Responses to Council Questions on Cole Ranch/Hunter Ranch

1. **Does the development fit with the City's Future Land Use Map and the Denton Plan 2030?**

   Development Services staff confirms that the future land use map reflects the development of master planned communities in this area. Further, staff confirms that the preferred project phasing is at the north of Cole Ranch near the future Loop 288 and I-35 moving south and west, and at the south of Hunter Ranch near I-35 and Robson Ranch and moving north and west.

2. **Can tax incentives (tax abatements or Chapter 380 tax rebates) be offered by either the City of Denton or the Board of Directors of the Municipal Management District within the MMD?**

   Limits on the MMD's use of economic development tools can be included in the MMD operating agreement. The Council can make a policy decision on whether to use City economic development tools within the MMD.

3. **What is an estimate of the cost to get road, water and wastewater infrastructure to the development?**

   Estimated off-site infrastructure costs: $65 million
   Estimated Regional infrastructure costs: $240 million
   Estimated on-site public infrastructure costs: $300 million
   Total: $605 million*

   *These figures were provided by the developers and have not been verified by City staff.

4. **What is the park fund commitment that would be required from this development under typical circumstances?**

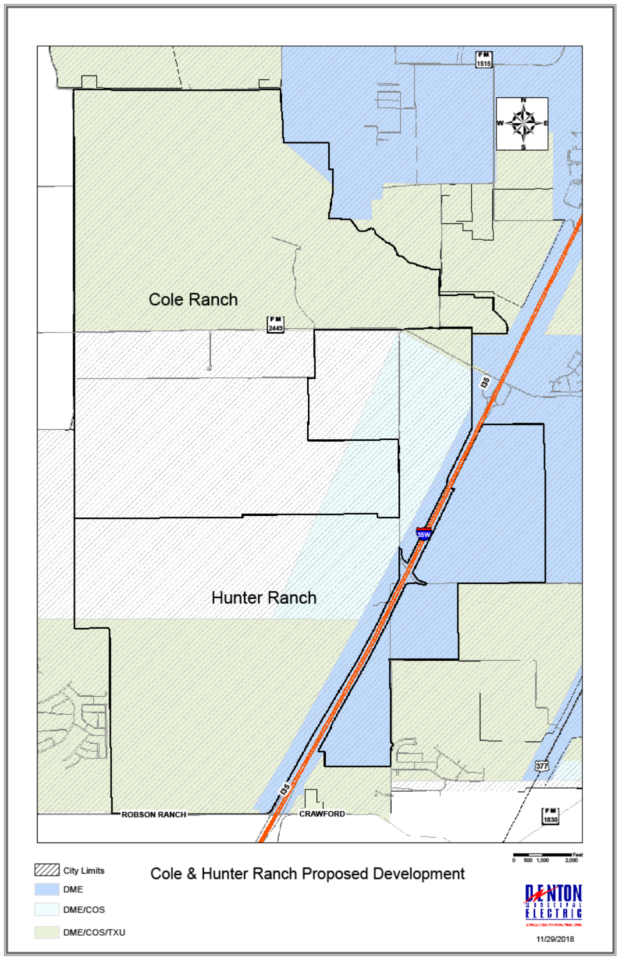
   Park Dedication & Development Assessment: Cole/Hunter Ranch
   Unit count based on AIS from Jan 15, 2019 Council meeting

	Dwelling Units	915 Dedication (acres)	916 Development
Multi-Family	5,090	22.905	$951,830.00
Single Family	15,717	110.019	$4,573,647.00
Total	20,807	132.924	$5,525,477.00

5. **Link to developer video shown during Jan. 15 presentation:**
   https://hillwood.box.com/s/mgrgxbx2hixll4cwivq4j4bfxegmlvl7

6. What areas of the development are served by Denton Municipal Electric?

Roughly two-thirds of the development can be served by DME (see map below). The developer agreement can specify that DME will be the electric provider in all the areas where it certified to serve.



7. What is the cost to provide water and wastewater services to Robson Ranch?

This response is provided to address a request for the costs of water and wastewater services for Robson Ranch. It is important to note that treatment infrastructure for Water and Wastewater is not included as a part of cost estimates. For water, treatment costs are covered by the combination of water rates and impact fees. Currently, Robson Ranch wastewater services are provided by a small treatment plant that was designed and constructed by Robson Ranch and is operated and maintained by the City of Denton. Wastewater rates cover the costs of the operation and maintenance of this plant. Cost estimates for the wastewater treatment needs of Robson Ranch are relatively straightforward, as the current system is isolated to just Robson Ranch, which allows calculations of the total needs at full build out. Estimates for Water are more difficult, as most projects for water service in the Southwest service area are not isolated to only Robson Ranch.

<u>Wastewater</u>

All of the wastewater assets that include sewer lines, pump stations and the wastewater treatment plant that service Robson Ranch were paid for by Robson Ranch. Robson's engineer designs the projects, the designs are reviewed by the city staff, and then the construction is inspected by the City of Denton's Engineering Inspections department just like any subdivision within the City. For estimation purposes, the if the current 0.375 million gallon per day plant was expanded to the modeled need of Robson at full build out, the plant would need to be able to process approximately 1.6 million gallons per day. A plant this size would likely cost somewhere in the 12-14 million dollar range to construct. Of note, Denton staff members have been discussing options for full build out wastewater treatments services for Robson Ranch, and will be bringing and item to Council in the future to discuss these options

Water

Water supply for the Robson development was initially provided by groundwater via a well system. As the area began to grow, the City of Denton Water utilities completed a number of infrastructure projects to provide water service in what is generally referred to as the Southwest Service Area, which includes Robson Ranch. There are several additional projects that are active or will be implemented in the near future to provide water to portions of this service area. Robson Ranch eventually began receiving water service from the City of Denton from the Southwest Ground Storage and Booster pump station.

As with Wastewater, the internal water distribution system is designed and constructed by Robson Ranch just like any subdivision in the City. With regards to projects currently implemented or that will be implemented to provide water to this area of the City, it is very subjective on what projects (or portions of projects) specifically relate to Robson development vs other growth in the system. As a result, some broad assumptions must be made. If we assume the in that areas are just for Robson and will by themselves cover the buildout of Robson (these are very big assumptions) for the approximate 6,500 connections at full buildout, we can derive the following projects and costs

- North-South 42 inch Waterline Phase 2 - $ 10,870,300
- Roselawn 3 MG Elevated Storage Tank - $ 6,299,440
- Roselawn 24 inch Waterline Project - $ 1,797,363
- Vintage Oversize Waterline on South Bonnie Brae - $ 254,269
- Allred/John Payne 24 inch and 30 inch Waterlines - $ 5,930,000
- Southwest Ground Storage and Booster Pump Station - $ 5,912,002
- Robson Oversize Water Lines - $ 284,477
- Southwest 3 MG Elevated Storage Tank - $ 5,410,280

Under the identified assumptions, an approximate cost estimate for water service is approximately in the $25 million range.

8. **Could the 300-500 acre West Lake Park conceivably incorporate Pilot Knob leaving that area in a substantially natural state? Could it include an amphitheater (which I don't believe Denton has anywhere else)? And could the development include a D.O.R.B.A. sanctioned single track dirt trail at least 10 miles long with at least 500 feet elevation changes that D.O.R.B.A. would agree makes it the premier trail in North Texas (and hence a tourism draw)?**

   These elements could be negotiated the developer if the Council identifies these aspects of the project to be important. Staff has specifically discussed the Pilot Knob area with Hillwood, and they indicated that it was planned to be left in its natural state. As such, they could incorporate this into a park concept. Staff reached out to Hillwood regarding the DORBA concept, and while think it is an interesting idea, they are not prepared to commit to this type use right now, and it will need more study before they can make a specific commitment.

9. **A foundational issue for me is understanding whether the proposed financing scheme itself —not the development—costs the city, benefits the city, or is neutral as claimed. If it costs the city, that doesn't necessarily mean don't do it, but it sets the bar for what value we might want the city to receive to justify doing it.**

I’m going to make some simplifying assumptions to illustrate how it might cost the city.
All else equal—same property, same amenities, same developer, same, same, same—a stream of tax payments has a cost and would reduce present value. If the homes—with the SAME amenities, etc.—have lower values than they would without the stream of required extra tax payments, that reduces taxable value to the City of Denton.

