

Legislation Text

File #: 22-325, **Version:** 1

PRESENTER:

Jean Drew, AICP, CNU-A, Planning and Development Services Assistant Director

SUBJECT:

Discuss and consider a resolution to consent to the creation of the Comal County Municipal Utility District (MUD) No. 3 within the City's ETJ in Comal County, consisting of approximately 637.72 acres located on the west side of FM 306, north of River Oaks Drive, across from the intersection of Hoffman Lane and FM 306 and approval to authorize the City Manager to approve a development agreement between the City of New Braunfels and 306 Properties, LP related to the City's consent to the creation Comal County Municipal Utility District No. 3.

DEPARTMENT: Planning and Development Services

COUNCIL DISTRICTS IMPACTED: Outside City Limits

BACKGROUND INFORMATION:

Case #: CS22-0120

Applicant/Owner: 306 Properties, LP
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The Texas Water Code (Chapter 54) and the Texas Local Government Code (Chapter 42, Section 42.042) (see resource links) outline the procedures for the creation of Municipal Utility Districts (MUDs). A MUD is a political subdivision of the State: they are one of several types of special districts that function as independent, limited governments of their own. The purpose of a MUD is to provide a developer an alternate method of financing infrastructure, such as water, sewer, drainage, and roads. Managed by a board of directors elected by

the property owners within the MUD, the MUD can levy its own taxes and fees on the future property owners within the development to repay the developer's debt. MUDs are generally desired by developers when the subject properties lie beyond the physical reach of utility providers and/or outside utility company Certificates of Convenience and Necessity (CCNs).

When a proposed MUD lies within the boundaries of the City's Extraterritorial Jurisdiction (ETJ), the respective city must give its consent before the MUD may be established. Consent by the municipality allows the developer to initiate proceedings to create the MUD through the Texas Commission on Environmental Quality (TCEQ). State statute further states:

If the city fails or refuses to give its consent for the creation of the MUD on mutually agreeable terms within 90 days after the date the City Council receives a written request for the consent, a majority of the qualified voters of the area of the proposed political subdivision and the owners of at least 50 percent of the land in the proposed political subdivision may petition the City Council to make available to the area the water, sanitary sewer services, or both that would be provided by the political subdivision. If, within 120 days after the date the City Council receives the petition, the City Council fails to make a contract with a majority of the qualified voters of the area of the proposed political subdivision and the owners of at least 50 percent of the land in the proposed MUD to provide the services, that failure constitutes the governing body's consent to the creation of the proposed political subdivision.

The petition to consent to the creation of Comal County MUD No. 3 was delivered to the City on February 23, 2022. The 90-day period for which the City may consent or object to the consent of the creation of the proposed MUD expires on May 24, 2022. The petitioner's appeal relief is via TCEQ.

Location and Features

The subject property is comprised of approximately 637.72 acres on the west side of FM 306, north of River Oaks Drive, across from the intersection of Hoffman Lane and FM 306 in New Braunfels' ETJ in Comal County. The property is currently developed with two single-family residences, a manufactured home, three water wells, three septic systems and multiple accessory buildings according to the Comal Appraisal District records.

The entire subject property is located within the Edwards Aquifer Recharge Zone with approximately 41 acres situated within the 100-year floodplain.

The applicant's petition indicates the planned uses of the property are single-family residential and commercial.

Transportation

The property fronts FM 306, a 150-foot wide Principal Arterial identified on the City's Regional Transportation Plan. The existing right-of-way width of FM 306 is approximately 120 feet. A minimum right-of-way dedication of approximately 15 feet will be required adjacent to FM 306 with platting of the subject property.

Water

A portion of the subject property adjacent to FM 306 (approximately 2% of the total land area) is located within New Braunfels Utilities' (NBU) water CCN with the remainder of the property located outside of an existing water CCN. While there are existing wells on the subject property, the petitioner has not yet determined if they will use those wells, drill new wells, or contract with a utility provider for water service at this time.

Wastewater

No portion of the property is located within an existing wastewater CCN. NBU's wastewater CCN boundaries are approximately 3 miles east of the subject property on the south side of FM 306. The applicant has indicated

private septic systems (on site sewage facilities (OSSF)) will be utilized for wastewater services.

Development Agreement

Outside city limits in the ETJ, the City's development regulations are limited to compliance with the Subdivision Platting Ordinance. Hence, without a MUD, development can still occur, simply in compliance with the city's platting rules. Land use and other development standards are not enforceable in the ETJ unless such regulations are agreed upon through the execution of a development agreement between the developer and the City. To ensure development within the proposed MUD is of a caliber that is a benefit and an asset to the residents and taxpayers of New Braunfels, and to assure water and wastewater infrastructure, service, and long-term maintenance are addressed, staff recommends the City and the developer enter into a development agreement under the authority of Chapter 212 of the Local Government Code. This Development Agreement would identify the development standards that will help ensure the development is at least of similar quality to development within the city limits of New Braunfels and implements the City's comprehensive plan, Envision New Braunfels.

ISSUE:

The development agreement that staff originally proposed (attached) includes minimum development standards regarding lot density over the Edward's Aquifer Recharge Zone, housing diversity, landscaping, lighting, historic and archeological protection/remediation, voluntary annexation request upon dissolution of the MUD*, and the requirement to obtain building permits and inspections. The petitioner has agreed to many but not all of the terms of the development agreement as recommended by staff.

The petitioner has indicated they currently plan to have one-acre lots across the development. However, the petitioner removed this as a specific requirement from the draft that staff originally prepared. It is understood, though, that with their plan for septic systems, whether individual or shared by multiple homes, larger lot sizes will be an end-result. The Subdivision Platting Ordinance requires a minimum lot size of 1 acre when utilizing on-site sewage systems over the Edwards Aquifer Recharge Zone, which is important to ensure less impervious cover which equates to better quality and higher quantity of recharge. The petitioner included a reference to Title 30 Texas Administrative Code, Chapter 213, for protection of the Edwards Aquifer, which is required regardless of if a MUD is established.

Rather than the eventual builder obtaining City building permits and inspections, the petitioner is proposing to hire and fund inspections of all homes by a third-party inspector of their choice and provide inspection reports for each home to the City not less than quarterly and prior to occupancy of any home. While this is a sticking point on the staff recommendation, staff is willing to accommodate third party reviews for permits and inspections, conducted through the City and our third-party contractors. This will ensure accountability to the standards adopted by the City at the time of construction for the health, safety and welfare of all future homeowners.

Below are applicable guidelines in Envision New Braunfels, our Comprehensive Plan, which development should advance:

- Action 1.3: Encourage balanced and fiscally responsible land use patterns.
- Action 1.12: Collaborate with internal and with external partners and stakeholders to identify and connect sidewalk and bicycle lanes to trails to improve access and connectivity to key hubs and desirable destinations, i.e. downtown, dining and shopping areas, rivers, parks, Wurstfest, Gruene, Headwaters at the Comal, etc.
- Action 2.1: Sustain community livability for all ages and economic backgrounds.

- Action 3.19: Improve walkability across town to attract younger generations seeking pedestrian connections.
- Action 3.20: Encourage residential development to include pedestrian and bicycle friendly trails to nearby schools, preferably within a 2-mile radius of each school.
- Action 3.30: Encourage and incentivize workforce/affordable housing to attract new workforce entrants and young families.
- Action 5.2: Discourage development in Edwards Aquifer Recharge and contributing zones, stream zones, flood-prone areas, steep slopes, or other ecologically constrained areas. Where development in these areas must occur, require that it be environmentally sound using tools such as but not limited to low impact development (LID).
- Action 6.4: Consider how each new development project impacts the transportation system and ensure appropriate mitigation is implemented.
- Action 6.5: Utilize public/private partnerships to guide growth and investment.
- Action 7.10: Require more street connectivity/adopt connectivity ratios.
- Action 7.11: Allow for smaller/narrower streets and lot size variety within individual subdivisions.
- Action 7.14: Increase tree canopy for increased shade to encourage walking.
- Action 7.19: Improve connectivity for all modes of transportation including bicycles.
- Action 7.21: Ensure there is connected multi-modal access to all public facilities and from all parts of town.
- Aging in Place:
 - Encourage housing that supports aging in the community.
 - Encourage mobility options that support older motorists, pedestrians, transit riders and cyclists.
- Regional Planning:
 - Balance resources in an equitable manner that does not lead to disinvestment in existing New Braunfels.
 - Assure the long-term fiscal health of New Braunfels, and that policy decisions do not create an undue fiscal burden on the City or others.
 - Ensure that the policy provides guidance for decisions made by utility providers, so they can aid in achieving Envision New Braunfels.

The subject property lies within the Hoffman Lane Sub-Area which is identified for conservation communities focused around maintaining and enhancing ecological integrity while allowing some level of development to occur.

FISCAL IMPACT:

If the City were to annex the property within a MUD prior to the MUD's expiration, the City would assume any remaining debt of the MUD.

If the City were to annex the property within a MUD after expiration of the MUD, the City would assume roadway and public infrastructure maintenance, and provide City services to the new City residents.

The petitioner has indicated some potential commercial development within the MUD. The draft development agreement, including the petitioner's proposal, includes the necessary language for entering into a Strategic Partnership Agreement (SPA).

RECOMMENDATION:

Most of the petitioner's alternatives are agreeable to staff and would advance Envision New Braunfels. However, staff has to recommend denial at present, but could support consent to the creation of the MUD if the applicant will amend the draft development agreement to:

- Require all building permits and inspections to be issued/conducted by the City. The City currently

contracts with third party reviewers and inspectors, which should address the petitioners' concerns about speed of these processes.

*Note: pursuant to state law, a city may not condition its consent to a MUD on a requirement that the developer agree to annexation, as such, this recommendation is not based, in any way, on the developer agreeing or not agreeing to annexation provisions within the proposed development agreement.

Resource Links:

- Chapter 54 of the Texas Water Code: [WATER CODE CHAPTER 54. MUNICIPAL UTILITY DISTRICTS \(texas.gov\)](https://statutes.capitol.texas.gov/Docs/WA/htm/WA.54.htm) <<https://statutes.capitol.texas.gov/Docs/WA/htm/WA.54.htm>>
- Chapter 42 of the Texas Local Government Code: [LOCAL GOVERNMENT CODE CHAPTER 42. EXTRATERRITORIAL JURISDICTION OF MUNICIPALITIES \(texas.gov\)](https://statutes.capitol.texas.gov/Docs/LG/htm/LG.42.htm) <<https://statutes.capitol.texas.gov/Docs/LG/htm/LG.42.htm>>
- Section 118-4 Development Agreements, of the City of New Braunfels Code of Ordinances: <https://library.municode.com/tx/new_braunfels/codes/code_of_ordinances?>