

Hunter Ranch Agreements

Charlie Rosendahl

Interim Director of Development Services

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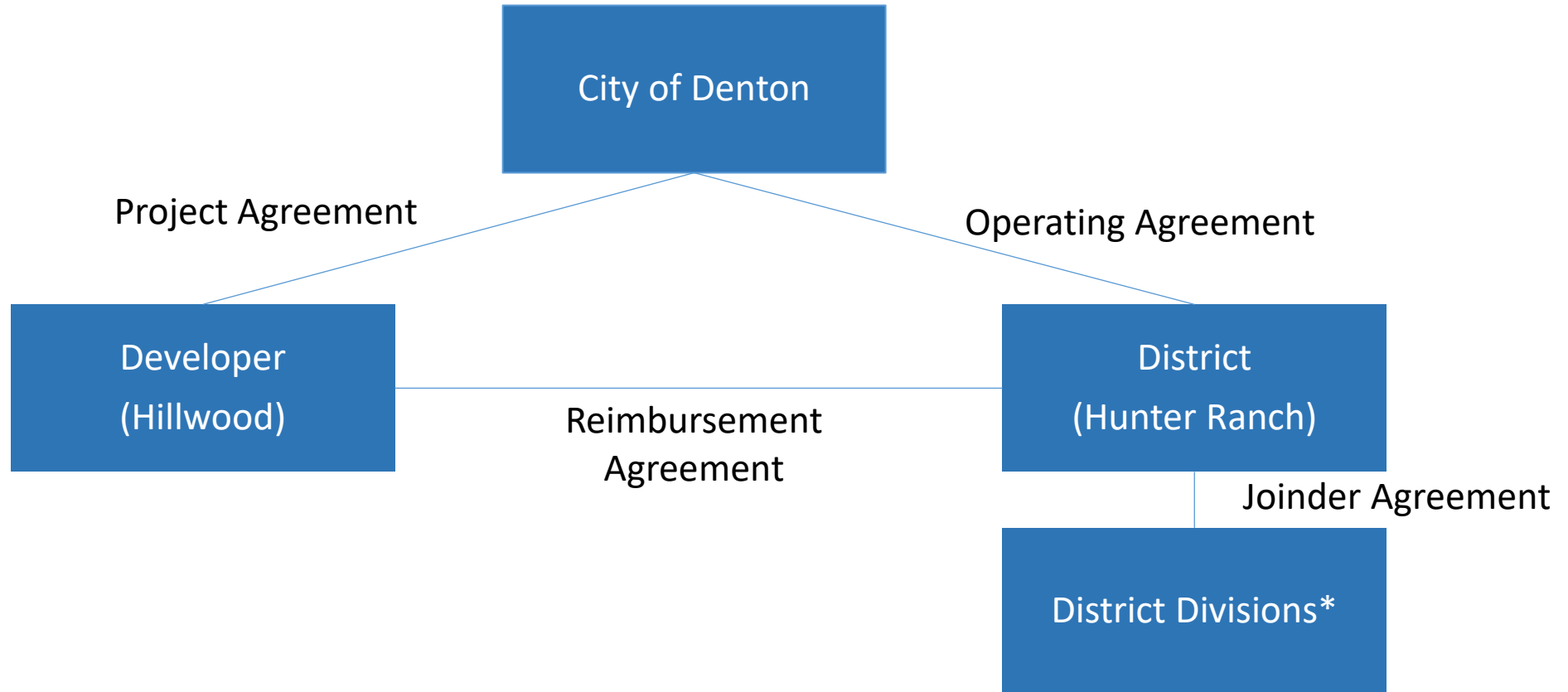
Items for Consideration

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

Background

- Approximately 3167-acre master planned community
 - 6,500 single-family units
 - 3,250 multifamily units
 - 365 commercial acres
- Municipal Management District (MMD) – Hunter Ranch
 - Resolution of support – February 12, 2019
 - City Council resolution & approval – April 7, 2020
 - First Amendment to the Project Agreement – May 7, 2024
 - Second Amendment to the Project Agreement – December 16, 2025

Parties & Agreements



*May divide into 4 districts for a total of 8 districts.

Cost Sharing Agreement- Background

- **Project Identification:** The Roark Branch interceptor 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- Map



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 approximately 24% of the construction cost but contributing 45% 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.



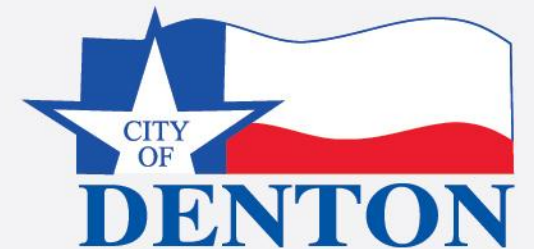
Cost Sharing Agreement- Funding

- 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)	44.7%	\$12,943,558
Hunter Ranch (Incl. Robson Share)	39.8%	\$11,528,247
Cole Ranch (Incl. Robson Share)	15.5%	\$4,482,890
TOTAL PROJECT ESTIMATE	100%	\$28,954,697

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 and wholesale agreements further upstream.
- The City, in anticipation of the construction of this facility, has agreements in place with Ponder Farms MUD to convey flows from that development through this line.
- If the capacity of this line were not increased, the City would need to construct at a cost of \$13-20 million in approximately 10 years and maintain both lines in the future.

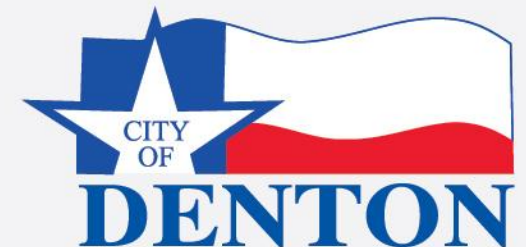


Operating Agreement Amendment

The Operating Agreement is the primary contract between the City of Denton and the Hunter 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 term "Developer" is redefined to exclusively mean HR 3200, L.P., HR JV, LP, or specifically designated assignees, ensuring that individual "End-Buyers" of platted lots are not burdened by developer-specific obligations.
2. 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.
3. 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.
4. Revise deadlines originally established in the First Amendment to reflect the items that have already been completed and acknowledge the contract for the Roark Branch Wastewater Line.

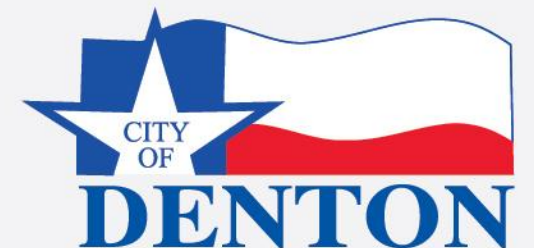


Project Agreement Amendment

The Project Agreement outlines the funding, construction, ownership, maintenance, and transfer of public infrastructure and park improvements within the Hunter Ranch District, to support development and ensure long-term service to the area.

The Project Agreement Amendment is to:

1. Clarify that the Project Agreement obligations reside with Hillwood or a Hillwood entity and that an end-buyer of a commercial property is not subject to all of the requirements of the Project Agreement.



Recommendation

Staff recommends approval of the following items:

- Cost Sharing Agreement between the City, Hunter Ranch, and Cole Ranch.
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Questions?

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