Please do not mix apples and oranges when addressing this. I’m talking just about the effect on present value of attaching a stream of required payments—all else equal.

I’m going to make some big simplifying assumptions just to illustrate the potential impact. If we assume all the buildout is in place Day One, that’s $14 billion. At an MMD tax rate of $.55 per $100, that’s $77 million in annual MMD taxes. To recover $485 million in infrastructure expense, not including whatever else might get tacked on to that figure, that’s six years at $77 million and one year at $23 million, all to come from the future owners. If we discount that at a cost of capital of 4.5 percent (roughly 30-year rates now), assuming prepayment each year, that’s a present value of roughly $424.7 million. Maybe they won’t just reimburse themselves for the nominal outlay amounts and will also be looking to recover their cost of capital too. But let’s go with this lower figure for now.

If the value of the buildout is reduced by $424.7 million in value initially because of the attached future MMD tax requirement, then City of Denton annual ad valorem tax revenue would be reduced by that amount times, say, our roughly $0.62/$100 tax rate. That’s about $2.6 million a year.

All else equal, the values should rise each year as the MMD tax requirement is satisfied, so the negative impact on taxable value would diminish over the seven years to nothing. But the total loss to the city over the time of the MMD tax would be something like $10 million.

Consider this all a question if you like but for me it’s a logical starting point.

Some say “but the amenities would be different”. That’s a misunderstanding of the point. We’re just talking about financing effects here, assuming the same amenities.

The developer said people pay a premium for the Perot management. This too misses the point. We’re just talking about the financing effects here, assuming the same management.

Some say “it beats a PID” but this is beside the point. We’re just talking about the effects of having this financing scheme versus not having it.

As far as I can tell, for the developer to get the very, very valuable low interest financing the MMD enables, the City of Denton is in effect kicking in a roughly $10 million subsidy.
Staff response: This is a bit difficult to answer with any certainty. With that said, we agree that a house with a special assessment or tax should sell for less than another home, all else equal. The problem is that the “all else equal” part is almost never found. Developments like Lantana, Harvest, or Canyon Falls all have amenity packages, schools, trails, etc. that make them unique, and as a result, even with the additional tax burden, their average home prices are near or higher than other developments that surround them. We also inquired with our financial advisors at Hilltop Securities, and they are not aware of any instances of homes in special taxing districts being valued or priced lower due to the additional tax. As a result, they are not of the opinion that the City would receive less tax revenue from a development with a special taxing district in place. However, we can certainly explore this further as part of the fiscal impact analysis. Exhibit 1 is a document provided to staff by the developer which provides their estimates of the financial impact of the project.

10. **We hear that this area will not be developed without an MMD or something like it. Is that really true?**

On the one hand we hear that the buyers would never be able to afford the homes otherwise. But that's exactly who would be paying for the infrastructure under the MMD, just spread over time. And if it were rolled into the purchase price, they would also be paying for it and, if mortgaged, it would likely be spread over an even longer period of time.

Second, we hear that there's no other source of financing to get the ball rolling on the upfront infrastructure expenses. But we're told this is such a highly credible venture because it's part of the Perot family operation. My understanding is that this is one of the most if not the most successful family in Texas. I can hardly imagine a family more capable of having access to credit without a subsidy from the City of Denton. Surely I see why they might have found it worth waiting to develop if they have the prospect of lower cost financing, but it's not clear at all to me that the land wouldn't develop at all without a special taxing entity.

Third, $485 million is less than 3.5 percent of the purported $14 billion final value, and we hear buyers are willing to pay a big premium to be in these developments.

And fourth, the developer said their reason to build with the touted amenities is because there's a market for them, not to serve the City of Denton.

So, so far, I'm inclined to think the development will happen—with these amenities—whether we bear the roughly $10 million differential in tax revenue or not.

Staff response: It's likely the development of the two properties will eventually take place without a financing district, but the timeframe and type of development (quality, amenities, etc.) as well as the level of coordination between the developers and the City is unknown. City participation through a financing district allows the opportunity to secure commitments from the developers regarding gas well reverse setbacks, affordable housing, funding of city facilities required to serve the development, home quality, natural preservation, sustainability, etc., which is leverage the City would not have in the absence of a financing district. The proposed fiscal impact analysis will provide the detailed data that will enable Council to make the most informed decision possible.

11. **So why might we do it? If we could get extra qualities and value beyond what any other developer would offer that would be of general benefit to the city, maybe there's a case to be made.**

One item that would be on my list would be a West Lake Park of 300-500 acres—in addition to the laudable pocket parks and trails. That's not that much out of 6600 acres and is arguably very much needed as Denton becomes bigger by that much. It should have a rec center, maybe a dog park, and maybe some amenities for Dentonites we don't already have. And we should work out whether tax revenue from the additional residents will cover its operation along with all the other services the city must provide them.

Now the developer shows a proposed city park adjacent to the development on the southeast edge. Is that real? Proposed by whom? Do we already own that land? If not, would the developer be gifting it to the city and developing it?

Staff response: The large City park shown on the southeast edge of the developer's preliminary development plan is a park proposed by the City of Denton in the Parks Master Plan. It is referred to as "Southwest Park," but that is not an official name at this time. The City already owns the majority of the Southwest Park land (200+/- acres) depicted on the developer's preliminary development plan. As part of staff research into what City resources will be needed to serve Cole Ranch/Hunter Ranch, operations departments have submitted estimated capital/facilities and operations estimates to be used if a fiscal impact analysis goes forward. In addition to Southwest Park, the Parks Department is proposing "West Lake Park" in the core of the development, which would be a 150+/- acre City park. The exact location for this park is to be determined, and as such, the City does not own the land. Granting of park land and funding park development can be part of the City's negotiations with the developers.

12. **Additional reasons why we might opt for a $10 million differential in revenue might be to help achieve sustainability and health and safety goals for Denton. Would the developer be able to commit to 100 percent tree preservation above 6 inches at dbh throughout the site and plantings to get up to 20 or 30 percent canopy?**

    There are 19 gas well sites on the property. Would the developer be able to commit to 1000-foot setbacks and 1500 feet from schools? This is beyond the current ordinance's minimum, and that's the point. It's something extra we'd be getting in exchange for enabling this financing. Or else might they fund an independent, scientifically valid, peer-reviewed study of safe distances within Denton's geologic formations to guide that decision, agreeing to be bound by the results?

    Would the developer agree to build to LEED standards and /or provide enough renewable energy generation on site to cover the development's needs?

    Would the developer preserve Pilot Knob as a natural area along with the views up to it?

    We would need to put a value on all these, but a set of assured benefits to the city like this could make a case for seeking the enabling legislation.

    Staff response: City participation through a financing district allows the opportunity to negotiate and secure commitments from the developers regarding the items mentioned above. If the Council is interested in pursuing these, they can be negotiated with the developer as part of an operating agreement.

13. **On the other hand, if it really is true that the land will not develop without an MMD or something like it, we need at least a rough pro forma of whether the value of all that population growth exceeds the cost of service. And we'll have to discuss how to think about the commercial/industrial component, because while the developer can provide sites for corporate campuses, they don't necessarily bring the tenants. Not saying every development has to pay for itself with respect to tax revenue, of course, but we don't generally get asked to enable special financing schemes as we are in this case. We need to understand the financial impact of a financial decision.**

    Staff response: The proposed fiscal impact analysis will provide the detailed data that will enable Council to make the most informed decision possible.

14. **If this special taxing district is approved for a piece of property within the city limits/extraterritorial jurisdiction of Denton, will this set a precedent for other developments to ask for the same thing?**

    Staff response: Yes, this has the potential of setting a precedent for other large developments in the City. With this said, the particular development issues associated with Cole/Hunter Ranch are unique, and as such, it will likely be difficult for any other development to approach the size of this project and the associated infrastructure needs.

15. **How long will it take the residents of these communities to pay these debts off that the developers take on? Never? Are these special taxing districts open ended that can last into perpetuity?**

Staff response: The project will likely be developed in phases consisting of approximately 500-700 acres each. With each phase, bonds will be sold to pay for the infrastructure, and these bonds will be retired over a 25 to 30 year time horizon. Once the debt is retired, the district could then be dissolved.

