

Hunter / Cole Ranch

Presentation for the City of Denton

City Council Work Session February 5, 2019



Response to the questions raised in the January 15, 2019 City Council Work Session

- Why is the Municipal Management District needed?
 - The District is needed in order to provide a long term solution to finance public infrastructure for a large scale development project where the infrastructure costs are too great to be spread over the first few phases. Early phases of development incur the greatest proportionate share of the infrastructure just to get to the first lot.
 - This financing allows the developer to be able to afford to design the overall community to a higher standard than otherwise feasible and still keep homes prices within a competitive range.
 - Virtually all master planned communities within the competitive set for Cole and Hunter have financing districts for this purpose, therefore Cole and Hunter could not be competitive without this same type of financing structure.
- What are the estimated infrastructure costs for Cole and Hunter?

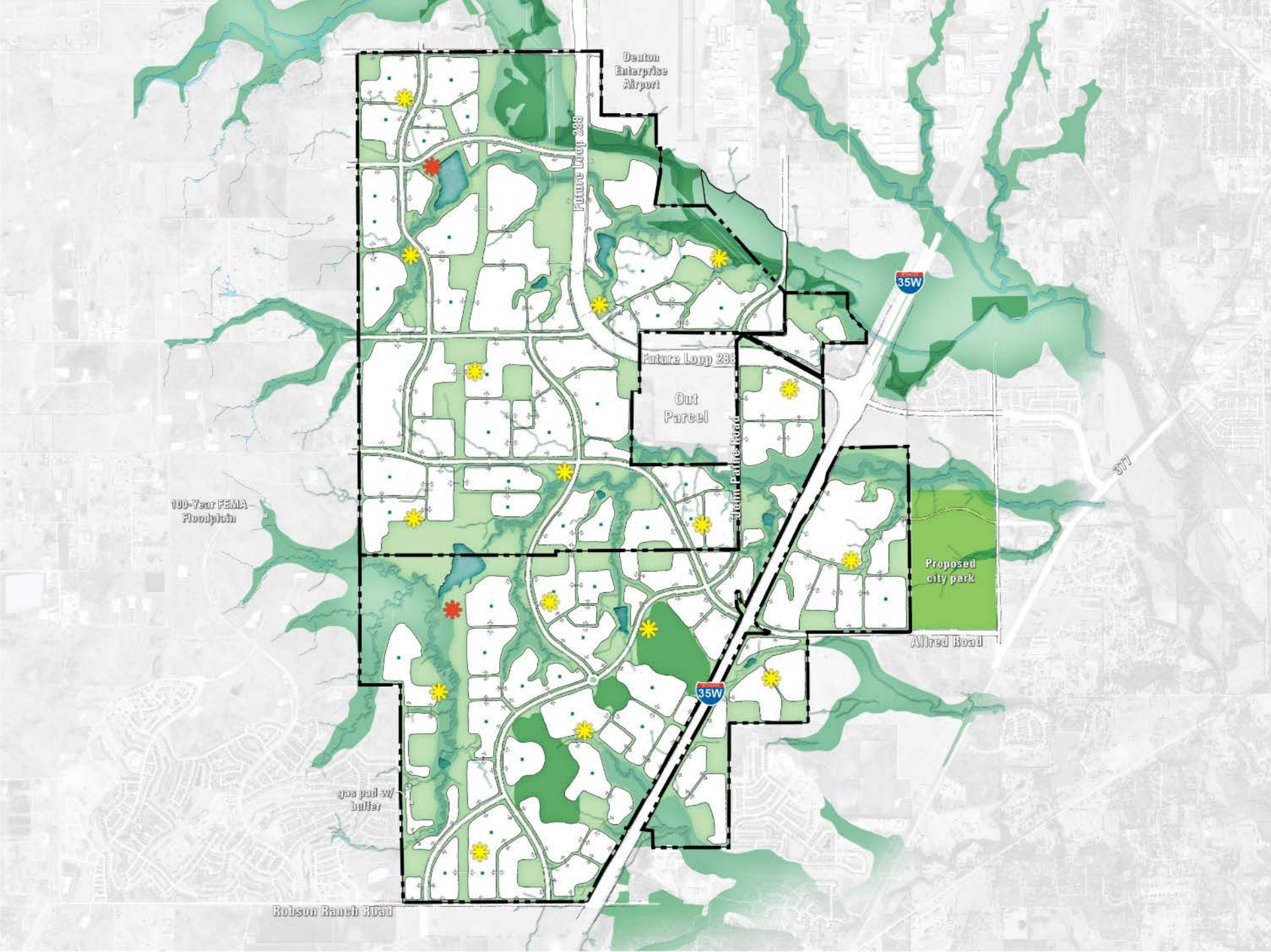
• Estimated offsite infrastructure costs	\$65M
• Estimated regional infrastructure costs	\$240m
• Estimated on-site public infrastructure costs	\$300M
Total Costs	\$605M

