

**Cascades Municipal Utility District No. 1 (MUD)
One Volume Report
January 30, 2014**

BACKGROUND

In January 2013, Onion Associates, Ltd. submitted a petition requesting the City’s consent to the creation of the Cascades MUD. The proposed MUD includes 136 acres located along the south side of Onion Creek east of IH 35 South in Travis County, Texas. The site is undeveloped and proposed future development includes single family and multi-family residential, commercial, and park land uses.

Cascades MUD Assumptions		
Description		
Acreage		136
Population at Build-out		2,886
Land Use		
Single Family Residential Units		370
Condos/Town Homes		1,458
Commercial sq ft (non-retail)		62,000
Retail sq ft		63,555
Community Center		1
Parkland/Open Space acres		5
Financial		
Assessed Value at Build-out		\$232,519,026
MUD Bond Reimbursables		\$36,900,000
Proposed MUD Tax Rate		\$0.97/\$100

CITY PROCESS

The City’s practice regarding new MUDs is to require enabling legislation in order to have certain protections for the City in the MUD bill, including a City representative on the Board. Negotiation of a consent agreement would follow. On March 26, 2013, legislation was filed to create this MUD. On April 11, 2013, City Council approved a resolution in support of this special legislation. This resolution, however, does not limit the Council’s action on the Applicant’s MUD application after it has been reviewed by boards and commissions.

The City Code process for applications for new MUDs requires review by staff and boards and commissions prior to action by Council, including the Parks Board, Environmental Board, Urban Transportation Commission, Planning Commission, and Water and Wastewater Commission.

If Council does not consent to the creation of this MUD at the conclusion of the Board and Commission reviews described above, the City could commence full purpose annexation, extending city regulations and services to the area; execute a cost reimbursement agreement; and the Applicant would likely build a standard subdivision similar to the development described in the approved preliminary plan. The legislation provides that if the City does not consent to the MUD, the MUD would dissolve automatically on September 1, 2014.

CITY MUD POLICY

The City's adopted MUD policy, Resolution No. 20110217-030, states that requests for consent to creation of a district shall be evaluated according to the following:

- Benefits to the City exceed those that would result through the standard development process or other types of districts,
- Applicant commitment to provide superior development,
- Adherence to the City's comprehensive plan,
- Provision of extraordinary public benefits including environmental improvement, affordable housing, community amenities, connectivity with other city infrastructure, open space, school sites, public safety sites, and public transportation infrastructure,
- City land use control,
- Water and wastewater service provided by the City of Austin,
- Applicant will contribute a portion of infrastructure without reimbursement by the MUD or the City,
- MUD financing allows City to redirect CIP funds to other high priority needs,
- Will not impair the City's future annexation of the MUD or adjacent property, or impose costs not mutually agreed upon, and
- Located entirely in the City's ETJ.

STAFF EVALUATION

Pros to MUD Creation:

The Applicant is agreeable to incorporating many desirable elements into the proposed Cascades at Onion Creek subdivision, which are described in greater detail on the following pages of this report.

Cons to MUD Creation:

The City will be prohibited from annexing the area for full purposes for at least 30 years so that property owners would be allowed to pay taxes that support MUD bonds in lieu of city taxes which support amenities and quality of life that benefit taxpayers city wide.

The MUD may be able to expand its boundaries to another specific property in the future, creating further impediments to the city's ability to continue to expand its tax base and increase efficiencies in municipal service delivery.

Disorderly growth and fragmented, inefficient service delivery may occur.

This project meets the Imagine Austin criteria and state law requirements for full purpose annexation at this time. Accordingly, unlike in some areas of the ETJ, creation of a MUD and limited purpose annexation at this location is not necessary to allow the City to extend land use controls.

If Council decides to grant consent to the creation of the MUD, staff will need specific direction on MUD Bonds and MUD Boundary expansion to resolve issues related to these aspects of the proposed consent agreement as described below.

DEPARTMENTAL ANALYSIS OF ISSUES

Staff from multiple City departments have reviewed the proposal and met with the applicant to discuss desired City outcomes as expressed in the City's MUD policy. Normally staff would not recommend that the City consent to the creation of a MUD at a location such as this due to its proximity to existing development and completed road and utility infrastructure. The overall negative impact of creating a MUD includes the limitations on the City's ability to annex the area and the precedent of supporting creation of a MUD adjacent to the existing city limits.