16. What if the developers walk away from this project before it is completed? Who is left holding the bag?

Staff response: The developer will be paying for the infrastructure costs up front, and the bonds will be issued to reimburse them. Therefore, if they walk away from the project, the development of the property would stop, but the City would not be responsible for any of the costs.

17. Do these developers have a history of trying to sell projects quickly to turn a big profit and leave homeowners holding the bag?

Staff response: The Hillwood and Stratford Land firms have successfully developed projects across the country, and we are not aware of any negative issues with their performance.

18. Once the roads, water and sewer lines are built and completed, will the developers turn over maintenance to the City of Denton?

Staff response: Yes. The taxes paid to the City and fees for utility services will pay for these costs.

19. Will the infrastructure be built to the City of Denton specifications?

Staff response: Yes.

20. Has there been an environmental impact study done on this property to guide the development of such a large piece of land? I would look closely at this issue and see what type of ecosystem we have there. Maybe some specialists should take a look at this area.

Staff response: The Environmentally Sensitive Areas have been identified and studied, but I am not aware of an environmental study being completed for the entire property.

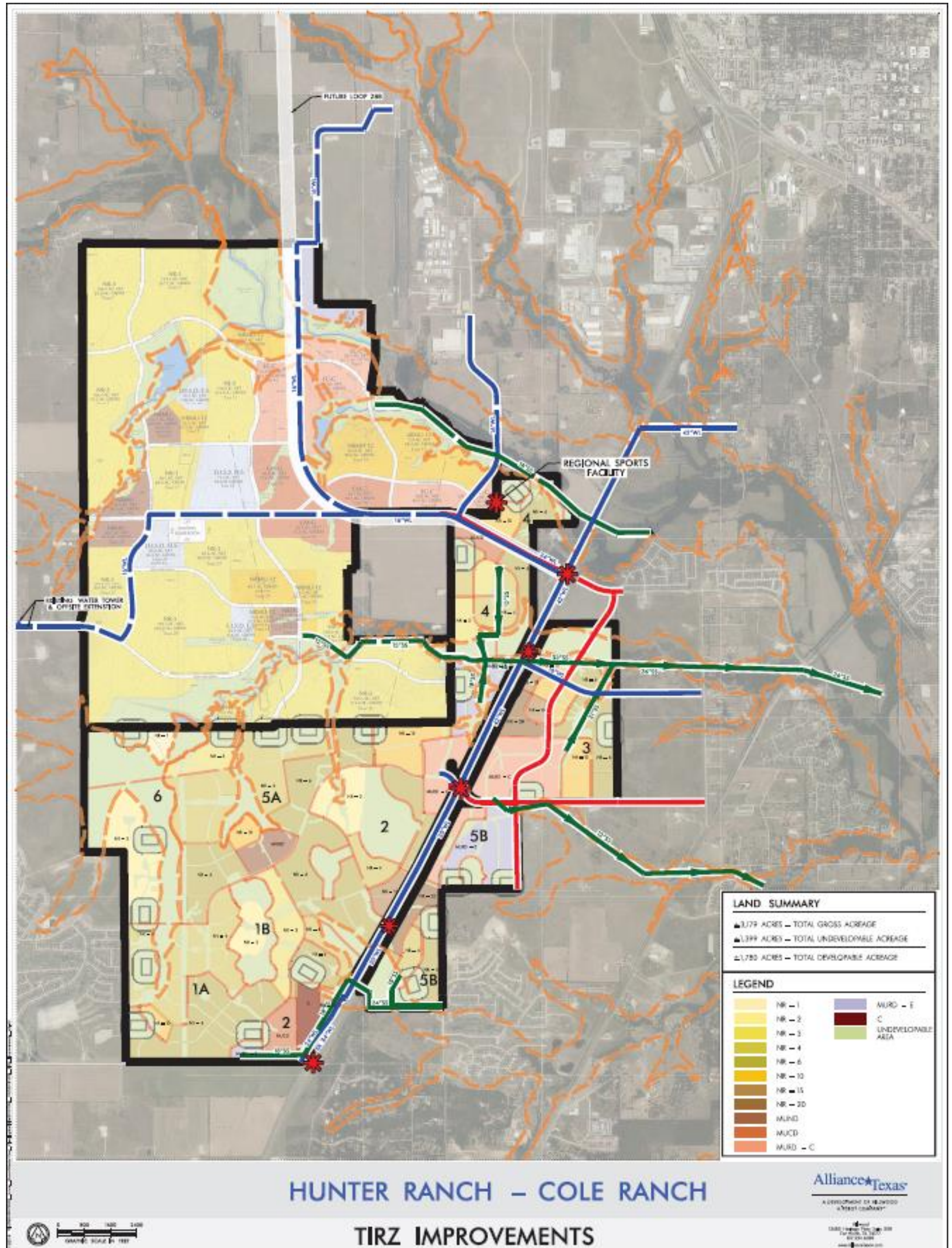
Exhibit 1: Developer estimates of the financial impact of the project

Cole & Hunter Ranch Proposed Development

City of Denton Potential Impact
November 20, 2018

STRATFORDLAND

30 YEARS HILLWOOD A PEROT COMPANY



City of Denton Potential Impact Summary

Category	Amount
• Increased Property Value:(1)	$14,300,718,470
Total Estimated Net Revenues:(2)(3(4)	***$2,696,910,830***
• **Ad Valorem Tax Revenues:(2)(**	**1,558,297,236**
• **Sales Tax Revenues:**	**[TO COME]**
• **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:*	*1,002,750,070*
• *Garbage Collection Revenues:*	*206,739,480*
• *Drainage Fee Revenues:*	*105,984,012*
Subtotal	2,073,505,778
Estimated Cost of Services(4)(5):	**912,282,261**
• **Net Estimated Other Revenues to the City(3)(4)(5):**	**$1,138,613,594**

(1) Through 2060 with 2% annual inflation
(2) Adds Ad Valorem Tax, Sales Tax and Estimated Net Impact to the City
(3) Before potential TIRZ rebate
(4) Through 2062 with 1.5% annual inflation
(5) Assumes $1,500 per home before inflation

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**

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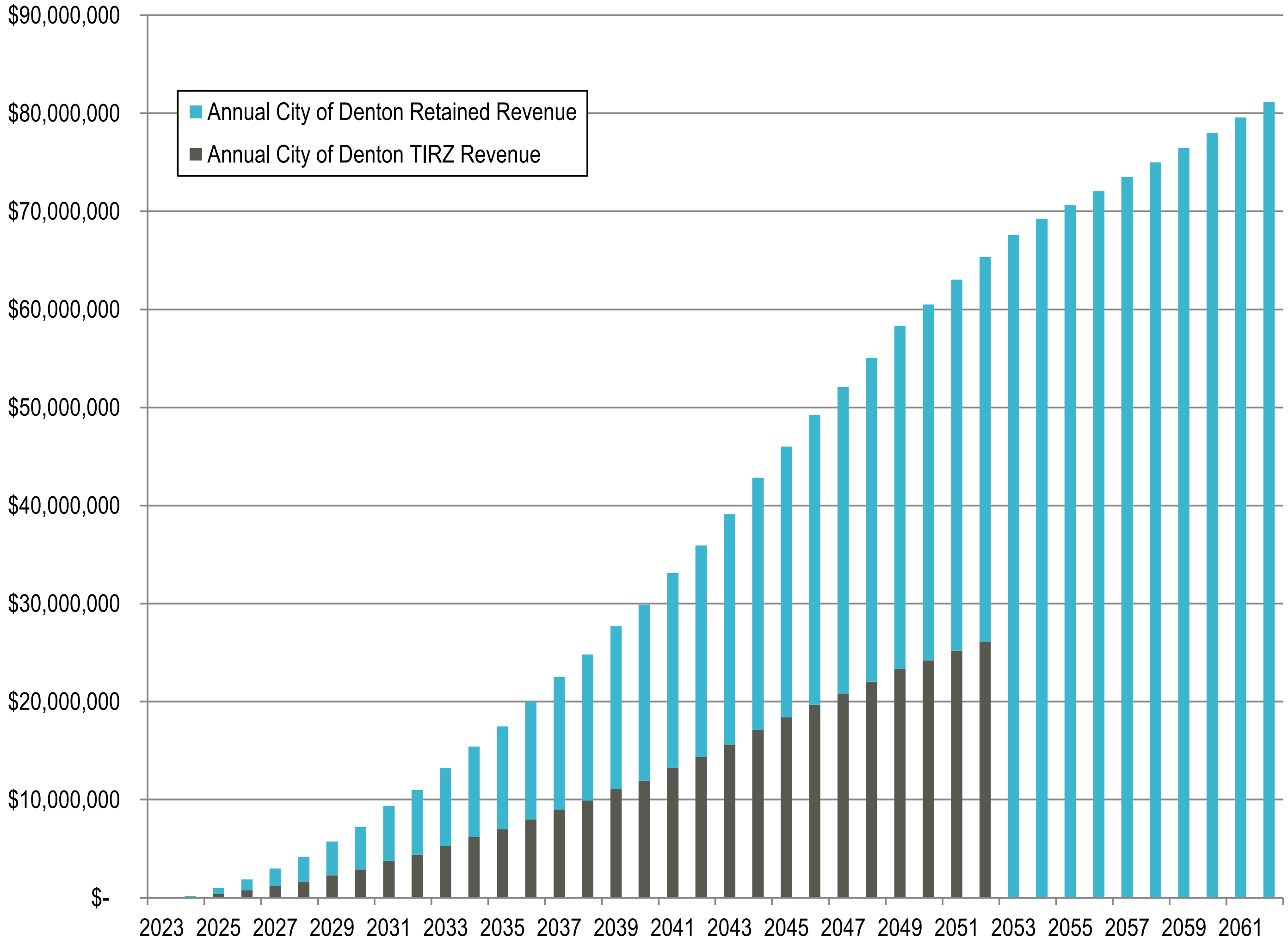
Development Assumptions

