

Jon Niermann, *Chairman*
Bobby Janecka, *Commissioner*
Catarina R. Gonzales, *Commissioner*
Kelly Keel, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 9, 2024

Mr. Christopher Skinner
Schwartz, Page & Harding, LLP
1300 Post Oak Boulevard, Suite 2400
Houston, Texas 77056

Re: Waller County Municipal Utility District No. 39, Order approving the Creation of the District

Dear Mr. Skinner:

Enclosed is a certified copy of an Order issued by the Texas Commission on Environmental Quality regarding the referenced matter. This action is taken under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

Should you have a question, please contact Mrs. Cheyenne Connors by phone (512) 239-3583, or by email at Cheyenne.Connors@tceq.texas.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michele Risko".

Michele Risko, Deputy Director
Water Supply Division

MR/cc

Enclosures

ccs: Mailing list

MAILING LIST

Waller County Municipal Utility District No. 39
TCEQ Internal Control No. D-09092024-014

<p>Mr. Christopher T. Skinner Schwartz, Page & Harding, LLP 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056</p> <p>Mr. Joshua Mark Campbell, P.E. EHRA 10011 Meadowglen Lane Houston, Texas 77042</p> <p>The Honorable Stan Kitzman Texas House District 85 Room E2.716 P.O. Box 2910 Austin, TX 78768</p> <p>The Honorable Lois Kolhorst Texas Senate District 18 P.O. Box 12068 Capitol Station Austin, TX 78711</p> <p>Ms. Nicole Bealle TCEQ Region 12 5425 Polk Street, Suite H Houston TX 77023</p> <p>Ms. Debbie Hollan Waller County Clerk 425 FM 1488, Suite 112 Hempstead, Texas 77445</p> <p>The Honorable Carbett J. Duhon III Waller County Judge 425 FM 1488, Suite 106 Hempstead, TX 77445</p>	<p>Texas Commission on Environmental Quality P. O. Box 13087 Austin, Texas 78711-3087</p> <p>Todd Galiga, Senior Attorney, Environmental Law Division, MC-173</p> <p>Cheyenne Connors, Districts Creation Review Team, MC-152</p> <p>Stephanie DeSouza, Districts Creation Review Team, MC-152</p> <p>Justin Taack, Technical Manager, Districts Section, MC-152</p> <p>Michelle Voytko, Drinking Water Special Functions Section, MC-155</p> <p>Garrett Arthur, Office of the Public Interest Counsel, MC-103</p>
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

DEC 9 2024

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON
Laurie Gharis
LAURIE GHARIS, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER GRANTING THE PETITION FOR CREATION OF WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 39 AND APPOINTING TEMPORARY DIRECTORS

A petition by M-Four Devco, Ltd., a Texas limited partnership (Petitioner) was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for approval of the creation of Waller County Municipal Utility District No. 39 (District) pursuant to Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

The TCEQ, after having considered the petition, application material, and memorandum from the Executive Director dated November 18, 2024 (Memorandum), attached as Exhibit "B," finds that the petition for creation should be approved.

The TCEQ finds that the creation of the proposed District as set out in the application is feasible, practicable, and necessary, and would be a benefit to the land to be included in the proposed District.

The TCEQ further finds that the proposed District and its system and subsequent development within the proposed District will not have an unreasonable effect on land elevation, subsidence, groundwater level within the region, recharge capability of a groundwater source, natural runoff rates and drainage, water quality, or total tax assessments on all land located within the proposed District.

All of the land and property proposed may properly be included within the proposed District.

All statutory and regulatory requirements for creation of Waller County Municipal Utility District No. 39 have been fulfilled in accordance with TEX. WATER CODE § 54.021 and 30 TEX. ADMIN. CODE §§ 293.11-293.12.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:

1. The petition for the creation of Waller County Municipal Utility District No. 39 is hereby granted.
2. The District is created under the terms and conditions of Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.
3. The District shall have, and shall be subject to, all of the rights, duties, powers, privileges, authority, and functions conferred and imposed by the TCEQ and the general laws of the State of Texas relating to municipal utility districts, including road powers under TEX. WATER CODE § 54.234, subject to the requirements of the TCEQ and the general laws of the State of Texas relating to the exercise of such powers.

