



CAUSE NOS. 14-CV-0340 ^C~~14-CV-0340~~

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CITY OF LEAGUE CITY, TEXAS §
Interpleader, §

IN THE DISTRICT COURT OF

VS.

GALVESTON COUNTY, TEXAS

STANDARD PACIFIC HOMES; §
MHI PARTNERSHIP LTD; §
MAG CREEK; ET. AL. §
Interpleader Defendants §

56TH JUDICIAL DISTRICT

John D. Koval
DISTRICT CLERK
GALVESTON COUNTY, TEXAS

FINDINGS OF FACTS AND CONCLUSIONS OF LAW

On the 20th day of January 2015, the above-entitled and numbered cause came on to be heard. The Court, having reviewed the pleadings, considered the evidence introduced and the arguments made, hereby determines the rights of those persons and entities with interest in Public Improvement District Number 1 assessments for Phase 1 and Phase 2 of the Magnolia Creek Subdivision in League City, Texas.

In response to the request of Interpleader Defendant MHI Partnership Ltd. and Mag Creek Partners, LP, the Court makes and files the following original Findings of Fact and Conclusions of Law in accordance with Rules 296 and 297 of the Texas Rules of Civil Procedure.

FINDINGS OF FACT:

1. MHI Partnership, Ltd. and Mag Creek Partners, LP (hereafter "Interpleader Developer Defendants") purchased, developed, and sold to third parties residential lots within the Magnolia Creek Subdivision;

2. On April 10, 2001, City Council for the City of League City, Texas adopted Ordinance 2001-10 levying Public Improvement District (hereafter "PID") assessments for Phase 1 of the Magnolia Creek Subdivision;
3. The PID rate was calculated by allocating the estimated cost of that portion of development across the area of Phase 1;
4. Estimated costs were \$2.76 million payable by owners proportionally over fifteen (15) years;
5. The final audited costs for Phase 1 totaled \$1.88 million resulting in excess assessment revenues and interest collections from 2002 through 2012 of approximately \$1 million;
6. A Service and Assessment Plan (hereafter "Plan") was attached and incorporated by reference to Ordinance 2001-10;
7. The Plan provides that the Public Improvements would be paid by assessments which constitute one hundred percent (100%) of the total costs;
8. Interpleader Developer Defendant(s) were paid with taxpayer assessments to implement Phase 1 pursuant to the Plan;
9. Any assessments paid by Interpleader Developer Defendant(s) were returned to them by virtue of payments received under the Plan;
10. Interpleader Developer Defendant(s), as initial sellers, passed on any remaining costs of Phase 1 assessments to third party purchasers;
11. Interpleader Developer Defendant(s)' role in, and receipt of taxpayer payments as developers of, Phase 1 distinguishes them from a traditional ad valorem claimant;

12. Neither Ordinance 2001-10 nor the Plan provided for a method by which over-payments, if any, were to be returned to any person or entity that paid an assessment;
13. On October 8, 2002, City Council for the City of League City, Texas adopted Ordinance 2002-46 levying PID assessments for Phase 2 of the Magnolia Creek Subdivision;
14. The PID rate was calculated by allocating the estimated cost of that portion of development across the area of Phase 2;
15. Estimated costs were \$2.68 million payable by owners proportionately over fifteen (15) years;
16. The final audited costs for Phase 2 totaled \$1.78 million resulting in excess assessment revenues and interest collections from 2003 through 2012 of approximately \$700,000.00;
17. The Plan was attached and incorporated by reference to Ordinance 2002-46;
18. The Plan provides that the Public Improvements would be paid by assessments which constitute one hundred percent (100%) of the total costs;
19. Interpleader Developer Defendant(s) were paid with taxpayer assessments to implement Phase 2 pursuant to the Plan;
20. Any assessments paid by Interpleader Developer Defendant(s) were returned to them by virtue of payments received under the Plan;
21. Interpleader Developer Defendant(s), as initial sellers, passed on any remaining costs of Phase 2 assessments to third party purchasers;
22. Interpleader Developer Defendant(s)' role in, and receipt of taxpayer payments as developers of, Phase 2 distinguishes them from a traditional ad valorem claimant;

