

Staff Report: KF Flat Creek Development Agreement

Date of Agreement: August 24, 2023

Parties Involved: City of Castroville, KF Flat Creek LP, MKT179 Investments LLC, and related landowners

Size of Development: Approximately 255 acres (194.17 acres in the City ETJ, 60.83 acres outside the ETJ), approximately 850 single-family residential lots.

Background and Origin

The agreement was initiated to support the voluntary annexation and phased development of the property into a high-quality residential community. A Public Improvement District (PID) was proposed to finance infrastructure improvements. The development agreement is authorized under Subchapter G of Chapter 212, Texas Local Government Code.

Benefits to the City

- **Annexation and Utility Expansion:** Full-purpose annexation brings the entire development into the City, increasing utility customers and jurisdictional oversight.
 - **Tax Base Growth:** Long-term increases in property tax and sales tax revenues.
 - **PID Financing:** Authorized to issue up to \$20 million in PID bonds to fund water, sewer, drainage, landscaping, roads, and other public infrastructure.
 - **Community Amenities:** Includes open space, trails, a central amenity center, and upgraded signage and lighting that meet “dark sky” and aesthetic standards.
 - **Developer Capital Contribution:** \$400,000 contribution to fund offsite park improvements for youth sports with public signage crediting the developer.
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Cost to the City

- **PID Bonds:** The City may issue bonds up to \$20 million (plus pro rata water allocation) payable solely from assessments within the development.
 - **No General Fund Obligation:** Assessments and bond repayment are limited to the PID boundary—no impact on the City’s general fund.
 - **Administrative Oversight:** City staff and consultants must manage bond issuance, assessments, and annual reporting; these costs are reimbursed from assessment revenues.
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Above-and-Beyond Developer Contributions

The developer committed to:

- Bury all utilities (electric, broadband, etc.) to improve aesthetics.
 - Install LED, dark-sky-compliant street lighting.
 - Provide decorative and uniform street and wayfinding signage.
 - Construct open space, trails, parks, and a central amenity center maintained by a mandatory owners association (MOA).
 - Contribute \$400,000 to enhance youth sports facilities in the City.
 - Construct oversized water and wastewater improvements at the developer's cost, with partial reimbursement through PID mechanisms.
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Obligations

Developer:

- Construct and dedicate all public infrastructure (streets, water, wastewater, drainage).
- Maintain common areas and specified improvements via an MOA.
- Comply with residential construction, signage, sound abatement, and outdoor lighting standards.
- Disclose PID obligations and airport proximity to all homebuyers.

City:

- Process annexation, zoning, plats, and permits.
 - Issue and administer PID bonds and assessments.
 - Accept dedicated infrastructure for operation and maintenance (except areas maintained by MOA).
 - Provide municipal services (police, utilities, permitting).
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Current Status of Obligations

The agreement is in effect. Annexation is complete, and the developer is required to provide evidence of property acquisition. Infrastructure planning and PID creation are expected to proceed as preconditions for bond issuance and construction.