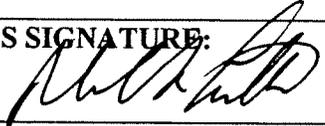


TO: Mayor via City Secretary REQUEST FOR COUNCIL ACTION

ca

SUBJECT: Ordinances for a Strategic Partnership Agreement with Harris County Municipal Utility District 361, the deannexation of the district, and the limited purpose annexation of that district.		Category # [85]	Page 1 of 1	Agenda Item # 25-25A
FROM (Department or other point of origin): Planning and Development		Origination Date November 27, 2001	Agenda Date DEC 18 2001 DEC 05 2001	
DIRECTOR'S SIGNATURE: 		Council District affected: ALL		
For additional information contact: Jerry Wood Phone: 713-837-7717		Date and identification of prior authorizing Council action: October 3, 2001; 2001-909 -1146		
RECOMMENDATION: (Summary) City Council is recommended to pass the ordinances for the Strategic Partnership Agreement with Harris County Municipal Utility District 361, its deannexation and the reannexation of the territory of the district for limited purposes.				
Amount and Source of Funding: DNA			F & A Budget:	
<p>SPECIFIC EXPLANATION: On November 7th and 14th of this year City Council conducted hearings on the proposed Strategic Partnership Agreement with HCMUD 361. This agreement provides for the deannexation of this in-city utility district, its immediate reannexation for limited purposes, and its eventual annexation for general purposes after the completion of the district's utility system. Under the agreement the district will assess future residents and businesses for the services that the City provides within the district. The assessment for fire protection and EMS, however, is limited to \$15 per month. The City will not collect property taxes within the district until it is annexed for general purposes. The City will collect and retain all sales taxes collected from within the district even during the period it is annexed for limited purposes.</p> <p>The district is located southwest of Lake Houston on the east side of West Lake Houston Parkway and Duessen Parkway. It is currently bordered by the city limits on its western boundary. Currently development in the district has been impeded by the imposition of both a district and a City property tax rate. It is part of the Summerwood master planned community, and consists of just over 377 acres of land. The land plan for the district includes mostly single family homes with commercial development limited to convenience retail. No homes in the Summerwood development flooded during Tropical Storm Allison.</p> <p>The territory of the district is currently located in District E. Until annexation for general purposes, residents of the district will be able to vote for members of City Council, the Mayor, charter changes, and other referenda. They will not be able to vote for the Controller or in bond elections, according to State law.</p> <p>The Strategic Partnership Agreement allows the City to recover its costs prior to the annexation of the district for general purposes, and to limit its expenses for fire protection and EMS to reflect the assessments received for that service. It allows the City Council to decide whether to complete the annexation once the utility system is developed, without having to go through the three year annexation plan.</p>				
REQUIRED AUTHORIZATION				
F & A Director:		Other Authorization:		✓

City of Houston, Texas, Ordinance No. 2001-1147

AN ORDINANCE ~~DISANNEXING ALL OF THE AREA IN HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 361;~~ ANNEXING ALL OF THE AREA IN HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 361 FOR LIMITED PURPOSES; CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; ADOPTING A REGULATORY PLAN FOR SUCH AREA; IMPOSING THE SALES TAX OF THE CITY OF HOUSTON, TEXAS IN SUCH AREA; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, the Texas Local Government Code authorizes a municipality that has exercised limited purpose annexation to disannex any land located within a municipal utility district; and

WHEREAS, the City of Houston, Texas is authorized to annex territory for limited purposes in compliance with the procedures established by the Texas Local Government Code; and

WHEREAS, the City Council, by Ordinance No. 2001-909 adopted on October 3, 2001 called certain public hearings relating to the proposed annexation for limited purposes of all of the area in Harris County Municipal Utility District No. 361; and

WHEREAS, in compliance with Section 43.124 of the Texas Local Government Code, on November 7, 2001 and November 14, 2001 the City Council held the required public hearings regarding the proposed limited purpose annexation of said territory; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. The findings set forth in the preamble of this Ordinance are determined to be true and correct and are hereby adopted.

Section 2. The City of Houston hereby disannexes all of the area in Harris County Municipal Utility District No. 361, in Harris County, Texas. The boundaries of such area are set out in "Exhibit A," which exhibit is attached hereto, incorporated herein, and made a part hereof for all purposes.

Section 3. Subject to all sections of this Ordinance, the City of Houston hereby annexes for limited purposes all of the area in Harris County Municipal Utility District No. 361, in Harris County, Texas, by the passage of this Ordinance.

Section 4. A regulatory plan for the territory within the boundaries set out in Exhibit A is hereby adopted as part of this Ordinance. Such regulatory plan is set out in "Exhibit B," which is attached hereto, incorporated herein by this reference, and made a part hereof for all purposes.

Section 5. In accordance with the authority granted by Section 43.0751(k) of the Texas Local Government Code, the City of Houston hereby imposes a retail sales and use tax within the boundaries of Harris County Municipal Utility District No. 361. Such sales and use tax will be administered and governed by the pertinent provisions of the Texas Tax Code.

Section 6. It is the intention of the City of Houston and its City Council to comply with the Constitutions and laws of the United States of America and the State of Texas and with all applicable provisions of the Charter of the City of Houston, and this Ordinance shall be interpreted and construed in harmony therewith.