23. Neither Ordinance 2002-46 nor the Plan provided for a method by which over-payments, if any, were to be returned to any person or entity that paid an assessment;
24. On August 27, 2013, City Council for the City of League City, Texas adopted Ordinance 2013-38 determining that the original assessments of Phase 1 and Phase 2 properties were excessive and that a reassessment of those properties was necessary;
25. The ordinance reassessed the properties in Phase 1 and Phase 2;
26. The assessment levels and interest paid by homeowners on those assessments led to excess funds and over payment due to property owners;
27. As of March 21, 2014, the date of the City of League City, Texas' (hereafter "Interpleader Plaintiff") Original Petition, Interpleader Plaintiff held in its possession an aggregate net refund amount of \$1,706,020.67;
28. In August 2013, Interpleader Plaintiff commissioned a claims process and authorized the retention of a title company to administer such process affecting 319 account properties in Phase 1 and Phase 2 of the Magnolia Creek Subdivision;
29. In the course of administering the claims process, claim forms were distributed to any and all parties known to have possessed and/or who currently possess an interest in the 319 account properties;
30. Interpleader Plaintiff received rival, competing claims from 515 persons or entities affecting 259 of the 319 account properties in an aggregate claim amount of \$2,2444,037.12;
31. The claims forms process required the production of warranty deeds by claimants (also known as Interpleader Defendants) who were currently in possession of an account property;

32. The claims forms process required the production of warranty deeds by claimants (also known as Interpleader Defendants) who were in possession of an account property as of March 13, 2015;
33. The warranty deeds produced by claimants that were legal title owners as of March 13, 2015 did not reserve or otherwise authorize a refund to any prior owners and/or possessors of the account property subject to the PID refund;
34. The warranty deeds produced by claimants that were legal title owners as of March 13, 2015 obligated and entitled those legal title owners to possess the property, make all necessary payments on the property, assume all necessary liabilities arising from the possession and ownership of the property and receive all refunds from PID on the property;

CONCLUSIONS OF LAW:

1. This Court has jurisdiction and venue over City of League City, Interpleader Plaintiff, and Standard Pacific Homes, MHI Partnership Ltd., Mag Creek, LP, Et. Al., collectively Interpleader Defendants, and over this matter;
2. Citations have been served and returned in the manner and for the length of time required by the Texas Rules of Civil Procedure;
3. On January 20, 2015, the above-entitled and numbered causes came on to be heard;
4. The Court reviewed the pleadings, considered the evidence introduced and the arguments made;

5. The Court determined the rights of those persons and entities with interest in Public Improvement District Number 1 assessments for Phase 1 and Phase 2 of Magnolia Creek Subdivision in League City, Texas;
6. All funds not associated with Account Number 10-4877-0000-0000-0000 which are the subject of these causes be and are to be distributed to the legal title owner(s) of properties in Phase 1 and Phase 2 of the Magnolia Creek Subdivision appearing of record as of March 13, 2015;
7. All funds associated with 10-4877-0000-0000-000 are to be distributed in accordance with Order Granting Joint Motion for Disbursement of Funds by Defendants Sequoia Golf Magnolia Creek, LLC and Mag Creek, LLC and Mag Creek Golf Course, Lp, signed on March 13, 2015;
8. Interpleader Plaintiff is directed to submit a final statement of record title owner(s) as of March 13, 2015, and amount on deposit for such owner(s) entitled to funds on deposit;
9. The Court through its Clerk will direct its Clerk to distribute the interpleader funds to the individual taxpayers (record title owner(s) as of March 13, 2015) in accordance with the statement provided;
10. All claims and causes of action against the City of League City, Texas (Interpleader Plaintiff) arising from the interpleader are barred.

SIGNED this 8 th day of May, 2015

Louise Cox

JUDGE PRESIDING

UNOFFICIAL