- Will the existing trees be preserved?
 - Most of the oak trees and other hardwoods on Cole and Hunter fall within the protected Environmentally Sensitive Area (ESA) zones and are therefore protected by those zoning restrictions.
 - Additionally, new development areas of both ranches will include planting a significant number of new trees along roadways, parks, home sites, parking lots, etc. that will generate a whole new canopy of tree cover that does not exist today.
- Will affordable housing be provided and at what price levels?
 - Both Cole and Hunter are committed to provide a diverse range of housing products designed to be affordable at a range of income levels.
 - Both Cole and Hunter encourage the City to work with us to develop a program that meets the City's affordable housing goals in such a way that is economically feasible.
 - The program will need to identify what the affordable housing issues are in Denton, if for-rent units should be included as well as for-sale housing products, the appropriate income levels for qualifying participants, qualifying process, appropriate number of affordable units of each type and how the affordable housing program will be administered.
 - Affordable housing is a complex social and economic issue that deserves a significant effort in order to produce a truly effective program.

- Will public safety sites be provided?
 - Cole and Hunter will be required to dedicate land for public safety sites at no cost to the City.
 - The exact number of sites, acreage and location will be provided by the City and mutually agreed by both Cole and Hunter.
- What are the gas well/pad setbacks for Cole and Hunter?
 - Both Cole and Hunter have a fixed number of permitted gas pads on their property. There are 19 gas pads on Hunter and 14 on Cole. Neither property can increase the number of gas pads beyond those that exist today.
 - Cole Ranch gas well setbacks are currently prescribed in the Cole Ranch MPC zoning ordinance which requires new homes to be setback a minimum of 200 feet from an existing gas well. Cole is proposing to increase that setback to 275 feet for all gas wells on the Cole property. Further, Cole and Hunter are proposing that all schools, libraries, hospitals and public safety facilities be setback 500 feet from gas pads.
 - Hunter Ranch amended their MPC zoning ordinance several years ago to reduce the maximum number of gas pads to 19 and to set the minimum gas pad setback to 250 feet for protected uses on all gas pads and a setback of 500 feet for gas pads that were in proximity to Robson Ranch and Country Lake Estates.

- Will home buyers in Cole and Hunter expect lower prices than market rate to compensate for the additional MMD tax?
 - It is our experience that home buyers understand that they are paying more in property taxes, but that they are getting more in regards to their home, neighborhood, amenity, quality of life and home value protection by buying in a master planned community.
- How will parks be provided?
 - Cole and Hunter will be required to dedicate land for public parks in accordance with their respective MPC zoning ordinances and the City's park land dedication and improvement policy.
 - During the master planning exercise for both properties, the appropriate number of pocket parks, neighborhood parks and community parks will be determined.
 - It is expected that all parts of both properties would be within a ten minute walk of some type of park facility and that the regional trail system will connect each of the park areas to extent possible.
 - It is expected that the park improvements will be provided by both Cole and Hunter for their respective areas.
 - See the following slide for a graphic representation of our first draft of a park plan for both properties.

Park System



- Will the City have to spend funds to subsidize the Cole Hunter projects?
 - The property tax revenue projections actually show that the reverse is probably true. With an average home value of \$350,000 for Cole and Hunter and the approximate break-even home value for the current City of Denton at about \$250,000, the property taxes alone from Cole and Hunter will provide excess property tax funds to the City's General Fund to be available for costs and programs in other parts of the City.
- Can the number of MMD boards be minimized and how do you prevent those boards from acting politically?
 - The maximum number of MMD boards can be limited in either the MMD legislation or in the MMD Operating Agreement. Originally, we were proposing 5-6 boards maximum for each property in order to keep the districts at about 500 acres. We would be agreeable to reduce that maximum number to four(4) for each property, which would put each district at about 750 acres each.
 - Even though the districts are political subdivisions of the State, they are limited to a very narrow scope and power to direct only the business of each district, and as such, does not the power or authority to increase or expand their political influence.
- Will the Cole and Hunter projects be competitive in the marketplace with the additional MMD tax?
 - A study of all the area master planned communities with special districts shows that the proposed combined property tax rate for Cole and Hunter fit in the middle of the competitive set and therefore represents a marketable solution. See the following slide for a graphic representation.



