



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: January 13, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton authorizing the execution of a cost sharing agreement between the City, HR 3200, LP, Hunter Ranch Improvement District No. 1 of Denton County, Cole Ranch Development, LP, and Cole Ranch Improvement District No. 1 of Denton County for the construction of the Roark Branch wastewater trunk main; authorizing an escrow agreement and expenditure of funds for the City's allocated share of improvement costs; and providing an effective date.

STRATEGIC ALIGNMENT

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

BACKGROUND

Hunter Ranch is a 3,167-acre master-planned development located within the Denton city limits, designated as a Master Planned Community District with a projected 40-year buildout. As identified in the original Operating Agreement, the developer is required to construct specific public infrastructure to facilitate development. A key feature of the Operating Agreement is the City's right to request that the District increase the capacity of these improvement projects to accommodate broader regional growth beyond the immediate boundaries of the Hunter Ranch development.

The City, District, Developer, Cole Ranch Improvement District (CRID), and Cole Ranch Developer are entering into this agreement to increase the capacity of wastewater improvements in anticipation of future development in the area. Specifically, the City wishes to participate in the cost of the "Required Facilities," which consist of the Roark Branch Wastewater Trunk Main, to provide additional capacity, expand its utility system, and ensure adequate service to other customers. Over the past several years, the City has worked with the developer to clarify the interpretation of these regional facilities. The Operating Agreement identified areas where the City would be able to participate in oversizing of an improvement project, which the City initially considered as the cost differential between the cost required by the developer to build the facility and the total cost after the City's oversizing request. This is the typical oversizing methodology used for other projects in the City, but usually on a much smaller scale, with the City's portion of oversizing being a small percentage in the overall project, regardless of methodology. However, in the case of these larger oversizing projects, the City would contribute roughly 45% of the overall flows on a flow percentage basis, but would pay for less than 10% of the overall cost in oversizing. After the negotiation, the agreement attached as Exhibit 2 is based on a percentage of flows, with each party contributing based on the flows into the line, and with Hunter and Cole Ranches paying for the percentage of flows for Robson Ranch as anticipated in the original agreements.

The methodology used to determine "benefits received" is based on the pro rata share of design capacities for each segment of the interceptor allocated to various stakeholders. This includes flow percentages from the Hunter Ranch Property, the Cole Property, and the City. Cole Ranch is a formal party to this agreement as the Cole Developer is currently improving the Cole Property and requires adequate wastewater facilities.

The City derives significant strategic benefits from this line, as the City has a planned conversion of the Robson Ranch treatment plant to a lift station that will feed into this interceptor. Additionally, the City has agreements in place with Municipal Utility Districts (MUDs) requiring the City to meet their demand schedules through this interceptor, and the facility supports discussions with Ponder to serve the town as a wholesale wastewater provider, further establishing the City serving as a regional service provider. The total project cost, including soft costs, hard costs, and a 10% contingency, is estimated at \$28,954,697. Based on the current flow share calculations, the City's project allocation share is approximately 44.7%, totaling \$12,943,558.

The project would be funded through an escrow and an accompanying escrow agreement. The parties would fund the escrow, and the development must submit quarterly withdrawal requests to the City Designee at the start of each calendar quarter, accompanied by an accounting of receipts, payments to date, and a calculation of the allocation share for that period. Additionally, as a part of the approval of this item, the City Council will authorize the City Manager to execute the Escrow Agreement, which is included as an exhibit to the Cost Sharing Agreement.

If the City Council chose not to move forward with the cost-sharing agreement, the developer would be required to build the line at a size required for the development which would necessitate the City constructing a parallel line at an approximate cost of \$13 to \$20 million in approximately 10 years to meet the demand of the region and would incur maintenance costs on two separate liens in the future.

RECOMMENDATION

Staff recommends approval of the Roark Branch Cost Sharing Agreement.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

February 12, 2019 – Resolution of support and escrow agreement ordinance approved by City Council

April 7, 2020 – Consent resolution, Project Agreement, and Operating Agreement approved by City Council

May 7, 2024 – First Amendment to the Hunter Ranch Operating Agreement approved by City Council

January 13, 2026- City Council is considering the Second Amendment to the Hunter Ranch Operating Agreement

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance

Exhibit 3 – Presentation

Respectfully submitted:

Charlie Rosendahl

Interim Director of Development Services