4. The District shall be composed of the area situated in Waller County, Texas and wholly outside of the corporate limits and extraterritorial jurisdiction of any city, town, or village, as described by metes and bounds in Exhibit "A" attached hereto and incorporated herein for all purposes.

5. The Memorandum dated November 18, 2024, attached as Exhibit "B," is hereby incorporated as part of this Order.

6. The persons listed in Recommendation No. 4 of the Memorandum are hereby named and appointed as temporary directors and shall, as soon as practicable after the date of entry of this Order, execute their official bonds and take their official oaths of office. All such bonds shall be approved by the Board of Directors of the District, and each bond and oath shall be filed with the District and retained in its records.

7. This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the TCEQ in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for TCEQ consideration.

8. The Chief Clerk of the TCEQ shall forward a copy of this Order to all affected persons.

9. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **December 2, 2024**

A handwritten signature in black ink, appearing to read "K. Keel", is written above a horizontal line.

For the Commission

EXHIBIT "C"



TBPE No. F-726
TBPLS No. 10092300

WALLER COUNTY MUNICIPAL UTILITY DISTRICT No. 39 723.077 ACRES

FIELD NOTES of a 723.077 of acre tract of land situated in the Peter Harper Survey, Abstract No. 137 and the Lancelot Abbott Survey, Abstract No. 1, Waller County, Texas; said 723.077 acre tract of land being the same tract of land as conveyed to M-Four Devco, Ltd. and recorded at Waller County Clerk's File No. (W.C.C.F. No.) 1810051 of the Official Public Records of Real Property (O.P.R.O.R.P.); said 723.077 acre tract of land being more particularly described by metes and bounds as follows:

NOTE: All bearings are Lambert grid bearings and all coordinates refer to the Texas State Plane Coordinate System, South Central Zone (#4204), as defined by article 21.071 of the Natural Resources Code of the State of Texas, 1983 Datum (2001 adjustment). Scaled factor = 0.99995266735. All distance are actual distances.

BEGINNING at a 1-1/4" iron pipe found for the Southeast corner of this tract of land, the Southwest corner of a called 49.9915 acre tract of land as conveyed to Jason R. Bice, and recorded in W.C.C.F. No. 1508021 of the O.P.R.O.R.P. and being in the North line of a called 241 acre tract of land as conveyed to Minnie Ruth Day, and recorded in Volume 47, Page 42 of the Deed Records of Waller County, Texas. (W.C.D.R.).

THENCE S 87°31'54" W with the South line of this tract of land and the North line of said 241 acre tract of land, a distance of 1,634.45 feet to a 1/2" iron pipe found for an angle point in the South line of this tract of land and being in the North line of a called 30.00 acre tract of land as conveyed to Larry D. Webb and recorded in Volume 562, Page 915 of the W.C.D.R.



TBPE No. F-726
TBPLS No. 10092300

THENCE S 86°57'44" W with the South line of this tract of land and the North line of said 30.00 acre tract of land, a distance of 1,209.97 feet to a 1-1/4" iron pipe found for an angle point in the South line of this tract of land, the Northwest corner of said 30.00 acre tract of land, and the Northeast corner of a called 15.155 acre tract of land as conveyed to Larry D. Webb, Sr. and recorded in Volume 479, Page 797 of the W.C.D.R.

THENCE S 87°09'53" W with the South line of this tract of land and the North line of said 15.155 acre tract of land, a distance of 1,513.24 feet to a 1-1/4" iron pipe found for an angle point in the South line of this tract of land, the Northwest corner of said 15.155 acre tract of land and the Northeast corner of the residue of a called 56.101 acre tract of land as conveyed to Delbert W. Van Cleve & Gregory Mark Mancino and recorded in Volume 906, Page 776 of the W.C.D.R.

