



FINAL REPORT CLEVELAND ETJ STUDY

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SUBMITTED TO:

Cleveland Economic Development Corporation

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Executive Summary

Cleveland is at a critical crossroad: a rural community wedged between the Sam Houston National Forest in the Big Thicket and the Metropolitan Houston Area, poised to be affected by significant new development in the very near future. To influence the impact of new development, Cleveland must address several fundamental issues. If this is not done successfully, the City runs the risk of not achieving its vision and losing control of its destiny.

Most of the elements of this Study contemplate a short-term horizon for an action-oriented follow-up plan. The study anticipates a 5-year planning-action planning horizon, after which the City will need to evaluate its progress toward its goals, and almost certainly will need to consider a Comprehensive Plan adjustment.

The City is experiencing many of the same problems and issues as other satellite cities in the Greater Houston Area – a lack of money and a lack of planning to provide for the anticipated development. At the same time, the City has many natural advantages for development; it simply needs to address certain issues and learn to “tell its story”. This study highlights many of these issues / obstacles and suggests how they might be overcome, so that Cleveland both (a) becomes an attractive area for development, and (b) sends a message to potential developers that the City will be a good partner.

The study not only addresses the need to upgrade development standards and conduct the necessary planning for infrastructure within the ETJ, it also suggests that Cleveland has the opportunity to create an “outdoors, quality of life” image that should compete well in the metropolitan area. The San Jacinto River corridor and its flood plain should be viewed as an opportunity, rather than an obstacle, to attract both permanent residents and visitors to the Cleveland area.

Every successful developing city must have a strong and easily understood incentives program, including special districts which allow for developer reimbursement of capital, as well as other reasonable incentives. In this regard, Cleveland can learn from the experience of other cities in the area.

Finally, Cleveland needs to tell its story. This means it should first perform an honest market assessment of its potential and those markets that are realistic. Then the City should launch a professional marketing program that targets not only certain types of developments, but the developers themselves.

The Recommendations that are of considerable importance and / or recurring throughout this Study are:

- Set Measurable Goals
- Update Development and Construction standards
- Develop City Mobility Plan
- Develop Utility Master Plan
- Develop Master Drainage Plan
- Develop Special District Policy
- Consider Partnering with a Conservation Group
- Acquire Market Analysis
- Develop Marketing Plan

With the limited funding capability available to Cleveland, City Council will need to marshal its resources and work jointly and cohesively with CEDC to:

- Prioritize and fund the planning and policy development
- Prioritize Capital Improvement Projects and identify funding sources and methods
- Leverage developer proposals through the use of public/private partnerships to implement Capital Improvement Plan

With so much to do and the potential for increased population, constant vigilance toward relevance of Vision will be imperative. Ongoing validation of the Vision for Cleveland will be imperative.

A. Introduction

The City of Cleveland has recognized the need to expand its Extraterritorial Jurisdiction (ETJ) and to plan for other growth and development within the ETJ. The City understands that sound planning is mandatory if it expects to attract new businesses, jobs and residential development. Accordingly, the Cleveland Economic Development Corporation retained Montgomery & Associates, Inc. in June 2009 to perform an ETJ planning study.

B. Purpose

The City leaders, through the Economic Development Corporation, have expressed the desire to aggressively approach the future growth of Cleveland by expanding the ETJ and creating an optimum environment that will attract quality development within the ETJ. The City understands that this development must be balanced, i.e., that jobs and housing must advance together. Accordingly, the optimum expansion plan would provide for commercial and industrial development, along with a healthy amount of residential development. Maintaining a high quality of life is a key objective of the City.

This study focuses primarily on the expanding ETJ and the steps Cleveland needs to take to ensure that quality development occurs within the ETJ. For the most part, the study does not deal with existing development and infrastructure within the City limits. These have been addressed in the Annexation Study prepared by Public Management, Inc. (2008).

In general, the Scope of Work for this study includes the following:

- 1) Gathering all available information relating to development within the existing and proposed ETJs;
- 2) Gathering all available information: MTP, Rail, Pipeline, Oil Wells, Topo, Streams, School Districts, CCNs, Property ownership;
- 3) Evaluating the data to determine obstacles to and opportunities for development;
- 4) Evaluate existing infrastructure and development ordinances and procedures, and offer examples for change;
- 5) Developing an overall “development strategy” for the ETJ;
- 6) Recommend action steps so that the City can move proactively toward expansion of the ETJ with orderly and quality development; and
- 7) Provide a measurable, phased plan for Cleveland to use as a “Road Map” for future planned development.

C. Background

The City of Cleveland is 45 miles northeast of downtown Houston at US 59 and SH 105 (Appendix 1). Development is clearly moving into the northeast quadrant of the metropolitan area, and north along US 59 (see Appendix 2). A number of large parcels of land immediately southeast and southwest of Cleveland have been purchased by investors/developers during the last half decade, with the intention of conventional residential and mix-use development (Appendix 3). These larger tracts have been organized (“prepared”) with municipal utility districts (MUDs) and fresh water supply districts (FWSDs), so that they will be ready for sale and development when the market is ready. The cost of land is always one of the most important criteria in land development; in general, land with the northeast quadrant is favorably priced relative to the rest of the Metropolitan area.

Other significant events that affect Cleveland are the recent improvements of US 59 from FM 1960 to just south of Cleveland and the current Hwy 105 Bypass project. It can rightly be said that US 59 North is now the “best freeway in the Houston area”, similar to SH 288 fifteen (15) years ago. History has shown that good access/mobility attracts rapid development, and there is no reason to believe US 59 and Cleveland will be any different. The Hwy 105 Bypass brings additional frontage property into the commercial/industrial arena.

Other cities in the general vicinity of Cleveland are actively expanding their ETJs and threaten to capture developable land near Cleveland if Cleveland does not adapt an aggressive ETJ expansion plan (see Appendix 2). The City of Splendora has already expanded its ETJ boundary to within 1.2 miles of Cleveland’s existing ETJ along US 59, south of Cleveland. Dayton has expanded its ETJ northwest along SH 321 to within 12 miles of Cleveland, and theoretically, the City of Houston could annex a relatively small number of large tracts south of Cleveland and be within 2 miles of Cleveland’s ETJ.

The Cleveland Economic Development Corporation (CEDC) has made a number of efforts to stimulate new development within Cleveland’s ETJ, and whereas it has had some successes, it has also found a number of problems in the development process. These include, to mention a few, the lack of money to expand its utility systems, low water pressure in existing system, lack

of utility master plan, inability to move quickly through the approval process, and clarity in it's developer incentives policy.

As further background for this study, the following acreages illustrate the current use of land within the proposed expanded ETJ.

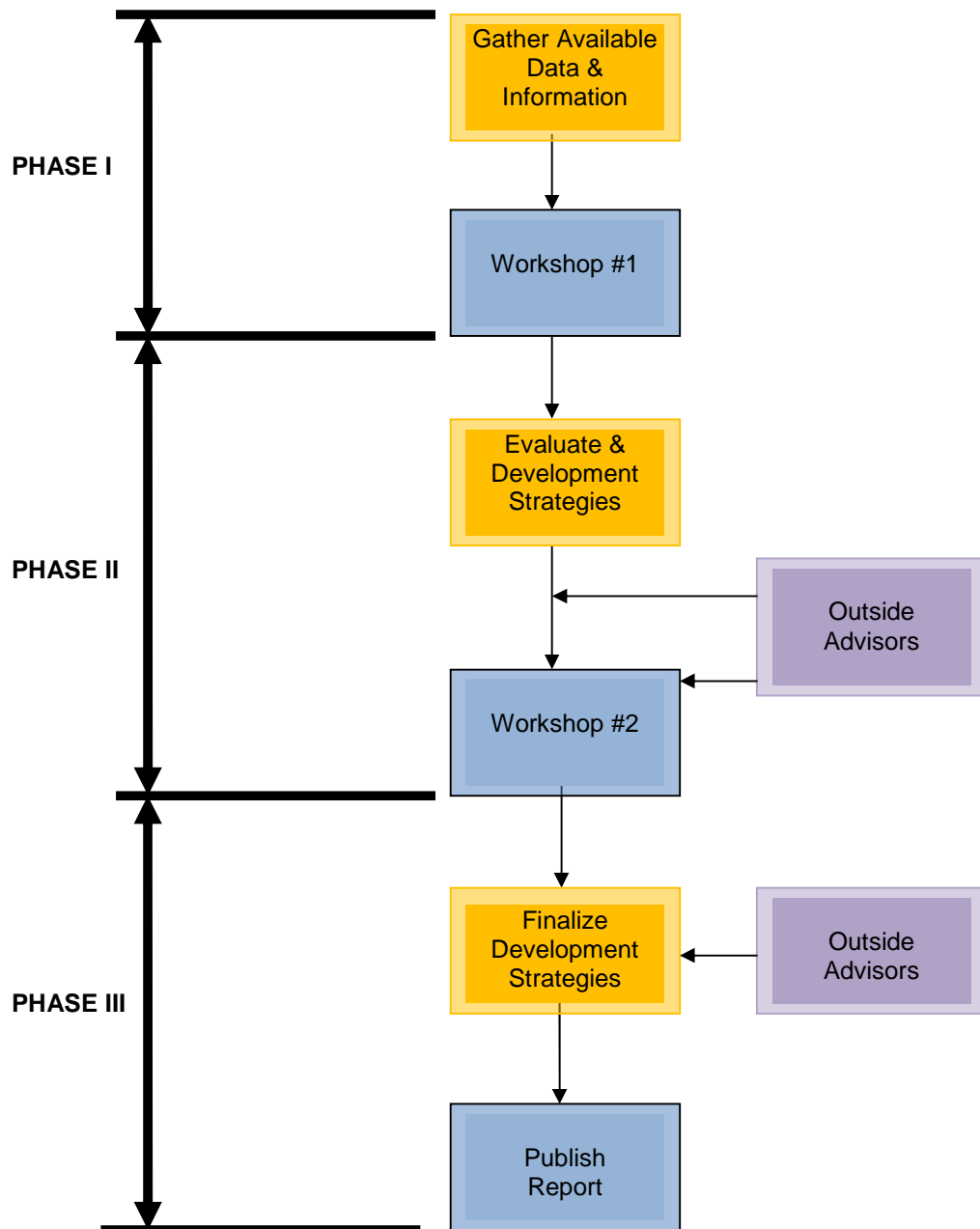
- National Forest..... 4,200 Acres
- Flood Plain.....28,000 Acres
- Existing Cleveland City Limits..... 5,700 Acres
- Existing N. Cleveland City Limits.....1,300 Acres
- Existing Cleveland ETJ (inclusive)29,000 Acres
- Planned Cleveland ETJ (inclusive)92,000 Acres
- Existing Developed Land within Expanded ETJ.....10,000 Acres
- Remaining Undeveloped Land within Expanded ETJ45,000 Acres

D. Study Process

Based on an initial assessment by Montgomery & Associates of the status of the City and an understanding of the City's objectives, we recommended the following process/methodology for the ETJ study;

- 1) Gather all available data and information which relates to the expansion of the City's ETJ and orderly development within the ETJ;
- 2) Convene a workshop of the CEDC Steering Committee to review the data gathered and provide input to M&A;
- 3) Evaluate the obstacles to and opportunities for development within the ETJ and develop development strategies for the City a "Development Master Plan";
- 4) Review these strategies, conclusions and recommendations with the CEDC Steering Committee and bring Development and Environmental Experts to the second workshop;
- 5) Based on input from the second workshop, finalize a written report which documents the findings and recommendations of the study; the report should serve as a guide and reference for development strategies for the City.

The following is a graphic illustration of this study process:



E. Findings

In considering the expansion and development of Cleveland's ETJ, it was necessary to gather all available data and information that related to expansion and development, and then address a number of specific development issues in detail. These issues are listed below and represent the contents of this section of the Report;

- 1) Existing Conditions / Data Collected
- 2) Obstacles to Development
- 3) Development Strategies
- 4) Types of Development
- 5) Development Target Areas
- 6) Infrastructure
- 7) Development Standards
- 8) Special Districts Policy
- 9) Development Incentives
- 10) Marketing Plan

It should be noted that the discussions presented with each topic are not necessarily the final answer or approach; rather they should be used as guides in moving forward with development planning. Several of the topics require that the City devote more time to more in-depth evaluations of its position on certain issues, in some cases with public input and legal counsel. Several topics are backed up with additional information in the Appendix.

1) Existing Conditions / Data Collected

A significant amount of information and data relating to the ETJ and development was readily available, and it was obtained and presented at the first workshop. Following is a list of this data, which appears in the Appendix. Also in the Appendix is a listing of the source of each piece of data (Appendix 4).

Appendix 4a – List of Sources

Appendix 4b - Liberty County Major Thoroughfare Plan (Cleveland area),

- Appendix 4c - Existing and proposed rail corridors
- Appendix 4d - Pipeline Corridors
- Appendix 4e - Oils Wells of Record
- Appendix 4f – Streams, Topography, and Flood Plains
- Appendix 4g - School District Boundaries
- Appendix 4h - CCN Boundaries
- Appendix 4i - Parcel Map showing locations and sizes of parcels

In addition, a significant amount of information was obtained at Workshop No. 1, through feedback from the Steering Committee, and generally, from multiple sources in the Houston Metropolitan area.

