



CITY OF TERRELL

March 21, 2011

Better Government Competition 2011
Pioneer Institute for Public Policy Research
Attention: Shawni Littlehale, Director
85 Devonshire Street, 8th floor
Boston, MA 02109

Hal Richards
Mayor

Jack Jones
Mayor Pro Tem

Ricky Jordan
Dep. Mayor Pro Tem

Don Thurman
Council Member

Sandra Wilson
Council Member

Torry L. Edwards
City Manager

Mike Sims
Asst. City Manager

RE: City of Terrell Intergovernmental Partnerships: A Comprehensive Growth Management Program

Dear Ms. Littlehale:

Attached you will find the City of Terrell program submission for the 2011 Better Government Competition.

I would like to thank you for encouraging the City of Terrell to reapply as you expressed your thoughts of this project being a perfect fit within the 2011 project guidelines.

Sincerely,

Torry L. Edwards
City Manager

P.O. BOX 310 • 201 E. Nash Street • Terrell, Texas 75160 • (972) 551-6600

The mission of the City Council of the City of Terrell, Texas, is to create pride by serving the community in a proactive manner and to enhance the quality of life through providing the highest level of services in the most efficient manner.

**2011 BETTER GOVERNMENT COMPETITION
ENTRY TEMPLATE**

1. Program Name: City of Terrell Sustainable Intergovernmental Partnerships:
A Comprehensive Growth Management Program
2. Administering Agency: City of Terrell, TX
3. Contact Person: Torry L. Edwards, City Manager
(Name & Title)
4. Address: 201 E. Nash St. Terrell, TX 75160
5. Telephone Number(s): 972-551-6600
6. FAX Number: 972-551-2743
7. E-mail Address(es): tedwards@cityofterrell.org
8. Please provide a brief overview of the issue at hand, a description of the idea/program you are submitting to the competition. **Suggested length:** up to ¾ page.

Expansion from the large Dallas-Fort Worth metropolitan area threatens the small-town character of Terrell and other rural communities in North Texas. The growth management program was designed by a local municipality – Terrell – to respond to enactments of the 2005, 2007, and 2009 sessions of the Texas Legislature that establish four special utility districts within the extraterritorial jurisdiction (ETJ) of the City of Terrell, Texas. These districts create mega-master-planned communities - essentially new cities - and encompass nearly 12,000 acres of mixed-use development, forming the largest rural Planned Development Community in the State of Texas. The local municipal response to the state enactments has allowed Terrell to use a city-design model to plan proactively for communities in its ETJ, before they are constructed, through the establishment of comprehensive regional growth management initiatives.

9. The problem that the proposal addresses, including relevant background information on its nature and scope. **Suggested length:** up to up to ¾ page. This government innovation will show how local city authorities are challenged to preserve quality of place, can manage the growth around them and attract new investment while minimizing problems and avoiding negative consequences.

Founded in 1873, the City of Terrell, Texas has had a stable population of 16,000 for much of those 130 years. Within the next twenty years, by 2030, it may reach a population of over 100,000 within both the corporate city limits and its extra-territorial jurisdiction. This estimate is based on the projected build-out of several very large special utility districts in the area described. Terrell has entered into nationally recognized agreements with the developers of these districts in order to manage growth and provide the mechanism for the

construction of infrastructure. North Texas has become the nation's second largest growth area, with the City of Terrell showing a 332% anticipated population growth.

Residents welcome some change and modernization, but are uneasy about uncontrolled growth. City officials are concerned also about the potential strain on the city's infrastructure. Without adequate planning, the projected growth of the city could outpace the ability of municipal governmental entities to design and construct water, wastewater, and roadway facilities. Additionally, without adequate public works planning, these types of mega-developments (new forming cities) could severely impair city infrastructure facilities and erode the natural rural undeveloped land areas with runaway non-sustainable developments built with poor quality standards.

For a small city to take on responsibility to service these mega-developments with water and wastewater service on its own is almost impossible. The following questions must be addressed. What measures can regions of rapid growth employ to minimize the negative externalities of growth? Does fringe city development offer complementary or competing interest to long-term sustainable development? Should the City of Terrell, Texas do nothing to respond to the outside growth? What about saying "no" to development? Can a small town deliver a billion dollar development?

10. An explanation of the proposed/effective solutions and how it would, or has, changed current practice. Detail the way the problem was, or is, proposed to be addressed. If applicable, cite examples of similar approaches in place elsewhere around the United States. **Suggested length:** ¾ page.

