

Minutes of Land Committee Meeting of August 4, 2011

Attendees: Robert Knaus, Nick Renneker, Charles Edwards, Earl Foster, Jerry Hietpas, Karl Ansbach.

The minutes are in the reverse order of the actual discussion at the meeting.

Amendment 16 – Sale of Property to H. Dawlett

The current agreement is due to expire on August 12 when either H. Dawlett pays the District for the property on Lohmans Crossing or defaults.

An extended discussion observed the following:

- The property originally offered in 2008 has increased in value. Its current asking price is \$3.133 million or \$3.80/sq ft. Commercial property in the Lakeway vicinity is selling for \$5 to \$8 per sq ft.
- The District has received payments that were in escrow for extensions to the closing date of \$313,000 when Amendment 15 was executed last year. Now in escrow is the original earnest money of \$100,000 and \$156,000 in extension fees. That \$256,000 will apply against the purchase price if H. Dawlett closes by August 12, 2011. If he does not close, and there is no new amendment then that money goes to the District. The District would retain the 18.883 acres to do with as they see fit.
- The buyer, H. Dawlett, has asked for an extension on closing until September 30 and has indicated intent to assign the contract to Quality Senior Villages, LLC a developer of senior housing.
- Within Rough Hollow, H. Dawlett has a TCEQ permitted cedar tract of 262 acres.
- If the District could disperse treated wastewater onto xxx acres of the Rough Hollow permitted acreage or the Highland Lakes rule for allowing treated wastewater to be put into its lakes, it would eliminate the need for CT-1. This would require that the District be given the needed easements, etc. to pipe the treated wastewater from its facilities to this tract.
- If the need for CT-1 were thus eliminated the acreage (40 to 60 acres) could be sold to a developer.

The following idea was proposed:

- Change Amendment 16 (a draft written by H. Dawlett which was provided by Earl Foster at the meeting) to do the following:
 - Increase the purchase price of the 18.883 acres to market value (e.g. from \$3.133 million to \$5 million)
 - Obtain an option on xxx acres of the permitted cedar tract in Rough Hollow for \$0?? per sq ft
 - Have the option to buy exercisable at any time in the next two years (through August 2013) or negotiate it into the closing of the existing contract
 - Include an access easement within the option to allow for connecting the District processing facilities to the permitted cedar tract.
- If the proposed Amendment 16 is not acceptable to either party, then terminate the agreement as of August 12, 2011 and take the steps to put the 18.883 acres for sale at a future date at its current market price.

City of Lakeway Requests for Easements

Andra Dearing, Director of the City's Parks and Recreation Department made the following requests. This was a follow up to the City's first set of requests on June 2, 2011.

- A walking trail on the Lakeway Boulevard Water Treatment Plant on the property adjacent to the Estates at Lakeway. The city would like to build a path within 8 feet of the property line demarcated by a fence along the back line of the properties in the Estates at Lakeway. The Land Committee was advised by Earl Foster that this would not impede any plans for future development. Also, the District Board President and the Mayor had discussed the filing of an easement to create this path.
 - The Land Committee approves of this easement

- A bike trail is proposed to be built in the Hamilton Greenbelt. Part of this trail would use an unimproved access road that the District has to a wastewater line to Sailmaster. In addition, part of the trail would be behind the District's plant on Palos Verde where there also is a walking trail.
 - It was observed that the existing walking trail may not be covered by an easement. The Land Committee approves this request and notes that an easement should provide for both the new trail and the existing trail. It was also noted that the insurance that the City has which covers the use of these trails also include the District as a named insured.
- The City again stated its willingness to purchase the lot at 129 Schooner for a price of \$23K to use for an access trail.
 - The Land Committee reversed its position of June 2 which recommended selling the lot to the city for \$30K and instead recommends that the property be offered for sale at its appraised value of \$90K.
- The City requests, along with the Rough Hollow developer, that a trail be created along the west side of the retention pond near Bisset Court (District property S-5). A 15 foot wide path would follow the property line from Rough Hollow drive and connect to the Canyonlands trail system.
 - The Land Committee recommends that a license with a term of five years with a one year renewable feature be offered to the City. This would allow for a future expansion of the retention pond (S-5).

Interview of Commercial Real Estate Brokers

Two commercial real estate brokers were invited to address the Land Committee. Jack Perry of JB Goodwin Realtors along with two representatives of Bryan Lym Architects and Steve Witt of Coldwell Banker addressed the meeting.

The following points were made:

- The commercial real estate market is still very soft. Mr. Perry also commented that while it's true that property is not bought or sold based on county tax appraisal value, they've seen some property go for less than the valuations today.
- The highest and best use of a parcel is partly based on its visibility and traffic load. For example property on RR 620 is more valuable than property on Lohmans Crossing.
- Anyone developing CT-1 would have to be concerned with easements and approvals needed for the creek and small ponds at the edge of the property.
- There were two points made concerning separating a "frontage parcel" from a larger parcel
 - Developing a property in two or three layers is typical. The layers are typically a retail development along the road, high density housing behind it and single family housing behind that. This does not lessen the value of the land overall.
 - However, given the size and shape of CT-1 and the need for access from Lohmans Crossing through the "front" parcel to the 40 acre "rear" parcel, the separation of the sale of the 18.883 acres from the rest of the property could cause the value of the remainder to be less than if it were developed in its entirety.
- There is a demand for land parcels around Lakeway driven by the new hospital.
- While \$8 per square foot is a typical asking price in the area, the state of the market indicates that offers would come in lower than this, perhaps \$4 to \$6 per square foot.
- The extension of Glen Heather through to Lohmans Crossing creates a potential opportunity for developing the District cedar tract.
 - The Land Committee was grateful for the realtor's candor and intends to continue to use similar resources to discuss land use and exploitation.