Economic Benefits to the City

Union Park - Little Elm, TX
By Hillwood Communities



BAIRD

Cole & Hunter Ranch Proposed Development

City of Denton Potential Impact

November 20, 2018

City of Denton Potential Impact Summary

Category	Amount
• Increased Property Value: ⁽¹⁾	\$14,300,718,470
Total Estimated Net Revenues:⁽²⁾	\$2,940,693,044
• Ad Valorem Tax Revenues: ⁽³⁾	\$1,558,297,236
• Sales Tax Revenues:	TBD
• Other Revenues (Residential Only) ⁽⁴⁾	
• Impact Fees (Water and Wastewater):	\$ 129,900,302
• Water Revenues:	382,814,253
• Sewer Revenues:	222,707,738
• Electricity Revenues: ⁽⁵⁾	334,250,023
• Garbage Collection Revenues:	206,739,480
• Drainage Fee Revenues:	<u>105,984,012</u>
Other Revenues Subtotal	\$1,382,395,809

(1) Through 2062 with 2% annual inflation

(2) Adds Ad Valorem Tax, Sales Tax and Other Revenues Impact to the City

(3) Based on City's 2018 Tax Rate

(4) Through 2062 with 1.5% annual inflation

(5) Assumes electricity will be provided through Denton Municipal Electric for approximately 1/3 of the development; electricity provider may vary depending on PUC maps



Cole & Hunter Ranch Proposed Development

Value Projections & Projected Property Tax Revenues

		Combined Cole & Hunter Ranches							
Collection Year	Tax Year	Single Family Lots Constructed	Single Family Homes Constructed	Commercial Acres	Industrial Acres	Multi-Family Units	Combined Residential Value	Combined Commercial Value	Combined Total Projected Value
2023	2022						\$ 1,000,000	\$ -	\$ 1,000,000
2024	2023	400	-	-	-	-	\$ 28,000,000	\$ -	\$ 28,000,000
2025	2024	800	400	-	-	-	\$ 168,000,000	\$ -	\$ 168,000,000
2026	2025	1,300	800	-	-	-	\$ 315,000,000	\$ -	\$ 315,000,000
2027	2026	1,800	1,300	-	-	-	\$ 490,000,000	\$ -	\$ 490,000,000
2028	2027	2,400	1,800	-	-	-	\$ 672,000,000	\$ -	\$ 672,000,000
2029	2028	3,000	2,400	-	-	288	\$ 882,000,000	\$ 25,920,000	\$ 907,920,000
2030	2029	3,600	3,000	-	-	288	\$ 1,092,000,000	\$ 25,920,000	\$ 1,117,920,000
2031	2030	4,200	3,600	25	-	976	\$ 1,302,000,000	\$ 119,340,000	\$ 1,421,340,000
2032	2031	4,800	4,200	25	-	976	\$ 1,512,000,000	\$ 119,340,000	\$ 1,631,340,000
2033	2032	5,400	4,800	55	-	1,484	\$ 1,722,000,000	\$ 199,935,034	\$ 1,921,935,034
2034	2033	6,000	5,400	99	-	1,484	\$ 1,932,000,000	\$ 263,322,556	\$ 2,195,322,556
2035	2034	6,600	6,000	99	-	1,884	\$ 2,142,000,000	\$ 293,322,556	\$ 2,435,322,556
2036	2035	7,200	6,600	153	-	1,974	\$ 2,352,000,000	\$ 378,435,090	\$ 2,730,435,090
2037	2036	7,800	7,200	165	-	2,626	\$ 2,562,000,000	\$ 447,465,103	\$ 3,009,465,103
2038	2037	8,400	7,800	190	-	2,626	\$ 2,772,000,000	\$ 481,527,632	\$ 3,253,527,632
2039	2038	9,000	8,400	215	-	3,278	\$ 2,982,000,000	\$ 571,707,632	\$ 3,553,707,632
2040	2039	9,600	9,000	215	-	3,278	\$ 3,192,000,000	\$ 571,707,632	\$ 3,763,707,632
2041	2040	10,200	9,600	240	38	3,786	\$ 3,402,000,000	\$ 681,732,258	\$ 4,083,732,258
2042	2041	10,800	10,200	278	38	3,786	\$ 3,612,000,000	\$ 733,507,301	\$ 4,345,507,301
2043	2042	11,400	10,800	297	38	4,438	\$ 3,822,000,000	\$ 812,074,823	\$ 4,634,074,823
2044	2043	12,000	11,400	348	101	4,438	\$ 4,032,000,000	\$ 939,386,485	\$ 4,971,386,485
2045	2044	12,600	12,000	348	101	5,090	\$ 4,242,000,000	\$ 992,066,485	\$ 5,234,066,485
2046	2045	13,200	12,600	379	101	5,090	\$ 4,452,000,000	\$ 1,037,741,492	\$ 5,489,741,492
2047	2046	13,800	13,200	379	101	5,090	\$ 4,662,000,000	\$ 1,037,741,492	\$ 5,699,741,492
2048	2047	14,400	13,800	379	101	5,090	\$ 4,872,000,000	\$ 1,037,741,492	\$ 5,909,741,492
2049	2048	14,700	14,400	404	101	5,090	\$ 5,061,000,000	\$ 1,075,241,492	\$ 6,136,241,492
2050	2049	15,000	14,700	404	101	5,090	\$ 5,166,000,000	\$ 1,075,241,492	\$ 6,241,241,492
2051	2050	15,300	15,000	424	101	5,090	\$ 5,271,000,000	\$ 1,105,241,492	\$ 6,376,241,492
2052	2051	15,600	15,300	424	101	5,090	\$ 5,376,000,000	\$ 1,105,241,492	\$ 6,481,241,492
2053	2052	15,717	15,600	424	101	5,090	\$ 5,468,190,000	\$ 1,105,241,492	\$ 6,573,431,492
2054	2053	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2055	2054	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2056	2055	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2057	2056	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2058	2057	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2059	2058	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2060	2059	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2061	2060	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492
2062	2061	15,717	15,717	424	101	5,090	\$ 5,500,950,000	\$ 1,105,241,492	\$ 6,606,191,492

