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**INFORMAL STAFF REPORT  
TO MAYOR AND CITY COUNCIL**

**SUBJECT:**

Cole Ranch and Hunter Ranch master-planned communities in southwest Denton

**EXECUTIVE SUMMARY:**

In October 2018, representatives from Cole Ranch and Hunter Ranch contacted City staff to discuss a coordinated 6,500-acre master-planned development. Both Cole and Hunter Ranches are located within the city limits and are designated as Master Planned Community Districts under the Denton Development Code. A project of this size and scale requires significant public infrastructure such as water, wastewater, drainage, and road facilities, which would be paid for up front by the developers. The developers have asked the City of Denton to consider the establishment of a special district – either a municipal management district (MMD) or a Public Improvement District (PID) – to enable them to recapture a portion of the cost of construction of the public infrastructure.

**BACKGROUND:**

*History and New Proposed Project Coordination*

Cole Ranch is an approximately 3,400 acre property located west of I-35 West and in the path of the southernmost portion of future Loop 288. The City of Denton annexed Cole Ranch in 2006, and it was classified as the Cole Ranch Master Planned Community district in 2008 (Ordinance 2008-030). Cole Ranch is represented by Stratford Land.

Hunter Ranch is an approximately 3,100 acre property located directly south of Cole Ranch and east of Robson Ranch with acreage on both the west and east sides of I-35 West. The City of Denton annexed Hunter Ranch in 2001. Hunter Ranch received a Master Planned Community district classification from the City of Denton in 2008. (Ordinance 2008-286). Hunter Ranch is represented by Hillwood Communities.

Under the Denton Development Code, the Master Planned Community (MPC) District is “intended to accommodate large-scale, unified, comprehensively planned development that conforms with and enhances the goals and policies contained within The Denton Plan. This district is intended to provide an alternative zoning district and development process to accommodate substantial development for residential, commercial, professional, recreational, industrial or other activities, including combinations of uses appropriately requiring flexibility under controlled condition not otherwise attainable under conventional zoning districts.” Each MPC application must contain the following:

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- A conceptual/schematic plan designed to aid in the preparation of the MPC zoning document and development standards document;
  - A zoning document which establishes standards for the MPC and addresses land uses, densities, setbacks, building heights, lot coverage, and a development plan map;
  - A development standards document setting forth a detailed set of standards and confirming compliance with the Denton Development Code Subchapters 13-22 and/or identifying the alternative development standards associated with the content of each of those subchapters. Standards include items such as maximum gross density, minimum lot area, maximum building height, design standards, building materials, etc.)

In October 2018, representatives from Cole Ranch and Hunter Ranch contacted City staff to discuss their new approach of a coordinated master-planned development versus the prior approach of the two developing independently. The developers believe this approach will capture efficiencies in planning, design, and construction as well as result in cohesion between the two properties. The following is a summary of the project basics:

- Approximately 6,500 acres total
- Estimated \$982 million in total project costs for infrastructure and amenities
- Estimated 40-year buildout
- 15,717 single family units
- 5,090 multi-family units
- 424 commercial acres
- 101 industrial acres

Although initial development plans were completed for both Cole Ranch and Hunter Ranch as part of their MPC processes, the developers are now working on a new shared vision for the coordinated project. Assuming Council supports the developers' request for a special district, which is critical to facilitating the necessary public infrastructure, their goal is to create a new master plan by summer 2019. The developers provided City staff the following broad outlines for the revised master plan:

- Community character and amenities that will be developed with stakeholder input and will be unique to Denton
- Large natural open spaces with hike/bike trail connectivity
- Diverse neighborhoods with a range of high-quality housing types and prices
- Activity-focused programming that brings residents together
- 4 elementary schools, one middle school and one high school
- Retail centers

City staff, bond counsel, and financial advisors have held eight meetings to date with the developers to gather information needed to assess the fiscal and service provision impacts of the

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proposed development and to make certain the City's interests would be protected. All discussions have been fact finding to ensure that staff has a thorough understanding of the following before the City Manager agreed to bring this request to Council: the project's financing plan; how current and future residents will be protected; how to ensure the City's bond indebtedness is not affected; providing for adequate water and wastewater capacity; and ensuring the project is synched up with future I-35 West and Loop 288 improvements and other regional road plans.

#### *Developer Request for a Special District*

A project of this size and scale requires significant public infrastructure such as water, wastewater, drainage, and road facilities. The developers have asked the City of Denton to consider the establishment of a special district – either a municipal management district (MMD) or a Public Improvement District (PID) – to enable the developer to recapture a portion of the cost of construction of the required public infrastructure. Under either an MMD or a PID, the developers will front the cost for the public infrastructure improvements and would be reimbursed by the special districts. Of the estimated development costs of \$982 million, \$485 million would be eligible for reimbursement.

An MMD must be created through the Texas Legislature, which is convening in January 2019. The Representative and Senator serving Denton will not carry and submit the MMD creation bill without the approval of the City in the form of a Council resolution. If the MMD legislation passes the Legislature and the City ultimately does not give written consent to the MMD, the MMD could not activate. Stated another way, the MMD legislation would be non-binding and gives the City the *option*, but not the *obligation*, to create an MMD. Should the legislation be passed, staff estimates a several-month process to work through a number of development-related issues prior to bringing an MMD ordinance forward for Council consideration. The MMD legislation is time-sensitive since the next opportunity to bring it forward would be in the 2021 Legislative session.

#### *Municipal Management District vs. Public Improvement District*

Under both the MMD and PID options, existing City residents do not pay for the new infrastructure: the cost is borne only by those specifically benefitting from using the new infrastructure. For both types of districts, the City must approve the plans and specifications for all public infrastructure prior to starting construction.

One important consideration of which special district to use is what entity issues the debt to pay for the new public infrastructure and carries the obligation on its books. The City does not issue the MMD debt, whereas the City issues bonds for the PID debt. Below is a comparison of debt for each type of district:

<b>Municipal Management District</b>	<b>Public Improvement District</b>
MMD issues the bonds and the debt	City issues the bonds and the debt
Debt for water, sanitary sewer and drainage facilities must be approved by the Texas Commission on Environmental Quality	City Council issues debt; Texas Commission on Environmental Quality does not approve debt
Debt cannot be issued until assessed value is increased per the Denton County Appraisal District (DCAD) at a 10:1 value-to-lien ratio*	Debt may be issued to finance public infrastructure without the guaranteed value to support the debt; City's PID policy calls for a 3:1 value-to-lien ratio*
Debt "stands alone." Issued by District per parameters set by City	Debt is issued by City from "special revenue" source, being assessments levied by District
District is a separate political subdivision, therefore, no City credit is used or affected	District is a zone or area within the City, therefore, City credit could be impacted if assessments do not meet projections
New public infrastructure cost paid from tax bonds, which generally result in lower interest rates	New public infrastructure cost paid from assessment bonds, which generally result in higher interest rates. Assessments have a second priority lien to taxes. Generally there are financial market-driven reserve requirements
Board levies annual tax	Council will set or approve annual assessments. Usually, supplemental assessments are needed over large master planned communities, as a first-time PID assessment is usually not financially correct.
DCAD separately lists out MMD taxes, very transparent	PID assessments are not separately listed out on DCAD websites since they are not a tax, rather they are commingled with City debt obligations which artificially inflates the City's debt position
Taxes tend to reduce as debt pays off and value increases	Assessments are fixed at time of imposition for their duration
Must file annual audit prepared by independent 3 <sup>rd</sup> party auditor	Audit of expenditures is part of the City audit

*\*Value-to-lien ratio is appraised value to bond size; or, the assessed property value must be at least ten times the principal amount of the bonds sold under an MMD or at least three times the principal amount of the bonds sold under Denton's PID policy*

Another difference between the two districts is control. PIDs are solely managed by the City Council; MMDs are managed by a separate elected Board of Directors. Five directors would manage the MMD and are elected by voters inside the district. Through the Development Agreement, the City and developers can agree for initial board members to be appointed by the City. In a PID, the Council either appoints the PID Board or the City Council serves as the Board. Generally, it is harder to separate PID operational and financial issues from City issues, which can lead to Councilmembers dealing with complaints directly as opposed to referring to the Board of the separate MMD.

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The City would control every aspect of a PID, but the City also can exercise control over an MMD and remain “arm’s length” for fiscal responsibility. For example, the legislation could be drafted so that:

- The City must approve all plans and specifications for public infrastructure.
- The City can impose specific limitations on district bond issues:
  - Limit the term of each bond issue to no longer than 30 years
  - Require a Development Agreement with the developers
  - Limit sale of bonds to only finance water, sanitary sewer, drainage and road infrastructure
  - Require that construction of public infrastructure not commence until all plans are approved by City
  - Require that district will not allow construction that would result in water or wastewater flows that exceed permitted limits
  - Require bond applications to be filed with the City at the same time they are filed with the Texas Commission on Environmental Quality and files copy of the Preliminary and Final Official Statements with the City
  - File annual audit with the City
  - District cannot annex property into its boundaries without prior City consent
  - District shall permit City to make inspections of its books and records during regular business hours.