In September 2002 the Terrell City Council adopted a Comprehensive Plan, well in advance of state enactments to create new mega-developments. The Comprehensive Plan describes 1) a vision of what the community should be, 2) a guide for municipal decision makers, 3) a tool for managing community changes that may affect the physical development and maintenance of the City, and perhaps most importantly, 4) a document required by Texas state law as a pre-cursor for municipal zoning authority.

Not all the answers came readily, but the questions forced us to evaluate our goals and objectives as a city and to begin to formulate a response to the projected mega-growth in our future. Under the guidance of the City Council, a professional planning consultant, and numerous volunteer citizen committees and appointed boards, the City adopted a Comprehensive Plan to answer these daunting questions. The first critical step to begin accomplishing the goals and objectives of 2002 Comprehensive Plan was to establish priorities. Water supply was identified as item one on the agenda. Additionally, in accordance with the Comprehensive Plan, the Growth Management program was funded in 2006, and the City developed an innovative model for sustainable intergovernmental partnerships with multiple political jurisdictions. The result represents the largest comprehensive growth management program in the State of Texas.

Not only did we want to secure a dependable water supply for the city of Terrell, we wanted to ensure a supply of water for the Special Utility Districts located in the projected developments within and adjacent to the Terrell ETJ. The City of Terrell decided to use the regional approach to develop its water distribution system to allow it to expand supply, distribution, and storage capacity demands. Solely, this gave the City a very strong negotiating position in developing over forty separate partnership agreements. To address

critical water capacity expansion and utility needs for the developments Terrell facilitated the first four-way partnership in the State of Texas between the City of Terrell, North Texas Municipal Water District (NTMWD), the Sabine River Authority (SRA), and Special Utility Districts to provide a new regional water distribution system. The new technologically advanced North Texas Municipal Water District regional water treatment facility(s) is due to be operational in summer of 2011 at a cost of over \$200,000,000.00, with Terrell being one of the first cities within the distribution system to receive high quality water from a sustainable, long-term supply of water for the next 70 years. This resulted in a financial mechanism in keeping with the City Council's long-term capital goals by reducing unit cost for water and wastewater service as well as creating a new revenue stream to fund future capital improvements.

Without these partnerships, the only other option for the city to consider was investing capital funds to improve an existing fifty-year old water treatment plant with limited capacity. The regional partnership approach to water system improvements reduced Terrell's major capital costs from \$18 million to \$12 million with a 30-year contractual commitment of an adequate supply of treated, potable water to meet future demand.

11. What were the program's start-up costs? (Provide detail about specific purchases for the program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.) If the submission is an "idea," describe the potential start-up costs. **Suggested length:** ¾ page.

The start-up cost for the Growth Management Program was supported by existing City staff already in place. As the City designed the growth management model, we recognized the need to retain outside expert consultants in the specialized arenas of a land use attorney, a water attorney, and a transportation consultant. The total cost for outside services was around \$75,000 with an additional \$80,000 allocated for consulting services to develop the new Zoning Ordinance, Impact Fees, Tax Increment Finance District and other instruments that are all specifically identified in the Comprehensive Plan.

12. How is the program funded, or how will it be funded? **Suggested length:** up to ½ page.

In 2006, the program was funded by the City general fund, supported and approved by Mayor and representatives of Council. Subsequently, the program is fully implemented and is recognized in Kaufman County and State of Texas as a model for innovative partnerships.

13. Describe the cost savings or efficiencies generated by the program in its current incarnation, or the projected savings from the idea submitted. **Suggested length:** up to ¾ page.

Terrell is the architect of the growth management model for building newly formed cities on the fringe of an existing city's – in this case, Terrell's – corporate city limits. This framework for construction includes zoning, building standards, density, infrastructure, design of water, wastewater and roadway regional systems, all in accordance with the Comprehensive Plan. The efficiencies gained by the program are realized through the city's

ability to provide a guiding framework, system, and process to control growth and eliminate duplication in both infrastructure expenditures and administration services. Utilizing innovation Terrell is a step ahead of growth through pro-active policies designed to enlarge the tax base.