- 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;

Includes 2.0% Annual Inflation on Property Values

Additional Annual City of Denton Property Tax Revenue



Notes

- TIRZ Start Date: January 1, 2022;
- TIRZ Length: 30 Years;
- City Participation Rate: 40%;
- 98% Tax Collection Rate
- TIRZ Base Value: $1,000,000 (Assumed);
- City Exemptions: 8% Average; and
- City Tax Rate: $0.620477 per $100 of Value;
- Total Potential Tax Revenue: $1,558,297,236
- Total Potential TIRZ Revenue: $325,916,627
- Total Potential Retained Tax Revenue: $1,232,380,608

Includes 2.0% Annual
Inflation on Property Values

Cole & Hunter Ranch
Proposed Development

Additional Annual City of Denton Revenues
Residential

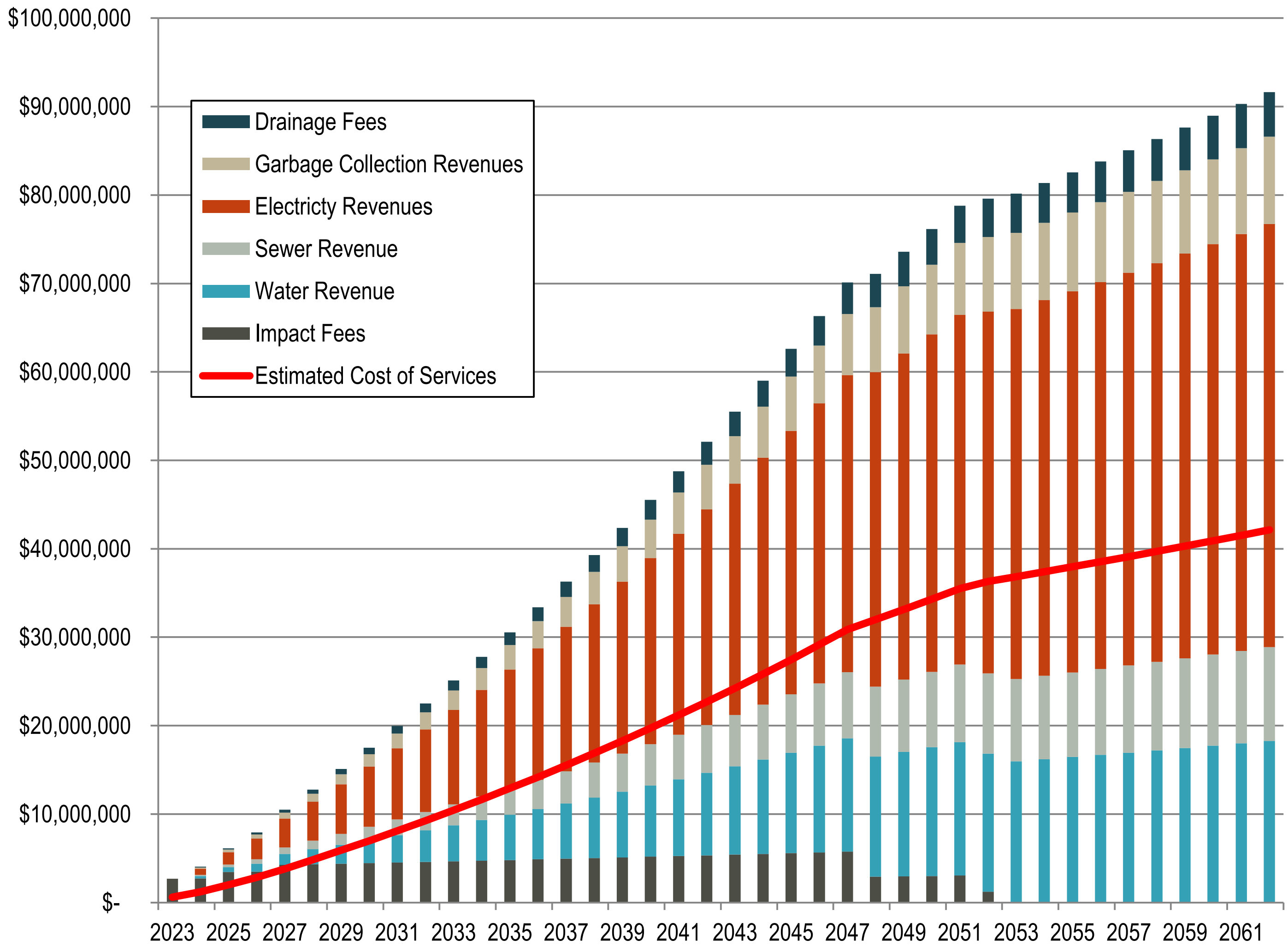
Additional City of Denton Revenues (ex. Property Taxes)
Residential Impact Only

<u>Assumptions</u>

- 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
- 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)
- Estimated Annual Cost of Service per Home: $1,500 (placeholder)

Please note that the proposed districts could also offset a significant portion of the associated maintenance expenses as well

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



Totals

- Impact Fees (Water & Sewer): $129,900,302
- Water Revenues: $382,814,253 ($18,262,724 in 2062)
- Sewer Revenues: $222,707,738 ($10,624,604 in 2062)
- Electricity Revenues: $1,002,750,070 ($47,837,684in 2062)
- Garbage Collection Revenues: $206,739,480 ($9,862,815 in 2062)
- Drainage Fees: $105,984,012 ($5,056,125 in 2062)
- Cost of Service: $912,282,261 ($42,134,375 in 2062)

Includes 1.5% Annual Inflation on City Revenue Rates

Cole & Hunter Ranch Proposed Development

Potential TIRZ Financing Impact

Financing Assumptions: TIRZ Bonds

- TIRZ Revenues would be generated by a 40% participation rate by the City of Denton
- TIRZ bond issues are assumed to be sold with various maturity schedules but always with a final maturity in 2052 to match the expected TIRZ cash flows
- TIRZ Bonds could be issued by LGC or the City
- Interest rate of 5.50% on the bonds
- General costs of issuance
- Any debt service reserves would be funded from TIRZ revenues accrued prior to bond issuance
- A minimum revenue coverage target of 125% (TIRZ revenues as a percentage of annual debt service) was utilized when sizing the proposed bonds
- A 98% tax collection rate
- No interest earnings on accrued TIRZ revenues

Total Additional City of Denton Revenues (TIRZ Bond Financing)

