

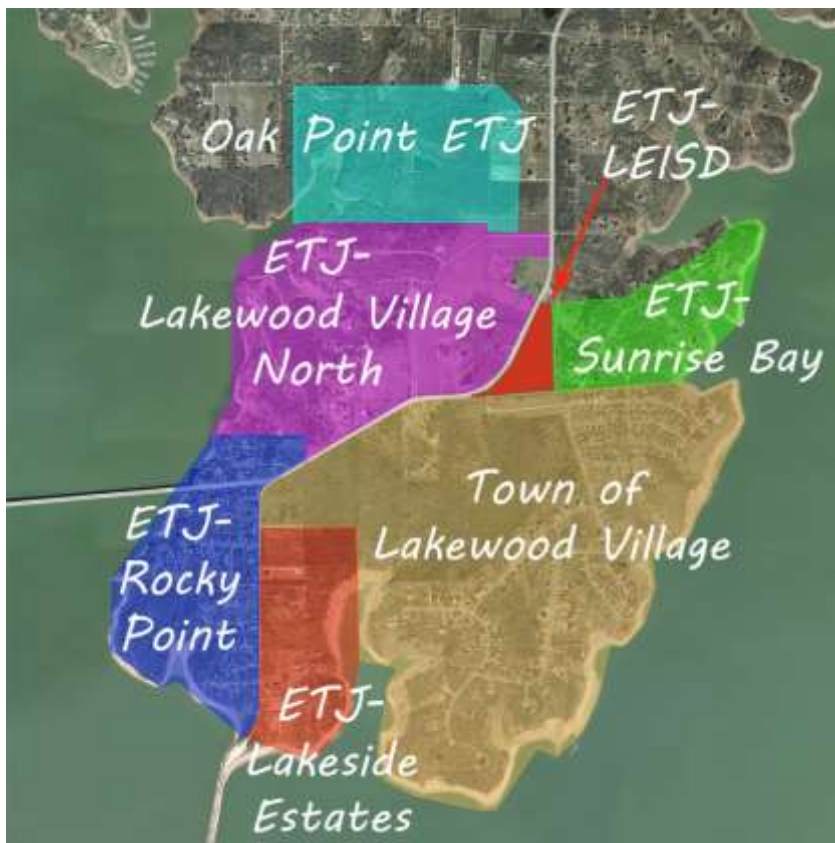


Mayor's Letter

February 15, 2017

Hello Everyone, This Letter is very important.

OUR FUTURE COMMUNITY. I would like to update everyone on the latest developer activity and our current thinking regarding all of the Lakewood Village area. First, you need to understand an important term - *extraterritorial jurisdiction* or ETJ for short. Until a couple of decades ago, the rule in Texas was that the first city to annex an area got the area, the so-called "first in time" principle. Thus, **cities raced to annex property** before their neighbors could do it – regardless of whether the area was actually near the town's population or could even be serviced by the town. Thus, citizens in the middle of nowhere suddenly woke up inside a city, had to pay city taxes, were subject to city laws, and received little in return because the nearest city services were many miles away. After one particularly controversial annexation, the legislature had enough and changed the laws on annexation to what they are today. To discourage cities from annexing areas before they had grown forward and installed their utilities, each municipality in Texas was awarded **an exclusive bubble around their town** where they had the sole authority to annex the area. So, since no other city could enter another town's bubble – each city could wait and annex their bubble when the time was right – no matter how big or powerful a neighboring city is, **no one could take any part of your bubble. This bubble is called the ETJ.** For LWV, our ETJ bubble extends approximately one-half mile around



the town and includes part of the lake. Citizens in our ETJ are not residents of LWV, do not pay property taxes to LWV, cannot vote in LWV elections, and are not subject to LWV ordinances.