Examples of real tax base expansion are evident in the infusion of new private capital, venture opportunities, and business expansion in the Terrell community. The City has seen a noticeable increase in building permits for new restaurants, housing starts, retail, arts, and theatre construction in the city limits as well as industrial growth. Importantly, Texas law grants special taxing districts the ability to enter into strategic partnership agreements with local existing municipalities in order to impose sales and use taxes in all commercially zoned areas of the newly formed city. The important component of the Growth Management Program in Terrell is that, prior to any construction of a newly formed city approved by the state legislature, the City negotiated a 60/40 sales tax split with the developing communities.. The city will receive 60% of all sales taxes generated in the ETJ, and the remaining 40% will go to the special districts. The economic benefit for the City of Terrell is that these revenues may fund capital improvements as needed and may allow the city to lower property taxes for City residents, stimulating growth and neighborhood improvement.

Another relevant example of tax base expansion to demonstrate evidence of proactive land use as a stimulus to create economic energy has resulted in forming the largest rural Tax Increment Finance District in Texas (over 4,500 acres) and the first TIF District in Kaufman County which is the third most rapidly growing county in the state of Texas. This TIF district serves as a stimulus to incentivize retail and commercial development. It is under full authority and administrative responsibility of the City of Terrell and is governed through the State of Texas Local Government Code. Over the thirty-year life of the program, \$158 million will be made available to reimburse private developers for public infrastructure improvements to serve their respective private developments. This is the essence of a public/private development partnership. The first project to develop in the newly formed Terrell TIF district represents over \$1 billion in new tax base expansion, which will double the existing tax base over the next twenty-year period. This tax base growth would allow the City to fund expanded city municipal services and direct benefits for the citizens of Terrell.

The City of Terrell has been deliberate in formulating the City's comprehensive land use plan in such a manner to create economic energy and excitement for tax base expansion.

14. Will/Did the program require the passage of legislation, executive order or regulations? If yes, please cite:

In 2005, 2007, 2009 the Texas Legislature approved the creation of the newly formed municipal utility districts/special taxing districts in the City of Terrell extraterritorial jurisdiction. The City of Terrell supported this legislation through a local municipal resolution. In the 2011 state legislature, other special taxing districts also will be created in our rapidly growing county, which further compounds Terrell's need to manage growth of newly forming cities in the surrounding area.

15. If applicable, how has the program grown and/or changed since its inception? **Suggested length:** up to ¾ page.

Since its inception, the framework and process to manage growth proactively is established and adopted on the local level by the City of Terrell. This model is recognized by the Texas Legislature which approved and created newly formed cities around Terrell. The model and guide is in place to control growth and preserve small town character. In response to developers filing legislative bills, the state legislature invited expert testimony from the Terrell City Manager to educate state senators regarding potential pitfalls and planning challenges related to infrastructure, water, wastewater, and roadway systems for cities around Texas.

Subsequently, the program is fully implemented and is recognized in Kaufman County and by State of Texas House of Representatives House Resolution 89 as a model. Also, a United States Congressman honored and praised Terrell for innovation excellence in city planning.

Affirming the Terrell case, the Yale School of Management recently asked Terrell to participate in its Chief Executive Leadership Summit of top business and industrial leaders to discuss new emerging markets. As a part of the discussion, Terrell was asked to provide viewpoints about how cities and local government can play an active role to support private business expansion in emerging fast growth markets. The application of the Terrell case study is an important point of growing other municipal corporations (cities) tax base capacity and stimulating new market growth opportunities. Out of over 150 private chief executive officers, the City of Terrell was the only municipal corporation invited to participate in this prestigious world-wide summit held in New York City.

16. Does Massachusetts' (MA) government face the same problem? Or if the paper is a proposal from MA, go into more detail about the current practices. **Suggested length:** up to ¾ page.

An article describing Terrell's innovative approach to growth management was published in the *Public Works and Management Journal*, a national scholarly, academic publication. Terrell's story was one of five selected from throughout the country for inclusion. This national publication is employed at universities, colleges, and cities around the country as a training guide for public works professionals and also can serve as a model for other states and local governments to strengthen economic, business, and residential investment.

More importantly, the Terrell case serves as a "Fiscal Reform Case" for local governments around the country to consider multi-jurisdictional arrangements to stimulate investment and plan for city development in the future. Through proactive, comprehensive planning the City has designed a national model for negotiated partnerships with special utility districts and strategic partnership initiatives. Water, wastewater, and roadway infrastructure planning is featured in this article. What the City of Terrell has done can be replicated as a foundation for building a model, livable community and separates us from other small U.S. towns. With the power of a multi-jurisdictional partnership, a local government can transform the economy.

This discussion is profiled in the attached Dallas Morning News article where urban planners support the Terrell case as an exemplary proactive plan that can be applied in other cities, counties, and states, if given the same tools. This article has stimulated a national discussion among city planners.