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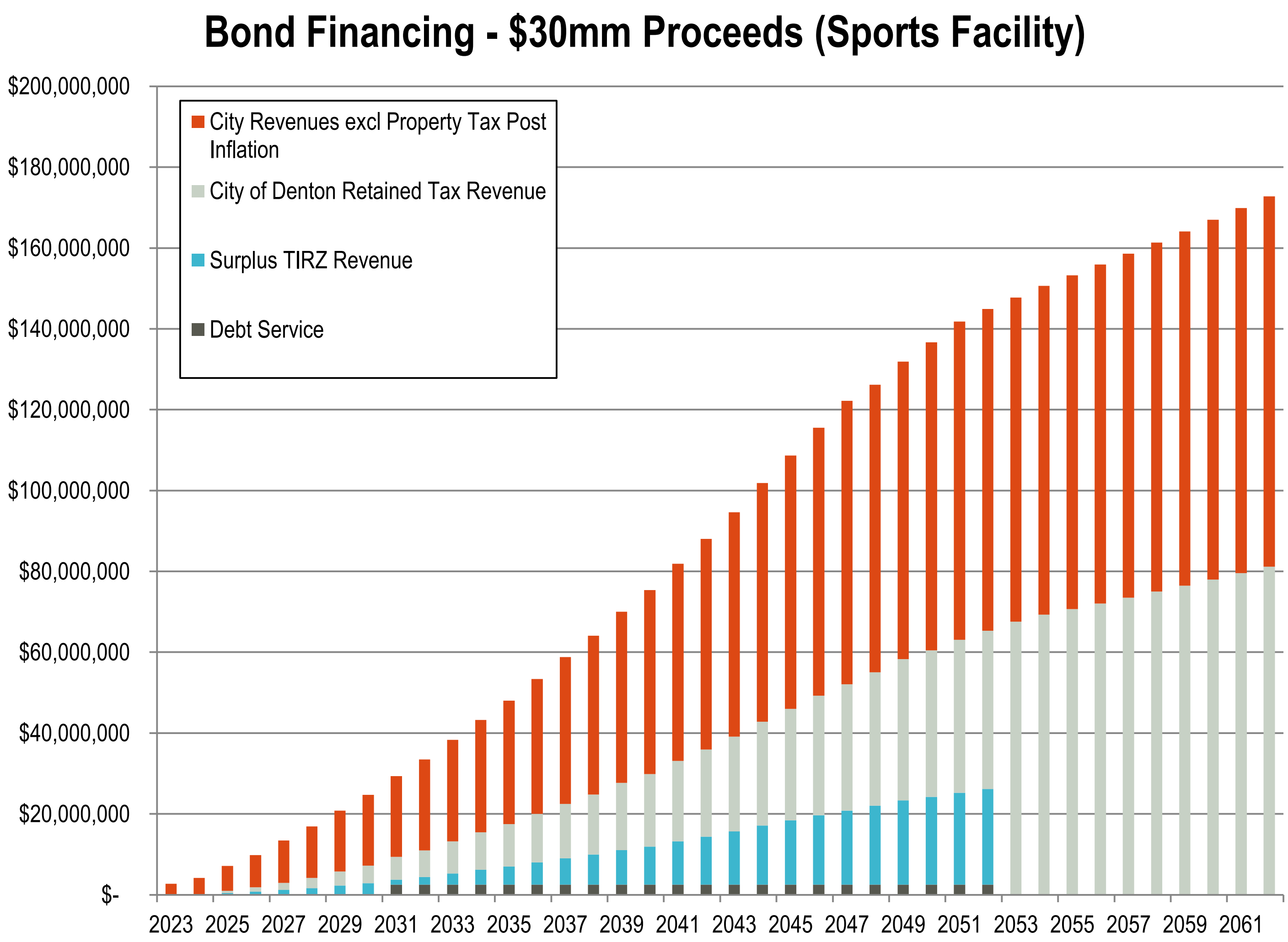
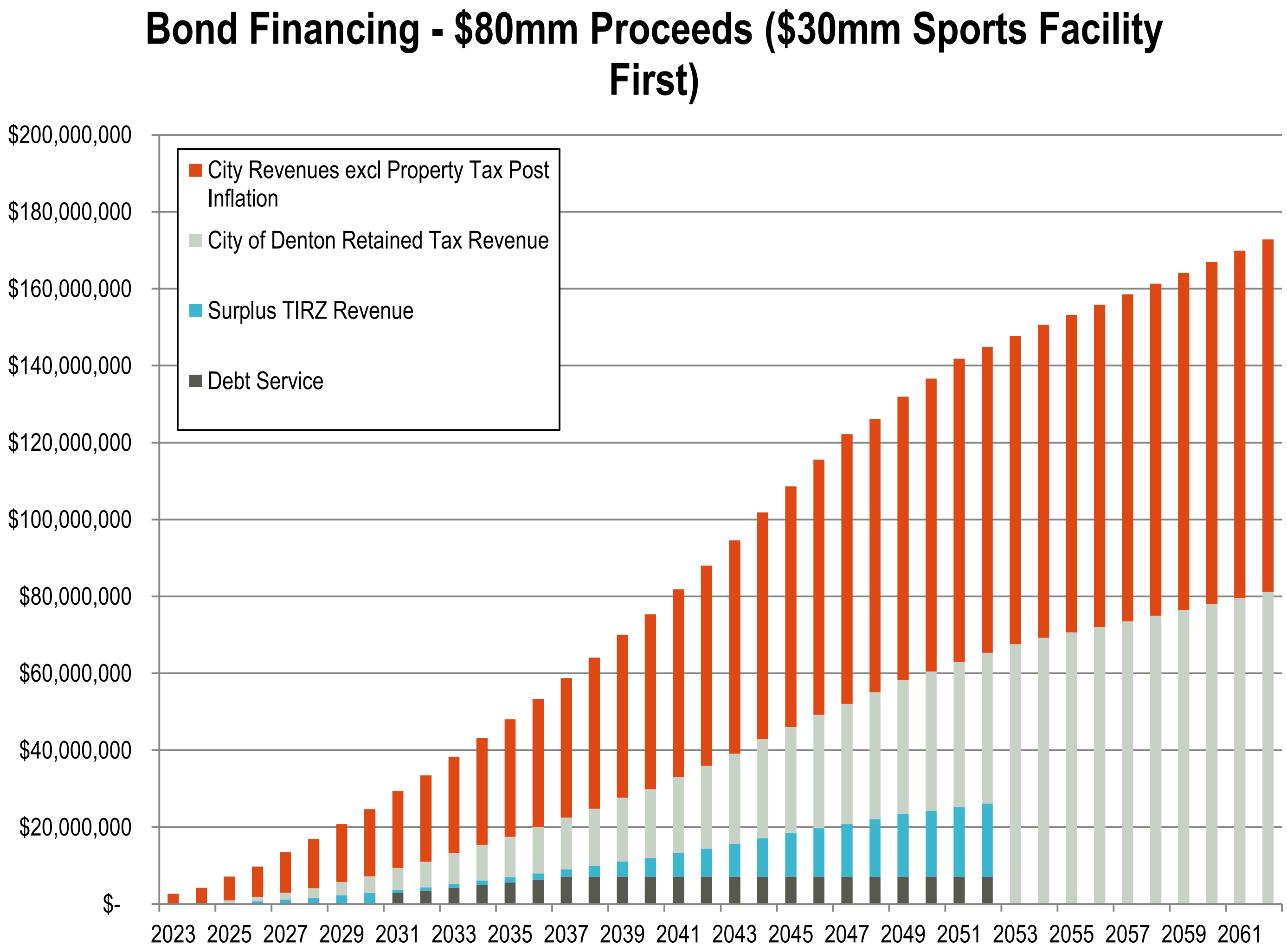


Notes

- Single Bond Issue in 2030 (fully fund $30mm);
- Total Debt Service: $55,571,400
- Potential Surplus TIRZ Revenues: $270,345,227 (less potential DSRF deposit)
- Retained Tax Revenues: $1,232,380,608
- Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues:
- $3,553,621,691

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Bond Financing)