2) Obstacles to Development

Cleveland is experiencing some of the same problems as other comparable size cities (for example, Manvel on SH 288 has many similarities). However, Cleveland's proximity to the City of Houston and other satellite cities adds additional pressure to recognize its obstacles to development and overcome them. We have identified the following as potential obstacles to development of Cleveland's expanding ETJ.

- a) Cleveland does not have an active development track record;
- b) Lack of a utility master plan;
- c) Lack of a drainage master plan;
- d) Lack of a mobility plan;
- e) Limited funds to “partner” with developers or “seed” projects;
- f) Much of the undeveloped land near the City is in the 100-year flood plain;
- g) Lack of quality housing to satisfy the existing employment base;
- h) Lack of leisure activity destinations to support housing (i.e., shopping, entertainment);
- i) The approval process for developments is not clear and friendly;
- j) Cleveland's planned ETJ falls within three counties; therefore, increases coordination and planning requirements.
- k) CCN issue is confusing, i.e., who provides service?
- l) Weaknesses in the existing utility system (i.e., low water pressure in northeast part of town);

- m) North Cleveland jurisdictional issue is confusing.
- n) Lack of a defined industrial park location.
- o) Do not have a clear list of potential incentives to show developers;

3) Development Strategy

The following is a suggested basic philosophy of how Cleveland should approach development within its ETJ. There are obviously other actions that can be taken, but these are thought to be fundamental, and it is critical that the leaders agree on them before moving ahead with more specific criteria. Here is a summary of the key components:

- a) Work with Existing Characteristics*
- b) Update Development & Construction Standards*
- c) Develop a Utility Master Plan*
- d) Develop a Drainage Master Plan*
- e) Streamline the Development Permitting Process*
- f) Adopt a Development Master Plan*
- g) Become a Partner with Developers*
- h) Resolve the CCN Issue*
- i) Develop "Easy Areas" First*
- j) Clarify Relationship with North Cleveland*

The following is an elaboration of each component:

a) Work with Existing Characteristics

In conventional terms, Cleveland has characteristics that are considered both advantages and disadvantages. The important thing is to recognize these characteristics and use them in a constructive manner. For example, whereas one might see negatives in the flood plains, inadequate housing, lack of available funds and the school system, there are at least an equal number of positives about the Cleveland area. A few are the forests/natural settings, location as a satellite City of Houston, the fact that Cleveland is definitely in the path of growth and Cleveland's current ability to qualify/compete well for federal and state grants and loans.

Quality of life is becoming increasingly more important to families and businesses, and will drive a lot of decisions on where they locate in the future. Cleveland should be able to compete well against other cities in the Houston Metropolitan area because of its natural setting, growing medical facilities and proximity to leisure and outdoor activities. Issues such as housing and lack of excess funds can be overcome through intelligent planning and partnering with developers.

Flood plains restrict most types of conventional development, but Cleveland can use them to its advantage by developing parks and nature preserves that accentuate these assets and enhance the ability to attract people and outdoor development. In addition to ball fields and parks, hiking trails and canoe launching facilities can be established and promoted. The partnership with Legacy Land Trust can be expanded and the City could benefit from access to additional grants and loans and from promotion of the nature facilities by Legacy. It is also possible to develop property in the flood plain by filling or elevating structures. This presents a significant development opportunity along the US 59 corridor much of which is in the 100-year flood plain (Appendix 4-f).

b) Update Development & Construction Standards

Due to the lack of development during the past 15 to 20 years, Cleveland's development and construction standards have become out of date. Cleveland should review and adopt standards similar to those in developing cities located in other Metropolitan counties, such as Harris, Montgomery and Fort Bend. These standards should be set reasonably high and consistent, yet flexible enough to allow for unique opportunities that would not represent lowering of the standards. Examples of these standards are included in Appendix 8.

c) Develop a Utility Master Plan

Virtually all developers and investors expect to see that a city has a well thought out Master Plan for its expanding utility system. Without such a plan, developers and investors will simply go somewhere else where their investment of time and money is better defined.

Cleveland's existing water and sewerage systems have developed like many other cities – they have expanded to satisfy specific projects as the need arose. This has resulted in somewhat of a patchwork of lines, lift stations, etc., that are difficult and expensive to operate. In addition, as new opportunities for development arise, it is expensive and time consuming to meet the needs of the developers, and in some cases, the developers simply give up and go somewhere else that is easier.

Now is the time for Cleveland to develop a utility Master Plan, which includes the ETJ, so that as growth continues along the US 59 corridor, the City will be ready for it. The Utility Master Plan should be prepared by a qualified engineering firm with experience in forecasting and planning the expansion of utility systems. The engineer would first determine the logical “growth corridors and areas”, in concert with a development consultant and market analyst. They would then lay out, water and sewer systems, including future water and wastewater treatment plants, to serve the planned areas. Lines would be sized to fit the forecasted demands.

A Utility Master Plan is a major undertaking that could require from 6 to 12 months to complete. The planning process should include in-put from developers and City leaders, and might also include the need for public hearings.

d) Develop a Drainage Master Plan

Drainage and flood plains are important initial considerations of land developers when evaluating new sites. At this time, Liberty County has not developed a drainage plan for the County, so Cleveland should consider addressing the issue for its area. The floodplain maps for the East Fork of the San Jacinto River and Tarkington Bayou were prepared over 25 years ago based on crude topographic data and out-of-date modeling techniques. It can safely be said that the existing floodplain maps are probably not correct, and would need to be updated before development could occur adjacent to these two waterways. Updating the flood plains will involve obtaining more accurate topographic data and utilizing FEMA's currently recognized, up-to-date computer modeling procedures. Once the technical work is done, the results are typically submitted to FEMA for its review. If FEMA agrees with the new information, it then officially changes and publishes new

floodplain maps which developers can use with confidence in their land development.

In addition to resolving floodplain questions, the City should also view a regional drainage plan as an opportunity to provide amenities and advantages to developers. If the City can identify regional detention pond sites near developing tracts, the developer of those tracts can avoid having to use valuable land within their tract for detention ponds and instead, simply pay a prorata share of the cost of the regional basin. In addition, the regional pond can be planned as a natural public facility which could become an amenity for the nearby developments. Prime examples of this are Addicks and Barker (flood control) reservoirs in West Harris County near Katy on Buffalo Bayou (See Appendix 7).

e) Streamline the Development Permitting Process

Time for permitting is often the factor that determines where a Developer chooses to go with his development. Many cities have allowed their approval process to become bureaucratic and complex, yet there are clear examples of cities that have connected this part of the development process, and the positive results are dramatic. Conroe is the most recent example in the Houston area. Under a new mayor 10 years ago, they literally doubled the number of building permits filed within a year by simply streamlining their permitting process and then broadcasting that message to the builders and developers.

Streamlining the process should be build around the concept of “one-stop shopping”, in which an applicant feels that he is being guided through the process by the City. Most developers do not mind strict rules, as long as they understand that everyone is being treated equally.

f) Produce a Development Master Plan

This master plan is a composite of many elements, Mobility, Utilities & Drainage Master Plans coupled with Design & Construction Standards, Permitting Processes and areas best suited for particular development, i.e.; industrial, commercial, recreational/outdoors and residential. This plan is the Vision of Growth that Cleveland anticipates in the foreseeable future.

g) Become a Partner with Developers

Whereas some level of infrastructure upgrading will be required, much of the City's future infrastructure can be paid for by developers. The City should become the facilitator of that construction by cooperating with developers that want to create MUD's or other special districts in the ETJ. The MUDs allow the developers to be reimbursed through the sale of bonds, once they have created assessed value in their development. The City should also be open to setting up tax increment reinvestment zones (TIRZs) and management districts in those areas most likely to develop with commercial or industrial development projects, and should aggressively seek grants and loans that directly or indirectly benefit these developments.

h) Resolve the CCN Issue

Much of the area around Cleveland and in the expanding ETJ is currently within areas claimed by CCNs (Certificates of Convenience & Necessity) (see Appendix 4-h). These entities have the right throughout state certification to provide water and sewage service to developing areas. Whereas state law has better defined and limited that right in the past several legislative sessions, CCNs still retain significant rights. This has been a hindrance to development via special districts and cities, and as a minimum, is confusing to developers. Therefore, it is critical that Cleveland address this issue by engaging with each of the CCNs with the goal of resolving how quality utility service can be provided in the ETJ.

i) Develop "Easy Areas" First

This applies to those areas in the ETJ that are relatively close to the City's existing utility and road systems, since MUDs in outlying areas will provide stand-alone infrastructure. Examples of the close-in areas are the US 59 corridor, SH105 corridor and the near northeast area that already has industrial development. These areas will be easy to access by road and rail, and the City has already extended water and sewer lines to them, or intends to in the near future.

j) Clarify Relationship with North Cleveland

Due to its proximity to Cleveland, the City of North Cleveland is integral to the development of the expanding ETJ of Cleveland, and it will be a target for

development by some builders and developers. Most developers and investors are accustomed to seeing interlocal agreements between municipal entities for public services such as water supply and wastewater disposal. In the absence of such an agreement, developers will be confused, since those services are currently being provided within North Cleveland by the City of Cleveland. Cleveland needs to clarify its position by either absorbing North Cleveland or establishing a long-term interlocal agreement with North Cleveland for public services.

4) Types of Development

Development in and around the Cleveland area can be divided into four basic categories: Retail/Commercial, Industrial, Residential and Recreational/Outdoors. The following discussion summarizes the key issues and opportunities relating to each of these development types in the expanded ETJ:

a) Retail / Commercial

Retail and commercial development will naturally occur along well-traveled roadway arteries. US 59 and SH 105, including the new Bypass, are obvious retail and commercial development corridors that will require little additional roadway infrastructure. The City should plan to expand its ETJ as far as possible along both of these corridors. Tax Increment Reinvestment Zones (TIRZ) and Management Districts are often used successfully to assist in the development process.

In addition to these corridors, the City should focus on Liberty County's recently adopted Major Thoroughfare Plan and make suggested adjustments to it to best fit the anticipated growth and development in the Cleveland area. These major thoroughfares will someday carry high traffic loads and will be natural for retail and commercial developments. Most municipal utility districts (MUDs) developed primarily for residential construction often have a retail component along an adjacent major road to satisfy the demands of the residential development.

Much of the US 59 corridor is in the 100-year floodplain of the East Fork of the San Jacinto River. Even though developers typically try to avoid developing in flood plains, the City should consider that the frontage property is developable

because of its high value as retail and commercial property. Developers should be aware; however, that they will need to mitigate any floodplain property that is filled for construction, or alternately, consider developing the property with elevated structures that avoid filling.

b) Industrial

The northeast quadrant of the City represents the best location for industrial development within the planned ETJ. This area is presently served by US 59, SH 105 and SH 787, and also by two existing rail lines operated by Union Pacific and Burlington North Santa Fe (see Appendix 4-c). In addition, there is a proposed additional rail corridor from the Port of Houston that will cross through this quadrant close to the Cleveland Airport, which is also in a favorable location to support additional industrial development.

The CEDC has been trying to acquire property on the east side of Cleveland that could be dedicated to industrial development. An industrial park or area dedicated to industrial development should work well in this location (quadrant), based on the available infrastructures, access to roadways and rail, and proximity to Houston.

c) Residential

Residential development can include several different types of construction, from conventional single family (small lots) to large lots/ranchettes (1.0 to 5.0 acres) to apartment and townhouses. Cleveland will likely see a demand for all types of housing, but initially within the ETJ, conventional single family and large lot developments will probably be the most common.

Conventional single family subdivisions typically use MUDs as their funding mechanism. The developer front-ends the cost of the development, sells lots to builders who build the houses, then after a sufficient amount of assessed value is put in place, the MUD sells bonds to reimburse the developer. Large lot developments typically operate without MUDs or special districts. They have far less infrastructure, often only roads, open-ditch drainage, and a central water system, and tend to preserve more of the trees and natural setting than

conventional subdivisions. Large lot developments offer an advantage to Cleveland: low infrastructure cost, yet relatively high assessed value of the property. When Cleveland annexes large lot subdivisions, it assumes relatively low maintenance costs, yet relatively high assessed value of the homes.

d) Recreational / Outdoors

With the large amount of floodplain and woods in the Cleveland area, the City has the opportunity to create a “recreation and outdoors image” unlike any other city in the metropolitan area. By creating nature preserves along the San Jacinto River and Tarkington Bayou and marketing easy access to the Sam Houston National Forest, the City could become both a permanent and weekend destination for the growing part of our population that appreciates the out-of-doors. Retail interests such as Bass Pro and Gander Mountain might find Cleveland’s proximity to East Texas’ hunting, fishing, and camping to be an ideal location for one of their facilities. An example of a similar successful nature preserve is the Spring Creek Greenway Project between Harris County and Montgomery County (See Appendix 5).

The exhausted sand and gravel excavated areas along the East Fork of the San Jacinto River present an opportunity for restoration and conversion to recreational lakes for either public or private use. The City should consider partnering with entities like Legacy Land Trust to take advantage of its stature, expertise, and possible government funding for some of these improvements.

5) Development Target Areas

Whereas it is impractical to completely control the type of development that goes to every part of the ETJ, the City can influence its location. Since zoning does not exist within the ETJ, the City can use the availability of utilities, access, the developer reimbursement policy and other incentives to encourage developers to choose certain areas for their development.

The following is a specific list of where different types of development might choose to locate within the ETJ. Appendix 6 in the Appendices illustrates the logical “target areas” for each type of development.

