



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Development Services

CM/DCM/ACM: Cassey Ogden

DATE: May 6, 2025

SUBJECT

Conduct the second of two public hearings and consider adoption of an ordinance of the City of Denton approving a strategic partnership agreement between the City of Denton and Sanctuary Municipal Utility District No. 1 of Denton County providing for a limited purpose annexation and the terms for eventual full-purpose annexation of property located in the City's Extraterritorial Jurisdiction; and providing an effective date.

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Enhance Infrastructure and Mobility.

BACKGROUND

A MUD is a special-purpose district created to provide essential services such as water, wastewater, and drainage to areas outside city limits. Governed by an elected board, MUDs fund infrastructure and operations through bonds repaid by property taxes and user fees. MUDs are required to seek City consent when the MUD is within the extraterritorial jurisdiction (ETJ) of the City.

Sanctuary Municipal Utility District No. 1 and No. 2 of Denton County (Sanctuary) is located near FM 156 and US 380. Sanctuary is a 836 acre development with 3,154 planned residential lots and 5.9 acres of commercial property.

The City was approached by the developers in 2022 and the City received an initial petition for the creation of the Sanctuary Municipal Utility Districts No. 1 and No. 2 of Denton County (MUDs) but did not provide consent. Following that, a petition was submitted to the TCEQ for the creation of the MUDs by the developer in March 2023 and the MUD was created by TCEQ in August 2023. The City staff and developer have continued discussions over this time regarding the potential of the City of Denton to provide services to the MUDs.

Staff and the Developer negotiated the terms of the Development Agreement which included limited development regulations, gas well setbacks, roadway standards and offsite roadway improvements, the option for solid waste service, City of Denton permitting, and other regulations, and including a Strategic Partnership Agreement (SPA). City Council approved the Development Agreement on February 4, 2025.

The SPA allows for the City to annex a portion or all of the district for limited purpose of collecting sales tax on the commercial portions of the property and includes the option, at the City's discretion, to annex the entire property into the city limits after the bonds issued by the MUD have been repaid.

City staff is now beginning the process of notifying and holding public hearings for the SPA. The Sanctuary Municipal Utility District No. 1 of Denton County Board held two public hearings on February 13, 2025 and February 21, 2025, and the SPA requires the City to hold two public hearings. The first public hearing was held on April 15, 2025.

RECOMMENDATION

Staff recommends approval of the ordinance and agreement attached as **Exhibit 2** based on the City having a previous agreement and the Developer consenting to the additional terms within this agreement.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

May 2020– The City adopted an Interim MUD Policy

August 2022– City received Petition for water and wastewater service for the MUDs

May 2022– The City adopted the current MUD Policy

March 2023– Developer submitted Petition for Creation of the MUDs to TCEQ

August 2023– TCEQ Ordered Creation of the MUDs

February 4, 2025- City Council approved a Development Agreement including the SPA

April 15, 2025- City Council held the first public hearing.

EXHIBITS

Exhibit 1 - Agenda Information Sheet

Exhibit 2 - Ordinance

Exhibit 3 - Presentation

Respectfully submitted:

Charlie Rosendahl

Deputy Director of Business Services and Operations