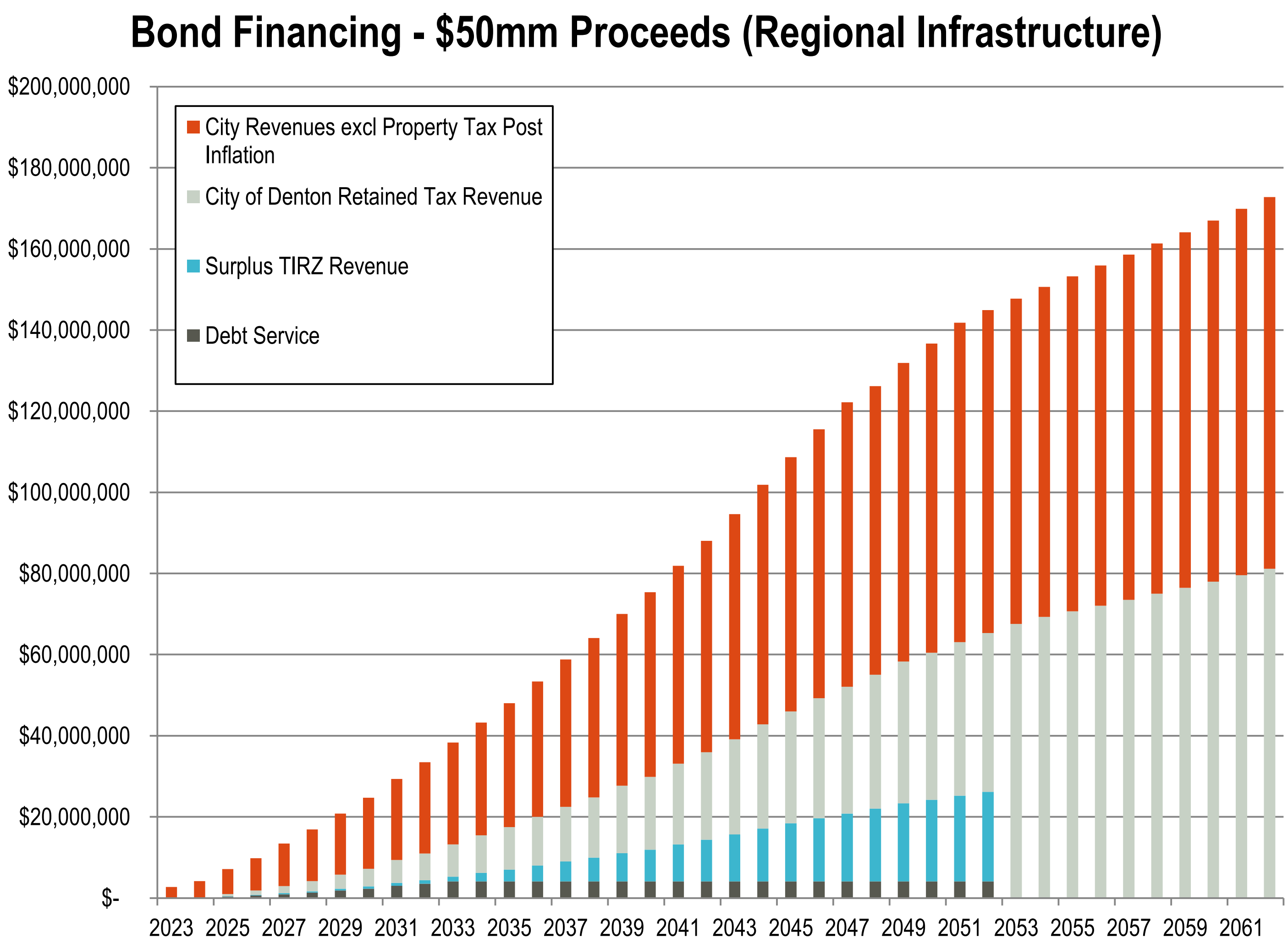


Notes

- Single Bond Issue in 2030 (fully fund $30mm) ;
- Subsequent bond issues (2031-2036) $3mm minimum until $50mm in proceeds
- Total Debt Service: $142,196,900
- Potential Surplus TIRZ Revenues: $183,719,727 (less potential DSRF deposit)
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,466,996,191

Includes 1.5% Annual Inflation on
City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Bond Financing)

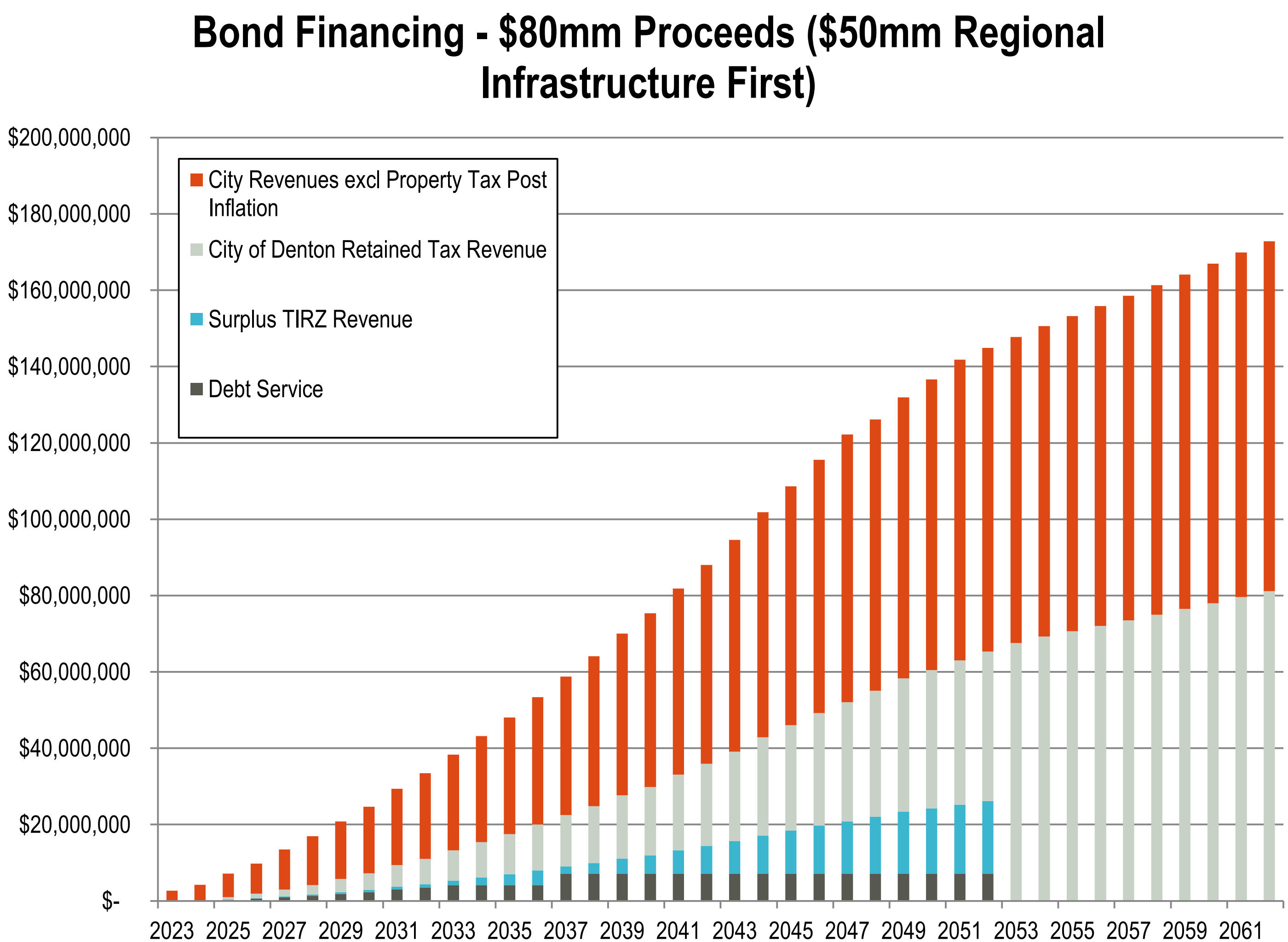


Notes

- Multiple bond issues (2024-2032) with $3mm minimums until $50mm in proceeds;
- Total Debt Service: $96,098,450
- Potential Surplus TIRZ Revenues: $229,818,177 (less potential DSRF deposit)
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,513,094,641

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Bond Financing)