THENCE S 87°26'11" W with the South line of this tract of land and the North line of said 56.101 acre tract of land, a distance of 1,537.47 feet to a fence post found for an angle point in the South line of this tract of land, the Northwest corner of said 56.101 acre tract of land and the Northeast corner of a called 20.00 acre tract of land as conveyed to L.W. Levandowski and recorded in Volume 230, Page 297 of the W.C.D.R.

THENCE S 87°43'14" W with the South line of this tract of land and the North line of said 20.00 acre tract of land, a distance of 716.19 feet to a 1" iron pipe found for an angle point in the South line of this tract of land, the Northwest corner of said 20.00 acre tract of land and the Northeast corner of Wendt Road (60' R.O.W.) and recorded in Volume 230, Page 297 and 301 of the W.C.D.R.

THENCE S 86°23'18" W with the South line of this tract of land and the North right-of-way line of said Wendt Road, a distance of 1,290.91 feet to



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a concrete monument found for the Southwest corner of this tract of land and the North line of said Wendt Road.

THENCE N 43°54'40" W with the West line of this tract of land and the North right-of-way line of said Wendt Road, a distance of 64.13 feet to a concrete monument found for an angle point in the West line of this tract of land and being the intersection of the North right-of-way line of said Wendt Road and the East right-of-way line of State Highway No. 6 (variable width R.O.W.).

THENCE with the West line of this tract of land and the East right-of-way line of said Highway 6 the following courses and distances:

1. N 07°37'49" E, a distance of 245.46 feet to a found concrete monument.
2. N 11°20'34" E, a distance of 145.58 feet to a found concrete monument.
3. N 07°40'54" E, a distance of 454.37 feet to a found concrete monument.
4. N 06°24'06" E, a distance of 401.68 feet to a found concrete monument.
5. N 07°39'57" E, a distance of 2,427.24 feet to a 1/2" iron pipe found for the Western most Northwest corner of this tract of land, being in the East right-of-way line of said Highway 6 and the Southwest corner of a called 10.00 acre tract of land as conveyed to S.D. David Jr., Trustee and recorded at Volume 223, Page 130 of the W.C.D.R.

THENCE S 89°25'38" E with an interior line of this tract of land and the South line of said 10.00 acre tract of land, a distance of 617.73 feet to a 1/2" iron pipe found for an interior corner of this tract of land and the Southeast corner of said 10.00 acre tract of land.



TBPE No. F-726
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THENCE N 07°32'52" E with an interior line of this tract of land and the East line of said 10.00 acre tract of land, a distance of 630.22 feet to a cotton spindle found for the Northwest corner of this tract of land and being near the center of Kelley Road (variable width R.O.W.) as recorded in Volume 260, Page 434 of the W.C.D.R.

THENCE with the North line of this tract of land and with the near center of Kelley Road the following courses and distances:

1. N 89°25'18" E, a distance of 408.18 feet to a found cotton spindle.
2. N 84°11'54" E, a distance of 191.00 feet to a found cotton spindle.
3. N 82°54'22" E, a distance of 197.34 feet to a found railroad spike.
4. N 86°21'02" E, a distance of 175.04 feet to a found cotton spindle.
5. N 88°09'11" E, a distance of 2,998.56 feet to a point for corner.
6. N 88°01'49" E, a distance of 2,604.76 feet to a 1/2" iron pipe found for the Northeast corner of this tract of land

THENCE S 02°25'57" E with the East line of this tract of land, a distance of 1,088.17 feet to an angle point in the East line of this tract of land and the Northwest corner of a called 25.99 acre tract of land as conveyed to Larry D. Koenig and recorded in Volume 650, Page 445 of the W.C.D.R.