- a) **Commercial / Retail** – Because of easy access and visibility, US 59 and SH 105, including the new SH 105 bypass, are prime corridors for commercial and retail development. Even the flood plain properties along these corridors should be considered for development. Of course, if earthen fill is required, mitigation in accordance with state laws must be done. It is also possible to develop this frontage property using elevated structures rather than earthen fill, in which case mitigation would not be required.

Commercial and retail development can also be expected to occur at intersections of county roads. Accordingly, the City should critically review Liberty County’s recently adopted Major Thoroughfare Plan, and consider creating a Cleveland Major thoroughfare Plan that not only moves traffic, but also creates retail and commercial centers.

The City should also anticipate that most MUDs will incorporate some commercial and retail development as enhancements to their residential developments.

- b) **Industrial** – The northeast quadrant of the Cleveland area is the logical location for industrial development. Not only does this area have easy access to US 59 and SH 787, two existing rail corridors cross through the area. Further, there are plans to create another north-south rail corridor extending from Bayport. Finally, the Cleveland Airport is located in this quadrant and is a logical location for industrial / warehouse development, rather than residential subdivisions.
- c) **Residential** – The price of raw land drives the development of many residential subdivisions, but safe, quiet wooded environments are also very important. If industrial development continues to be attracted to the northeast side of Cleveland, residential developers will probably choose land generally on the south and west. These locations will also be closer to jobs in the metropolitan area.

The East Fork of the San Jacinto River, coupled within the Sam Houston National Forest to the northwest, create a natural “green belt” that truly can become a quality of life draw for Cleveland. Addicks and Barker Reservoirs, on the west side of Houston, are prime examples of how developers have used natural preserves to

attract builders and home buyers to their developments. Bear Creek Park in Addicks Reservoir and George Bush Park in Barker Reservoir, are County-developed parks that include golf courses, athletic fields, skeet shooting, picnicking and trails, all in close proximity to the residential subdivisions (see Appendix 5).

Residential developers will undoubtedly want to use municipal utility districts (MUD) to recover much of their capital investment, once they have created the required assessed value. There are over 1,500 MUDs in the Greater Houston area, virtually all of them supporting residential development. There is every reason to believe that MUDs will continue to be the developers' financing vehicle of choice in the Cleveland area.

To the southeast of Cleveland and west of SH 321 is the AVEX property, totaling approximately 18,000 acres (See Appendices 2 and 3). Cleveland's planned; expanded ETJ would encompass about 4,000 acres of the north part of this property. The owners of the property have created Liberty Lakes Fresh Water Supply District No. 1 over the entire property, and their plan is to sell off parcels for development. According to AVEX, MUDs will be created on these smaller parcels that will operate under the umbrella of the FWSD.

At the direction of the CEDC, Montgomery & Associates contracted Frank Babb, Senior Vice President for AVEX Tract, to determine his willingness to be included within Cleveland's ETJ. Mr. Babb's response was positive, and he would like to engage with the City at an early point in planning to consider both parties' objectives, even before the City sets its final development policies.

Whereas conventional residential subdivisions within MUDs will undoubtedly occur, and possibly dominate in the Cleveland ETJ, so-called "large lot" or "acreage" developments are also likely. Large lot developments typically contain platted lots of 1 to 5 acres; have a central water system, but no sanitary sewers and wastewater treatment plants, nor storm sewers. Instead, each home utilizes an on-site spray irrigation system (disinfected "septic system") and drainage is provided by roadside ditches and open channels, rather than storm sewers. Accordingly, the front-end

capital cost for infrastructure is much lower than MUD subdivisions, and if and when the City annexes a large lot subdivision, the requirement for maintenance will be substantially less.

At the same time, the assessed value of large lot homes is typically relatively high. The best example of this type of development is the FM 1488 corridor between IH 45 and Magnolia, in Montgomery County. Generally speaking, homes in this area range from \$200,000 to \$700,000, and involve both empty-nesters and families with children seeking more space and an outdoor environment.

- d) **Recreational/Outdoors** - The entire Cleveland ETJ area is ideal for development on a natural environment. However, the East Fork of the San Jacinto River offers a particularly good opportunity to create an environmental corridor second to none in the Greater Houston Area. If the National Forest can be linked to this program, it would be even better.

One way to move this program forward is to partner with an entity like Legacy Land Trust, a non-profit entity whose mission is to set aside, protect and preserve the natural areas along streams and bayous. The City already has an involvement with Legacy on the 5-acre tract at SH 105 and the East Fork, which is intended as a canoe-launch point on the River. Jennifer Lorenz, Executive Director of Legacy's Houston Chapter, is very interested in pursuing an expanded partnership, with the ultimate goal of establishing a nature preserve along miles of the East Fork. Legacy not only could open doors to state and federal grants and loans, but also bring a track record of successful promotion and publicity of its projects.

In addition to Legacy, there are other opportunities, some of which could be promoted and supported by land developers. As mentioned earlier, the recreational facilities that have been developed by Harris County in Addicks and Barker Reservoirs are widely considered as amenities and attractions for residential development on nearby properties. If Liberty County or the City could not make the improvements, the developer themselves might be willing, since they could be reimbursed for those costs through MUDs and other special districts.

6) Infrastructure

In this report, infrastructure refers to roads, water supply, wastewater disposal and drainage. It is assumed that other service items, such as power and natural gas, will be provided by those service companies as the demand for service develops. It would be wise, however, to maintain an on-going dialogue with these companies regarding the long range needs of the area.

In general, most of the infrastructure in the outlying areas will be built by developers in MUDs or large lot subdivisions. Those developments closer to the City Limits might use TIRZs or management districts for funding, but in most cases, will probably also front-end the capital cost of the infrastructure. In every case, the City will want to establish a development agreement with each developer. Development agreements define the developer's complete relationship with the City, including the terms of reimbursement, infrastructure requirements and quality of the proposed development.

The costs for infrastructure within the ETJ will vary based on the type of development, location and the changing construction costs. This report does not attempt to estimate the overall costs within the ETJ. Rather what is presented below is data which suggests ranges of costs for each type of infrastructure and type of development. These ranges are based on recent construction experience in the Greater Houston Area (i.e., 2008/2009 construction costs).

		<u>Infrastructure Cost/Acre (WSD&P)¹</u>
• Residential (MUDs)	-	\$80,000 to \$100,000/acre
• Commercial	-	\$50,000 to \$70,000/acre
• Industrial (warehouses)	-	\$40,000 to \$50,000/acre
• Recreational	-	Low, varies

In addition, the following indicates the separate unit costs for water and wastewater treatment plants, detention excavation and connector roads:

• Wastewater Treatment Plants (permanent)	-	\$5.00 to \$7.00/MGD
• Water Plants (with water wells)	-	\$1.5 to \$2.0 million each
• Excavation for Detention Basins	-	\$3.00 to \$6.00/cubic yard
• Connector Roads:	-	\$300K - \$600K/Lane-Mile
- Asphalt	-	\$300K - \$600K/Lane-Mile
- Concrete	-	\$500K - \$1,000K/Lane-Mile

a) Regional Planning - Infrastructure within the ETJ is vital to attracting quality development and ultimately to the maintenance cost (to the City) of the evolving system of roads and utilities. Virtually all of the cities in the Greater Houston Area compete for state and federal funding for road improvements through the Regional Transportation Planning Council of HGAC and the Metropolitan Planning Organization. The City of Cleveland needs to participate in these organizations to receive its fair share of improvements. The continued extension of US 59 construction is a prime example of their need.

A regional plan will always change, but having it as a guide will ultimately be cost effective and result in more orderly growth within the ETJ. The following is a brief treatment of each of the items that should be planned on a regional basis.

b) Roads – Liberty County Commissioner Court recently adopted a County-wide major thoroughfare plan which suggests new road alignments in the Cleveland area. The City should review this plan, and then develop its own major thoroughfare plan, based on a critical look at the areas likely to develop, physical features such as flood plains and rail corridors, anticipated center of commercial development and attractiveness to developers.

The major thoroughfare plan will allow the City to ask developers to set aside right-of-way (ROW) along certain corridors during the platting process and before development has restricted the ROW widths. Furthermore, in most cases, developers will donate ROW to the City or County, rather than require that it be purchased, in order to gain the approval of their planned development from the City or the County.

c) Water – In the outlying areas of the ETJ, developers will undoubtedly construct much of the needed infrastructure. The City should adopt up-to-date construction standards so that the entire infrastructure within the ETJ is as uniform as possible. The Cleveland area will continue to rely on groundwater (rather than surface water), so as the ETJ develops, certain areas will be more concentrated than others. The City should monitor

¹ Water Distribution, Wastewater Collection, Storm Sewers, and Concrete Street Pavement

this evolution and guard against over-pumping of the groundwater through interconnections with areas of less pumping.

Developing areas closer to the City limits can be served by extending the City's existing system, either at the City's cost or at the cost of the developer.

- d) Wastewater** – More than the other infrastructure item, it is critical to prepare a long term plan for the expanded wastewater collection and treatment system(s) within the ETJ. Once a site is selected for a wastewater treatment plant, the gravity sewer system is designed to flow toward that plant, and to change that plan later could be very costly. The approach that has worked well in many cases is what might be referred to as an “interim-permanent” approach. In this case, the City would recognize and accept the fact that “interim” wastewater treatment plants would be constructed and operated near the initial development areas, but as the area more fully develops, a “permanent plant site” (normally downstream from the earlier site), and the earlier plant will be shut down and converted to a regional wastewater pumping station.

There are three major streams in the planned ETJ, the East Fork of the San Jacinto River, Tarkington Bayou to the east and Peach Creek to the west (see Appendix 9). All flow from north to south. The City's two existing plants discharge into the East Fork and Tarkington Bayou. In later years, the permanent plants could be located on each of these streams near the south's edge of the expanded ETJ.

- e) Drainage** – Drainage and flood control are often the first infrastructure issues considered by developers. Therefore, a master drainage plan should be developed at the earliest possible point. Implementation of the plan will take place as the ETJ is developed. If the City has designated certain sites for regional detention basins, developers can be directed to construct the basins in a modular fashion to mitigate each phase of development. Regional basins are a benefit to developers because they don't have to use their developable land for detention. In addition, if planned properly, the regional detention basins (ponds) could be amenities (ball fields, trails, picnicking, etc.) that add to the quality of life of the actual subdivisions.

As with the right-of-way for planned major thoroughfares, the City and County should attempt to acquire the land for regional detention facilities early on or at least at the time a developer plats his subdivision.

7) Development Standards

The City currently has a Subdivision Ordinance adopted in 2004 and Engineering & Construction Standards adopted in 1997. It is not clear that either of these apply to development within the ETJ. Even if they do, both should be reviewed in light of the more recent objectives relating to development. There are numerous examples of these standards from other cities in the Southeast Texas area, one of those, the City of Humble has been provided in Appendix 8. The goal would be to establish a set of standards that would ensure an acceptable quality of development and infrastructure, while providing the maximum flexibility to developers.

In addition, in order to enhance and maintain the natural beauty of the Cleveland area, the City should consider adopting sign controls and scenic easements along existing and future road corridors. Scenic Texas (www.scenic texas.org) is an experienced and respected non-profit association in Texas that is accustomed to working with cities in establishing these changes.

8) Special Districts Policy

The City should consider all possible special districts, including MUDs, TIRZs and management districts. The CEDC would select the general criteria for use of these districts and recommend adoption by council. When a developer asks for the City's consent or agreement to creating one of these districts, a City team composed of at least CEDC, the City manager, the Public Works Manager, the Fire Chief and the City Attorney should review the application for consistency with City policies and planning. A suggested Policy for Special Districts and Tax Abatements is included in Appendix 9. Also in Appendix 9 is a brief description of six of the most common special districts used by Cities: TIRZ, Management District, MUD, PID, 380 Grant Program and Local Government Corporation.

In general, all the special districts require that the developer front-end capital costs for infrastructure for his development and show positive growth of the district. In the case of a MUD or a TIRZ, once an adequate amount of assessed value (AV) has been created through the construction of homes, the developer may request that the board of directors for the MUD/TIRZ

sell bonds to reimburse him. In the case of a management district that is based on sales tax, the district would sell revenue bonds based on increased tax revenues.

A Developer Participation Contract (DPC) is another mechanism jointly used by cities and MUDs. The contract only applies to a property located within a city, i.e., an “In-City MUD”. In this case, 70% of the sales tax revenues from retail sales go to the City for water and wastewater improvements.

The CEDC should review and recommend the appropriate reimbursement policy for adoption by council.

9) Development Incentives

There are many incentives used by cities to encourage development. The following is a listing of some of the more common incentives:

- Tax abatements
- Grants
- Low interest loans
- Sharing of sales tax
- Reimbursement via special districts
- Developer-friendly permitting process
- City-provided amenities (parks, etc)
- Foreign Trade Zones

10) Marketing Planning

The City can do all the things that will make it attractive for development, but still will need to broadcast that message. Obviously, as growth moves northeast along the US 59 corridor, developer and businesses will discover the changes in the Cleveland area. But this could take years. If the City wishes to move more quickly, and it should because of the approaching development from the south, it should implement an effective marketing program.