The staff has assessed the benefits and drawbacks of the Cascades MUD proposal as discussed below. The benefits identified below assume that the City would immediately annex the property upon the filing of a site plan or subdivision plan and applicable City ordinances would have applied. The applicant's response to staff recommendations are offered contingent upon approval of the MUD. The applicant, unless otherwise stated below, has committed to provide each of the "Benefits" in a Consent Agreement.

Affordable Housing

The market analysis for this project suggests the average lot sales price of approximately \$50,148 and an average home value of \$210,000 would be market justified. The average value for a multi-family condo unit within this project is \$126,167. Current median family income (MFI) in the Austin metropolitan statistical area is \$73,200. Consistent with the trend of other developers requesting special consideration from the City, and if Council consents to the creation of a MUD, the applicant has committed to provide the following "Benefits" in regard to affordable housing:

Benefits:

- A \$545,800 financial contribution to the City's affordable housing program equal to 2% of the net reimbursements for "hard" construction costs received by the Applicant out of the district's bonds.
- 10% of the residential rental units within the district will be set aside by restrictive covenant for households with an income level of 60% or less of the MFI for a period of 40 years.
- 10% of the owner-occupied residential units within the district by restrictive covenant will be priced, at the time of their initial offering for sale, at a price that is affordable to a household with an income level of 80% of the MFI.

Deficiencies:

- None

Annexation

Over the years, staff has recommended against the creation of new political subdivisions (including MUDs) in the City's ETJ because of the impact they have on the City's otherwise unimpeded ability to annex territory. State law requires that upon annexation, the City must dissolve the MUD and assume its bonded indebtedness. The applicant proposes approximately \$36.9 million dollars in MUD bonds to finance improvements for this development. If the MUD is annexed before this debt is paid in full, the City must absorb the remaining debt at the expense to ratepayers citywide. The impact on annexation is arguably the most significant detriment to creation of this MUD.

The proposed MUD is located entirely within the City’s extraterritorial jurisdiction and is contiguous to the City’s full purpose jurisdiction. This project meets the Imagine Austin criteria for annexation, and the Planning and Development Review Department recommends that it should be annexed for full purposes in 2013 so the City can extend all of its regulatory and taxation authority. MUDs can be annexed for limited purposes to extend City planning and zoning authority, but they are incompatible with full purpose annexation due to the high property tax burden resulting from MUD bond debt.

Benefits:

- None

Deficiencies:

- Projected cash flows provide an analytical tool for assessing the expected annual financial impact to the City of a proposed annexation. Estimated revenue and requirements associated with annexation of the Cascades development based on the assumption that the area will build out as anticipated and if it were to be annexed this year results in **a positive 25-year NPV of \$6.2 million**. This analysis is not intended to identify or predict exact costs or revenue. Under this analysis the annexation would break even at year 15.

Full Purpose Annexation Scenario	
Assessed Value at Build-out	\$232,519,026
Annual City Property Tax – O&M	\$875,128
Annual City Property Tax – G.O. Debt	\$276,670
Annual City Sales Tax	\$95,333
25-year NPV of annexation	\$6,161,075
Austin Water Cost Reimbursement	(\$3,445,939)

Art in Public Places

Art in public places can be considered a benefit to the City. If Council consents to the creation of a MUD, the applicant has committed to provide the following “Benefits” in regard to public art:

Benefits:

- An art master plan for the project which includes the following language, requested by City Staff, in the Consent Agreement:
 “The Applicant will prepare a Public Art Master Plan, which will identify opportunities, guiding principles and locations within the Project for outdoor art installations to be implemented and managed by the Applicant. All subsequent operations and maintenance of the artwork will be the responsibility of the Applicant or the owners association.”
- Interpretive signage and related artwork along the Onion Creek trail system describing the history of the area.

Deficiencies:

- None

MUD Bonds

The reality is that the longer the term of the bonds the longer the City must wait to annex the area.

Benefits:

- None

Deficiencies:

- The Applicant has submitted a Bond Capacity pro forma showing a 25-year bond schedule in accordance with the City's MUD policy. Staff recommends that the term of the bonds be decreased to 15 years with the first bond issuance starting within a 10-year period. A shorter bond term would reduce the negative impact of delayed full purpose annexation on the City's general fund.

MUD Boundary Expansion

Any further expansion of the MUD is a significant risk to the City. Presumably the expanded MUD would require additional bond capacity to develop, creating further constraints to the City's ability to annex.

Benefits:

- The Applicant will donate a site for a school if he is able to expand the MUD boundary.

