



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 16-665, **Version:** 2

Consider/Discuss/Act on a Resolution Authorizing Consent Agreements Regarding Bond Authority for Two (2) Existing Municipal Utility Districts: Municipal Utility District No. 1 and Municipal Utility District No. 2 - Trinity Falls

COUNCIL GOAL: Direction for Strategic & Economic Growth

MEETING DATE: July 19, 2016

DEPARTMENT: City Manager

CONTACT: Barry Shelton, Assistant City Manager
Michael Quint, Director of Development Services
Mark Houser, City Attorney

RECOMMENDED CITY COUNCIL ACTION: Approve Resolution

ITEM SUMMARY:

- On June 21, 2016, the City Council tabled this item to allow an opportunity for the full Council to consider this item.
- On December 5, 2006, the City of McKinney approved a Consent Ordinance and interrelated agreements with Marlin Atlantis, the former developer of the approximately 1,700 acre property within McKinney's ETJ known as Trinity Falls, allowing the creation of two Municipal Utility Districts (MUDs).
- The current Owner and applicant, CH-B Trinity Falls, LP, is in the process of selling the development to Trinity Falls Holdings, LP, a Delaware limited partnership (as Purchaser) and is requesting approval of renegotiated consent agreements that would increase the amount of debt available for issuance by the two (2) MUDs, in the aggregate. A subsequent request by the Owner for City Council approval of the Assignment to the Purchaser of the consent agreements and several related development and park agreements will be brought forward in July/August 2016. If approved, the increased bond authority will allow the Owner to continue to honor its obligations under the governing regulations for land development, continue infrastructure construction, fund public safety, fund parks and schools, but would allow for flexibility to respond to increased construction costs and market forces over the life of the project.
- The documents attached for consideration are:

- The **Consent Agreement Amendments** embody terms of the City's consent particularly in the areas of debt issuance, debt limits, and expenditures. The Consent Agreements would authorize \$262,800,000 in aggregate bond debt issued by MUD #1 and MUD #2, plus an annual 3% escalation amount added to authorized, but unissued, bond debt. The proposed \$262,800,000 for MUD #1 and MUD #2 is an increase of \$43,800,000 over the current amount authorized under the agreements approved in 2012. The increase is based on the increased costs of infrastructure construction since 2012. At staff's request and added since the June 21, 2016 tabling, the Districts will be obligated for the ongoing performance of certain Owner responsibilities after the expiration of the Development Agreement, such as the Park Fee, police and fire services and the Collin County Outer Loop escrow/conveyance. Staff recommends approval of the Consent Agreements.

From the Owner's request:

"Pursuant to our recent discussion, CH-B Trinity Falls would like to formally request the following changes to the 2012 Recorded MUD consents:

- 1. Combine the limits of each MUD (currently \$125MM for MUD 1 and \$94MM for MUD 2). This will provide flexibility to allocate qualified reimbursable cost over either district depending on each districts value generated. For example: MUD 2 is projected to have greater appraised value as it will be developed after the limits of MUD 1 are complete and established, and home values continue to increase. We did not contemplate the increased value to be generated by MUD 2 when amending the current development agreement which adjusted the first phase of development to focus on development around FM 543 instead of Melissa Road. As you can see from the reimbursement analysis, there is greater appraised value allocated to MUD 2, and the \$94MM in the consent does not allow us to seek full reimbursement of our qualified costs. Section 5.04e of the consents would remain the same for both districts (timing of bond issuance tied to 20 years after the date of the first plat filing).**
- 2. Increase the combined limit by 15% due to recent cost increases. Over the past 2 years we have seen cost increases of approximately 15-20%. The reimbursable costs show over \$185MM in today's cost to be reimbursed to the developer. The cost provided does not include issuance cost or developer interest which would increase the amount of qualified cost to be reimbursed.**
- 3. Apply an annual inflator of 3-4% to the bonding capacity amounts. In addition to the limit increase, we propose an annual inflator to adjust for future cost increases that we will experience."**

BACKGROUND INFORMATION:

- The original Trinity Falls agreements were entered into in 2006. Major amendments to those

agreements were approved in 2012 and again in 2014.

FINANCIAL SUMMARY:

- Included in Item Summary

BOARD OR COMMISSION RECOMMENDATION: N/A