Section 7. The City Council officially finds, determines, recites and declares that a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code; and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof have been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 8. If any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Ordinance or their application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose. Should this Ordinance for any reason be ineffective as to any part of the area hereby annexed to the City of Houston, such ineffectiveness of this Ordinance as to any such part or parts of any such area shall not affect the effectiveness of this Ordinance as to all of the remainder of such area, and the City Council hereby declares it to be its purpose to annex to the City of Houston for limited purposes every part of the area described in Exhibit A of this Ordinance, regardless of whether any other part of such described area is hereby

effectively annexed to the City. Provided, further, that if there is included within the description of territory set out in Exhibit A of this Ordinance to be hereby annexed for limited purposes any area or lands which are presently part of and included within the limits of any other municipality, or which are not within the jurisdiction or power of the City of Houston to annex for limited purposes, the same is hereby excluded and excepted from the territory to be hereby annexed as fully as if such excluded and excepted area were expressly described herein.

Section 9. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on that date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 12th day of December, 2001.

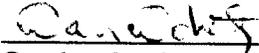
APPROVED this _____ day of _____, 2001.

Mayor of the City of Houston, Texas

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is DEC 18 2001


 City Secretary



Prepared by Legal Dept. 
 Senior Assistant City Attorney

Requested by Robert Litke, Director, Department of Planning and Development
 L.D. File No. 061-0100111001

u:\dbd\ford\disanxhcmud361

AYE	NO	
✓		MAYOR BROWN
....	COUNCIL MEMBERS
✓		TATRO
✓		GALLOWAY
✓		GOLDBERG
✓		BONEY
✓		TODD
✓		ELLIS
✓		KELLER
✓		VASQUEZ
✓		CASTILLO
✓		PARKER
✓		QUAN
	ABSENT-CITY BUSINESS	SANCHEZ
✓		BELL
	ABSENT-OUT OF CITY CITY BUSINESS	ROBINSON
CAPTION	ADOPTED	

MAY 017 Rev. 1/00

CAPTION PUBLISHED IN DAILY COURT
 REVIEW
 DATE: DEC 18 2001

Harris County M.U.D. No. 361
377.195 Acres

Victor Blanco Survey
Abstract No. 2

STATE OF TEXAS §

COUNTY OF HARRIS §

530-53-0679

TRACTS "A" AND "B" COMBINED

A METES AND BOUNDS description of a certain 377.195 acre tract of land situated in the Victor Blanco Survey, Abstract No. 2, Harris County, Texas, being out of the 374.33 acre tract conveyed to McCord Development Communities, LP by Special Warranty Deed with Vendor's Lien as recorded in Clerk's File No. R166950 of the Harris County Official Public Records of Real Property; said 377.195 acres being more particularly described as follows with all bearings being based on said 374.33 acre tract:

COMMENCING at a point in the east right-of-way line of Deussen Parkway (300 feet right-of-way) marking the northwest corner of the 5.3061 acre tract described as Tract 6 in the deed from Texas Commerce Bank to the City of Houston recorded under Clerk's File No. H870227 of the Harris County Official Public Records of Real Property;

THENCE, South 11°26'45" East, 101.97 feet along the said east line of said Deussen Parkway to the southwest corner of said Tract 6;

THENCE, North 87°20'11" East, 166.23 feet along the south line of said Tract 6 to the **POINT OF BEGINNING** of the herein described tract;

THENCE, North 87°20'11" East, 1084.00 feet along the south line of said Tract 6 to a point marking an angle corner;

THENCE, North 79°22'06" East, 1366.64 feet continuing along said south line to a point marking an angle corner in the south line of the 19.7354 acre tract shown as Parcel J-71-2 (Rev.) in the plat of surveys by Survcon, Inc. under job No. 5017-463 and the east corner of aforesaid Tract 6;

THENCE, North 84°24'18" East, 166.73 feet along said south line to a point marking an angle corner;

THENCE, North 86°14'00" East, 701.14 feet continuing along said south line to the northeast corner of the herein described tract;

THENCE, South 05°22'59" East, 73.69 feet to the southeast corner in the north line of the residue of the 1211.42 acre tract described in the deed from East Texas Oil Company to the City of Houston recorded in Volume 1394, Page 533 of the Harris County Deed Records;

THENCE, South 86°46'54" West, 737.19 feet along said north line to a point marking an interior corner and the most northerly northwest corner of Lakeside Terrace Subdivision (unrecorded);

THENCE, South 23°14'12" West, 1879.64 feet along the west line of said Lakeside Terrance Subdivision, common with the east line of the aforesaid 380.39 acre tract to a point marking an angle corner;

THENCE, South 60°33'49" East, 3334.68 feet continuing along said common line to a point marking an angle corner;

THENCE, South 02°47'51" East, 740.34 feet continuing along said common line to a point marking an angle corner;

THENCE, South 39°22'51" East, 2884.41 feet continuing along said common line to a point marking an angle corner;

THENCE, South 31°16'51" East, 157.39 feet continuing along said common line to a point in the northwest line of the 203 acre tract described in the deed from Mrs. Fred A. Gillette, et al, to Harris County Public Park recorded under Volume 2824, Page 706, Harris County Deed Records, said point marking the most easterly southeast corner of the herein described tract;

THENCE, South 32°06'39" West, 1934.58 feet along said northwest line common with the southeast line of the aforesaid 380.39 acre tract to a point in the right-of-way line of aforesaid Deussen Parkway marking the southwest corner of said 203 acre tract;

THENCE, in a northwesterly direction along the east right-of-way line of said Deussen Parkway, the following six (6) courses and distances:

1. North 45°16'19" West, 92.22 feet along said right-of-way line to a point beginning a curve to the right;
2. Along the arc of said curve to the right having a radius of 7489.44 feet, a central angle of 15°16'00", an arc length of 1995.59 feet and a long chord bearing North 37°38'19" West, 1989.69 feet to the point of tangency;
3. North 30°00'19" West, 526.20 feet to a point beginning a curve to the left;
4. Along the arc of said curve to the left having a radius of 7789.44 feet, a central angle of 21°30'00", an arc length of 2922.95 feet and a long chord bearing North 40°45'19" West, 2905.84 feet to the point of tangency;
5. North 51°30'19" West, 464.21 feet to a point beginning a curve to the right;
6. Along the arc of said curve to the right having a radius of 5579.58 feet, a central angle of 18°29'14", an arc length of 1800.33 feet and a long chord bearing North 42°15'42" West, 1792.53 feet to the point, beginning a reverse curve to the left;

530-53-0681

THENCE, in a northwest direction, along the arc of said curve to the left having a radius of 1120.00 feet, a central angle of $39^{\circ}33'47''$, an arc length of 773.37 feet, and a long chord bearing North $52^{\circ}47'58''$ West, 758.09 feet to a point, beginning a non-tangent curve to the right, from which the radius point bears North $63^{\circ}57'03''$ East, 5879.58 feet;

THENCE, in a northwest direction, along the arc of said curve to the right having a radius of 5879.58 feet, a central angle of $01^{\circ}15'29''$, an arc length of 129.11 and a long chord bearing North $25^{\circ}25'12''$ West, 129.11 feet to a point in the east right-of-way of West Lake Houston Parkway (130.00 feet wide), beginning a non-tangent curve to the left, from which the radius point bears South $87^{\circ}08'00''$ West, 3070.00 feet;

THENCE, in a northeast direction, along the east row of said West Lake Houston Parkway, with the arc of said curve to the left having a radius of 3070.00 feet, a central angle of $12^{\circ}39'40''$, an arc length of 678.40 feet and a long chord bearing North $04^{\circ}30'34''$ East, 677.02 feet to a point;

THENCE, in a northerly direction, along the arc of a curve to the right having a radius of 5579.58 feet, a central angle of $00^{\circ}21'50''$, an arc length of 35.43 feet and a chord bearing North $18^{\circ}32'28''$ West, 35.43 feet to a point;

THENCE, North $02^{\circ}52'00''$ West, 252.02 feet to a point, beginning a curve to the right;

THENCE, in a northerly direction along the arc of said curve to the right having a radius of 4940.00 feet, a central angle of $04^{\circ}30'09''$, an arc length of 388.20 feet and a long chord bearing North $00^{\circ}36'56''$ West, 388.10 feet to the POINT OF BEGINNING, CONTAINING 377.195 acres of land in Harris County, Texas.

"This document was prepared under 22 TAC 663.21. does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the political subdivision for which it was prepared." The bearings and distances shown hereon are based on a called 374.33 acre tract conveyed to McCord Development Communities, LP, by Special Warranty Deed with Vendor's Lien as recorded in Clerk's File No. R166950 of the Harris County Official Public Records of Real Property.

SURVMGHM&B\377195

EXHIBIT A

Regulatory Plan

The City of Houston will provide police service in the area annexed for limited purposes. In connection with that service, the City will enforce Chapters 4, 6, 8, 11, 20, 21, 22, 28, 30, 32, 33, 34, 43, 45, and 46 of the City Code and all applicable uncodified traffic ordinances. Since the City does not have a zoning ordinance, the area will not be zoned.

The area will be annexed for full purposes after the utility systems (water, wastewater and drainage) have been fully developed and any eligible developer reimbursements have been made. As a part of the Strategic Partnership Agreement a majority of the property owners waive the right to require the City to annex for full purposes within three years of the date that the area is annexed for limited purposes.

EXHIBIT B

City of Houston, Texas Ordinance No. 2001-1146

AN ORDINANCE APPROVING AND AUTHORIZING A STRATEGIC PARTNERSHIP AGREEMENT BETWEEN THE CITY OF HOUSTON , THE HARRIS COUNTY MUNICIPAL UTILITY DISTRICT 361, AND GENSTAR SUMMERWOOD L.P.; MAKING VARIOUS FINDINGS AND PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN EMERGENCY.

* * * *

WHEREAS, the City of Houston, Texas (the "City") is authorized to enter into a Strategic Partnership Agreement pursuant to § 43.0751 of the Texas Local Government Code; and

WHEREAS, the City Council, by Ordinance No. 2001-909 adopted on October 3, 2001, called certain public hearings relating to the proposed Strategic Partnership Agreement with Harris County Municipal Utility District 361; and

WHEREAS, the City Council in compliance with Section 43.0751(d) of the Texas Local Government Code held the required public hearings regarding the proposed Strategic Partnership Agreement on November 7, 2001 and November 14, 2001; and **NOW**,

THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the findings contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as a part of this Ordinance.

Section 2. The City Council hereby approves and authorizes the contract, agreement or other undertaking described in the title of this Ordinance, in substantially the form as shown in the document which is attached hereto and incorporated herein by this reference. The Mayor is hereby authorized to execute such document and all related documents on behalf of the City of Houston. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

Section 3. The Mayor is hereby authorized to take all actions necessary to effectuate the City's intent and objectives in approving such agreement, agreements or other undertaking described in the title of this ordinance, in the event of changed circumstances.