Prior to beginning a market planning process and allotting monies to marketing and promotional activities, an independent market analysis should be completed by an experienced and qualified market consulting firm. A comprehensive study of current market conditions and future growth

trends will provide a realistic assessment of market potentials as the basis for sound planning. In addition to planning efforts, the results will be useful in discussions and negotiations with private land owners, developers, special districts, consultants, employers, retail/business operators and governmental jurisdictions. At a minimum the market analysis should address issues such as:

- Population and employment growth projections for the Cleveland / US 59 Corridor.
- Delineation and analysis of Cleveland's competitive market/trade area(s)
- Demographic and location factors relative to strategic positioning and market share evaluations
- Future demand for appropriate types of housing
- Assessment of impacts from surrounding land development patterns
- Analysis of trade area retail buying power relative to commercial development potential
- Identification of retail stores, restaurants, hotels and commercial services that can be supported
- Projections and probable timing for residential, commercial and other new development
- Market based action and implementation plan

A marketing study of this type should be designed around the cities near and long-term objectives. Once the market study is completed, the City should launch a professional marketing program led by an experienced marketing firm. Such an effort, if done correctly, will not be inexpensive, but experienced firms should be able to show the City actual results in other cities so that the City could have a comfort level prior to committing to their services. Our experience is that this is one of the most important steps the City will take, and that the investment of time and money will be well worth it.

F. Conclusions

As a result of the study, the workshops and input from multiple sources during the course of the study. The following conclusions can be drawn relating to the expansion of Cleveland's ETJ:

- 1) Cleveland is in the path of development from the south as the Houston Metropolitan area expands north along US 59.
- 2) Houston and the other cities in the northwest quadrant of the Metropolitan area are all growing and expanding their ETJs, threatening to "block" the City of Cleveland from expanding.
- 3) Cleveland does not have an image or track record for attracting land development and will have to devote time and money to the planning process to recast this image.
- 4) Cleveland has limited funds for capital investment in infrastructure, and will have to depend in large part on front-end capital from developers.
- 5) Raw land in the Cleveland area is priced favorably relative to other parts of the Metropolitan area, which gives Cleveland an advantage in the development market.
- 6) The Cleveland area has unique characteristics, including open space, established medical facilities, and easy access to the metropolitan area destinations that can be organized, packaged and marketed to attract development.
- 7) The City has the opportunity to set high, but reasonable and consistent development and construction standards that will be attractive to developers.
- 8) The City does not have comprehensive plans for expanding its infrastructure into the planned ETJ area.
- 9) The City's current relationship with North Cleveland and the surrounding CCNs is unclear as it relates to basic services.

G. Recommendations

Based on the foregoing Information and Conclusions, the following recommendations are respectfully offered to the City of Cleveland.

- 1) The City and the Cleveland Economic Development Corporation should set measurable goals for achieving the City's vision of expansion and development.
- 2) Retain outside professional assistance in preparing a Market Analysis to better understand the specific demand for development in the Cleveland area.
- 3) Streamline the City's permitting and approval process for applications/projects submitted by developers ("one stop shopping").
- 4) Update and adopt development and construction standards that are similar to several other metropolitan area cities; these standards should reflect a high standard, be consistent, but flexible enough to take advantage of unique opportunities.
- 5) Get involved with area associations: HGAC, NHA, GHBA, etc.
- 6) Develop a City of Cleveland Mobility Plan; review the Liberty County Major Thoroughfare Plan and adjust as needed to accommodate anticipated development in the Cleveland area.
- 7) Develop a Master Utility Plan for the ETJ, which addresses the long term water and wastewater needs for the area;
- 8) Develop a Master Drainage Plan for the ETJ that addresses drainage, flooding, and detention needs for the area.
- 9) Resolve the jurisdictional issue with each CCN in the planned ETJ to clarify how developers will receive water and sewer service for their developments.
- 10) Resolve the jurisdictional and utility service issues with the City of North Cleveland.

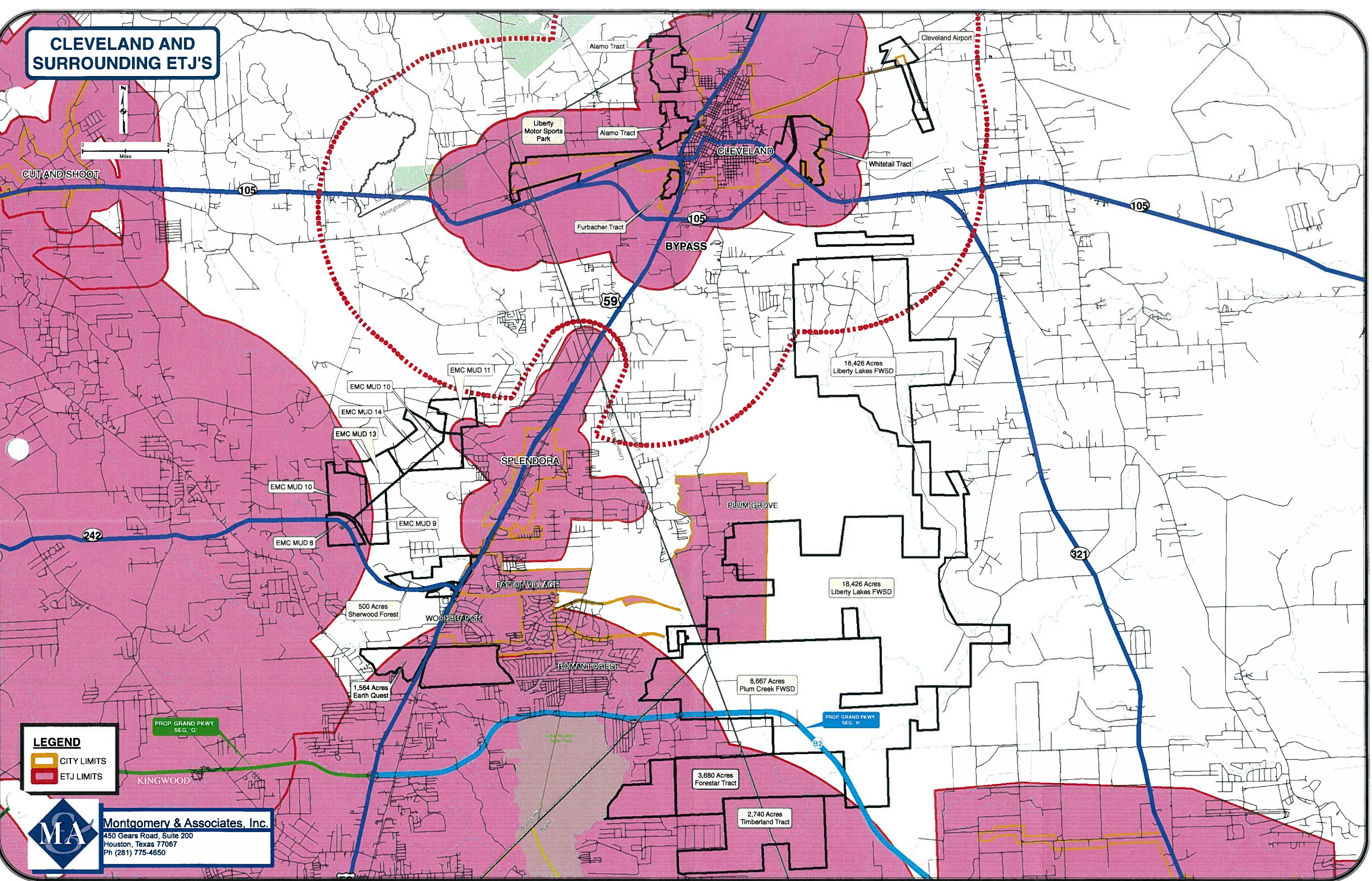
- 11) Upgrade “tighten” housing codes to discourage low quality housing and apartments.
- 12) Based on the Market Analysis, the City should engage a qualified marketing firm to prepare and launch a continuous professional marketing program for the City.
- 13) Highlight “rural residential living” to attract both conventional residential subdivisions and large lot developments.
- 14) Establish a continuous conservation easement (“nature preserve”) along the East Fork of the San Jacinto River; consider partnering with Legacy Land Trust.
- 15) Through incentives and development policies, encourage future development to locate as follows:
 - a. Industrial development in the northeast quadrant;
 - b. Commercial development along the US 59 Corridor and SH 105 corridor;
 - c. Residential development in outlying areas with larger tracts; and
 - d. Recreational development in the flood plain along the East Fork of the San Jacinto River and the Tarkington Bayou corridors.
- 16) Master Plan the restoration and conversion of the depleted sand/gravel pits along the San Jacinto River for either public use or private development.

At the request of the CEDC, Montgomery & Associates prepared a suggested timeline of follow-up action steps for this study, along with estimated costs to the City for each step. These estimated times and costs should be considered “order of magnitude” values that can, and probably will, vary because of subsequent assumptions and actions by the City. The following table summarizes the estimated times and costs.

APPENDICES

- Appendix 1 Vicinity Map
- Appendix 2 Surrounding ETJ Map
- Appendix 3 US 59 Corridor Development Map
- Appendix 4-a Data Collection Sources
- Appendix 4-b Liberty County Major Thoroughfare Plan
- Appendix 4-c Railway Corridors
- Appendix 4-d Pipeline Corridors
- Appendix 4-e Registered Oil Wells
- Appendix 4-f Flood Plains, Streams, & Topography
- Appendix 4-g School Districts
- Appendix 4-h CCNs
- Appendix 4-i Land Parcels
- Appendix 5 Spring Creek Greenway Project
- Appendix 6 Target Development Area
- Appendix 7 Examples of Floodplain Use (Addicks and Barker Reservoirs)
- Appendix 8 Design and Construction Standards
- Appendix 9 Suggested Policy & Procedures for Special Districts & Tax Abatements
- Appendix 10 Resumes of Outside Consultants (Workshop #2)

CLEVELAND AND SURROUNDING ETJ'S



LEGEND

- CITY LIMITS
- ETJ LIMITS

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Suggested
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CITY OF CLEVELAND, TEXAS

Policy and Procedures for the Use of Special Districts and Tax Abatements

I. Purpose of Policy

The City of Cleveland will consider the use of Special Districts and Tax Abatements within the City to promote new development and redevelopment where it can be demonstrated that an overall benefit will accrue to the residents of the City of Cleveland. To be considered, the project must not only demonstrate that development would not occur solely through private investment, but that the project will increase the City's tax base, provide jobs, and prove to be an economic stimulus to surrounding areas. Likewise, the project must be reasonably expected to retain or improve the quality of life for Cleveland's citizens.

The purpose of this policy is to establish a common understanding and consistent approach to assist developers, City staff, City Council, and the general public. It should be noted that the creation of special districts and tax abatements are solely at the pleasure of the City Council of the city of Cleveland and nothing in this document should be construed as an obligation of the City to create special districts or enter into tax abatement agreements. Meeting the procedural guidelines does not guarantee an affirmative response by the City.

II. City Position Statement

It is the position of the City of Cleveland that the use of Special Districts and Tax Abatements should not create a burden for existing taxpayers and should, in general,:

- a. Improve or maintain the overall quality of the City's infrastructure and facilities. The project must also maintain the integrity of the City's water and wastewater systems.
- b. Promote high quality development that will benefit the local economy and provide jobs.
- c. Ensure the highest and best use of land through well-planned commercial, industrial, or residential development, including consideration for adjacent properties and tracts not included in the project.
- d. Protect the City's tax base by generating the highest possible property value and sales tax revenue.
- e. Not create an inequitable property tax or water/sewer rate structure among Cleveland's residents and property owners.

III. Special Districts and Tax Abatements (In General)

Below is a list of economic development tools commonly used by cities throughout Texas. Specific procedures and policies relating to the use of these tools in the city of Cleveland are explained in greater detail in the attachments.

1. Tax Increment Reinvestment Zones (TIRZs)

A Tax Increment Reinvestment Zone (TIRZ) is a development-financing tool created under the provisions of Chapter 311 Texas Tax Code. A TIRZ provides a method to finance public improvements in a specifically designated zone using tax increment funds. The City may designate an area as a Reinvestment Zone to promote development or redevelopment of the area if such development would not occur solely through private investment in the reasonably foreseeable future.

Tax increment financing refers to the amount of tax revenue generated on the increased property values, which result from new development or redevelopment. To finance public improvements that are needed to create the new development and the increase in taxable value, the City may create a TIRZ. When a TIRZ is created, the base taxable value is established. The tax revenue generated on the increased value over and above the base year value is known as the “increment” and will be used by the TIRZ to pay for the public improvements, normally by reimbursing the developer or providing debt service on the bonds that were issued to reimburse the developer.

2. Public Improvement Districts (PIDs)

A Public Improvement District (PID) is a financing tool created under Chapter 372 of the Texas Local Government Code. This tool allows the City to initiate or receive a petition from property owners requesting the establishment of a special district to finance improvements. The improvements will be paid for or financed through assessments on property benefited by the improvements.

3. Municipal Management Districts (MMDs)

Municipal Management Districts are created either by a special act of the State Legislature or through petition to the Texas Commission on Environmental Quality (TCEQ). Property owners within these districts are authorized to assess, and in some tax, themselves to fund specific improvements, including those related to quality of life issues such as beautification, security, mobility, transit, traffic control, and marketing. Also, these districts can operate and maintain infrastructure through services such as landscape maintenance and street and sidewalk sweeping.

Municipal Management Districts can also function on a peer level with other public

agencies to provide a similar mechanism for interaction between the agencies, property owners, tenants and residents to guide the cooperative processes typically necessary for effective large-scale development and/or redevelopment. Municipal Management Districts have the ability to provide long-term maintenance to improvements.