We can think of our ETJ as being made up of really five distinct areas. Starting on the bottom left, we have the **Lakeside Estates ETJ**. This area was part of LWV but was de-annexed in the 90's following a dispute with the developer. Most of the area is made up of large five-acre tracts with single-family houses. There are several properties for sale on the north end near the town border. We had some very preliminary discussions, regarding utilities and services, with a developer who was interested in buying several of the LSE properties and putting in a commercial enterprise. However, the developer later informed me that the properties were deed restricted and commercial was not permitted. We have all seen the "For Sale" sign on the property that is the western most part of Lakewood Village; it is the land on your right immediately after

Garza lane as you come home from the bridge. This 20-acre parcel, which is adjacent to LSE has been under contract and we have seen several developers' concept plans. However, because prices are high and twenty acres is relatively small, the plans always have very very small lots and little green space, which is inconsistent with our master plan for the Village. The biggest financial hurdle is **the developer is responsible** for the expense of extending the Town's water and sewer lines all the way to the property from our existing facilities. I think the best chance for development of this area will be if someone merges several parcels in far-west LWV and perhaps some of Lakeside Estates. The large utilities expense means you need a bigger development to spread the costs.

THE ROCKY POINT ETJ. If you head toward the toll bridge and take a drive down what remains of Garza Lane you will see what everyone refers to as “Rocky Point” on your right (Lakeside Estates is on your left). Rocky Point also includes the area on both sides of Eldorado as you exit the bridge on the LWV side. Rocky Point originally started out as a fishing camp “Camp Dallas” – with cabins and few amenities, a very rustic place far from downtown. Over time, the land was split into all shapes and sizes and sold-off. Because there is no zoning in the county, you see what results when anyone can do anything, anyway, anytime they want. **The biggest problem in the area is the roads**, all of the dirt roads are easements, none are platted and none are maintained by the county. Developers do not want to own and maintain roads – they want to put in the houses, sell them, and move on. So, for any new development, the way it works is that a developer must build to a Town’s standard (for example, ours is 22 foot wide concrete). After passing inspections, the developer “gives” the road to the town and the town accepts it and legally takes on responsibility for future maintenance. However, none of the dirt roads in Rocky Point are the proper width, have correct drainage with bar ditches, nor do they have cul-de-sacs that meet fire codes, **so they were never accepted by the county**. So if Rocky Point were ever annexed into the town, the Town would have to buy land to widen the “roads” and install culverts and bar ditches, acquire drainage easements, and then **construct the roads to our standards. That’s just not going to happen.** Ever. Never. No Thank You. We do care about the area, as it is adjacent to our town, and we have spent considerable time and effort improving the area. Along with stepped-up code enforcement by Denton County, our Municipal Development Corporation rebuilt a failed water system there which they now operate which provides clean safe water. Without Disney or Jerry Jones, I can’t see this area ever becoming part of LWV.

LEISD – ETJ AREA. I think everyone is familiar with the big triangle at the front of our town. This property, which is located on **both sides of our entrance & exit** to Eldorado, is owned by the Little Elm Independent School District. Although the parcel is on our side of Eldorado, it is outside our city boundary. The District acquired the property many years ago, long before the toll bridge and Eldorado Parkway were even on the drawing board. The District can obtain property for schools or for administration or operations facilities. Over the years, the most common planned use that has been communicated to me is that of an elementary school. However, as many of you know, the children in LWV attend Oak Point Elementary, which was recently built. **Does that mean we won’t get a school?** Well, school locations depend on future growth paths, population demographics, roads and utilities, in short, lots of things and, until these things are known, the district holds onto their property. I can tell you that recently the district chose to place the maintenance facility (or “bus barn”) on the LEISD property north of us near French Settlement Drive and Eldorado, across from the Bay Ridge Subdivision. For those of you familiar with the area, the busses will exit the rear of the property onto FM720 via Hill Road. There will also be a traffic signal at a newly designed intersection there. Given that, there are schools in the other towns in the District (The Colony, Hackberry, Oak Point, and LE), I think it would be great to have one here. However, for now, until a school is built, the most likely use of the land would seem to be for it to continue as green space.