### **CONCLUSION:**

If Council is interested in supporting the developers’ request for legislation to create the MMD, staff would bring back a supporting resolution for consideration in early February. There will be a work session on this topic on January 15, but if any Councilmember desires a briefing prior to that date, Caroline Booth can coordinate that request.

### *Next Steps*

- Council work session on January 15 regarding the project
- Drafting of a term sheet outlining the City’s requirements of the developers.
- After the term sheet is agreed to, the developer would sign an escrow agreement to fund an in-depth review of the fiscal and legal impacts by the City’s consultants.
- Work session with Council on draft MMD legislation and a resolution of support.
- Individual consideration of resolution of support.

### **ATTACHMENT(S):**

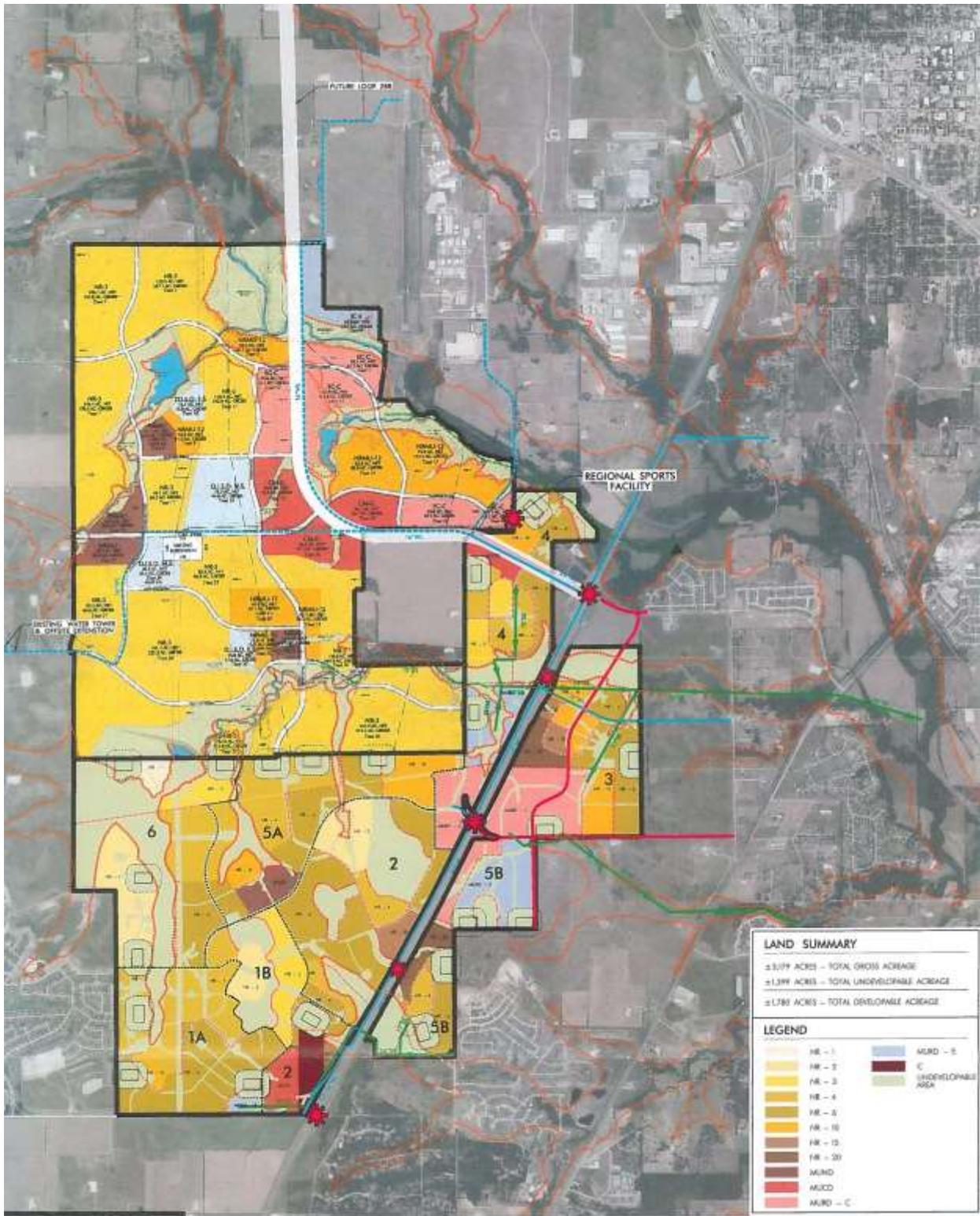
Exhibit 1 – Cole Ranch/Hunter Ranch Map

Exhibit 2 – Cole/Hunter Ranch Development Projections

Exhibit 3 – Developer presentation excerpt

**STAFF CONTACT:**

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**HUNTER RANCH - COLE RANCH**