Deficiencies:

- The Applicant requests that a 158 acre tract in the ETJ be designated as additional project area that may be annexed to the district in the future.

Drainage

The applicant is not proposing on-site stormwater detention and is agreeable to the following methods of detention pending demonstration that there will be no adverse impact to downstream properties:

Benefits:

- Participation in the RSMP for the entire project. (215 acres has received conditional approval to participate in the RSMP by letter dated May 1, 2007 and 12 acres has received conditional approval to participate in the RSMP by letter dated September 19, 2012)
- If RSMP is not approved, the development will design their detention pond to meet the Volumetric Design Procedure.

Deficiencies:

- None

Energy Efficiency

Benefits:

- The Applicant has agreed to include the following language in the Consent Agreement, as recommended by City Staff: "All buildings will achieve a two star rating under the City's Austin Energy Green Building program using the applicable ratings versions in effect at the time ratings applications are submitted for individual buildings."

Deficiencies:

- None

Parkland and Open Space

The proposed Cascades MUD does not meet the parkland dedicated requirement for land. The trail described below is also described as a benefit in the transportation section of this report.

Additional “Benefits” that the applicant has committed to provide if Council consents to the creation of a MUD include:

Benefits:

- An extension of the Onion Creek Trail from IH35 through the entirety of the project, with connectivity of the Onion Creek Trail within the project through an easement dedicated to the City.
- The Onion Creek Trail extension through the project will be constructed of 12-foot wide concrete, with 2-foot shoulders, which exceeds City design criteria and meets the additional width requested by the City’s neighborhood connectivity division.
- All park land, open space and trails will be open for use by the public.
- Park facilities will be owned and maintained by either the homeowners association or the district.
- A Park Facility Investment of \$200 per LUE, or \$226,400 is required; the developer has agreed to fund at least \$645,000 in improvements, including playing fields, an observation pier, soccer field and extensive hike and bike trail improvements, which will be owned by the district and open to the public.

Deficiencies:

- The proposed Cascades MUD does not meet the parkland dedicated requirement for land; however, the 13.62 acre parkland deficiency is being met by a fee-in-lieu amount of \$15,019.62 per acre based on a third party appraisal. The appraisal submitted was for 117.1880 acres and valued at \$1,760,000.

Public Facilities

Similar to other new developments and what homebuyers expect to find in newer neighborhoods, the applicant is proposing to incorporate a community civic reserve center in the project.

Other public facilities that MUDs have donated in the past include land for schools. This project is located within the Austin Independent School District. AISD has indicated that this development would add approximately 476 students over all grade levels. Although this development by itself would not generate enough students to merit a school site, population projections and development trends indicate a new elementary school for the southeast area of Austin will be needed within the next five years. The applicant has indicated that a school site will not be made available within original project area but could be made available within any additional project area that is added to the MUD in the future.

Benefits:

- A community civic reserve center not open to the public.
- If the proposed additional project area is added to the MUD, a school site will be made available within that area.

Deficiencies:

- School site not made available within original project area.

Public Safety

The City will be required to provide public safety services to the area upon full purpose annexation. Travis County and the Emergency Service District (ESD) will continue to provide these services to the area prior to annexation. In the past, some MUDs have provided sites and funding for public facilities such as fire stations. If Council consents to the creation of a MUD, the developer is agreeable to donating a site for a future fire station containing two net buildable acres. The location will be designated as part of the PUD process, and will be a site mutually agreeable to the Applicant and AFD within the project. This represents a potential future opportunity cost as the City would not be able to utilize the site until after full purpose annexation and funding for construction and staffing of a new station are secured.

Benefits:

- A fire station site containing two net buildable acres. The location will be designated as part of the PUD process, and will be a site mutually agreeable to the Applicant and AFD within the project.
- As agreed with City staff, the initially designated fire station site may be relocated to another site within the project in the future with the approval of the City.