4. Neighborhood Empowerment Zones (NEZs)

Neighborhood Empowerment Zones can be created by a city under the provisions of Chapter 378 of the Local Government Code. Through creation of a NEZ the city is allowed to contract to abate and/or refund all or a portion of taxes, including personal property and sales taxes, if the city makes findings that the zone will promote economic development. To create a NEZ the city must adopt an ordinance or resolution with findings that the zone will contribute to the economic development of the City.

5. Tax Abatements

Tax Abatements are an economic development strategy allowed by Chapter 312 of the Texas Tax Code used to attract or retain businesses and development by mitigating the expenses usually associated with the construction or expansion of a business. The business or development will in turn agree to provide a certain number of jobs to city residents and create a certain amount of taxable value.

6. Voluntary Clean-Up Tax Abatements

Voluntary Clean-up Tax Abatements are a special category of tax abatement allowed under Chapter 312.211 of the Texas Tax Code for property owners who volunteer to clean-up contaminated property. Unlike regular tax abatements, voluntary clean-up abatements only allow a property owner to abate taxes on the land value, but this may be structured to include a certain percentage of the original land value rather than just the increase resulting from the clean-up efforts.

7. Municipal Utility Districts (MUDs)

Municipal Utility Districts (MUDs) can be created by the Texas Constitution, the Water Code, or Legislative Act. MUDs help finance the cost of water, wastewater, drainage, and detention required for development, usually (but not necessarily) in unincorporated areas. MUDs have the power to levy an ad valorem tax to reimburse developers, or to repay the bonds that were issued to reimburse developers, for the provision of needed services plus the operation and maintenance of district facilities. MUDs have recently obtained authority to provide broader services such as garbage collection, security, and parks construction.

The city of Cleveland will consider consenting to the creation of MUDs within its extraterritorial jurisdiction (ETJ), but will not consent to the creation of Municipal Utility Districts within its corporate boundaries.

IV. Creating a Special District or Obtaining a Tax Abatement Agreement

The specific procedures for the creation of special districts and tax abatements in the city of Cleveland are attached to this document.

City of Texas City Policy for the Use of Special Districts

1. Purpose of Policy

The City will consider the use of special districts to promote new development and redevelopment where it can be demonstrated that an increase in tax base can reasonably be expected and the overall quality of life for people who live and work in the City can be improved. This policy will be applicable within the City and within its Extra-Territorial Jurisdiction ("ETJ"). For those proposed developments that meet the goals and criteria of this policy, the City is willing to consider the following types of special districts: municipal utility districts, tax increment reinvestment zones, municipal management districts, public improvement districts, and neighborhood empowerment zones as described in Section 3.

The purpose of this Policy is to establish a common understanding and consistent approach to guide developers, City staff, the City Commission and the general public through a standardized evaluation process for development proposals that request City consideration of a special district. The policy is intended to:

- **Provide Consistency** - Provide consistent ground rules regarding what is required from developers and a uniform process for City staff in evaluating development proposals where the creation of a special district is being considered, or may be appropriate, and in making recommendations to the Mayor and City Commission.
- **Protect the City's Interests** - Clearly articulate the information that the Mayor and City Commissioners require in order to make a well-informed decision that is in the best interests of the City.
- **Create Win-Win Conditions** - Ensure that benefits accrue for both the City and the developer so that the overall quality and sustainability of tax base is ensured. At the same time, create a positive and predictable development atmosphere that will place and keep Texas City in the competitive forefront in attracting high-quality jobs and environmentally friendly business and industry.
- **Promote Thorough Understanding Regarding When City Will Create Special Districts** - Demonstrate to the development community that the City may consider the use of special districts under special circumstances where a proposal meets the goals set out in this policy and where demonstrable extraordinary benefits will accrue to the City.

2. **Goals of the Policy**

1. Improve the overall quality and performance of the City's infrastructure and facilities.
 - Development should make significant positive contributions to public infrastructure and facilities that will have broad reaching benefits, including to the older areas of the City.
2. Promote diversification and balance in the local economy.
 - Encourage environmentally friendly, clean industry.
 - Attract high-paying jobs.
3. Ensure high quality, well-planned developments.
 - The City is predominantly interested in promoting only the highest and best use of land to foster sustainable tax base.
 - Development should be well planned and comprehensive, taking into consideration the impact of the proposed development on potential future development opportunities on nearby lands.
 - Development should be mixed-use, including a strong environmentally friendly commercial/industrial component where appropriate that will include high-paying jobs.
 - Provide a broad range of housing options, including high-end housing.
4. Protect the City's tax-base.
 - Development should generate the highest possible ad valorem value and sales tax revenue.
 - Development should not create a burden on existing taxpayers.

3. **Description of Special Districts:**

- Municipal Utility District

A Municipal Utility District (MUD) can be created by provisions of the Constitution, the Water Code, or Legislative Act, They help finance the cost of water, wastewater, drainage and detention required for development, usually (but not necessarily) in unincorporated areas. MUDs have the power to levy an ad valorem tax to repay developers for the provisions of needed services plus the operation and maintenance of district facilities. MUDs generally reimburse developers from between 70% to 100% for water, sewer, drainage and detention costs, as well as associated financing costs. MUDs have also recently been given broader powers to provide such additional services as garbage collection, security, and parks construction.

- Tax Increment Reinvestment Zone

A Tax Increment Reinvestment Zone (TIRZ) is a development-financing tool created under the provisions of Chapter 311 Texas Tax Code. A TIRZ provides a method to finance improvements in a specifically designated zone using tax increment funds. The City may designate a specific geographic area as a Reinvestment Zone to promote development or redevelopment of the area if such development would not occur solely through private investment in the reasonably foreseeable future.

The term tax increment financing (TEF) refers to the amount of tax revenue generated on the increased property values, which result from new development or redevelopment. To implement TIF the City must create a TIRZ. While a TIRZ can only be created by the City, any jurisdiction that levies a tax on property within the TIRZ can "participate" in the TIRZ by contributing all or a portion of its tax rate to the TW. At the time the TIRZ is created, the base taxable value is established. The tax revenue generated on the increased value over and above the base year value is known as the "increment" and can be used by the TIRZ to pay for public improvements within the TIRZ.

- Municipal Management District/Improvement District

Municipal Management Districts and Municipal Improvement Districts are created either by a special act of the Legislature or through petition to the Texas Commission on Environmental Quality (TCEQ). Property owners within these districts are authorized to assess, and in some instances tax, themselves to fund specific improvements, including those related to quality of life issues such as beautification, security, mobility, transit, traffic control, and marketing. Also, these districts can operate and maintain infrastructure through services such as landscape maintenance and street and sidewalk sweeping.

Municipal Management Districts/Improvement Districts can also function on a peer level with other public agencies to provide a similar mechanism for interaction between the agencies, property owners, tenants and residents to guide the cooperative processes typically necessary for effective large-scale development and/or redevelopment. Municipal Management/Improvement Districts have the ability to provide long-term maintenance to improvements.

- Public Improvement District

A Public Improvement District (PID) is a financing tool created under the Public Improvement Chapter 372 of the Texas Local Government Code. This tool allows the City to initiate or receive a petition from property owners requesting the establishment of a special district to finance improvements. A PID can even be used to actively market an area. A PID is created by the City Commission and needs no state agency approval.

A PID enables a neighborhood or commercial area to make improvements benefiting the area and spread the cost equally among all properties. Property owners who benefit from the improvements are assessed based on benefit. It is an overlapping assessment, i.e. it is in addition to City, County and School District taxes.

- Neighborhood Empowerment Zone

Neighborhood Empowerment Zones can be created by the City Commission under the provisions of Chapter 378 of the Local Government Code. Through creation of a NEZ the City is allowed to contract to abate and/or refund all or a portion of taxes, including personal property and sales taxes, if the City makes findings that the zone will promote economic development within its corporate limit. To create a NEZ the City must adopt an ordinance or resolution with findings, that the zone will contribute to the economic development of the City.

The City reserves the right to limit the term or duration of any special district it creates or consents to being created. Further the City may limit the timing, term and number of debt issues and refinancing of debt as may be appropriate to coordinate debt repayment with the term or duration of the special district. A chart summarizing the powers and creation process for all these, except the Neighborhood Empowerment Zone, is included as an exhibit to this document.

4. Evaluation Criteria

All proposals submitted to the City for consideration of creation of a special district must be complete according the following criteria. Incomplete applications, or those lacking sufficient detail, will not be processed until all information, including payment of application fee, is provided.

a) General Provisions for Special Districts in Texas City

<i>Type of Special District</i>	<i>Minimum Total Size of Development</i>	<i>Residential Component</i>	<i>Commercial Component</i>
Municipal Utility District	200 acres	Not required If a residential component is included, the average sales price must be a minimum of \$140,000. ¹	Required.

¹ The minimum average sales price may change from time to time to reflect changes in market conditions, at the discretion of the city.

Tax Increment Reinvestment Zones	None	Allowed if incorporated with a commercial component.	Required
Municipal Management Districts	None	Allowed if incorporated with a commercial component.	Required
Public Improvement Districts	None	If a residential component is included, the average sales price must be a minimum of \$140,000. ²	Not required
Neighborhood Empowerment Zone	None	Not allowed	Required

b) **Evaluation Criteria Checklist**



• Submit 10 copies of the complete proposal package	
• Application fee to be submitted along with the package: \$5,000.00	
• Packages will include the following:	
○ Detailed description of proposed development and type(s) of Special District being requested	
○ Business plan, if applicable	
○ Market feasibility considerations / justification of need	
○ Proposed development schedule	
○ Project construction estimates / pro forma projections	
○ List of previous projects	
○ References	
○ Map and/or list of all land in which the proponent has an interest that is contiguous to, and/or in close proximity to the land that is the subject of this submission	
○ Detailed description of how each of the evaluation criteria listed below are addressed:	
<i>Developer/Applicant</i>	
• Financial capability to carry-out the proposed development	
• Proven track record	
• Project management expertise	

² The minimum average sales price may change from time to time to reflect changes in market conditions, at the discretion of the city.



<i>Evaluation of Development Impact (Costs and Benefits)</i>	
<i>Long Term Strategies</i>	
• Employment generation – short and long term (no. & type of jobs, salary levels)	
• Business and job retention	
• Infrastructure improvements (existing)	
• High-end housing	
<i>Environment Impact</i>	
• Environmentally-friendly, clean industry	
• Assessment of impact of development on surrounding area	
<i>Impact on Public Infrastructure and Services</i>	
• Transportation/mobility, traffic and roads	
• Water need requirements	
• Sanitary sewers	
• Storm water	
• Other Utilities (electricity, fiber optics, etc.)	
• Police, Fire and EMS	
• Schools	
• Parks and recreation	
• Airport	
<i>Impact on City Policies, Ordinances & Regulations</i>	
• Vision 2020	
• Goals 2000	
• Comprehensive Plan	
• City Codes or Ordinances, including subdivision code and zoning standards	
<i>Fiscal Impact</i>	
• Property Tax	
• Sales tax from construction activities	
• Sales tax derived from development itself	
• Franchise and service fees	
• Other City revenue sources	

Notwithstanding the individual criteria provided above, the City will review the aggregate impact of each proposal in making its decision.

5. Evaluation Process

Each proposal for the creation of a special district shall be evaluated against the provisions of this policy, according to the following review procedures:

1. Prior to the submission of any proposal for the creation of a special district, the developer/applicant is required to request a pre-proposal meeting. This meeting will be attended by all or some of the representatives of the Review Team as described below in item 5, at the discretion of the Mayor. The purpose of the pre-proposal meeting is to address questions regarding the use of this policy early on and to give preliminary consideration as to whether the Review Team believes that there is a reasonable expectation of support for the proposal going forward. This does not, however, prejudice the Review Team's decision as a result of the proposal going through the evaluation process. The pre-proposal meeting will also allow the City staff to identify for the developer/applicant amendment applications that would also be required to permit the proposal to move forward, if it were successful under this policy.
2. Proposals are to be submitted to the City of Texas City, City Planner.
3. The City Planner will conduct an initial evaluation for completeness of the application and contact proponent if additional information is required. Incomplete applications will not be processed until all information, including payment of the application fee, as set out above is provided.
4. City Planner will coordinate an evaluation of the application based on the evaluation criteria and prepare a preliminary report. In the preparation of this report, City Planner will consult with other City departments and other agencies, as appropriate, for their input regarding the proposal and its impacts on, and costs and benefits to the City of Texas City.
5. A Review Team, consisting of the following, will consider the proposal and the staff report.
 - a. Mayor
 - b. City Director of Management Services
 - c. City Planner
 - d. City Attorney
 - e. City Engineer
 - f. City Director of Public Works
 - g. City Director of Finance
 - h. City Building Official
6. The Review Team will prepare a final report with recommendations regarding the proposal, and the proposal along with the recommendation shall be forwarded to City Commission for consideration.
7. The City will endeavor to meet a 45-day time frame for conducting its evaluation process, following receipt of a properly completed proposal package and application fee.
8. The City and the Review Team will respect the confidentiality of the material that is required by this policy to be submitted by the development/applicant, to the extent permitted by law.