THENCE S 02°12'01" E with the East line of this tract of land and the West line of said 25.99 acre tract of land, a distance of 1,811.08 feet to an angle point in the East line of this tract of land, the Southwest corner of said 25.99 acre tract of land and the Northwest corner of said 49.9915 acre tract of land.

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Justin P. Taack, Manager *for*
Districts Section 11/25/2024

Date: November 18, 2024

Thru: Michael Briscoe, Team Lead
Districts Creation Review Team

From: Cheyenne Connors
Districts Creation Review Team

Subject: Petition by M-Four Devco Ltd. for Creation of Waller County Municipal Utility District No. 39; Pursuant to Texas Water Code Chapters 49 and 54.
TCEQ Internal Control No. D-09092024-014 (TC)
CN: 606302875 RN: 112041686

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received a petition within the application requesting approval for the creation of Waller County Municipal Utility District No. 39 (District). The petition was signed by Ari Munk, Manager of Adin XXI, LLC, a Texas limited liability company, general partner of M-Four Devco Ltd., a Texas limited partnership (Petitioner). The petition states that the Petitioner holds title to a majority in value of the land in the proposed District, and it further states that there are no lienholders on the property to be included in the proposed District.

The District is proposed to be created and organized according to the terms and provisions of Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code (TWC).

Location and Access

The proposed District located in the northwestern portion of Waller County, near the City of Hempstead (City). The proposed District is located north of the intersection of Highway 290, along the east side of Highway 6. Access to the proposed District is provided by six main points of access: one point of access from Highway 6 west of the proposed District; one point and south of District from Wendt Road, and four access points from Kelly north and east of the proposed District. The proposed District is not located within the corporate limits or extraterritorial jurisdiction of any city, town, or village.

Metes and Bounds Description

The proposed District contains one tract of land totaling 723.077 acres. The metes and bounds description of the proposed District has been checked by TCEQ staff and has been found to form an acceptable closure.

City Consent

The proposed District is located outside the corporate limits and the extraterritorial jurisdiction of any city, town, or village. Therefore, the requirements of Texas Local Government Code Section 42.042 and TWC Section 54.016 are not applicable.

Statements of Filing Petition

Evidence of filing the petition with the Waller County Clerk's office, the TCEQ's Houston regional office, the Texas state representative, and the Texas state senator was included in the application.

Notification of County

TWC Section 54.0161 requires the TCEQ to notify the County Commissioners Court of a creation application if all the proposed District is located outside the corporate limits of a municipality. Information provided indicates the proposed District is entirely outside the corporate limits of any municipality. By letter dated September 16, 2024, the Waller County Commissioners Court was notified of the subject application. A response has not been received to date.

Type of Project

The proposed District will be considered a "developer project" as defined by 30 Texas Administrative Code (TAC) Section 293.44(a). Therefore, developer cost participation in accordance with 30 TAC Section 293.47 will be required.

Developer Qualifications

The attorney representing the District creation provided information, stating that the Petitioner will not be developing the proposed District. The letter further states that the Petitioner is in confidential negotiations with major homebuilders and land developers interested in purchasing the land.

Appraisal District Certificate

By signed certificate dated May 2, 2024, the Waller County Appraisal District has certified that the appraisal roll indicates that the Petitioner is the owner of the majority in value of the land in the proposed District.

Temporary Director Affidavits

The TCEQ has received affidavits for consideration of the appointment of temporary directors for the following:

Ryan Herzog
Brian Rodel

Ryan Schilhab
Kyle J. Adams

Conner Murphy

Each of the above persons named is qualified, as required by 30 TAC Section 293.32(a), to serve as a temporary director of the proposed District as each (1) is at least 18 years old, (2) is a resident of the State of Texas, and (3) either owns land subject to taxation within the proposed District or is a qualified voter within the proposed District. Additionally, as required by TWC Section 54.022, the majority are residents of the county in which the proposed District is located, a county adjacent to the county in which the proposed District is located, or if the proposed District is located in a county that is in a metropolitan statistical area designated by the United States Office of Management and Budget or its successor agency, a county in the same metropolitan statistical area as the county in which the proposed District is located.

