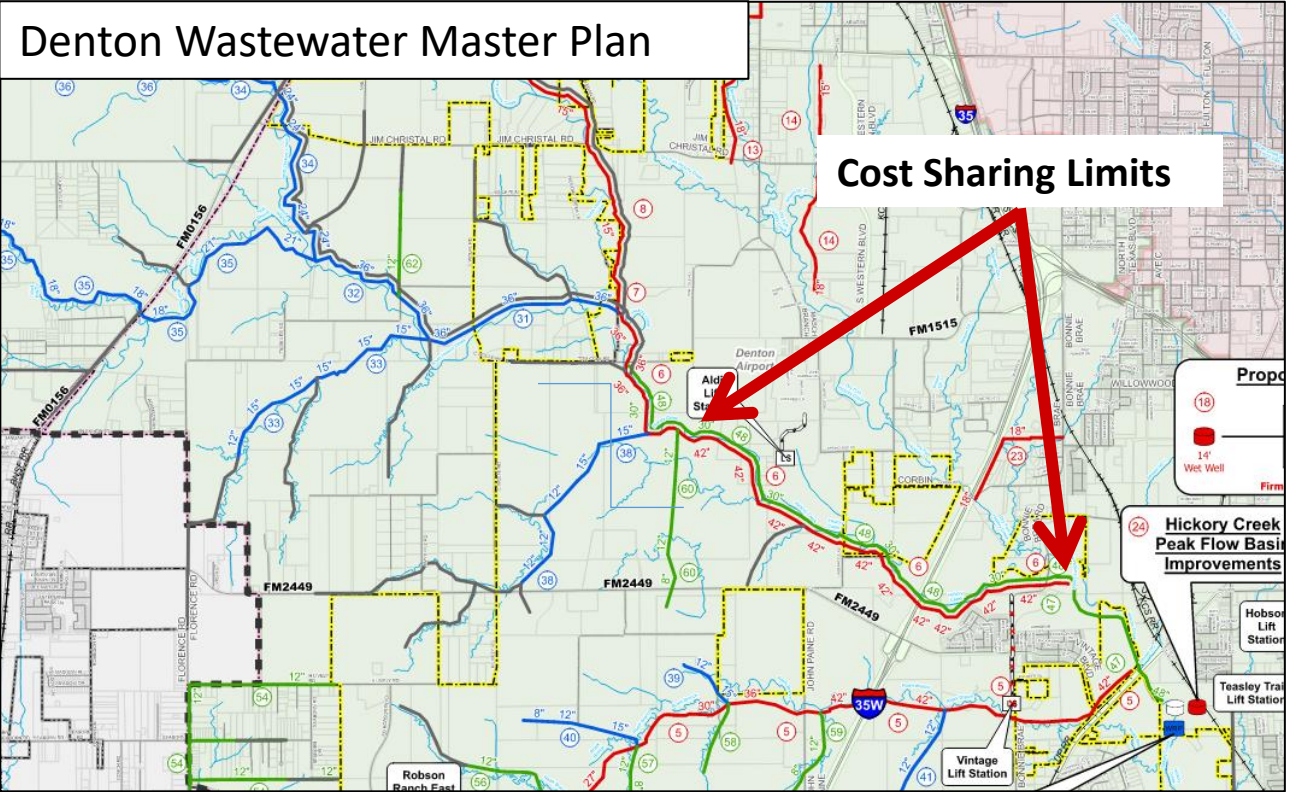


Cost Sharing Agreement- Maps

Cole Ranch Operating Agreement



Denton Wastewater Master Plan



Cost Sharing Agreement- Proportionality

- Section 4.08 of the Operating Agreement defines language related to oversizing of facilities but does not specify the methodology of the oversizing.
- **Traditional Oversizing:** The City would pay the incremental costs between the construction costs required for the development and the total cost of an oversized facility. Typically, the City Council sets a limit not to exceed on this when approving an OPA.
 - In this approach, the City would be paying for a approx. 34% of the construction cost, but contributing a majority (58%) of the flows to the line.
- **Benefits Received:** This methodology apportions the cost of a facility based on the proportion of benefits received from the facility. In this case, based on the projected flows required.
 - In this approach, the City's percentage of contribution to the project would match the proportion of flows received.



Cost Sharing Agreement- Funding

- The agreement has the City and Cole Ranch funding an escrow agreement, which would be used to draw down quarterly as the project is built.
- Below is the breakdown of the percentage share of funding:

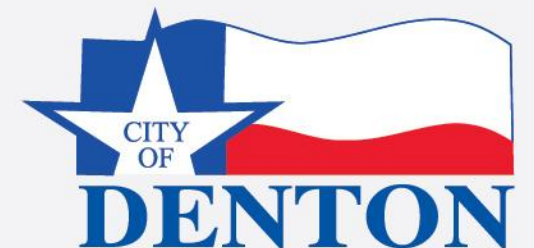
Party	Share %	Prorated Share Amount
City of Denton (Regional Capacity)	59.01%	\$8,598,367
Cole Ranch	39.67%	\$5,772,302
Hunter Ranch (Landmark)	1.32%	\$192,021
TOTAL PROJECT ESTIMATE	100%	\$14,562,691

- 50% of the funding would be paid with existing wastewater funds, and the remainder would be paid out of FY26-27 budget.



Cost Sharing Agreement- Considerations

- The City participating in the cost-sharing agreement allows for the wastewater facility to be sized at a level to accommodate future development further upstream.
- The City is in discussions with MUDs and other developments north and west of the sewer line, which would benefit from this capacity.
- If the capacity of this line were not increased, the City would need to construct at a cost of \$17.7 million in approx. 10-15 years and maintain both lines in the future.
- The City Council approved a similar agreement for Hunter Ranch's larger interceptor project.



Recommendation

Staff recommends approval of the following items:

- Cost Sharing Agreement between the City, Cole Ranch, and Hunter Ranch.
- Second Amendment to the Operating Agreement

Questions?

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