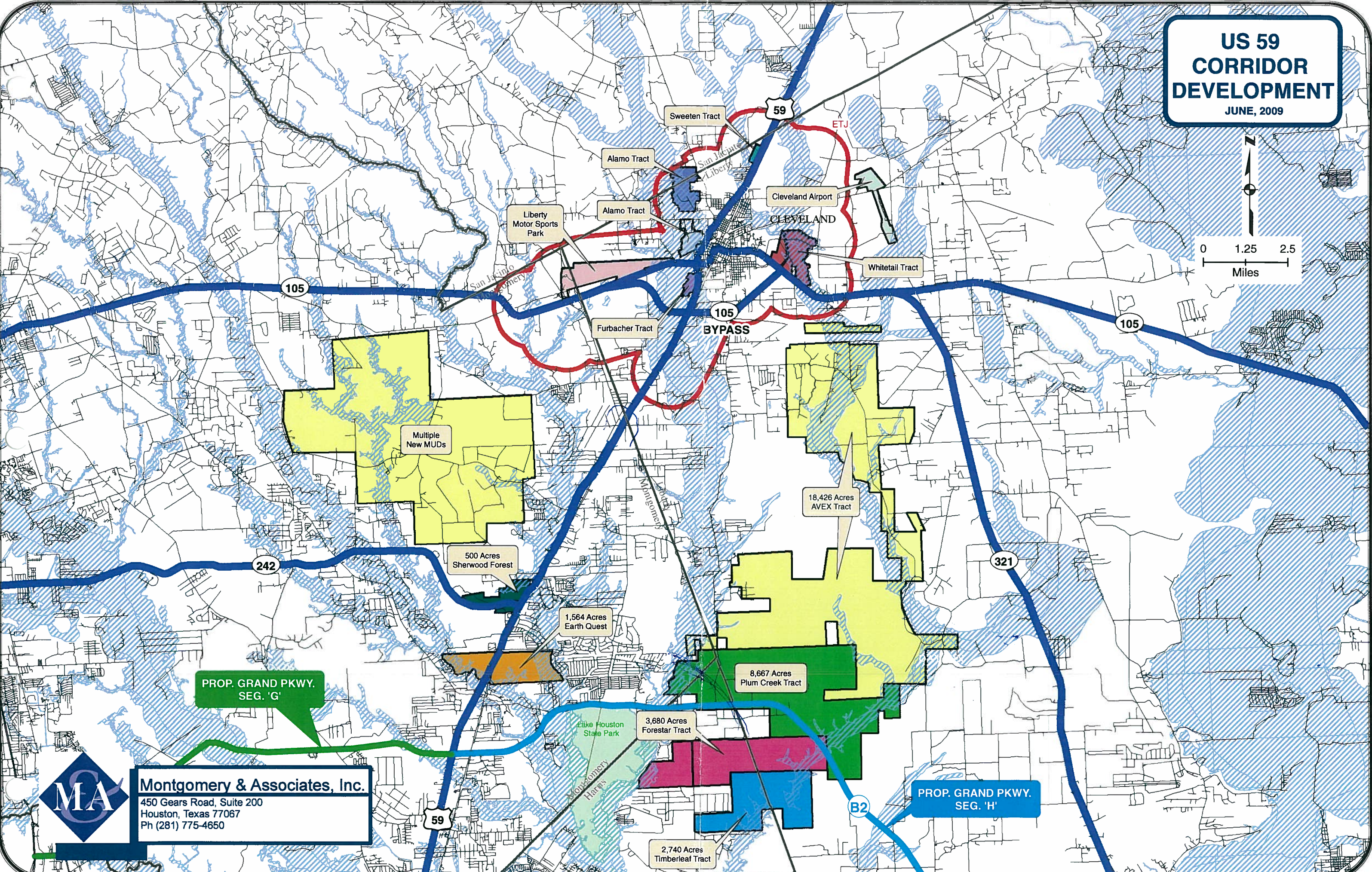
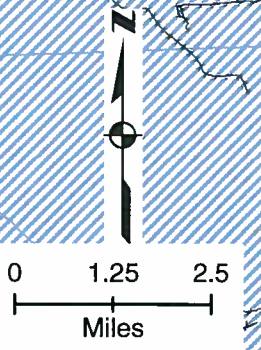
City of Texas City

Policy for the Use of Special Districts

	MUD	TIRZ	MMD	PID
Enabling Statute	Chapter 54 Water Code	Chapter 311 Tax Code	Chapter 376 Local Govt. Code	Chapter 372 Local Govt. Code
Regulatory Oversight Method of Request to Create	TCEQ Petition (majority of value)	City City Initiated or Petition (majority of value)	City Special Legislation or TCEQ process by petition	City Petition (majority of value)
Notice to Create	Public Hearing 14-day Published Notice and City Consent	Public Hearing 7-day Published Notice 60-day Notice of Hearing	Legislative hearings or TCEQ hearings	Public Hearing 15-day Published Notice
Statutory Purpose	Provide w/s/d, irrigation, navigation, parks, solid waste management, deed restriction enforcement	Implement adopted plan of public improvements including w/s/d/paving, sidewalks, landscape, streetscape, parks	Implement adopted Service and Assessment Plan for public improvements including w/s/d/paving, streetscape, parks, sidewalks, maintenance, security, marketing	Implement adopted Service and Assessment Plan for public improvements including w/s/d/paving, landscape, streetscape, parks, sidewalks, maintenance, security, marketing
Board	Mandatory 5 director board elected by residents of MUD	Mandatory 7-9 director board appointed by City	Board appointed in legislation establishing district	Discretionary Advisory Board appointed by City, must be landowners
Board Term	4 years	2 years	4 years	No term
Levy Authority	Unlimited Ad Valorem Tax for cost of improvements, operations and maintenance, TCEQ only approves bond sales with projections of rate at \$1.50/\$100 or below.	None	Assessment for cost of public improvements and supplemental operation and maintenance, established annually with public hearing or set once without increase	Assessment for cost of public improvements and supplemental operation and maintenance, established annually with public hearing or set once without increase
Bonded Debt Issuance	As authorized by voters in MUD	As allowed by City	As allowed by City	As allowed by City
Overlapping Tax Duration	Tax Rate Until dissolved by vote of board of directors; or annexed and dissolved by City	None Limited by statute to less than 40 years	Assessment Rate Until dissolved by Board of Directors or City	Assessment Rate Until dissolved by City upon petition of majority of value;

US 59 CORRIDOR DEVELOPMENT

JUNE, 2009



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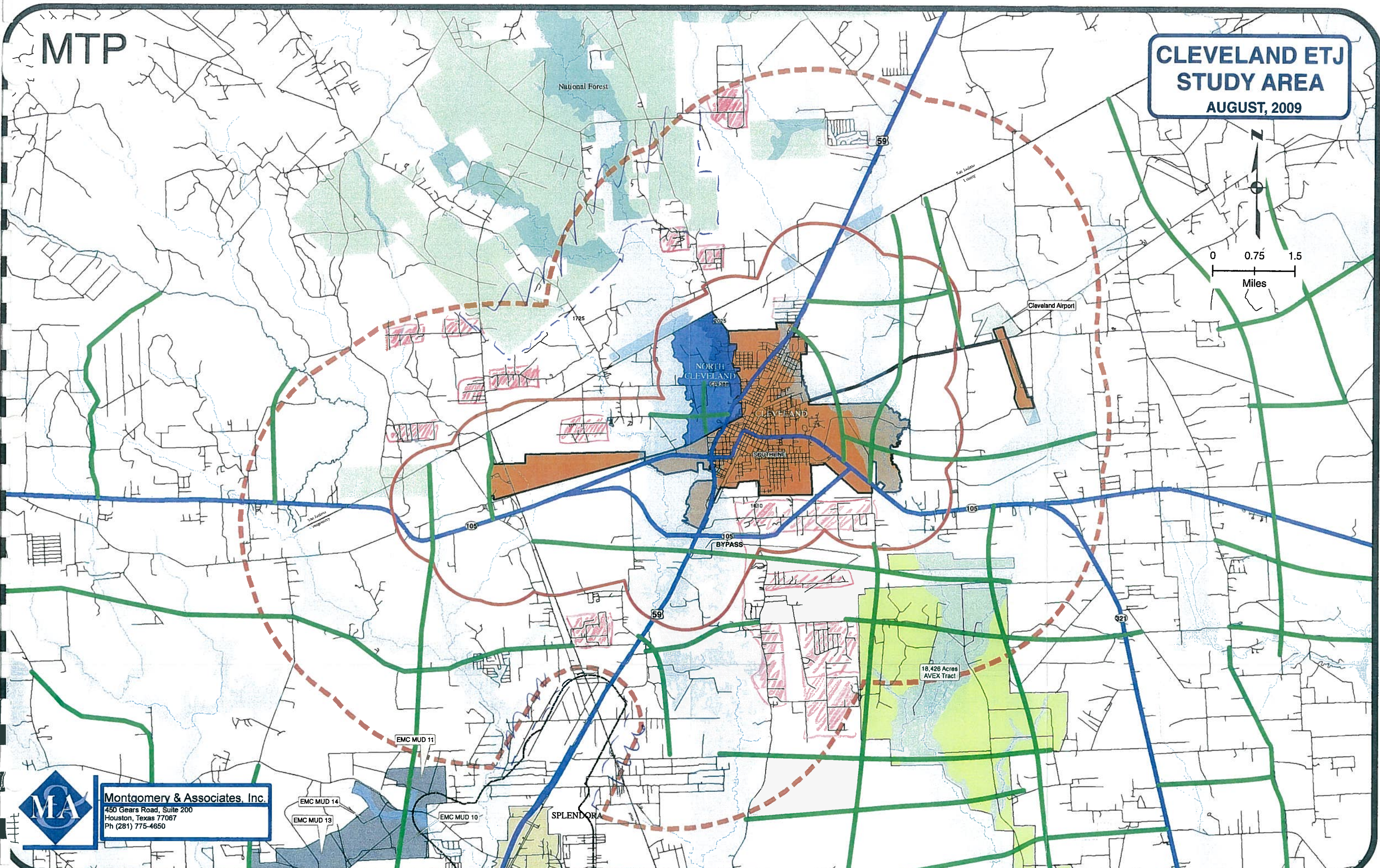
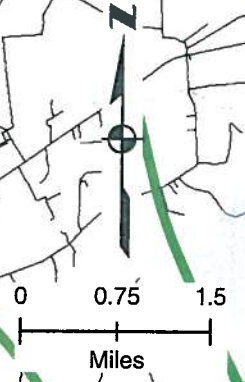
PROP. GRAND PKWY. SEG. 'H'

Map Data

MAP	SOURCE
BASE MAP	National forest - ESRI Data
	Cleveland ETJ - Public Management, Inc.
	County Boundaries - ESRI Data
	Streets and Highways - ESRI Data
	Splendora City Boundary - ESRI Data
	Splendora ETJ - Montgomery & Associates / City of Splendora
	Cleveland Target ETJ - Montgomery & Associates / CEDC
	Streams - ESRI Data
	Floodplain - FEMA
	North Cleveland City Boundary - Public Management, Inc.
	Cleveland City Limits - Public Management, Inc.
	Tracts - Montgomery & Associates / Each Owner
Future Developments	Tracts - Montgomery & Associates / Each Owner
Streams and Topo	Contours - TNRIS
	Streams - ESRI Data
MTP	MTP - Liberty County / Montgomery County
Oil Wells	Well Location - Rail Road Commision
Land Parcels	Parcels - MCAD / SJCAD / LCAD
Pipeline Corridors	Pipelines - Rail Road Commision
Rail Corridors	Existing Rails - Rail Road Commision
	Proposed Rails - Jay Rice on behalf of CEDC
School Districts	Districts - Texas Education Agency
CCN	CCN - TCEQ