Notice Requirements

Proper notice of the application was published on October 9 and October 16, 2024, in *The Waller Times*, a newspaper regularly published or circulated in Waller County, the county in which the District is proposed to be located. Proper notice of the application was posted on October 9, 2024, at the place for posting legal notices at the Waller County Courthouse. Accordingly, the notice requirements of 30 TAC Section 293.12(b) have been satisfied. The opportunity for the public to request a contested case hearing (comment period) expired November 15, 2024.

B. ENGINEERING ANALYSIS

The creation engineering report indicates the following:

Availability of Comparable Service

The land within the proposed District is entirely outside the Certificate of Convenience and Necessity of any water service or wastewater service provider. The proposed District will construct, own and operate its own internal water distribution lines and water supply facilities. Additionally, the proposed District will provide its own wastewater collection and treatment facilities. No other comparable water services are available in the area.

Water Supply and Water Distribution

Per the engineering report the proposed District will pay for the construction costs for water production and major supply service. It is estimated that the proposed District will contain 2,034 equivalent single-family connections (ESFCs) for single-family homes, 150 ESFCs for commercial lots, 50 ESFCs for school facilities, and 5 ESFCs for recreational facilities. The source of the treated water will be the groundwater through Bluebonnet Groundwater Conservation District.

An emergency water interconnect will be obtained from the City of Hempstead to provide a second source of potable water.

The water distribution system will consist of a looped network of water lines along with all related appurtenances. All water distribution facilities will be designed in accordance with the criteria established by the TCEQ, the Texas Department of Health, and Waller county.

Wastewater Treatment and Collection

The proposed District will provide the wastewater treatment capacity. The proposed District will also be the owner and operator of the wastewater treatment facility, funded by the proposed District.

The wastewater collection system for full development of the proposed District is expected to consist of approximately 84,000 linear feet of 8 to 15-inch PVC gravity wastewater lines and force mains, lift stations, along with all related appurtenances. Wastewater collection system improvements to serve the proposed District will be designed in accordance with criteria established by the TCEQ, the Texas Department of Health, and Waller County.

Storm Water Drainage System and Drainage Improvements

Storm water runoff within the proposed District will be directed within the streets via curb collected in and conveyed to underground lines, then to detention/water quality facilities. The drainage systems will be designed in accordance with Waller County standards.

Road Improvements

Streets planned to serve development in the proposed District will consist of roadways, including collector roads extending from State Highway 6 and Kelley Road. The developer of the proposed District is pre-funding all the roadway expansions and improvements within the proposed District. All roads will be designed, operated, and maintained in accordance with Waller County and Texas Department of Transportation standards.

Recreational Facilities

Recreational facilities planned for the proposed District may include neighborhood parks and community parks. All recreational facilities are proposed to be funded by the proposed District.

Floodplain

According to Federal Emergency Management Agency Flood Insurance Rate Maps No. 48473C0050E dated February 18, 2009, approximately 42 acres are located within the 100-year floodplain. No impact is proposed to the floodplain or floodway.

Topography/Land Elevation

The existing elevations within the proposed District range from approximately 260 feet above mean sea level (msl) at the northwest portion of the proposed District to a low of approximately 210 above msl in the southeast end of the proposed District. The developer does not plan on significantly altering land elevations or the natural topography within the proposed District. Therefore, activity within the proposed District should not have any adverse effect on land elevation.

Subsidence

The proposed District will source its water supply from groundwater which will be done in compliance with the Bluebonnet Groundwater Conservation District. Groundwater withdrawal within the proposed District is not expected to have any significant impact on subsidence rates in the area.

Groundwater Level/Recharge

The proposed District will own and operate wells to utilize the Evangeline Aquifer for groundwater withdrawal. The proposed District's withdrawal is expected to have a minimal effect on overall groundwater levels within the aquifer recharge zone. Therefore, activity within the proposed District should not have any adverse effect on recharge capability of a groundwater source.