Combined Cole & Hunter Ranches

Collection Year	Tax Year	Single Family	Single Family	Commercial Acres	Industrial Acres	Multi-Family Units	Combined Residential Value	Combined Commercial Value	Combined Total Projected Value
		Lots Constructed	Homes Constructed						
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



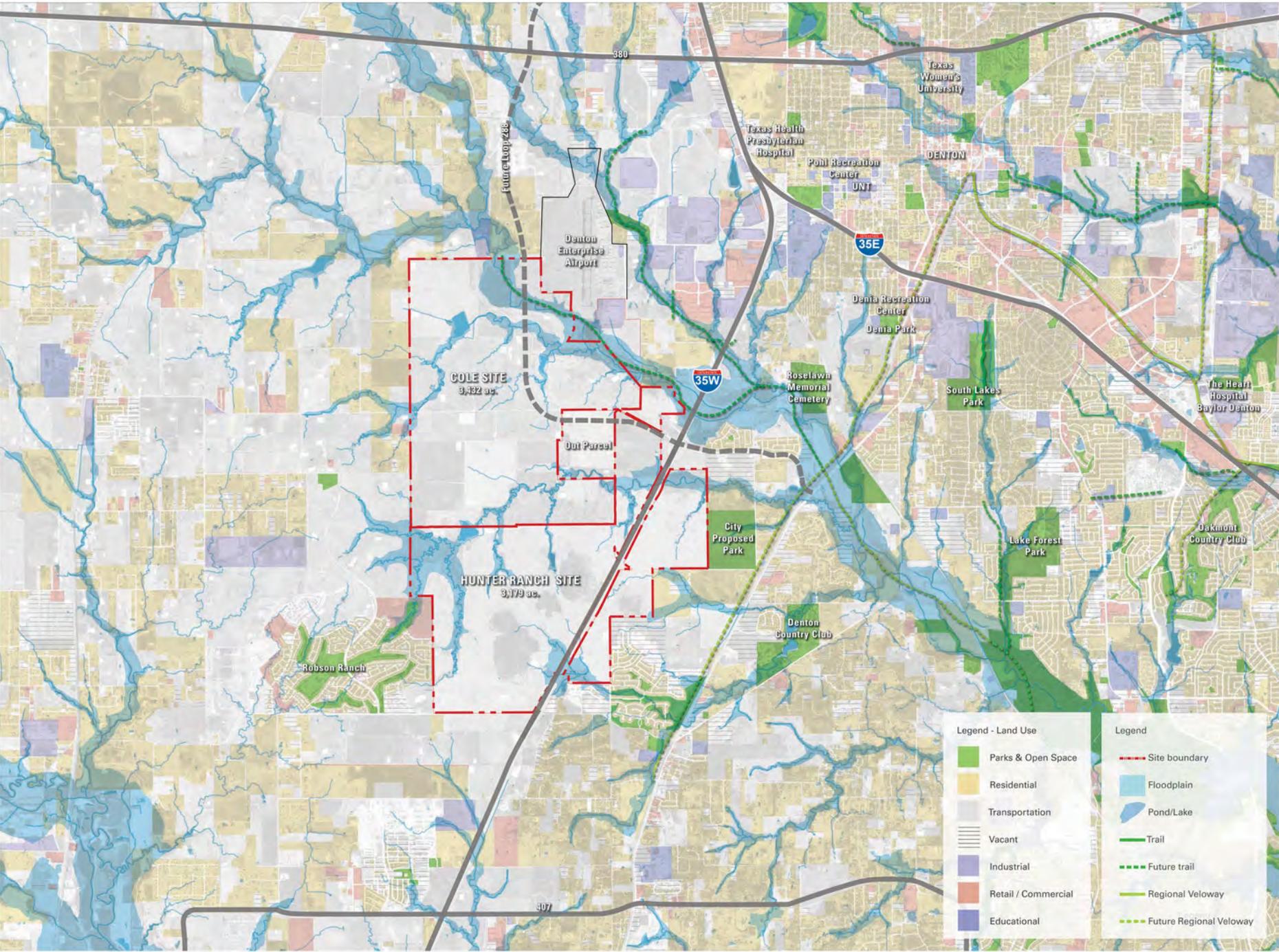
# Cole / Hunter Ranch

Presentation for the City of Denton 12.5.18