Section 4. The City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under said contract without further authorization from Council.

Section 5. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 12th day of December, 2001.

APPROVED this _____ day of _____, 20____.

Mayor of the City of Houston, Texas

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is DEC 18 2001.



City Secretary

(Prepared by Legal Dept. 

(CRC:dw 11-28-01)

Assistant City Attorney

(Requested by Robert Litke, Director, Planning & Development Department)

(L.D. File No.061-0100049-001)

J:\DEW\SPAHC361.WPD

AYE	NO	
✓		MAYOR BROWN
....	COUNCIL MEMBERS
✓		TATRO
✓		GALLOWAY
✓		GOLDBERG
✓		BONEY
✓		TODD
✓		ELLIS
✓		KELLER
✓		VASQUEZ
✓		CASTILLO
✓		PARKER
✓		QUAN
	ASSENT-CITY BUSINESS	SANCHEZ
✓		BELL
	ASSENT-OUT OF CITY CITY BUSINESS	ROBINSON
CAPTION	ADOPTED	

**STRATEGIC PARTNERSHIP AGREEMENT
BETWEEN THE CITY OF HOUSTON, TEXAS,
AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 361**

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

This **STRATEGIC PARTNERSHIP AGREEMENT** (this "Agreement") is made and entered into as of the Effective Date by and between the **CITY OF HOUSTON, TEXAS**, a municipal corporation principally situated in Harris County, Texas, acting by and through its governing body, the City Council of the City of Houston, Texas (the "City"), **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 361** (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59, Texas Constitution and operating pursuant to Chapters 49 and 54, Texas Water Code and **GENSTAR SUMMERWOOD L.P.**, a Delaware limited partnership (the "Developer").

RECITALS

WHEREAS, Texas Local Government Code, §43.0751 (the "Act") authorizes the City and the District to negotiate and enter into a strategic partnership agreement by mutual consent; and

WHEREAS, this Agreement provides for the disannexation of the District and the subsequent annexation of the District for the limited purposes of applying certain of the City's Planning, Zoning, Health and Safety Ordinances (defined herein); and

WHEREAS, as required by the Act, the City held public hearings on November 7, 2001, and November 14, 2001 at City Council Chamber, City Hall, 901 Bagby, Houston, Texas, and the District held public hearings on October 8, 2001, and October 12, 2001 at 13119 Broncrest, Houston, Texas, within the District, and 1001 Fannin, Houston, Texas 77002, respectively, at which members of the public were given the opportunity to present testimony or evidence regarding the proposed Agreement, and the City and the District made copies of the proposed Agreement available, and published notices of the hearings prior to the public hearings in accordance with the terms of the Act; and

WHEREAS, the City and the District wish to enter into a strategic partnership agreement to provide the terms and conditions under which services will be provided by the City and the District and under which the District will continue to exist for an extended period of time after the District is annexed for limited purposes.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS AND BE IT RESOLVED BY THE BOARD OF DIRECTORS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 361:

ARTICLE I FINDINGS

The City and the District hereby find and declare:

1. The Act authorizes the City and the District to enter into this Agreement to define the terms and conditions under which services will be provided to the City and the District and under which the District will continue to exist after the District is annexed for limited purposes pursuant to this Agreement;

2. This Agreement does not require the District to provide revenue to the City solely for the purpose of an agreement with the City to forgo annexation of the District;

3. This Agreement provides benefits to the City and the District, including revenue, services, and/or regulations which are reasonable and equitable with regard to the benefits provided to the other Party;

4. All the terms and conditions contained in this Agreement are lawful and appropriate to provide for the provision of municipal services and annexation; and

5. The City and the District negotiated this Agreement by mutual consent; the terms and conditions of the Agreement are not a result of the City's Annexation Plan or any arbitration between the City and the District.

ARTICLE II DEFINITIONS

Unless the context requires otherwise, and in addition to the terms defined above, the following terms and phrases used in this Agreement shall have, solely for the purposes of this Agreement, the meanings set out below:

"Act" means Texas Local Government Code, §43.0751 (Vernon Supp. 2001).

"Agreement" means this strategic partnership agreement by and between the City and the District and the Developer.

"Board" means the Board of Directors of the District.

"City" means the City of Houston, Texas, a municipal corporation principally situated in Harris County, Texas.

"City Charter" means the Charter of the City and any amendments thereto.

"City Code" means the Code of Ordinances of the City and any amendments thereto.

"City Council" means the City Council of the City or any successor governing body.

"Code of Criminal Procedure" means the Texas Code of Criminal Procedure and any amendments thereto.

"Comptroller" means the Comptroller of Public Accounts of the State of Texas.

"Consent Ordinance" means Ordinance No. 96-716, as amended by Ordinance No. 97-185, and as amended upon the Implementation Date in accordance with Section 3.02 (A), including all attachments and exhibits passed by the City Council consenting to the creation of and inclusion of land in the District.

"Developer" means Genstar Summerwood L.P., a Delaware limited partnership, and its successors and assigns.

"Director" means the Director of Planning and Development Department of the City or his or her designee.

"District" means Harris County Municipal Utility District No. 361, a conservation and reclamation district created pursuant to Article XVI, Section 59, Texas Constitution and operating pursuant to Chapters 49 and 54, Texas Water Code.

"Effective Date" means the date the City Controller countersigns this Agreement.