Natural Run-off and Drainage

The tract currently drains in a southeasterly direction to the north branch of Clear Creek by way of overland sheet flow. The development planned for the proposed District will increase run-off rates above the current pre-development levels. The proposed storm water collection system will provide adequate drainage for the increased run-off rates from the developed property. Therefore, activity within the proposed District should not have any adverse effect on downstream run-off rates and drainage.

Water Quality

No adverse effect on the water quality of ground or surface water is anticipated due to the treatment and disposal of wastewater flows from the District into its proposed wastewater treatment facilities.

Dam Safety Analysis

The Dam Safety Section of the TCEQ has conducted a review of the proposed creation of the subject District and confirmed by letter dated January 27, 2021, that there are no dams associated with the proposed District. Therefore, no dam safety analysis is required.

C. SUMMARY OF COSTS

WATER, WASTEWATER, AND DRAINAGE

		District's ⁽¹⁾ <u>Share</u>
<u>Construction Costs</u>		
A. Water, Wastewater, and Drainage	\$	55,348,865
B. Water Supply and Storage Facility		7,380,000
C. Wastewater Treatment Plant		10,700,000
D. Contingencies (10% of Items A-C)		7,342,887
E. Engineering (14% of Items A-D)		11,308,045
F. Stormwater Pollution Prevention Plan and Materials Testing		2,423,153
G. Land Costs		<u>4,125,000</u>
TOTAL CONSTRUCTION COSTS (79.23% of Bond Issues)	\$	98,627,950
<u>Nonconstruction Costs</u>		
A. Legal Fees	\$	3,734,340
B. Fiscal Agent Fees		2,489,560
C. Interest		
1. Capitalized Interest (12 months at 4.5%)		5,601,510
2. Developer Interest (24 months at 4.5%)		8,876,515 ⁽²⁾
D. Bond Discount (3%)		3,734,340
E. Bond Issuance Expenses		508,112
F. Bond Application Report Costs		470,000
G. Attorney General Fee (0.10%)		124,478
H. TCEQ Bond Issuance Fee (0.25%)		<u>311,195</u>
TOTAL NONCONSTRUCTION COSTS	\$	25,850,050
TOTAL BOND ISSUE REQUIREMENT	\$	124,478,000

Notes:

- (1) Assumes 100% funding of anticipated developer contribution items, where applicable.
- (2) Based on developer advancing funds approximately two years prior to reimbursement.

Eligibility of costs for District funding and 30% developer contribution requirements will be determined in accordance with TCEQ rules in effect at the time bond applications are reviewed.

ROADS

<u>Construction Costs</u>		District's ⁽¹⁾ <u>Share</u>
A. Roads and Off-Site Roads	\$	38,629,700
B. Contingencies (10% of Item A)		3,562,970
C. Engineering (14% of Items A and B)		5,948,973
D. Stormwater Pollution Prevention Plan and Materials Testing		1,274,780
E. Land Costs		<u>300,000</u>
TOTAL CONSTRUCTION COSTS (79.83% of Bond Issues)	\$	49,716,423
 <u>Nonconstruction Costs</u>		
A. Legal Fees	\$	1,868,340
B. Fiscal Agent Fees		1,245,560
C. Interest		
1. Capitalized Interest (12 months at 4.5%)		2,802,510
2. Developer Interest (24 months at 4.5%)		4,474,478 ⁽²⁾
D. Bond Discount (3%)		1,868,340
E. Bond Issuance Expenses		240,071
F. Attorney General Fee (0.10%)		<u>62,278</u>
TOTAL NONCONSTRUCTION COSTS	\$	12,561,577
 TOTAL BOND ISSUE REQUIREMENT	 \$	 62,278,000

Notes:

(1) Assumes 100% funding of anticipated developer contribution items, where applicable.