Development Assumptions

- Residential: average home price of \$350,000 before inflation;
- Commercial: an average value of approximately \$1,433,243 per acre after vertical construction before inflation;
- Industrial: an average value of approximately \$862,488 per acre after vertical construction before inflation; and
- Multifamily: a weighted average value per unit of approximately \$80,570 before inflation;

No Inflation on
Property Values

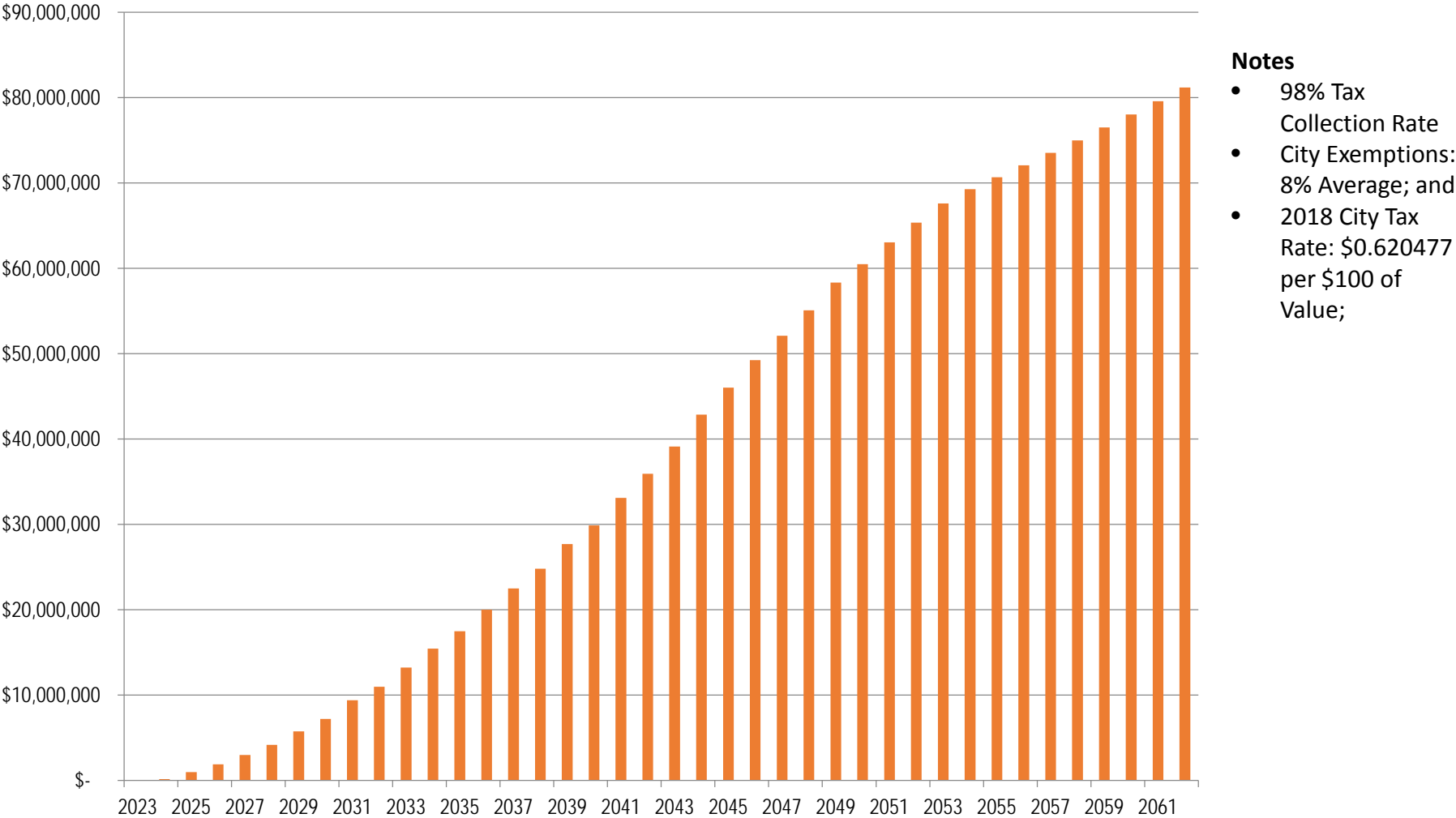
		Combined Cole & Hunter Ranches		
Collection Year	Tax Year	Combined Residential Value After Inflation	Combined Commercial Value After Inflation	Combined Projected Value After Inflation
2023	2022	\$ 1,000,000	\$ -	\$ 1,000,000
2024	2023	\$ 28,560,000	\$ -	\$ 28,560,000
2025	2024	\$ 174,787,200	\$ -	\$ 174,787,200
2026	2025	\$ 334,280,520	\$ -	\$ 334,280,520
2027	2026	\$ 530,391,758	\$ -	\$ 530,391,758
2028	2027	\$ 741,942,300	\$ -	\$ 741,942,300
2029	2028	\$ 993,275,254	\$ 29,190,130	\$ 1,022,465,384
2030	2029	\$ 1,254,364,749	\$ 29,773,933	\$ 1,284,138,682
2031	2030	\$ 1,525,500,514	\$ 139,825,831	\$ 1,665,326,345
2032	2031	\$ 1,806,979,964	\$ 142,622,347	\$ 1,949,602,311
2033	2032	\$ 2,099,108,391	\$ 243,719,691	\$ 2,342,828,083
2034	2033	\$ 2,402,199,164	\$ 327,408,501	\$ 2,729,607,665
2035	2034	\$ 2,716,573,924	\$ 372,003,925	\$ 3,088,577,849
2036	2035	\$ 3,042,562,795	\$ 489,546,141	\$ 3,532,108,936
2037	2036	\$ 3,380,504,591	\$ 590,420,701	\$ 3,970,925,292
2038	2037	\$ 3,730,747,034	\$ 648,072,794	\$ 4,378,819,828