# Local Context



Drone Imagery

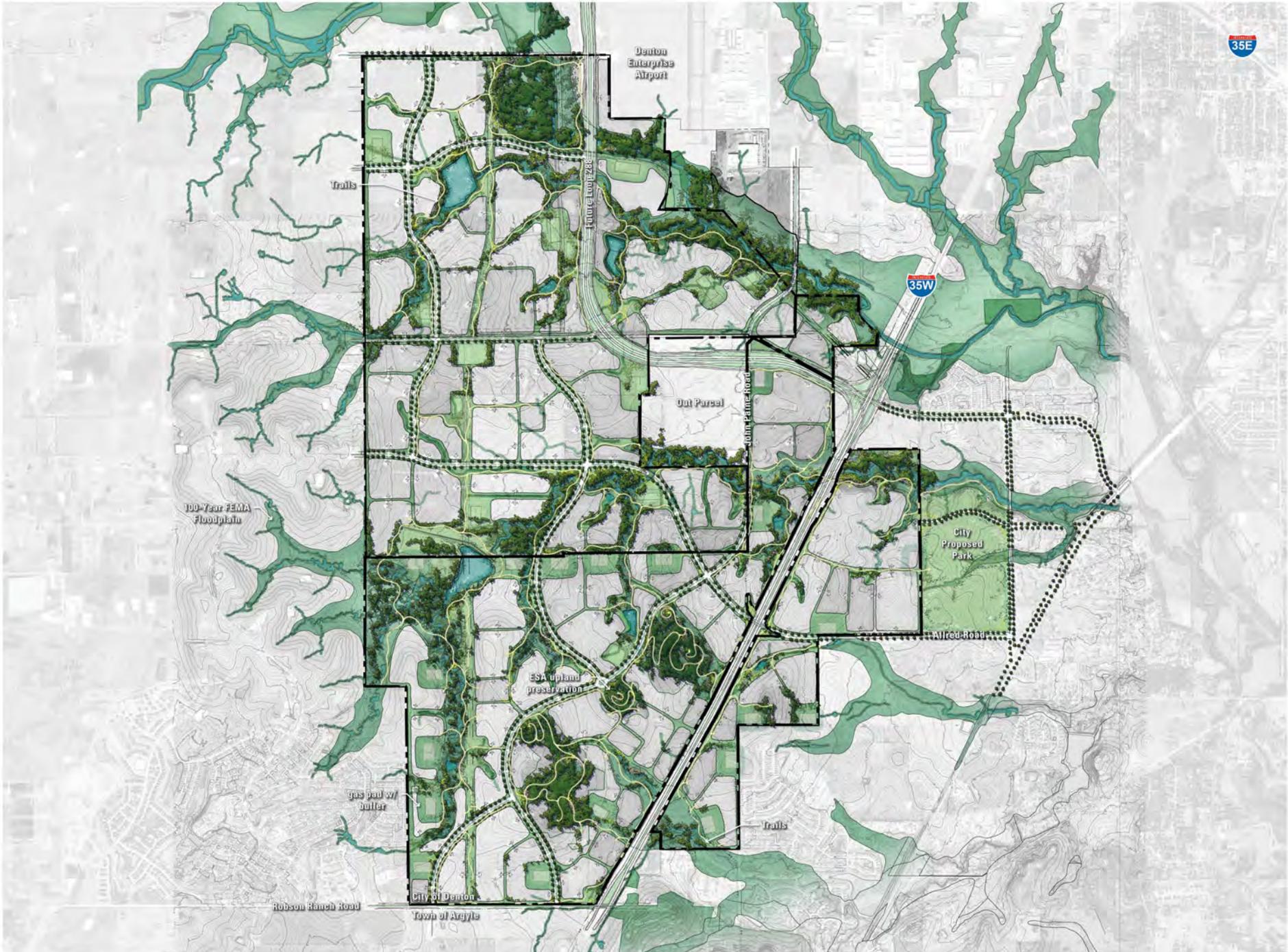




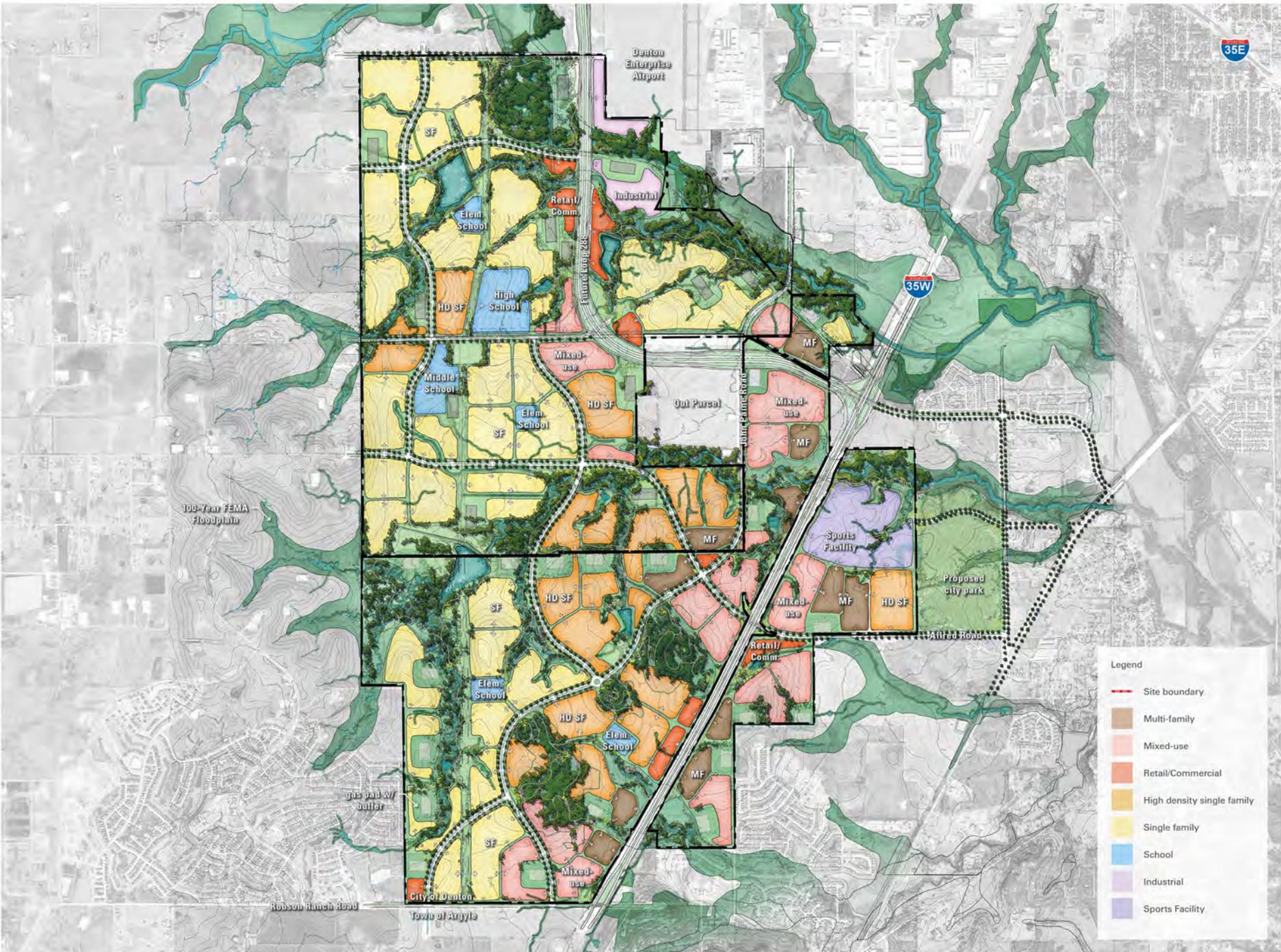
# The Vision

Cole / Hunter Ranch

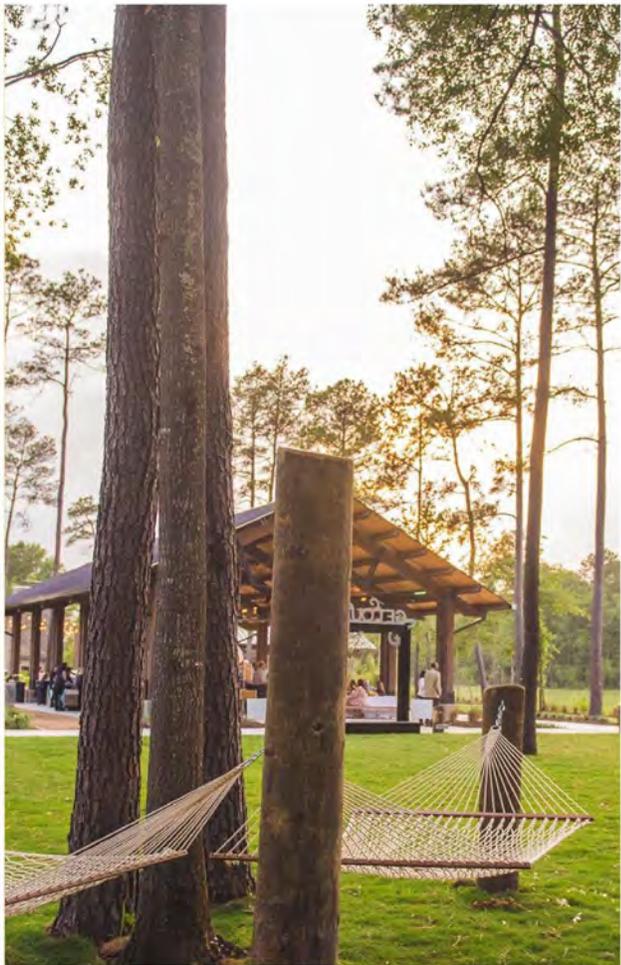
# Open Space and Trails



# Preliminary Development Plan



# Character Vision



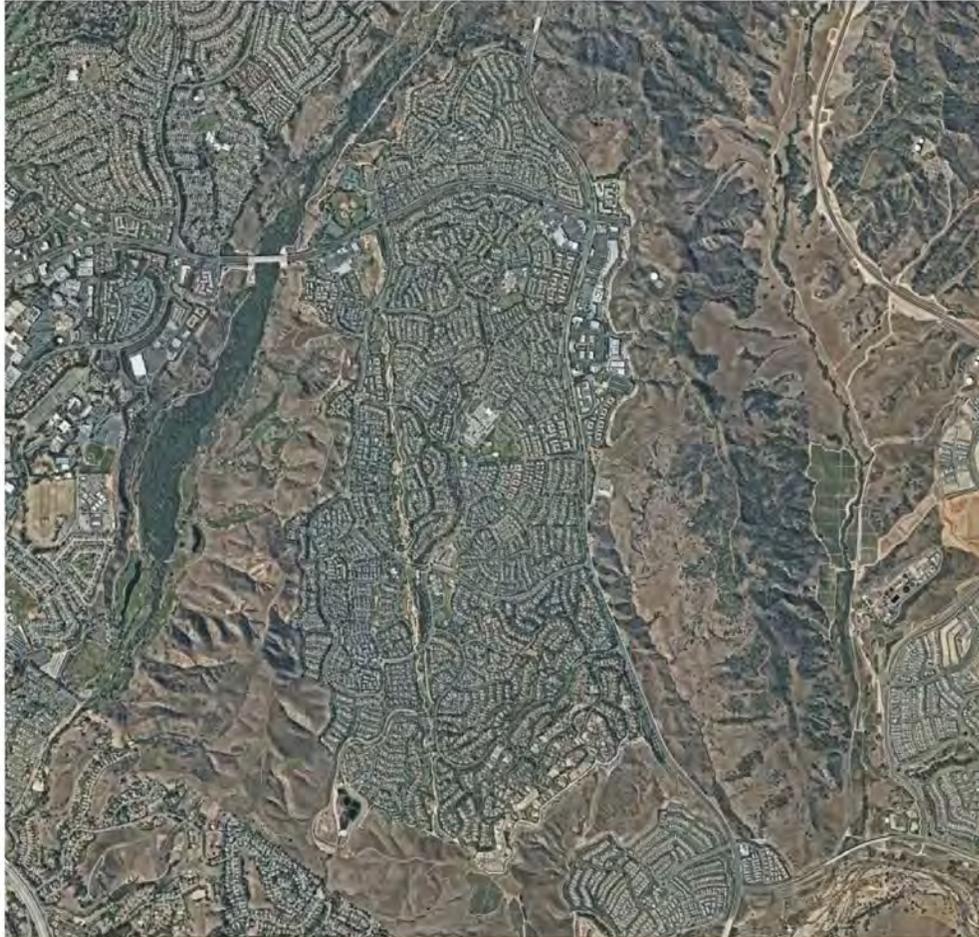


# Aspirational Comps

Cole / Hunter Ranch

# LADERA RANCH

ORANGE COUNTY, CALIFORNIA



**Total Land Area:** 4,000 Acres  
**Approximate Number of Homes Entitled:** 6774  
**Square Feet of Non Residential:** 700,000 Square Feet  
**Parks and Opens Space:** 18 Parks and 1,600 Acres of Preserve

- Suburb in Orange County, CA
- 9 villages with a diverse number neighborhoods per village
- Themed amenity centers in each village
- Private water park, skate park and dog park

- Mercantile East and West Retail Centers
- Hike and Bike Trails
- Public library
- 3 Schools

# LAKE NONA

ORLANDO, FLORIDA



**Total Land Area:** 10,900 Acres  
**Approximate Number of Homes Entitled:** 14,693  
**Square Feet of Non Residential:** 13.5 M Square Feet  
**Hotel Rooms Entitled:** 3,250 Hotel Rooms

- Suburb of Orlando
- USTA National Campus
- Johnson & Johnson Human Performance Institute
- SimLearn - Medical Training
- Lake Nona Institute - Wellness Center