MTP

**CLEVELAND ETJ
STUDY AREA**
AUGUST, 2009



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EMC MUD 14
EMC MUD 13

EMC MUD 11

EMC MUD 10

SPLENDORA

18,426 Acres
AVEX Tract

National Forest

Cleveland Airport

NORTH CLEVELAND

CLEVELAND

SOUTH CLEVELAND

105 BYPASS

59

105

59

105

327

1725

2025

1810

San Antonio

San Joaquin

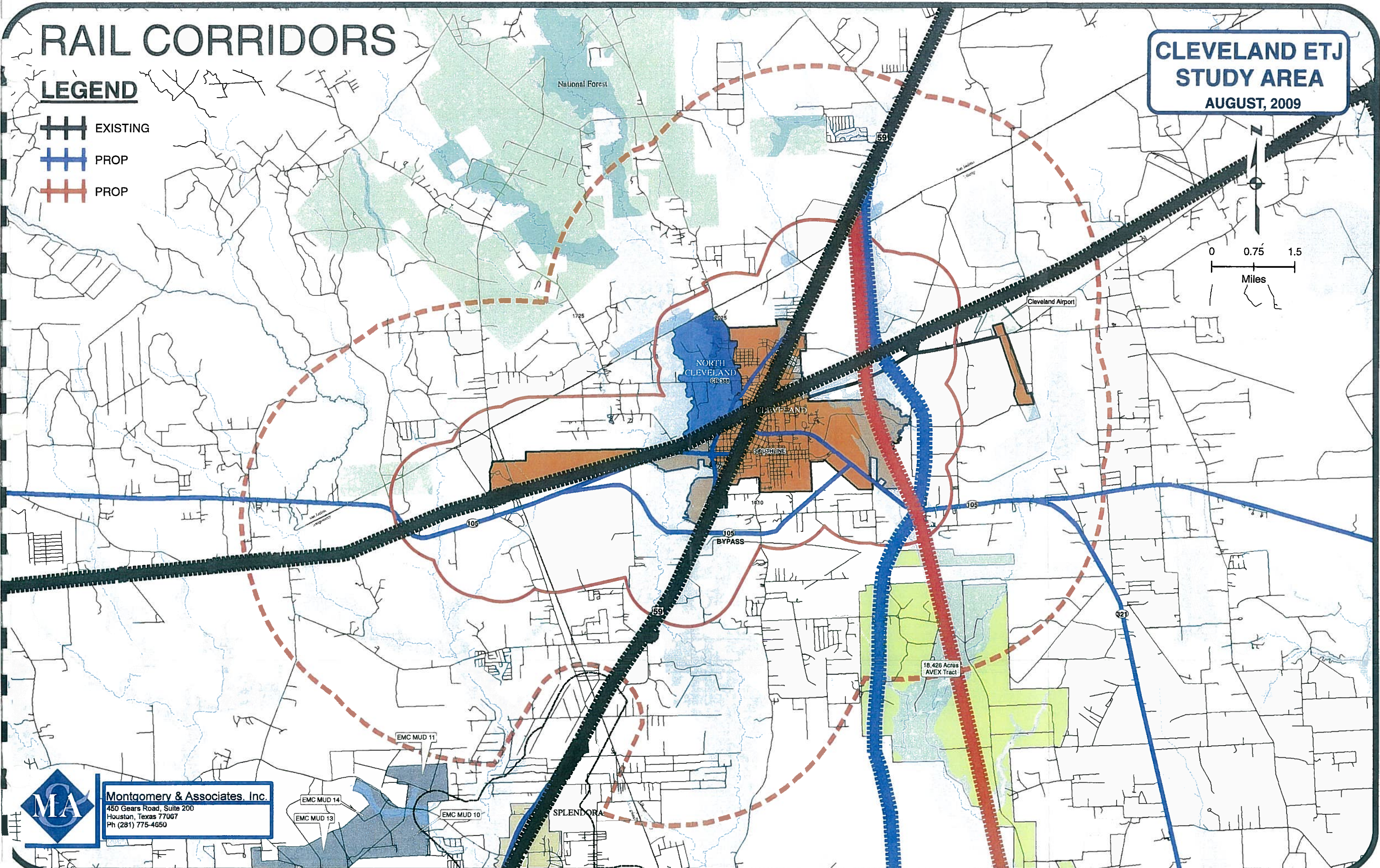
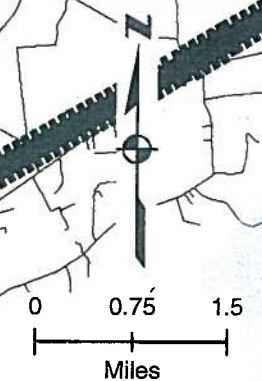
Trinity

RAIL CORRIDORS

LEGEND

- EXISTING
- PROP
- PROP

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AUGUST, 2009



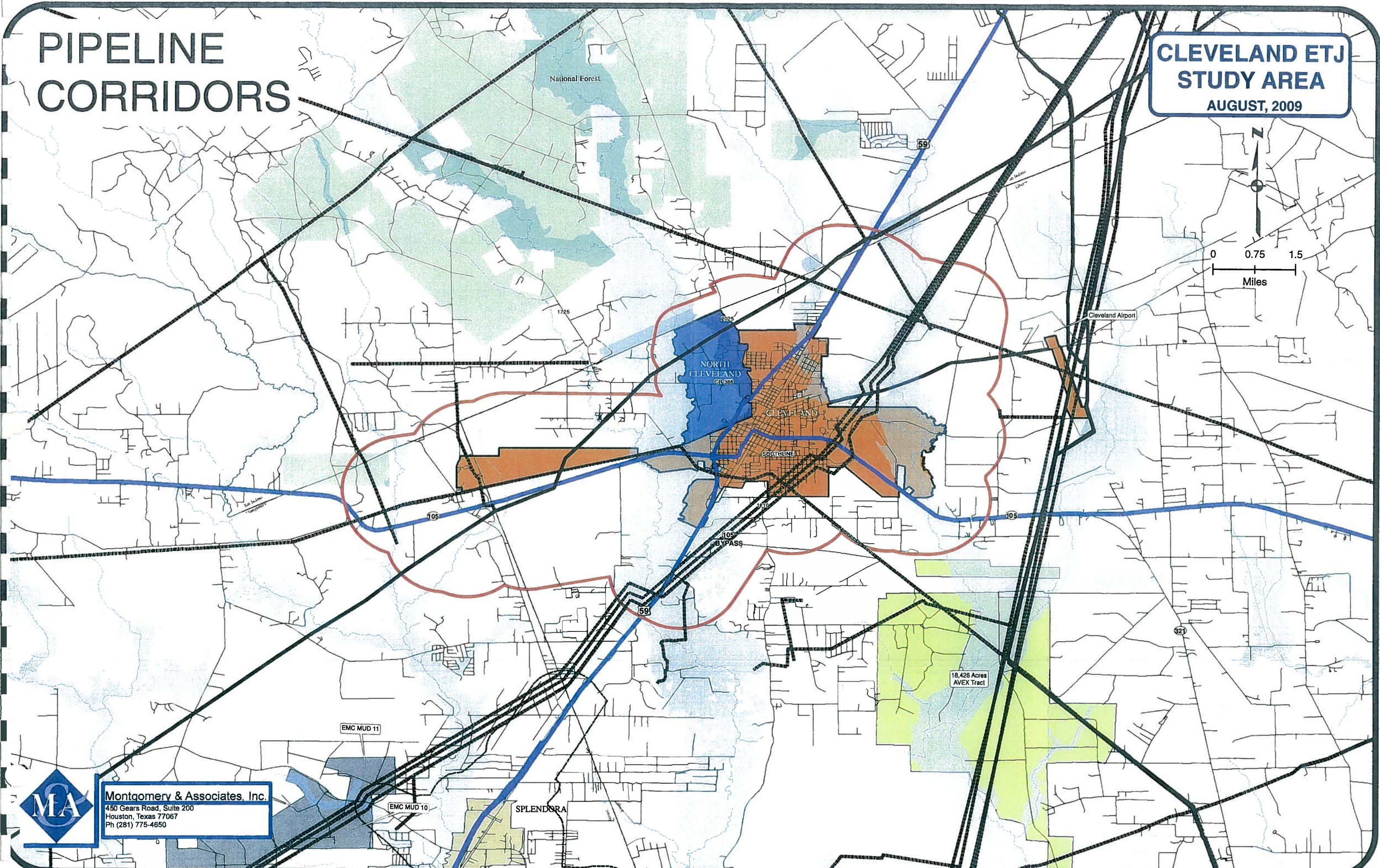
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EMC MUD 11
EMC MUD 14
EMC MUD 13
EMC MUD 10
SPLENDORA

18,426 Acres
AVEX Tract

PIPELINE CORRIDORS

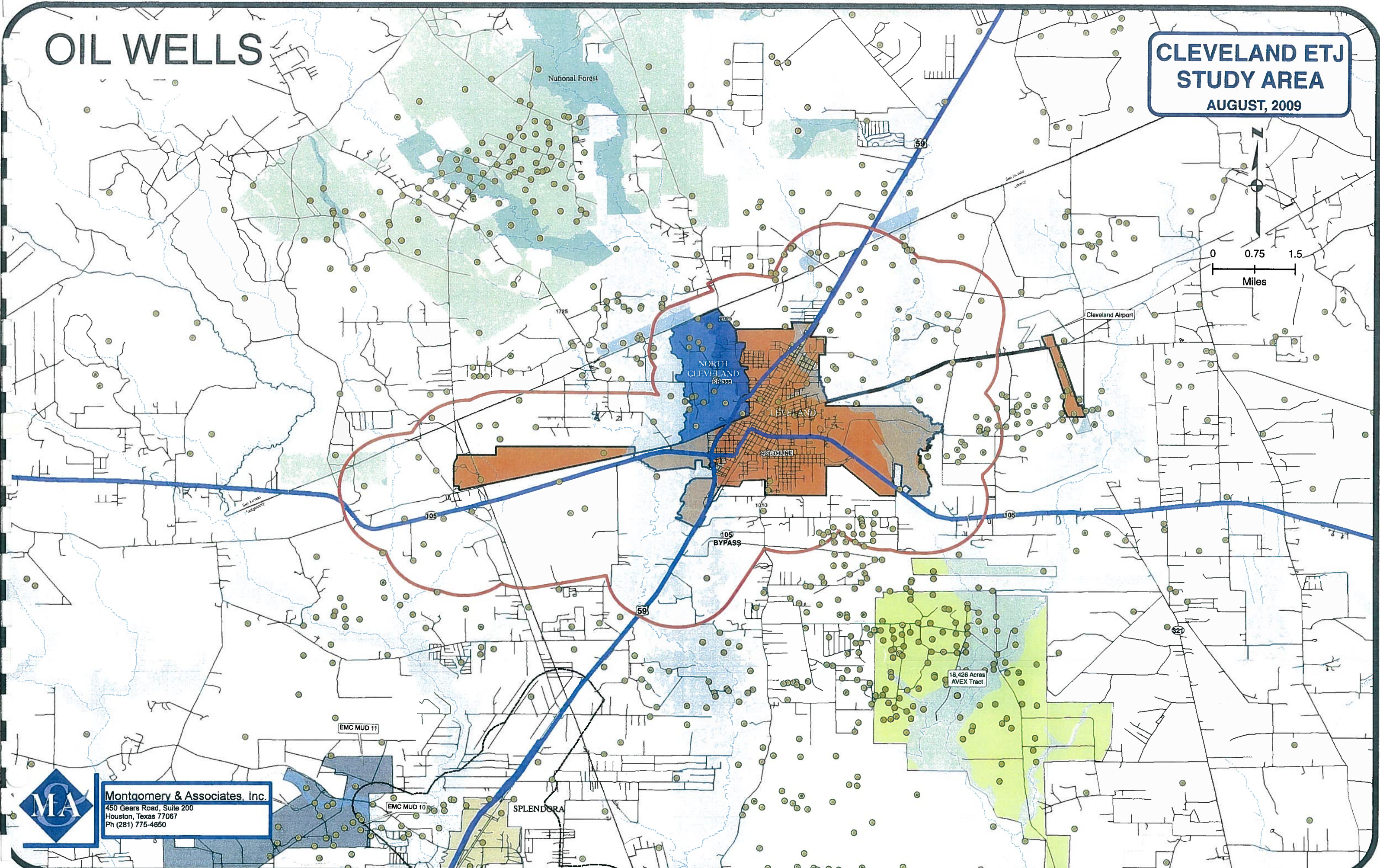
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OIL WELLS

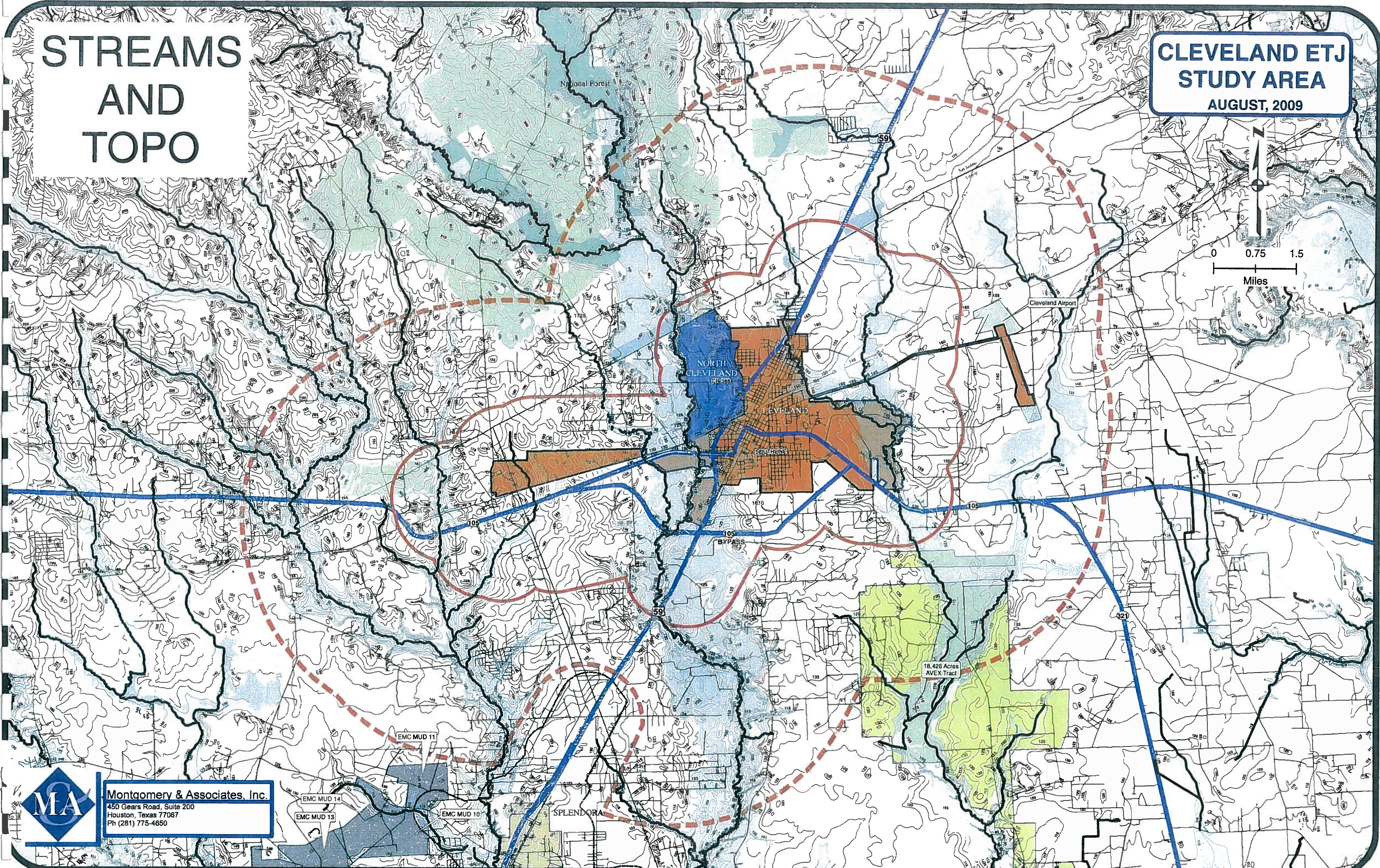
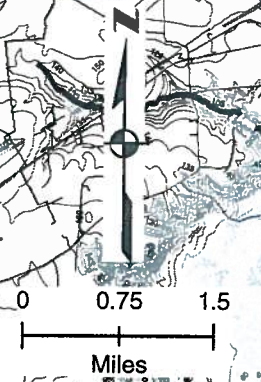
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STREAMS AND TOPO