Deficiencies:

- None

Transportation

A significant drawback to creating a MUD and excluding these properties from the City's full purpose jurisdiction for the next several decades is that the CapMetro service area will not be extended to incorporate this new development and residents will not have access to CapMetro services. Staff requested and the applicant rejected the donation of a 10-acre site for a multi-modal transit center similar to what other developers have provided. The trail described below is also described as a benefit in the parkland and open space section of this report

The applicant has committed to provide the following "Benefits" if Council consents to the creation of the MUD:

Benefits:

- Provide connectivity of the Onion Creek Trail within the project in order to provide connectivity between MUD amenities and City amenities outside the MUD District boundary.
- Install two ADA-compliant, sixteen-foot wide pedestrian/bicycle tunnels under Cascades Parkway to provide connectivity to parks and other destinations without crossing major roads within the project.
- Provide bicycle routes, including a connection to the Onion Creek greenway, to connect to existing or planned bicycle routes.
- Dedicate and construct in accordance with American Association of State Highway and Transportation Officials standards of a publicly accessible twelve-foot wide concrete multi-

use path with two-foot graded area with a maximum 1V:6H slope on each side identified as the Onion Creek Greenway / Route 963.0002 within COA Bicycle Master Plan within the boundaries of the MUD.

- Provide for collector street(s) buffered bicycle lanes (consisting of a six-foot six-inch bicycle lane with a two-foot buffer between bicycle lane and motor vehicle lane in accordance with National Association of City Transportation Officials guidance) with restricted on-street parking and minimum five-foot sidewalks (seven-foot sidewalks in a 15-foot module if Commercial Design Standards apply).
- Bicycle parking for multi-family, amenity center(s), and mixed-use/commercial meeting City Code requirements.
- Provide a minimum of one shower/changing facility within the civic reserve community center that will be available for use by the public.

Deficiencies:

- No donation of a 10-acre site for a multi-modal transit center.
- Properties in the MUD will be excluded from CapMetro service area.

Tree Preservation and Mitigation

Tree preservation is important; trees provide many benefits to the community and can significantly enhance property values. The applicant has committed to provide the following benefits if Council consents to the creation of the MUD:

Benefits:

- A tree preservation plan in consultation with the City's arborist during the PUD process that, at a minimum will satisfy the requirements of the City's tree preservation ordinance, Protected and Heritage Tree, with additional emphasis given to trees less than 19" in diameter, where feasible, counting towards or fulfilling the tree planting/preservation requirements.
- A tree care plan, prepared by a certified arborist, will be provided for construction-related impacts within the critical root zone of all trees that are required to be preserved.
- Properly maintained landscaping, subject to any applicable water use or other restrictions imposed by the City or other governmental authority.
- Upon reclaimed water being brought to the project, use reclaimed water for irrigation in open space areas where such use is economically feasible, subject to any applicable water use restrictions imposed by the City.
- A tree corridor planned in consultation with the City's arborist along the Onion Creek Trail extension.
- Implementation of species diversity in any landscaping or revegetation requirement, using no more than 25% of any one species.
- A minimum of three trees selected from the City's appropriate species list will be provided on each residential lot.

Deficiencies:

- None

Urban Design

Good urban design should be standard of new development. Developers who expect to be competitive should acknowledge that potential homebuyers presume to find these elements in modern communities. The results provide significant benefits to future property owners however and will benefit the project significantly more than the City as a whole.

The applicant has committed to provide the following “Benefits” if Council consents to the creation of the MUD:

Benefits:

- Sidewalk modules and building placement for the commercial and mixed-use multifamily areas will be designed in accordance with the Commercial Design Standards (Subchapter E) with:
 - Cascades Parkway is designated as a Core Transit Corridor;
 - the other roadways within these areas designated as Urban Roadways; and
 - lots over five acres designed according to Internal Circulation Route standards.

Deficiencies:

- None

Water and Wastewater

Benefits:

- A Certificate of Convenience and Necessity (CCN) release agreement from Creedmoor-Maha WSC and payment of all related release fees. The release has been processed by USDA, Creedmoor-Maha’s lender, and the removal of the property from Creedmoor-Maha’s CCN and its inclusion into the City’s CCN is in process at the Texas Commission on Environmental Quality (TCEQ). The City would be the retail provider of water and wastewater service and collect all fees including capital recovery fees. Applicant will fully support the City’s CCN application to the TCEQ
- Waive reimbursement of the \$3,445,939 amount authorized by City Council Resolution No. 20081218-005 on December 18, 2008, for reimbursement of the actual construction costs, engineering, design, and project management costs associated with the 24-inch water transmission main that would cross through the property.
- The Applicant has agreed to do the following, at the Applicant’s cost (Cascades Tract):
 - Water: The addition of a second water feed into the proposed MUD when the development reaches 600 LUEs, with the preferred second feed being an extension of the proposed 24-inch water transmission main from its eastern terminus to the City’s existing 42-inch water transmission main in the proposed realignment of Bradshaw Road and, if easements for the preferred location cannot be secured, the alternative being an extension of the proposed 16-inch water main along the IH35 frontage of the MUD south along IH35 to the existing 42-inch water transmission main.
 - Wastewater: The addition of a 12-inch wastewater main with a minimum slope of 1.2% originating from the middle “wastewater tie-in” on the City’s existing 24-inch wastewater interceptor and running south parallel to the creek that bisects the project to the southern boundary of the MUD. Construct a wastewater main within the project appropriately sized to convey the flows from the eastern single-family

portion of the proposed MUD and an additional 430 gpm of peak wet weather flow to allow wastewater service for an additional 125 acres south of the proposed MUD; and dedicate to City without cost at least two (2) appropriately sized wastewater easements at the southern boundary of the MUD District.

- The Applicant has agreed to do the following, at the Applicant's cost (Cascades and Burratti Tracts):
 - Water: The addition of a second water feed into the proposed MUD when the development reaches 600 LUEs, being the "looping" of the proposed 24-inch water transmission main from the City's existing 36-inch water transmission main stub at the western boundary of the proposed MUD and IH35 frontage to the City's existing 42-inch water transmission main in the proposed realignment of Bradshaw Road.
 - Wastewater: Construct an 18-inch wastewater interceptor from the eastern terminus of the City's existing 24-inch wastewater interceptor to the low point at the eastern property line of the Burratti Tract along the existing Bradshaw Road.

Deficiencies:

- None

Watershed Protection

Benefits:

- Provide innovative water quality controls, including 25% additional capture volume
- Use of biofiltration and vegetative filter strips
- A reduction in the use of potable water for onsite irrigation, including providing rainwater harvesting for commercial buildings
- Implementing an Integrated Pest Management Plan
- Native plant revegetation
- Creek setbacks consistent with proposed amendments to Austin's watershed protection ordinance
- Restoration of riparian areas using native plant species with no-disturbance within 100' of creek centerline other than proposed trail
- Stabilization of areas of the creek bank using City of Austin preferred methods
- Use of ribbon curbs and vegetative filter strips adjacent to parking in commercial areas (ie, innovative water management for parking areas)
- Compliance with commercial landscape ordinance
- Prohibition of polluting uses, especially within the creek setback area
- Any areas annexed into the MUD must comply with all environmental requirements

Deficiencies:

- None

Austin Resource Recovery

Similar to if the project was annexed for full purposes, solid waste and recycling services will be provided by the City. However, property owners would not be obligated to comply with City Ordinances until full purpose annexation.

Benefits:

- Solid waste and recycling services will be provided by the City.

Deficiencies:

- Property owners in the MUD would not be obligated to comply with City Ordinances.

BOARD AND COMMISSION RECOMMENDATIONS

Parks and Recreation Board	06/25/13 Unanimous recommendation on a 6-0 vote that Council approve the MUD following recommendation from the Community Development Commission
Water and Wastewater Commission	07/10/13 Approved on a 4-1 vote with Commissioner Faust abstaining and Commissioner Gray absent
Urban Transportation Commission	08/13/13 Unanimous recommendation on a 6-0 vote to deny consent to the creation of the MUD on the basis that the proposal does not meet the requirement of providing superior transportation infrastructure and precludes it in the future
Environmental Board	10/02/13 No recommendation after a motion to recommend approval with conditions failed on a 3-4 vote
Planning Commission	01/28/14 Recommended approval of the consent agreement that incorporates the items contained in the staff report with five additional conditions as follows: <ol style="list-style-type: none">1. The area will be annexed for limited purposes and receive an interim rural residence (I-RR) zoning designation. This will ensure that the applicant applies for Planned Unit Development (PUD) zoning which will be reviewed by the Planning Commission to ensure that the desired density and land uses that the Imagine Austin comprehensive plan envisions for this area will be required as part of the zoning for any future development.2. The applicant will have a conversation with Capital Metro to discuss a multi-modal transit location in the MUD.3. As part of any consent to the Cascade MUD, the MUD property owner must convey to the City, at the time of Council approval, in a location, form, and content acceptable to the City, water and wastewater easements across the MUD property for the purpose of

the City providing water and wastewater service to the 58 acre tract (located at 12000 S IH 35 Service Road) and to other areas within the City's service area.

4. Prior to Council approval, the applicant will provide a definitive answer as to whether or not this development is going to negatively impact the surrounding pieces of property from a flood perspective.

5. Prior to Council approval, the applicant will provide a mechanism to guarantee affordable homeownership at the level promised for 99 years.