2039	2038	\$ 4,093,646,973	\$ 784,832,065	\$ 4,878,479,037
2040	2039	\$ 4,469,570,610	\$ 800,528,706	\$ 5,270,099,316
2041	2040	\$ 4,858,893,734	\$ 973,681,539	\$ 5,832,575,273
2042	2041	\$ 5,262,001,955	\$ 1,068,581,632	\$ 6,330,583,587
2043	2042	\$ 5,679,290,947	\$ 1,206,700,469	\$ 6,885,991,416
2044	2043	\$ 6,111,166,699	\$ 1,423,796,479	\$ 7,534,963,178
2045	2044	\$ 6,558,045,763	\$ 1,533,714,618	\$ 8,091,760,381
2046	2045	\$ 7,020,355,524	\$ 1,636,413,795	\$ 8,656,769,319
2047	2046	\$ 7,498,534,457	\$ 1,669,142,071	\$ 9,167,676,528
2048	2047	\$ 7,993,032,405	\$ 1,702,524,912	\$ 9,695,557,317
2049	2048	\$ 8,469,169,077	\$ 1,799,328,590	\$ 10,268,497,666
2050	2049	\$ 8,817,775,538	\$ 1,835,315,161	\$ 10,653,090,700
2051	2050	\$ 9,176,938,591	\$ 1,924,252,191	\$ 11,101,190,782
2052	2051	\$ 9,546,941,055	\$ 1,962,737,235	\$ 11,509,678,290
2053	2052	\$ 9,904,869,301	\$ 2,001,991,979	\$ 11,906,861,280
2054	2053	\$ 10,163,493,696	\$ 2,042,031,819	\$ 12,205,525,515
2055	2054	\$ 10,366,763,570	\$ 2,082,872,455	\$ 12,449,636,026
2056	2055	\$ 10,574,098,842	\$ 2,124,529,904	\$ 12,698,628,746
2057	2056	\$ 10,785,580,818	\$ 2,167,020,503	\$ 12,952,601,321
2058	2057	\$ 11,001,292,435	\$ 2,210,360,913	\$ 13,211,653,347
2059	2058	\$ 11,221,318,283	\$ 2,254,568,131	\$ 13,475,886,414
2060	2059	\$ 11,445,744,649	\$ 2,299,659,494	\$ 13,745,404,143
2061	2060	\$ 11,674,659,542	\$ 2,345,652,683	\$ 14,020,312,225
2062	2061	\$ 11,908,152,733	\$ 2,392,565,737	\$ 14,300,718,470