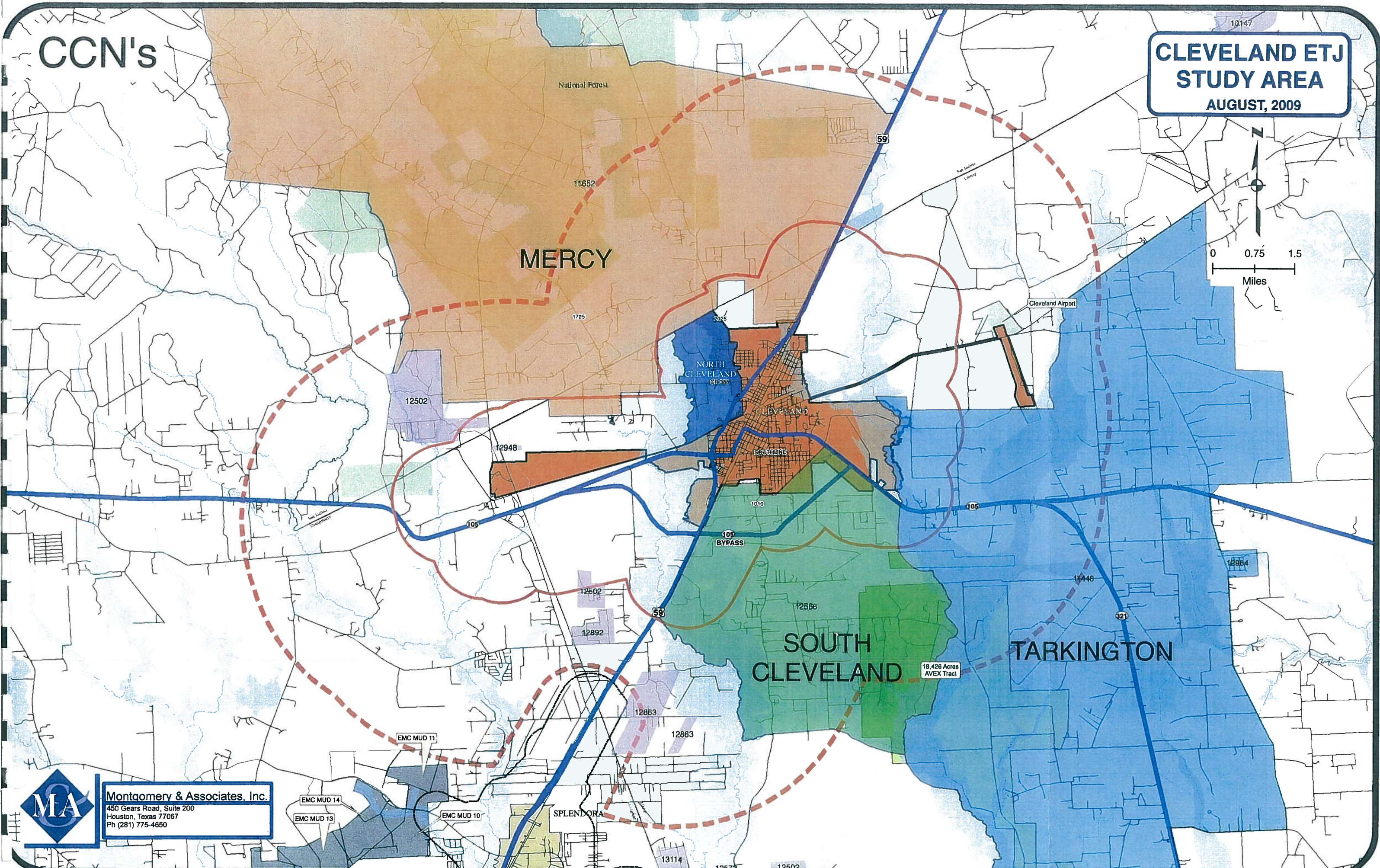
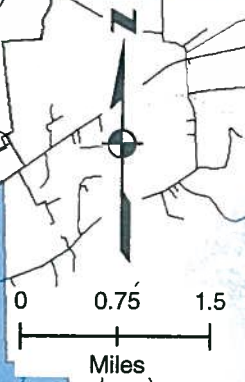
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CCN's

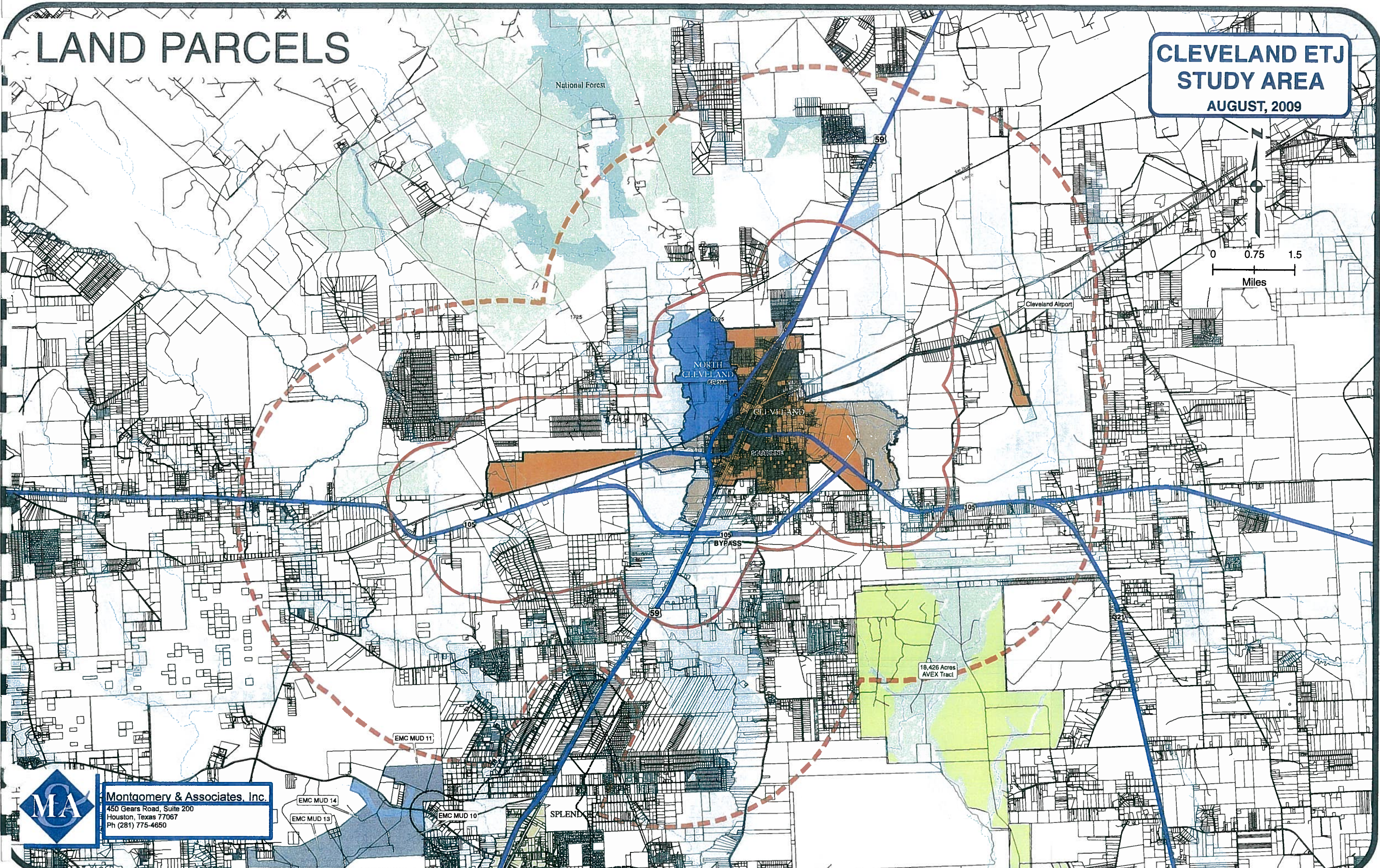
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LAND PARCELS

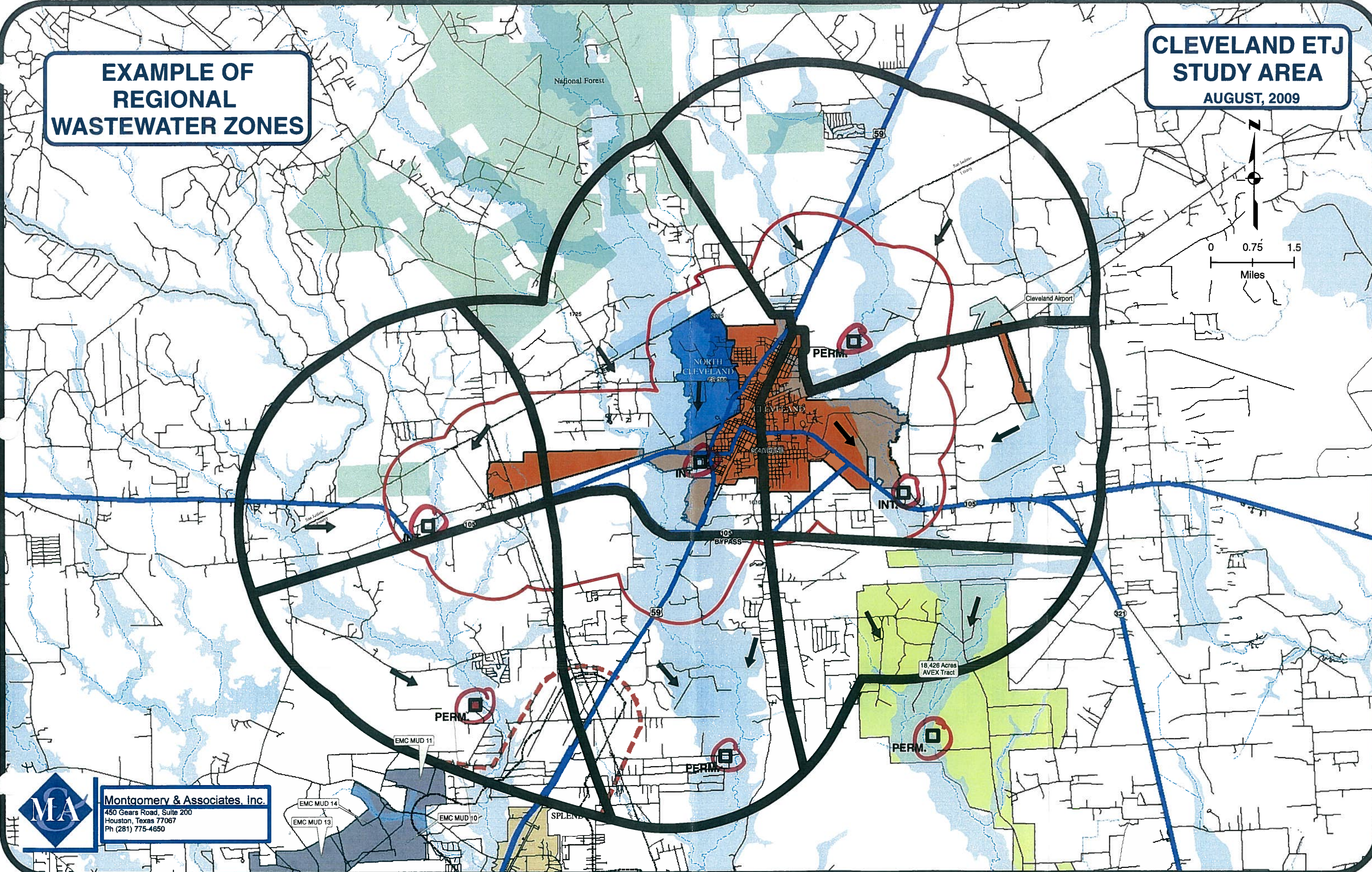
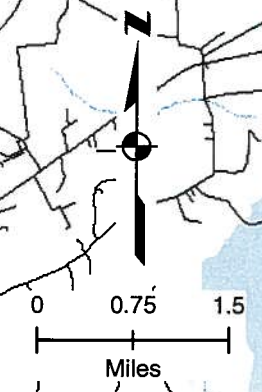
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**EXAMPLE OF
REGIONAL
WASTEWATER ZONES**

**CLEVELAND ETJ
STUDY AREA**
AUGUST, 2009



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