SUNRISE BAY ETJ. Many of you may not know that the southern quarter of Sunrise Bay lies within the Lakewood Village ETJ. The northern part lies inside of the Town of Little Elm, and while it would have been advantageous and efficient to have the entire subdivision under one jurisdiction, the southern part is inside of the LWV “bubble”, and thus we control it. **Could it be annexed into LWV?** The simple answer - “it depends”.

Under Texas law, towns are divided into two categories, General Law Municipalities (~90 % of Texas towns) and Home-Rule Municipalities (population greater than 5000 and a charter). Under their charter, HR cities may adopt any rules they wish so long as they are permissible under the Texas Constitution. In contrast, general-law towns like Lakewood Village can only take actions specifically authorized under the Texas Local Government Code. So it’s like one team can run any play that they can design as long as it’s legal, while another team can only run a play from a specific short list. The legislature severely restricts the power and authority of GL cities like us. Regarding annexations, we can’t annex an area unless the majority of the property owners ask to join our town, **it has to be voluntary**. In contrast, Little Elm can just bang the gavel and annex the area **involuntarily** and the landowners can do nothing. But, Little Elm could only do that if we were to give up our Sunrise Bay ETJ bubble. While it would be advantageous for the area to be in LWV, I just don’t see them asking. Right now, my best guess is that we will make a deal with Little Elm at some point and the entire SRB development will be in LE. But, anything can happen.

LAKWOOD VILLAGE NORTH ETJ. Unlike the other parts of our ETJ, which are residential, the north side of Eldorado is wide-open empty space. Many of you already know that Steve Harvey owns just over one-hundred acres on the north side of Eldorado. In the last year, Steve decided to put the majority of his property up for sale. More recently, the adjacent property owner to the north (in Oak Point's ETJ) placed their fifty acres up for sale. They are being marketed together as one development of approximately 140 acres. After a lot of time and effort, Lakewood Village and Oak Point have reached a tentative agreement on the transfer of the Oak Point ETJ to LWV. **Thus, any development will be in Lakewood Village's jurisdiction.** That's the good news.

WHAT KIND OF DEVELOPMENT ? That's the bad news. It is entirely up to the buyer. Remember, the land is



in the Lakewood Village ETJ, and our ordinances don't apply. That means we cannot zone the area, anyone can build anything, anyway they want. As you might expect, **the most common thing that developers have discussed is apartments.** As I am writing this to you, another developer came into town hall, told Linda that they had purchased ten acres on Eldorado, and want to put in apartments. **This picture is from Eldorado Parkway in Little Elm. IS THIS WHAT WE WANT TO SEE AND EXPERIENCE ACROSS THE STREET FROM US?** Do we want to see a thousand apartments with four-story buildings and parking lots lining Eldorado across from our town? Some people have told me they don't care as long as they can't see it from their house. **Well, if this comes**

in, then the future of LWV is bleak. That area would have ten times the number of voters that we have in LWV, so we could never annex the area even if they asked. That means no town ordinances apply – nuisance, noise, junked cars, loose dogs, etc. And anyone can walk across the street, wander through LWV, and use our facilities. If they were in LWV, then people with no investment and no ownership in LWV would control the town. Worst case, they could even vote to dissolve the city and become Little Elm, because the majority rules. So, if apartments come, we can't let it be part of the town, **but that's also a problem**, as it also eliminates about half of our territory for future growth. LWV can only get so big – we are surrounded by the lake and Little Elm town limits. I estimate that at build-out, Lakewood Village would have about 550 houses on our side of Eldorado and 450 or so on the north side, thus we would be a nice small town of about 2500 people. **But this assumes that the north side will be houses.**

HOW CAN WE GET THE DEVELOPERS TO PUT IN HOUSES AND NOT APARTMENTS? We have two things in our favor. First, we have the sewer rights to the area, so developers have to come to us. But, if we don't serve them, they could always construct their own system, after all, for a \$200 million project, you can likely afford another two million dollars. So, we have some advantage, but it's not insurmountable. The biggest advantage we have is that only a municipality can set up a special tax district, which will reimburse the developer for their costs. That's worth millions of dollars. The special tax district would be created only for the north side of Eldorado; **it does not affect you and me on our side.** Let me say it again, whatever happens for the development it has **no effect on our taxes.** Many towns are using this tax incentive (LE, OP, Crossroads, etc.) to support residential development and it has **absolutely no effect on existing citizen's taxes.** So, if we do this, when certain people go on Facebook and try to scare you by writing that the Council is going to raise your taxes, you know it is not true. I've just put it in writing three times. And for us to approve the district, the land must be part of LWV, so the developer would **voluntarily annex** into the Town. This means that the area would be subject to all of our ordinances including our building codes with no curb-and-gutter roads.

WHAT KIND OF HOUSES ? The types of houses and density are driven by economics. So for example, if you are hoping that the area will develop as one-acre lots, I can tell you that it won't happen. The reason is simple, the raw land purchase price is \$100,000 per acre and then the developer needs to spend approximately \$150,000 per acre putting in underground utilities, roads, streetlights, etc. One-acre lots in the Shores are selling for about \$120,000, so no developer is going to spend \$250,000 to sell a lot for \$120,000. The only reason LandPlan is considering it on their property is because they bought it for \$8,000 per acre fifteen years ago.

WHAT SIZE LOTS ? This represents a trade-off. **I think playgrounds parks, trails, ponds, water features and green space are important to LWV**, and a key part of our quiet, more rural feel. But, more parks means less houses, which means less profit for developers. So we have to reach some sort of middle ground. I will not support 50 ft. wide lots like you see in Frisco or LE, nor will I support zero lot lines or duplexes. The average density for the Lakecrest, Hillside, Peninsula, Parkwood area near **town hall is 3.89 houses per acre**. I would like to see any new development be less dense, approximately 3.0 houses per acre or less, with trails and parks. The trick is how you draw it up – for example, if you take out five feet of width from fifty houses that allows you to have a park that is 250 feet wide. Ultimately, it is up to the developers to draw it up, all we can do is give them guidance. The Town must approve any new development. However, if we push too hard or demand too much, the developer can always walk away. Developers don't finalize the purchase until after they get city approval – canceling the purchase is not uncommon. There is no guarantee that the next developer will be interested in residential, they can do anything.

Clearly, it is essential for the Town's future that we get residential development across from our entrance. Besides maintaining our quality of life that would be destroyed by apartments, the new homes pay the town's property tax and debt servicing taxes along with their special assessment. This would essentially triple our property and sales taxes as well as provide millions of dollars in permit fees. And because the Council recently adopted impact fees, developers would pay for any necessary infrastructure improvements. So that means our bonds are paid off sooner, or perhaps we combine a new loan with the remaining balance and get the rest of our concrete roads done.

Thank you for hanging in there and reading to the end. A final comment;

Over many Mayor's letters, I have communicated to you that change is going on all around us. Like it or not, it's our turn now, the land around us has changed hands, and plans are being drawn. We have some tough work ahead of us. It's easy to do nothing. If we do nothing, then we will have forever lost the opportunity to shape the town to be the great unique small town that we know it can be. Lakewood Village doesn't have many traditions; we don't head out to the LWV High stadium on Friday nights to cheer on the Fight'n Villagers. I bet you've never met anyone older than 25 who can say that they grew up in LWV. None of that matters. We have the ability to set the Town's future. We have the obligation to our future generations that we set Lakewood Village on a sustainable, manageable, path to being a unique great small town oasis.

This is our time. It has never been a better time to be in Lakewood Village.



Dr. Mark E. Vargus
Mayor
(cell) 214-558-6947
Mark@lakewoodvillagetx.us