Development Assumptions

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- Multifamily: a weighted average value per unit of approximately \$80,570 before inflation;

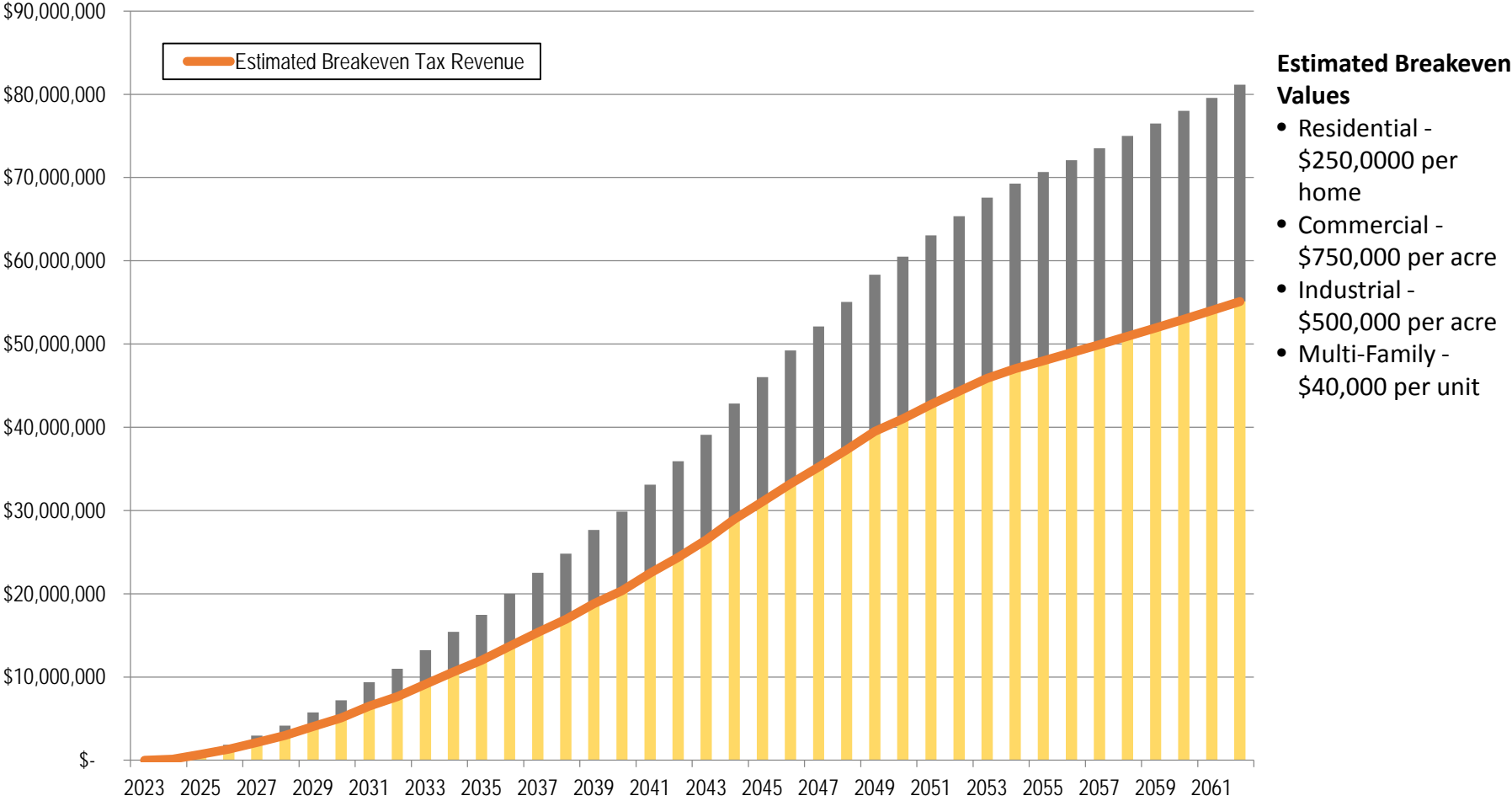
Includes 2.0% Annual Inflation on
Property Values