- WHIT Home Technology for Healthy Living
- Community art program and landmarks
- Collaborative Learning Environment - Early childhood to post graduate study
- Town Center with retail, dining, and hospitality

# STAPLETON

DENVER, COLORADO



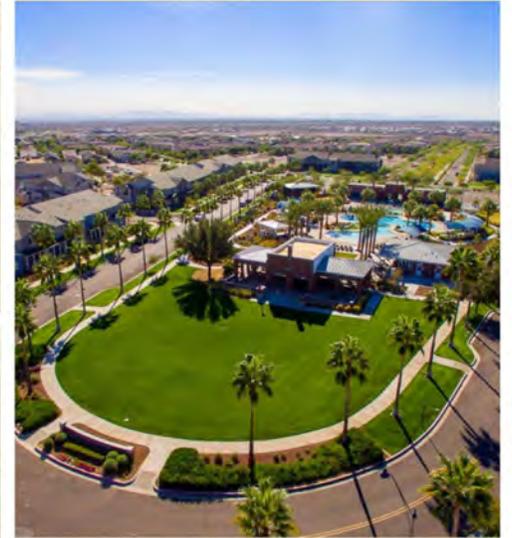
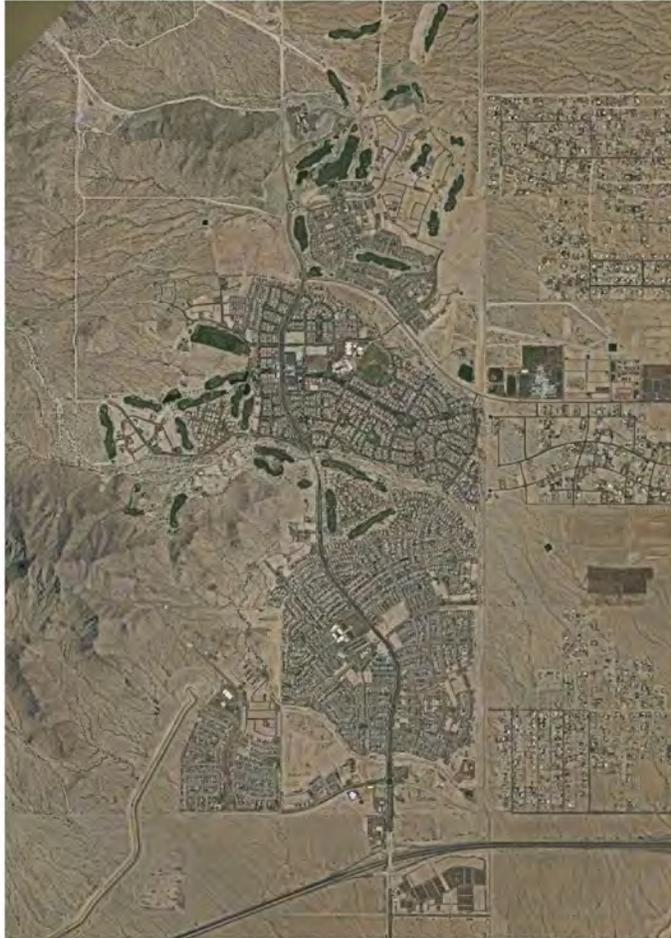
**Total Land Area:** 4,700 Acres  
**Approximate Number of Homes Entitled:** 8,000 SF / 4,000 MF  
**Square Feet of Non Residential:** 2.0 M Square Feet  
**Parks and Opens Space:** 917 Acres

- Reuse of Stapleton Airport-P3 Forestcity and Denver
- 12 diverse neighborhoods
- 28 Schools - Early Childhood to High School
- 50 Parks with wide program and scale
- Wide of retail - town centers, shops, big box, and outdoor market

- Large natural open space corridor with amenities and hike and bike in Westerly Creek Ecosystem
- Walkable master plan and access to commuter rail
- 57,000 SF recreation center
- Town Center with retail, dining, and hospitality

# VERRADO

BUCKEYE, ARIZONA



**Total Land Area:** 3,500 Acres  
**Approximate Number of Homes Entitled:** 14,000  
**Square Feet of Non Residential:** 4.2 M Square Feet

- Suburb of Phoenix
- Multi district plan including a wide variety of land uses
- Main Street District - retail, services and industrial
- Verrado Marketside District - Retail, industrial and hospitality
- Village Grove at Verrado - Retail and Grocery

- 77 Neighborhood Parks
- 10 Dining Options
- 14 Wellness Oriented Amenities and Businesses
- 5 Schools
- Museum
- 500 Person Gathering Space