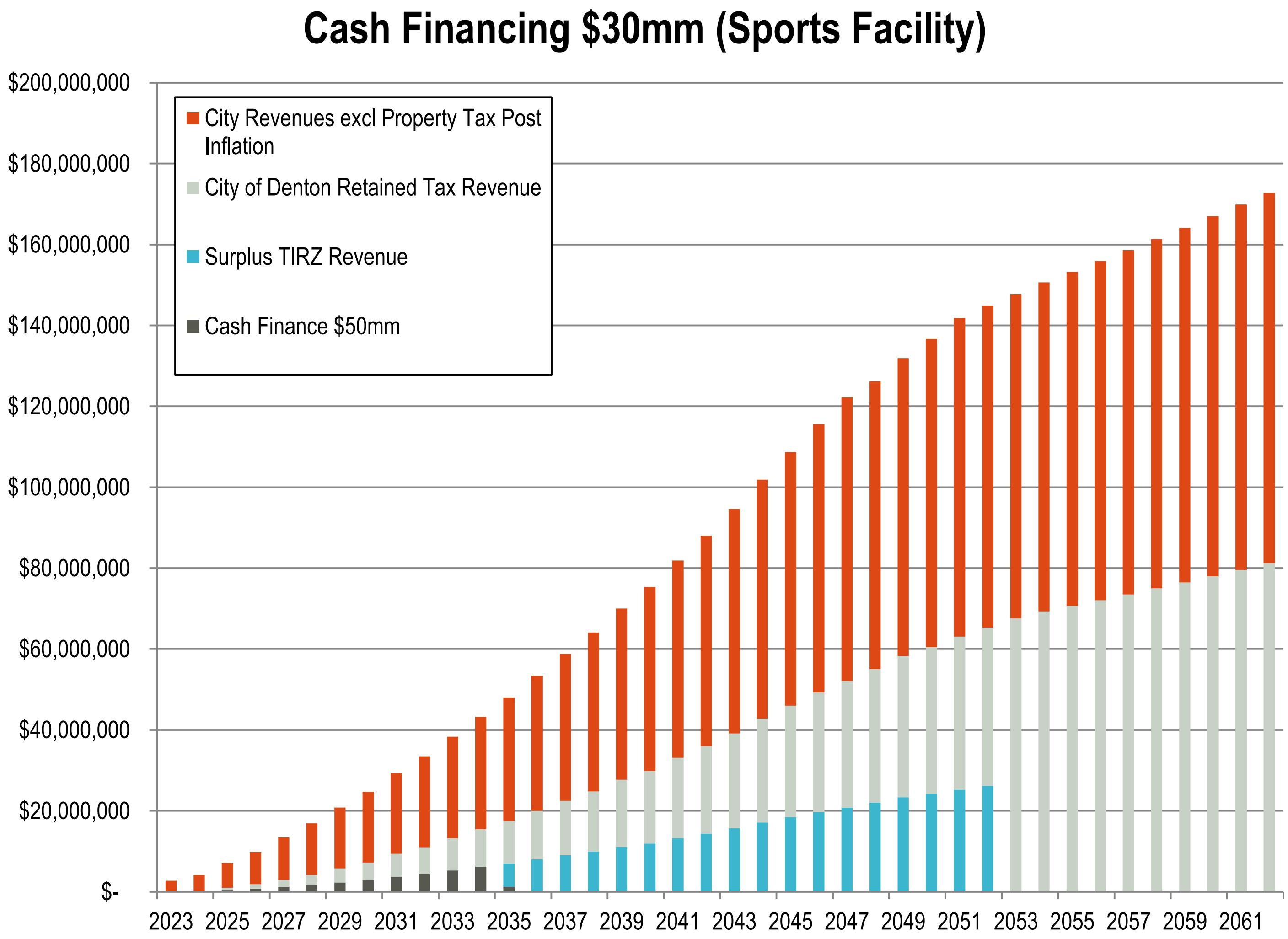


Notes

- Multiple bond issues (2024-2032) with $3mm minimums until $50mm in proceeds;
- Single Bond Issue in 2036 (fully fund $30mm after first $50mm);
- Total Debt Service: $144,707,400
- Potential Surplus TIRZ Revenues: $181,209,227 (less potential DSRF deposit)
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,464,485,691

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Cash Financing)



Notes

- Cash Finance $30mm from TIRZ Revenues in 2035
- Potential Surplus TIRZ Revenues: $295,916,627
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,579,193,091

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Cash Financing)

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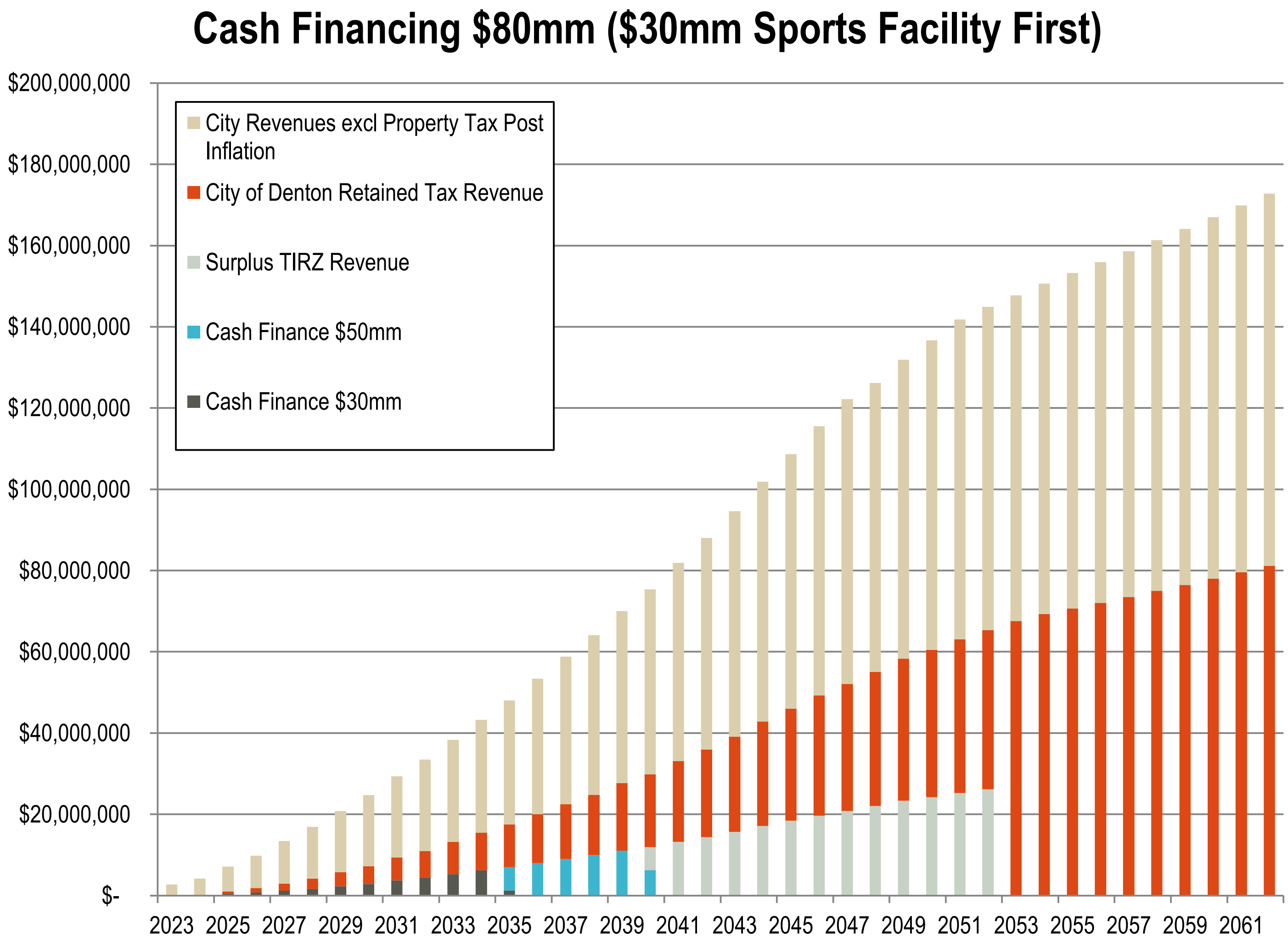
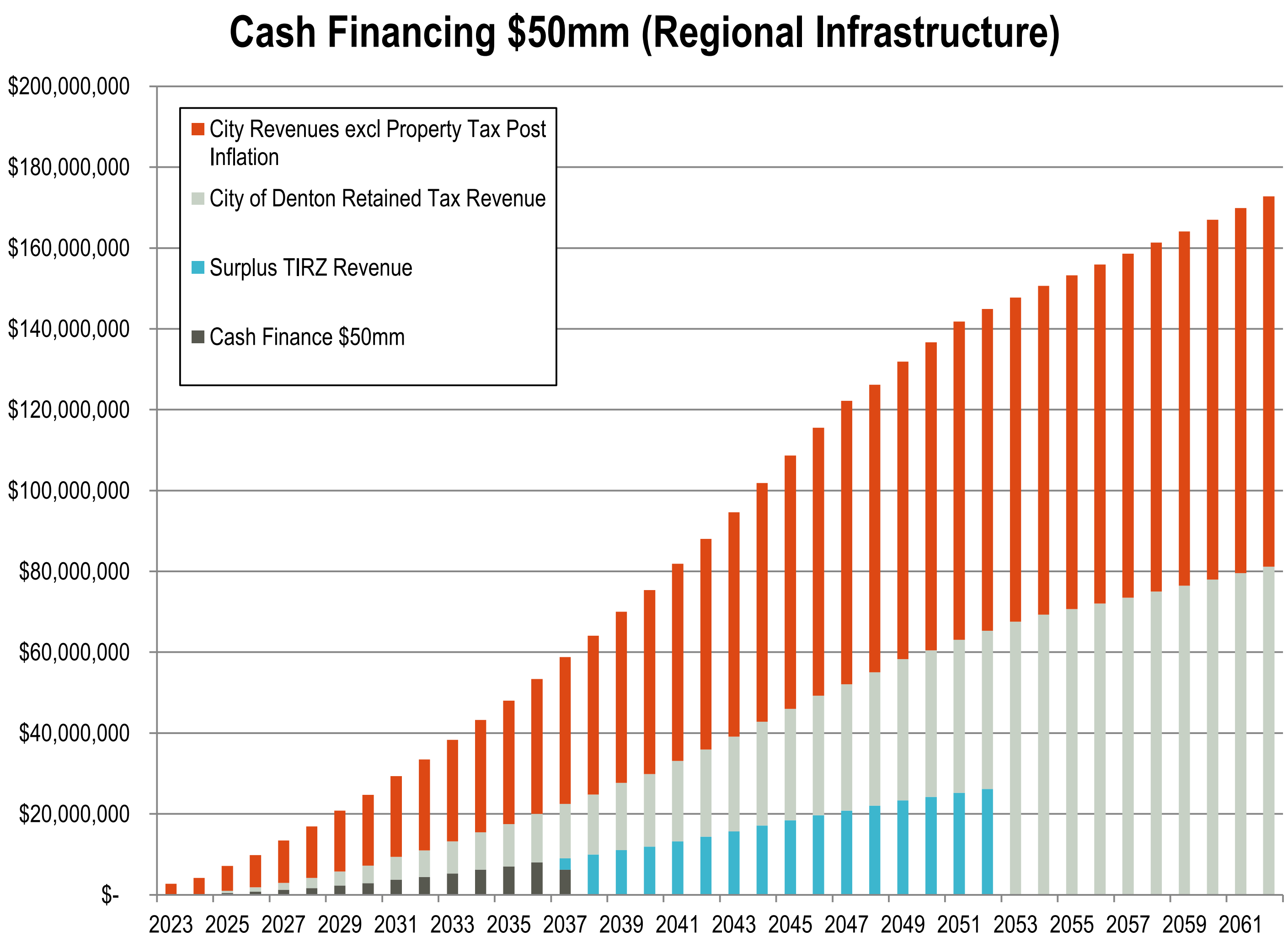