Additional Annual City of Denton Property Tax Revenue



Includes 2.0% Annual Inflation on Property Values

Additional Annual City of Denton Property Tax Revenue



Estimated Breakeven Tax Revenue is the estimated amount of tax revenue necessary to balance the City’s operating budget relative to the cost of service for the proposed development.

Includes 2.0% Annual Inflation on Property Values



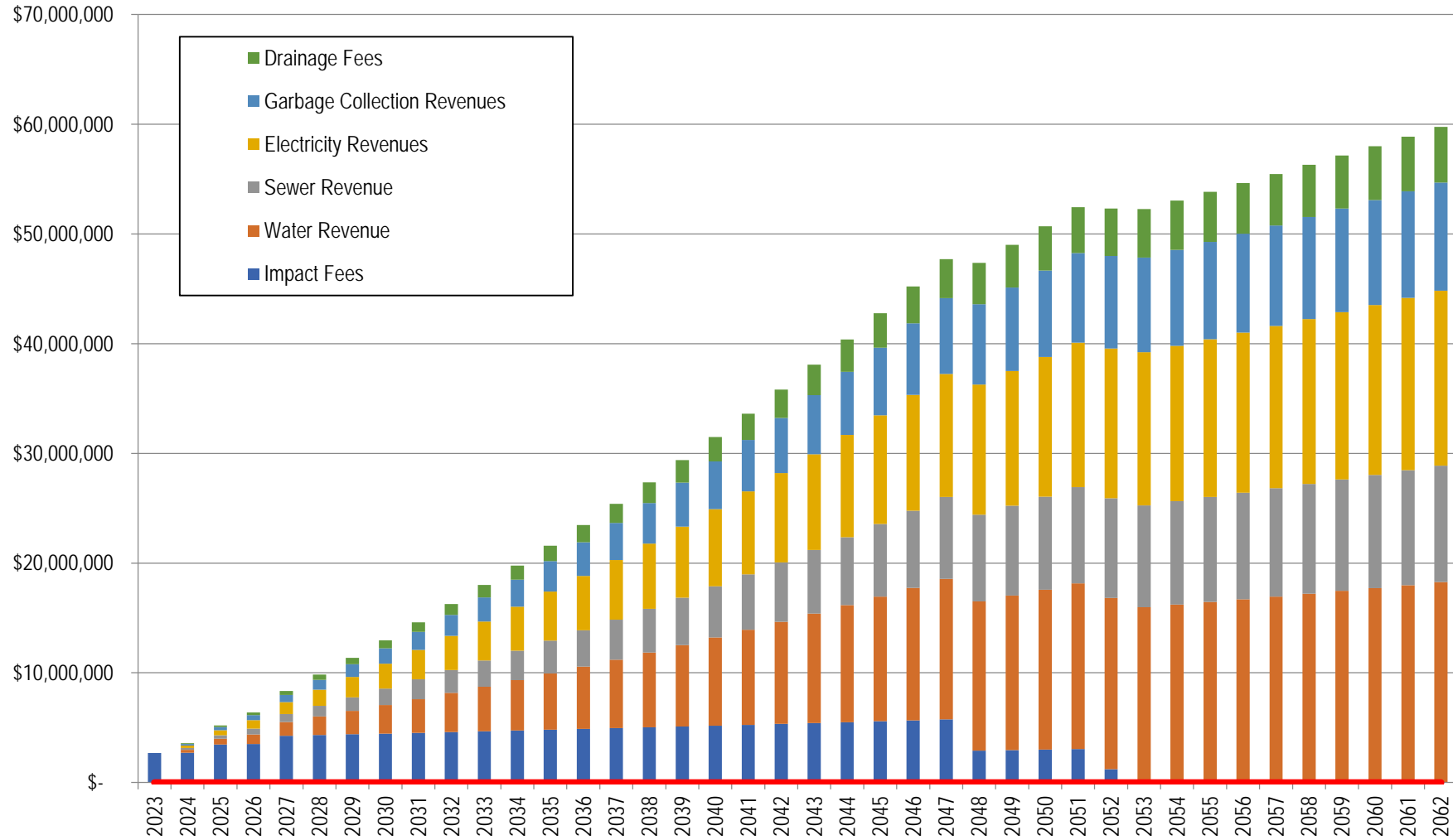
Cole & Hunter Ranch Proposed Development