(2) Based on developer advancing funds approximately two years prior to reimbursement.

A preliminary layout of roads proposed for funding has been provided, and they appear to benefit the proposed District and the land included within the proposed District. Eligibility of costs may be subject to TCEQ review to be determined in accordance with TCEQ rules in effect at the time bond applications are reviewed.

RECREATIONAL IMPROVEMENTS

<u>Construction Costs</u>		District's ⁽¹⁾ <u>Share</u>
A. Recreational Facilities	\$	5,240,000
B. Contingencies (10% of Item A)		524,000
C. Engineering and Landscape Architecture (14% of Items A and B)		806,960
D. SWPPP and Construction Materials Testing		157,200
E. Land Costs		<u>327,500</u>
TOTAL CONSTRUCTION COSTS (76.94% of Bond Issues)	\$	7,055,660

Nonconstruction Costs

A. Legal Fees	\$	275,108
B. Fiscal Agent Fees		183,406
C. Interest		
1. Capitalized Interest (12 months at 4.5%)		412,662
2. Developer Interest (24 months at 4.5%)		635,009 ⁽²⁾
D. Bond Discount (3%)		275,108
E. Bond Issuance Expenses		160,226
F. Bond Application Report Costs		141,000
G. Attorney General Fee (0.10%)		9,170
H. TCEQ Bond Issuance Fee (0.25%)		<u>22,926</u>
TOTAL NONCONSTRUCTION COSTS	\$	2,114,615

TOTAL BOND ISSUE REQUIREMENT **\$ 9,170,275**

Notes:

- (1) Assumes 100% funding of anticipated developer contribution items, where applicable.
- (2) Based on developer advancing funds approximately two years prior to reimbursement.

Eligibility of costs for District funding and 30% developer contribution requirements will be determined in accordance with TCEQ rules in effect at the time bond applications are reviewed.

D. ECONOMIC ANALYSIS

Land Use

The land use for the proposed District is intended to accommodate single-family residential, multi-family residential with mixed commercial development, roads, and recreational space. Planned ultimate development in the proposed District, as shown in the land use plan provided in the engineering report, is as follows:

<u>Development</u>	<u>Acres</u>	<u>ESFCs</u>
Single-Family	366.7	2,034
Commercial	46	150
School	28.1	50
Parks, Recreation & Open Space	4.7	5
Lift Station	0.1	0
Water Plant Sites	2.0	0
Wastewater Treatment Plant Site	4.0	0
Detention	159.1	0
100-Year Floodplain & Floodway	84.0	0
Rights-of-Way	<u>28.3</u>	<u>0</u>
Total	723.0	2,239

Market Study

A market study, prepared in February of 2024 by Location Strategy Real Estate & Demographics has been submitted in support of the creation of the proposed District. The market study indicates that the proposed District will contain 1,221 single-family homes on 40-foot lots priced between \$260,000 and \$350,000, 610 single-family homes on 50-foot lots between \$310,000 and \$400,000, 203 single-family homes on 60-foot lots priced between \$380,000 and \$470,000. Regarding all single-family homes, expected absorption is expected absorption is between 68 and 284 homes per year.

Project Financing

The estimated total assessed valuation of the proposed district at completion is as follows:

<u>Units Planned</u>	<u>Number of Units/Acreage</u>	<u>Average Unit Value</u>	<u>Total Value at Build-Out</u>
Single-Family (40-Foot Lots)	1,221	\$350,000	\$427,350,000
Single-Family (50-Foot Lots)	610	\$400,000	\$244,000,000
Single-Family (60-Foot Lots)	203	\$470,000	\$95,410,000
Commercial	38.4 acres	\$2,255,898 per acre	<u>\$86,626,483</u>
Total Assessed Valuation			\$853,386,483

The application considers an estimated bond issue requirement of \$195,926,275 (\$124,478,000 for utilities, \$62,278,000 for roads, and \$9,170,275 for recreation), assuming 100% financing, a bond coupon rate of 4.5%, and a 35-year bond life; therefore, the average annual debt service requirement would be \$11,220,786 (\$7,128,911 for utilities, \$3,566,689 for roads, and \$525,186 for recreational improvements). Assuming a 99% collection rate and an ultimate AV of \$853,386,483, a projected ultimate tax rate of approximately \$1.33 (\$0.84 for utilities, \$0.43 for roads, and \$0.06 for recreational improvements) per \$100 AV was indicated to be necessary to meet the annual debt service requirements for the proposed District. Application material also indicates a maintenance tax of \$0.15 per \$100 assessed valuation is anticipated.

The total 2023 overlapping tax rates on land within the proposed District are shown in the following table.

<u>Taxing Jurisdiction</u>	<u>Tax Rate</u> ⁽¹⁾
Waller County	\$ 0.498691
Waller-Harris Emergency Services District	0.086300
Waller County FM Road	0.024252
Hempstead Independent School District	0.951300
Waller Co. MUD No. 39	<u>1.480000</u>
Total Tax Rate	\$ 3.040543

Notes:

- (1) Represents tax rate per \$100 assessed valuation.
- (2) Includes a \$1.33 debt service tax rate (utilities, road, and recreation) and a \$0.15 maintenance tax rate.

Based on the proposed District tax rate and the year 2023 overlapping tax rate on land within the proposed District, and assuming 100% financing, the project is considered economically feasible.

Water and Wastewater Rates

According to information provided, the estimated monthly fee for 10,000 gallons of water and wastewater service would be \$85.61 (\$50.00 + \$35.61).

Comparative Water District Tax Rates

A combined projected tax rate of \$1.48 per \$100 assessed valuation, as indicated above, for 100% financing for the proposed District is comparable to other districts in the area. Based on the requirements and intent of 30 TAC Section 293.59, this project is considered economically feasible. Each particular bond issue will be evaluated based on its own economic feasibility merits and the rules and regulations in place at the time prior to the issuance of any bonds by the proposed District.

E. SPECIAL CONSIDERATIONS

Request for Road Powers

A request for approval of road powers was included in the petition for creation of the proposed District. Pursuant to TWC Section 54.234, approval of road powers may be requested at the time of creation. The engineering report provided with the application included a summary of the estimated costs. The proposed roads appear to benefit the proposed District, and financing appears feasible.

F. CONCLUSIONS

1. Based on TCEQ policy, compliance with TCEQ rules, and review of the engineering report and supporting documents, the proposed District is considered feasible, practicable, would be a benefit to the land within the proposed District, and would be necessary as a means to finance utilities and to provide utility service to future customers.
2. Based on a review of the preliminary engineering report, market study, the proposed District's water, wastewater, drainage, roads, and recreational improvements a combined projected tax rate of \$1.48 per \$100 assessed valuation, the proposed District obtaining a 4.5% bond coupon rate, and other supporting data, the proposed District is considered feasible under the intent of the feasibility limits prescribed by 30 TAC Section 293.59.
3. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Grant the petition for creation of Waller County Municipal Utility District No. 39.
2. Grant the District's request to acquire road powers in accordance with TWC Section 54.234 and 30 TAC Sections 293.11(d)(11), 293.201, and 293.202, subject to the requirements imposed by the TCEQ and the general laws of the State of Texas relating to the exercise of such powers.

3. The order granting the petition should include the following statement:

"This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the TCEQ in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for TCEQ consideration.

4. Appoint the following to serve as temporary directors until permanent directors are elected and qualified:

Ryan Herzog
Brian Rodel

Ryan Schilhab
Kyle J. Adams

Conner Murphy

H. ADDITIONAL INFORMATION

The petitioner's professional representatives are:

Attorney: Mr. Christopher Skinner - Schwartz, Page & Harding, LLP

Engineer: Mr. Jared R. Bowlin, P.E. - EHRA

Market Analyst: Location Strategy Real Estate & Demographics