Notes

- Cash Finance $30mm from TIRZ Revenues in 2035;
- Cash Finance $50mm from TIRZ Revenues by 2040;
- Potential Surplus TIRZ Revenues: $245,916,627
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,529,193,091

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Cash Financing)

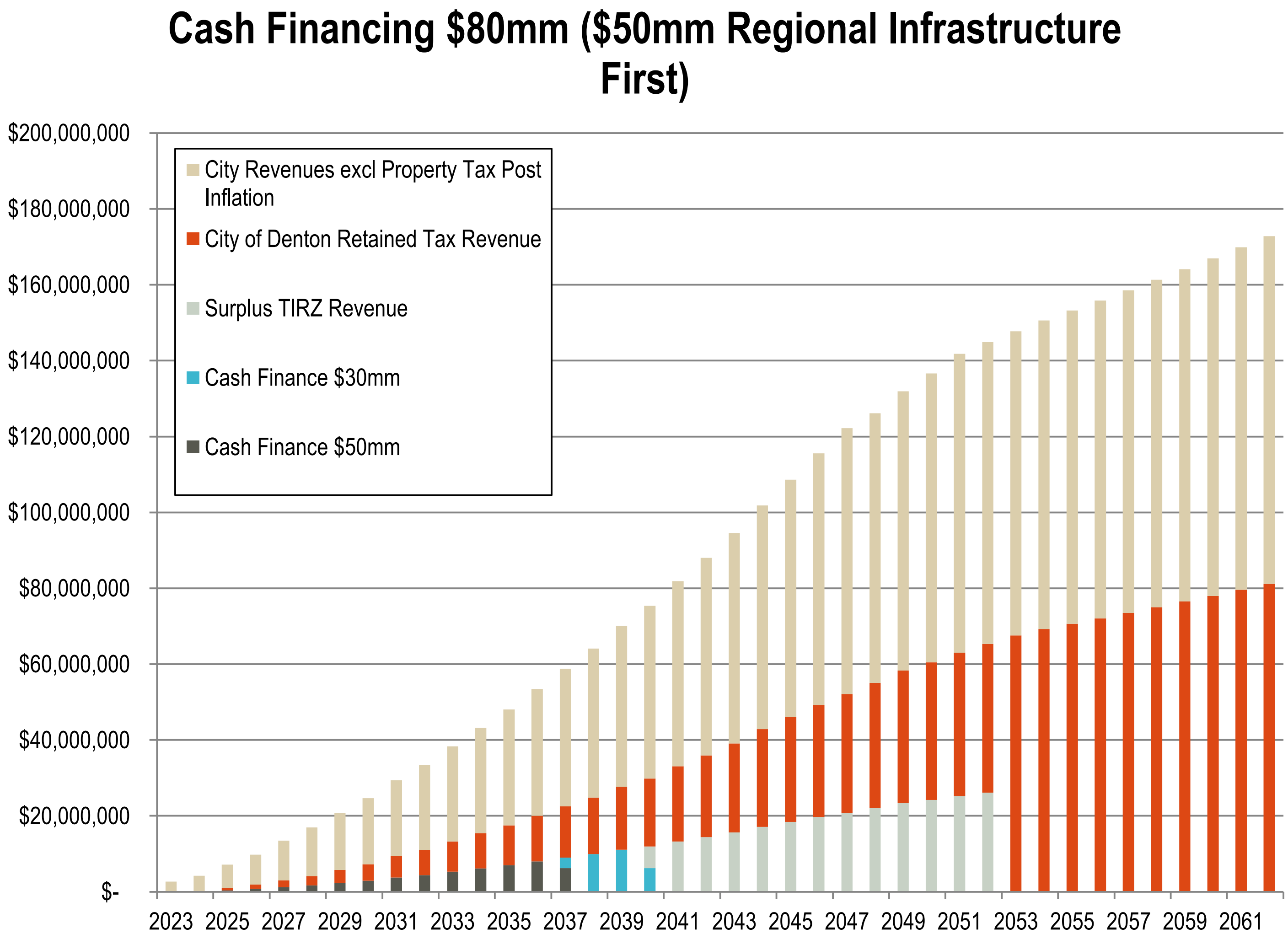


Notes

- Cash Finance $50mm from TIRZ Revenues by 2037
- Potential Surplus TIRZ Revenues: $275,916,627
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,559,193,091

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

Total Additional City of Denton Revenues (TIRZ Cash Financing)



Notes

- Cash Finance $50mm from TIRZ Revenues by 2037;
- Cash Finance $30mm from TIRZ Revenues in 2040;
- Potential Surplus TIRZ Revenues: $245,916,627 (less potential DSRF deposit)
- City of Denton Retained Tax Revenues: $1,232,380,608
- City of Denton Retained Other Revenues: $2,050,895,855
- Total Add'l Revenues: $3,529,193,091

Includes 1.5% Annual Inflation on City Revenue Rates and 2.0% Annual Inflation on Property Values

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