Additional Annual City of Denton Revenues
Residential

Additional City of Denton Revenues (ex. Property Taxes) Residential Impact Only

- Assumptions
- Impact Fees:
 - Water: \$4,500 (Zone 2) per home
 - Sewer: \$2,200 (Zone 1) per home
- Water Revenue:
 - Average Monthly Usage per Home: 9,200 gallons
 - Rate per 1,000: \$4.15 plus \$16.00 per bill
- Sewer Revenue:
 - Average Monthly Usage per Home: 5,400 gallons
 - Rate per 1,000: \$3.80 plus \$11.00 per bill
- Electricity Revenue:
 - Average Monthly Usage per Home: 1,300 kilowatt hours
 - Rate per KWH: \$0.1025 per KWH plus \$8.67 per bill
 - About 1/3 of the development could be served by DME
- Drainage Fees: \$15.00 monthly per home (assumes lot size just under 6,000 sq. ft.)
- Garbage Collection Fees: \$29.26 monthly per home (assumes an average of one large can per home)

Additional Annual City of Denton Revenues (ex. Property Taxes) Residential Impact Only



Includes 1.5% Annual Inflation on
City Revenue Rates



MMD Approval Process

Wolf Ranch - Georgetown, TX
By Hillwood Communities

City Approves Support Resolution (Feb 12)

Template Legislative Bill Filed

--General Powers for all MMDs in the State --Consent by the City required to active MMD ---Board of Directors Governance
--Powers and Duties --Taxes, Assessments and Bonds --City approval of Plans and Specifications
--Defined Areas --Division Powers --Dissolution of the MMD

The City's Fiscal Impact Report and all City Studies/Reports are finalized with the Developer Project Agreement, MMD Operating Agreement and City Consent Ordinance.

The Template MMD is limited by ...

Developer Project Agreement

Between the City and the Developer

1. Design Guidelines, Park and Trees
2. Assessments limitations
3. Non-District and Off-site Improvements
4. Fire Station Land
5. Denton Electric Service
6. Gas Well Sites and Setbacks
7. Affordable Housing
8. Appointment of the Initial Directors
9. Not to seek reimbursement unless at or under tax rate of \$0.55
10. Division of Districts

MMD Operating Agreement

Between the MMD and the City

1. GO Bond Issuance
2. District tax rate limited to \$0.55
3. Assessment Bond Issuance
4. District Facilities and transfer of ownership
5. City providing W/S service
6. Financial Reporting Requirements
7. Limits on annexation
8. Limits on Economic Development tools
9. Dissolution

City Consent Ordinance

Applies to the MMD once Created

1. Restriction on purposes of Bonds
2. Restriction on terms of the Bonds
3. Requires City approval of all plans and specs
4. Requires City inspection of facilities
5. Requires City approval to add land
6. Restriction on bonds if City has given notice of dissolution