Terrell touts growth management model

City shaping growth rather than fighting utility districts' force

12:00 AM CDT on Friday, September 7, 2007

By JIM GETZ / The Dallas Morning News
jgetz@dallasnews.com

In the midst of the 2005 drought, Torry Edwards was looking at a potential flood that had nothing to do with rainfall.

Mr. Edwards, then the assistant city manager of Terrell, was staring at the 35,000 to 40,000 future residents likely to pour in to just one development next to the city by 2025.

It threatened to swamp the ability of Terrell – which has fluctuated between 12,000 and 16,000 residents for decades – to keep up with traffic, safety, waste and water.

So Mr. Edwards and others made a pre-emptive strike: They got the developers to sit down and, over many negotiations, agree to conditions years before the first shovel of dirt would be turned. They would make the development part of a regional water system, perform traffic impact studies and share sales-tax revenue with the city.

In exchange, the city agreed not to annex the area for 15 years – meaning the newcomers would avoid city taxes until then.

The prospect of rapid, massive development is because of the use of municipal utility districts, or MUDs, a form of special government that lets developers sell bonds to obtain low-interest financing for roads, water lines and other infrastructure. The new homeowners then are taxed to make payments on the bonds.

In a recent article in the national journal *Public Works Management & Policy*, Mr. Edwards touts his city's initiative as a model.

"We are being inundated with these MUDs in Kaufman County and North Texas," said Mr. Edwards, who was promoted to city manager three weeks ago. "There has to be some framework to manage it."

That framework, Mr. Edwards said, is to cooperate with special districts instead of competing with them. And in the case of the massive Traditions at Brushy Creek and two other districts in Terrell's extraterritorial jurisdiction, that could be a lot of competition: Together, they encompass about 16 square miles; Terrell is 18.8 square miles.

"It forces us to be a more active planner in development," he said. "If not, smaller, rural communities will just dry up."

Those familiar with development and special districts agree with Terrell's proactive approach but are varied as to how well it could be applied elsewhere.

"What I'm quibbling with is he sees this as a case study that could be applied to other cities," said Del Taebel, a professor emeritus at the University of Texas at Arlington's School of Urban and Public Affairs. That's because, he said, of the legislation that created it – legislation endorsed by Terrell – is particular to Kaufman County.

"For now, it's restricted to Kaufman County and probably to the state of Texas," Dr. Taebel said. "The rules of the game differ from state to state. It could apply to other counties in the state of Texas provided they go the Legislature and get special legislation passed."

Mark Stein, an economic development consultant in Dallas, did not think Terrell's approach was revolutionary; the city of Lavon negotiated concessions from a large development three years ago.

"I think Terrell made as much good out of a situation as they could have under Texas law, which favors developers," he said. "They made it better than they could have by cutting a deal with the developers."

Joe B. Allen, an attorney who has represented special districts in the Houston area, where they have existed for about 40 years, said the major difference between the Houston area and North Texas is access to water.

In Houston, it's easy for developers to dig wells. But in North Texas, they need to finance the infrastructure necessary to tap into surface water. Special districts provide the means to do that, and cities need to work with them, Mr. Allen said.

"In today's world, it's a partnering process. There's simply not an alternative to that," he said. "Once everybody sees a model like this, they tend to copy it. Or they take it and say, here's what we like about it, or here's what worked and didn't work. I think you'll see a lot of that."

Richard Little, director of the Keston Institute for Public Finance and Infrastructure Policy at the University of Southern California, agreed.

"Some of these things will work, and some will fail," said Mr. Little, who also was one of the experts who vetted Mr. Edwards' article before publication. "A lot of other places will get to go to school on your lessons."

17. What is projected in terms of future goals? **Suggested length:** up to ½ page.

The Growth Management Works Program will guide the city to reduce competition between the existing city's – Terrell's - growth opportunities and the newly forming cities created by state law. The growth management model established partnerships and

contractual agreements between multi-sector governmental entities to develop a cooperative long-term growth pattern to preserve compatibility of growth.

By utilizing a proactive comprehensive plan, along with innovative governmental partnerships, the Terrell case is a relevant model to create economic energy to grow emerging businesses and industrial markets in Texas.

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Better Government Competition 2011

Pioneer Institute for Public Policy Research

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For further information regarding the Better Government Competition and Pioneer Institute, please visit our website @ www.pioneerinstitute.org.

All questions regarding the competition should be directed to Shawni Littlehale @ 617-723-2277 or to slittlehale@pioneerinstitute.org.

DEADLINE: