

# City of Mesquite, Texas

## Legislation Text

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**File #:** 20-4611, **Version:** 1

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A resolution repealing Resolution No. 68-2019 and adopting a resolution opposing creation of the Spradley Farms Improvement District of Kaufman County through the Texas Commission on Environmental Quality for approximately 621.998 acres of land, consisting of approximately 613.573 acres generally located south of Interstate 20, north and east of FM 2757, and north and west of Union Hill Road, and approximately 8.425 acres generally located north of Interstate 20 and southwest of Cimarron Trail, all of such property being located in Kaufman County, Texas, and being located within the corporate limits of the City of Mesquite, Texas; and providing an effective date.

On September 16, 2019, the City Council approved a resolution supporting the formation of a Municipal Management District (MMD) in support of the Spradley Farms development. The MMD is an independent taxing jurisdiction that has been used by many area communities for the purpose of funding public improvements and operations related to residential developments.

Subsequently, the Developer, Spradley Farms, Ltd. and the Reinvestment Zone Number Thirteen (TIRZ) Board of Directors entered into a Master Development Agreement with the City that includes, among other obligations, contributions of general fund tax proceeds through the TIRZ. The TIRZ identifies a base value of all property located within the zone and then obligates any incremental increases to a separate fund. The TIRZ fund may be used to pay for or reimburse certain expenses for public improvements within the zone. In the case of the Spradley Farms agreement, the TIRZ funds are directed to reimburse the Developer for financing costs for the public infrastructure related to the residential development. The City Council approved the Master Development Agreement on November 4, 2019.

At the time of the approval, certain concerns had been identified by several Councilmembers related to the reimbursement to the Developer in the terms of “carrying costs” or interest paid by the Developer over time for the private loans used by the Developer to finance the upfront infrastructure costs. Depending on the value of the development over time and the amount of interest costs, the Developer would be eligible for reimbursement of \$230,515,060 from TIRZ revenues, which includes \$58,235,235 in estimated carrying costs identified by the Developer.

Based on this concern, Staff has been requested to work with the Developer to revise the Master Development Agreement. As part of this process, it has been determined that withholding support of the MMD formation is justified until a solution can be found.

The Texas Commission on Environmental Quality (TCEQ) has authority in the formation of districts, but municipal approval is necessary in the process. This resolution will repeal the City’s previous support for the MMD.

### **Recommended/Desired Action**

City staff recommends approval of the resolution.

### **Attachment(s)**

Resolution

**Drafter**

Ted Chinn

**Head of Department**

Cliff Keheley