"ETJ" means the extraterritorial jurisdiction of the City.

"Government Code" means the Texas Government Code and any amendments thereto.

"Implementation Date" means the effective date of the limited-purpose annexation ordinance that is passed by City Council pursuant to Section 3.02.

"Landowner" means a person that owns real property in the District.

"Local Government Code" means the Texas Local Government Code and any amendments thereto.

"Party" or "Parties" means a party or the parties to this Agreement, being the City, the District, and the Developer.

"Planning, Zoning, Health, and Safety Ordinances" means Chapters 4, 6, 8, 11, 20, 21, 22, 28, 30, 32, 33, 34, 43, 45, and 46 of the City Code or any successor chapters thereto and all applicable uncodified traffic ordinances. Chapter 42 of the City Code, which applies to the subdivision of property in the District, shall continue to apply following the limited-purpose annexation.

"Resident" means a person that resides in the District.

"Sales and Use Tax" means the sales and use tax authorized to be imposed in the District by the Act and Tax Code Chapter 321.

"Tax Code" means the Texas Tax Code and any amendments thereto.

"TNRCC" means the Texas Natural Resource Conservation Commission and its successors.

ARTICLE III DISANNEXATION AND LIMITED-PURPOSE ANNEXATION

Section 3.01 Disannexation of the District

As authorized by Local Government Code §43.146, the City shall disannex the District immediately prior to the annexation of the District for limited purposes as described below.

The District and the City find and agree that the amount of money collected by the City in property taxes and fees from landowners within the area of the District during the period that the area was a part of the City is less than the amount of money that the City spent for the direct benefit of the area during that period. The Developer concurs in such finding and has waived, and notwithstanding such finding hereby affirms such waiver, any sums that could be claimed to be due pursuant to Local Government Code §§43.146 or 43.148. The District will make a good faith effort to obtain waivers of sums that could be claimed to be due pursuant to Local Government Code §43.146 or §43.148 from landowners of the District. If the City is legally required to refund property taxes to landowners in the District in accordance with Local Government Code §43.146 or §43.148, then the District will reimburse the City for all such payments.

Section 3.02 Limited-Purpose Annexation

A. Generally

Immediately following the disannexation of the District described in Section 3.01 and in no event later than December 31, 2001, as authorized by Subchapter F of Chapter 43 and the Act, the City shall annex the District for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the District. These ordinances will be applicable and enforceable in the District upon the date of limited-purpose annexation. The City's Consent Ordinance is hereby amended to conform to the City's standard ETJ consent conditions, attached hereto as Exhibit A, as of the Implementation Date. The Utility Functions and Services Allocation Agreement between the City and the District, dated September 4, 1996, is hereby terminated as of the Implementation Date.

The Parties recognize that at the time of the Agreement, the City's power to zone is restricted by City Charter Article VII-b, Section 13. If the City adopts a zoning ordinance pursuant to City Charter Article VII-b, Section 13, during the period of limited-purpose annexation, the zoning ordinance shall only apply to the District if the exclusion of the District from the zoning ordinance would, as a matter of law, invalidate the City's ability to zone the City as a whole. If the City initiates procedures to adopt such a zoning ordinance, the City agrees to use its best efforts to draft such ordinance in a manner that would not require any application of the ordinance to the District. If the City is required to apply any such zoning ordinance to the District during the period of limited-purpose annexation, the City agrees to apply a zoning classification to the property inside the District that would not cause any then-current structures

or the use of any property inside the District to become noncomplying or nonconforming as a result of the classification.

B. Property Taxes and District Liability for Debts of the City

Until the District is annexed for full purposes and except as otherwise provided in Article V: the District and all taxable property within the District shall not be liable for any present or future debts of the City, and taxes for the year 2002 and future tax years levied by the City shall not be levied on taxable property within the District.

C. Municipal Court's Jurisdiction

Upon limited-purpose annexation the City's municipal court shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws as set out in Article 4.14 of the Code of Criminal Procedure.

Section 3.03 Regulatory Plan for the District

The City hereby adopts the Regulatory Plan for the District attached to this Agreement as Exhibit B. Pursuant to Local Government Code §43.125(c), the City may amend the Regulatory Plan. In the event that the City seeks to amend the Regulatory Plan from time to time, the City shall give the District notice of its intentions not later than the 90th day before the City intends to amend the Regulatory Plan and shall not amend the Regulatory Plan without the consent of the District. Not later than the 20th day before the City intends to amend the Regulatory Plan, the City must hold a public hearing on the amendments to the Regulatory Plan and allow members of the public to testify and give evidence for or against the proposed amendments to the Regulatory Plan. In the event of a conflict between the Regulatory Plan and any amendments thereto and this Agreement, this Agreement shall control. The notice requirements of this section are applicable only to changes in the Regulatory Plan that specifically relate to the District and are not applicable to the ordinances or amendments to the City Code that have effect throughout the boundaries of the City.

Section 3.04 Powers and Functions Retained by the District

Prior to full-purpose annexation as provided in Article VIII, except as limited by the Consent Ordinance, the District is authorized to exercise all powers and functions of a municipal utility district provided by existing law or any amendments or additions thereto. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. Disposition or acquisition of additional assets, liabilities, indebtedness, and obligations shall be governed by the Consent Ordinance to the extent the Consent Ordinance is not inconsistent with this Agreement. The City hereby approves, without the need for any further action by the City, the District's power to incur additional debts, liabilities, or obligations, to construct additional utility facilities, and to sell or otherwise transfer property as provided in and as consistent with the Consent Ordinances and further approves and ratifies such actions as may have been taken during any period of negotiations of this Agreement.

In the event the District wishes to include additional land in the District, the laws applicable to City consent requirements for conservation and reclamation districts in the ETJ shall apply; provided that the terms of this Agreement shall apply to any areas so included to the extent that the parties agree to amend this Agreement to apply thereto.

**ARTICLE IV
VOTING RIGHTS IN THE DISTRICT**

Section 4.01 Generally

Pursuant to Local Government Code §43.130, after the District is annexed for limited purposes, the qualified voters of the District may vote in City elections regarding the election or recall of the Mayor, and members at large and in their Council District of the City Council; and regarding amendments to the City Charter. Such applicable rights shall be subject to all state and federal voting rights, laws and regulations. Until the District is annexed for full purposes, the qualified voters of the District may not vote in any City bond election. A Resident of the District is not eligible to be a candidate for or to be elected to an office of the City until the District is annexed for full purposes.

Section 4.02 Notice

On or after the 15th day but before the fifth day before the date of the first election held in which the Residents are entitled to vote as set out in Section 4.01, the City at its own expense, shall publish a quarter-page advertisement in a newspaper of general circulation in the City and District notifying the Residents that they are eligible to vote in the election and stating the location of all polling places for the voters of the District. The District, at its own expense, may provide for similar notice in a newspaper of general circulation in the District or otherwise.

Section 4.03 Designation of District Precincts and Preparation of District Ballots

The City shall include the District in a single-member City Council district and establish an election precinct or election precincts covering the District for the purpose of the District's limited participation in City elections. The City Secretary shall prepare the official ballot for the District's election precinct(s) containing only those City offices and City Charter amendments on which the qualified Resident voters of the District are entitled to vote pursuant to this Agreement and the laws of the State of Texas.

**ARTICLE V
SALES TAX AGREEMENT**

Section 5.01 Imposition of the City's Sales and Use Tax

Pursuant to subsection (k) of the Act, the City shall impose a Sales and Use Tax within the boundaries of the District upon the limited-purpose annexation of the District. The Sales and Use Tax shall be imposed at the rate of one percent on the receipts from the sale and use at retail of taxable items, in accordance with Tax Code Chapter 321. The Sales and Use Tax shall take effect on the date described in Tax Code §321.102.

**ARTICLE VI
SERVICES PROVIDED BY THE DISTRICT**

Section 6.01 Water, Sewer, and Drainage Services

As consideration for the services provided for in Article VII, the District shall continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. Further, the District shall take one or a combination of the following actions for the benefit of the District, the Developer, its Landowners and Residents:

1. Accelerate the development of the water, wastewater and drainage system in the District as necessary to encourage private investment in new construction in the District;
2. Accelerate reimbursements to developers for eligible infrastructure development to encourage such development;
3. Lower the overall property tax rate of the Landowners to encourage additional investment and development within the District;
4. Perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial limitations.

The District agrees to operate and maintain its water, wastewater, and drainage facilities at the same level as the District has operated and maintained them before the Implementation Date. The City shall have the right to periodically inspect the District's water, wastewater, and drainage facilities.

**ARTICLE VII
SERVICES PROVIDED BY THE CITY**

Section 7.01 Municipal services, generally

As consideration for the services provided for in Article VI and for the District's waiver of the District's annexation rights and privileges provided in Local Government Code Chapter 43, the City shall provide fire suppression, police and emergency medical services, and other services as the Director and the District may agree pursuant hereto. During the period of limited-purpose annexation, the City shall provide such services at the same level as those services are provided at the corresponding time within other parts of the City with topography, land use, and population density similar to that of the District.

Section 7.02 City Fire/EMS services

The District will formulate, with the assistance and advice of the City, and in conjunction with the Harris County Municipal Utility District No. 344, a "fire plan," as such term is used in Water Code §49.351, consistent with the terms of this section. The City shall provide all required fire and emergency medical services ("EMS") within the District. Such services will be provided at the level determined pursuant to Section 7.01, above. The District will use its reasonable efforts to secure the required authorization for the fire plan and to provide therein for compensation to the City for fire/EMS protection

services to the District. Payment to the City with regard to services provided under this section shall be described in the fire plan, and shall be based upon the actual costs to the City, including reasonable overhead, in providing such services, subject to the terms of Section 7.04, below.

The Developer agrees to provide without compensation from the City a site for a fire station within the District or an adjacent District not to exceed 2.5 acres, at a location mutually agreeable by the Fire Chief of the City or his designee and the Developer, and the City agrees to make use of such site in conjunction with the provision of fire/EMS service described herein. The conveyance of such site will provide that it will revert to the Developer in the event it is not used by the City for fire prevention or suppression purposes within two years from the date of conveyance at no cost to the Developer. Such conveyance shall take place within 90 days of request therefor by the City, Fire Chief which request shall not occur until the City is prepared to make use of the site as provided herein. The Parties acknowledge that under this Agreement and the proposed agreement between the City of Houston and Harris County MUD 344 the Developer has the obligation to provide only a single fire station site.

Section 7.03 Other City services

Upon request by the District, the City shall provide street lighting to the District following receipt of written assurance from the District in a form acceptable to the City's Director of Public Works and Engineering or his designee, of the District's ability to reimburse the City for its expenses in connection therewith. The Parties may also cooperate to provide solid waste collection within the District upon mutual agreement, of the District and the Director of Solid Waste or his designee.

Section 7.04 Costs and assessments

The City shall determine its actual costs of providing municipal services described in this Article using generally accepted municipal accounting procedures, and shall provide such cost to the District annually, at least 60 days prior to the beginning of the District's fiscal year. The costs of each City service shall be separately accounted for and, to the extent the City receives fees or other revenues in connection therewith (e.g., user, inspection or permit fees), such revenues shall be described and used to offset the City's costs. In determining the cost of providing fire/EMS services pursuant to Section 7.02, above, the costs shall be spread over the entire area anticipated to be served by the fire/EMS facilities serving the District.

In accordance with the Act, the District shall impose a fee on residential property within the District to be used to pay the City as provided herein. The fee shall be equal to the costs of providing municipal services within the District as computed above, divided by the number of residential properties within the District. Fees with respect to multi-family properties, if any, shall be allocated based upon the number of dwelling units within each property. The District will convert the fee derived under this Section into a monthly fee, payable by the owners of residential property within the District (the "Fee"), enforceable to the extent allowed by law in the same manner as other District fees and expenses. Notwithstanding the above, the Fee with respect to fire/EMS services shall not exceed \$15.00 per residence per month without the written consent of the District and the Director.

Each calendar quarter, the District shall pay the Fee collected pursuant to this Section, net of reasonable collection costs, to the City in lieu of full purpose annexation.

**ARTICLE VIII
FULL-PURPOSE ANNEXATION**

Section 8.01 Full-purpose annexation

The City agrees that, irrespective of its right and power under existing or subsequently enacted law including under Section 17 of Senate Bill 89, published as Act of May 30, 1999, 76th Leg., R. S., ch. 1169, Section 17, 1999 Tex. Gen. Laws 4074, 4090, it will not annex or attempt to annex the District for full purposes until the following conditions have been met:

1. All of the District's water supply and distribution, wastewater collection and treatment, and drainage facilities have been developed; and
2. The Developer developing water supply and distribution, wastewater collection and treatment, and drainage facilities, has been reimbursed by the District to the maximum extent permitted by the rules of the TNRCC or the City assumes the full obligation for such reimbursement of the District under such rules.

If the City wishes to complete remaining District facilities to comply with Item 1, above, the District will cooperate with the City to provide access to the District's facilities and allow such connection or supplement thereto as may be reasonably necessary upon written notice of its intent to so complete from the City to the District; provided that any such construction by or on behalf of the City shall be performed consistent with the District's then-current land plan and shall provide water supply and distribution, wastewater collection and treatment, and drainage facilities to the entire District.

When the conditions of this section have been met, the City may, at its option, annex the District for full purposes 120 days after notifying the District of its intention to do so. Full-purpose annexation shall not be effective until the City Council has passed an ordinance declaring that the District is annexed for full purposes as provided by this Agreement. In no event shall the date that the City may exercise its option to annex the District for full-purpose annexation be more than 30 years from the Implementation Date.

Section 8.02 Payments In Lieu of Full-Purpose Annexation

As additional consideration, the District agrees to pay to the City an annual fee, in addition to the other consideration provided in this Agreement, for the provision of municipal services provided in this Agreement in lieu of full-purpose annexation. The annual fee shall be \$100. The annual fee shall be due on each anniversary of the Implementation Date. The City and the District hereby waive their respective right to request a cost-of-services study for the purpose of determining the annual fee provided in this section. The City waives its right to terminate this Agreement for failure by the District to make an annual fee payment stated in this section. Both the City and the District waive their right to request a renegotiation of the methodology for calculating the fee under this section.

Section 8.03 Annexation Procedures

Because the District, as of the Effective Date, is an area that is the subject of a strategic partnership agreement, the City is not required to include the District in its Annexation Plan. At the time that the City undertakes to annex the District for full purposes in accordance with this Agreement, the City shall follow the procedures and provide the level of services described in Local Government Code Chapter 43, Subchapter C-1. During the year before the date of full-purpose annexation, the City and the District shall develop an annexation transition plan so as to facilitate the orderly transition of municipal services, including water, wastewater, and drainage services.

Section 8.04 Waiver of timing requirements

This Agreement constitutes an amendment to the timing requirements of Local Government Code §43.123(d)(2) and §43.127 pursuant to the Act and as a result the City is not required to annex the District for full purposes within three years of its annexation for limited purposes. In addition, without limitation of the effectiveness of the preceding sentence, the parties acknowledge that the District and the Developer, as well as other owners of the property within the District and Harris County Municipal Utility District No. 344 constituting a majority thereof as of the effective date thereof, have waived such timing requirements as well.

ARTICLE IX MATERIAL BREACH, NOTICE AND REMEDIES

Section 9.01 Material Breach of Agreement

A. It is the intention of the Parties to this Agreement that the District be regulated and annexed in accordance with the terms of this Agreement. A material breach of this Agreement by the District includes any one or more of the following:

1. Failure of the District to act in good faith in the annexation of territory within the District by the City for limited or full purpose as authorized by this Agreement;
2. Failure of the District to comply with the Regulatory Plan as developed by the City; or
3. Failure of the District to develop and to operate and maintain the District's water, sewer, and drainage facilities as provided in Article VI.

B. A material breach of this Agreement by the City includes any one or more of the following:

1. Failure of the City to provide the municipal services as provided in Article VII;
2. Any attempt by the City to annex the District for full purposes in contravention of the schedule set forth in Article.VIII.

C. A material breach of this Agreement by the Developer includes a failure of the Developer to convey the fire station site described in Section 7.02, above.

In the event that a Party to this Agreement believes that another Party has, by act or omission, committed a material breach of this Agreement, the provisions of this Article shall govern the remedies for breach of this Agreement.

Section 9.02 Notice of District's Default

A. The City shall notify the District in writing of an alleged failure by the District to comply with a provision of this Agreement, describing the alleged failure with reasonable particularity. The District shall, within 30 days after receipt of such notice or such longer period of time as the City may specify in such notice, either cure such alleged failure or, in a written response to the City, either present facts and arguments in refutation or excuse of such alleged failure or state that such alleged failure will be cured and set forth the method and time schedule for accomplishing such cure.

B. The City shall determine (i) whether a failure to comply with a provision has occurred; (ii) whether such failure is excusable; and (iii) whether such failure has been cured or will be cured by the District. The District shall make available to the City, if requested, any records, documents or other information necessary to make the determination.

C. If the City determines that such failure has not occurred, or that such failure either has been or will be cured in a manner and in accordance with a schedule reasonably satisfactory to the City, or that such failure is excusable, such determination shall conclude the investigation.

D. If the City determines that a failure to comply with a provision has occurred and that such failure is not excusable and has not been or will not be cured by the District in a manner and in accordance with a schedule reasonably satisfactory to the District, then the City may exercise the applicable remedy under Section 9.04(A).

Section 9.03 Notice of City's Default

A. The District shall notify the Director in writing specifying any alleged failure by the City to comply with a provision of this Agreement, describing the alleged failure with reasonable particularity. The City shall, within 30 days after receipt of such notice or such longer period of time as the District may specify in such notice, either cure such alleged failure or, in a written response to the District, either present facts and arguments in refutation or excuse of such alleged failure or state that such alleged failure will be cured and set forth the method and time schedule for accomplishing such cure.

B. The District shall determine (i) whether a failure to comply with a provision has occurred; (ii) whether such failure is excusable; and (iii) whether such failure has been cured or will be cured by the City. The City shall make available to the District, if requested, any records, documents or other information necessary to make the determination.

C. If the District determines that such failure has not occurred, or that such failure either has been or will be cured in a manner and in accordance with a schedule reasonably satisfactory to the District, or that such failure is excusable, such determination shall conclude the investigation.

D. If the District determines that a failure to comply with a provision has occurred and that

such failure is not excusable and has not been or will not be cured by the City in a manner and in accordance with a schedule reasonably satisfactory to the District, then the District may exercise the applicable remedy under Section 9.04(B).

Section 9.04 Remedies

A. In the event of a determination by the City that the District has committed a material breach of this Agreement, the City may file suit in a court of competent jurisdiction in Harris County, Texas, and seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act and termination of this Agreement as to the District.

B. In the event of a determination by the District that the City has committed a material breach of this Agreement, the District may file suit in a court of competent jurisdiction in Harris County, Texas, and seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act and termination of this Agreement as to the City and exercise the District's annexation rights as provided in Local Government Code Chapter 43.

C. In the event the City determines that the Developer has failed to honor its obligation under Section 7.02, the City may seek damages for the value of the fire station site or seek specific performance.

ARTICLE X BINDING AGREEMENT, TERM, AND AMENDMENT

Section 10.01 Beneficiaries

This Agreement shall bind and inure to the benefit of the Parties, their successors and assigns, and, only as provided in Article VIII, the Landowners and Residents of the District. In the event of a material breach of Article VIII by the City, the Landowners and Residents shall have the same rights as the District and shall follow the same procedures as the District as set out in Article IX. This Agreement shall be recorded with the County Clerk in Official Records of Harris County, Texas and shall bind each owner and each future owner of land included within the District's boundaries in accordance with Subsection (c) of the Act.

Section 10.02 Term

This Agreement shall commence and bind the Parties on the Effective Date and continue until the earlier of full-purpose annexation or 30 years from the Effective Date. Any rights or privileges of the Landowners and Residents of the District under this Agreement will terminate on the later of the date of full-purpose annexation or 30 years from the Effective Date.

Section 10.03 Amendment

The Parties by mutual consent may amend the terms and conditions of this Agreement at any time.

**ARTICLE XI
MISCELLANEOUS PROVISIONS**

Section 11.01 Notice

Any formal notices or other communications ("Notice") required to be given by one Party to another by this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below for such Party, (i) by delivering the same in person (ii) by depositing the same in the United States Mail, certified or registered, return receipt requested, postage prepaid, addressed to the Party to be notified, (iii) by depositing the same with Federal Express or another nationally recognized courier service guaranteeing "next day delivery," addressed to the Party to be notified, or (iv) by sending the same by telefax with confirming copy sent by mail. Notice deposited in the United States mail in the manner herein above described shall be deemed effective from and after the date of such deposit. Notice given in any other manner shall be effective only if and when received by the Party to be notified. For the purposes of notice, the addresses of the Parties, until changed as provided below, shall be as follows:

All Notices required or permitted hereunder shall be in writing and shall be served on the Parties at the following address:

City: City of Houston
 P.O. Box 1562
 Houston, Texas 77002
Attn: Director, Department of Planning and Development
 or his or her designee

District: Harris County Municipal Utility District No. 361
 c/o Vinson & Elkins L.L.P.
 2300 First City Tower
 1001 Fannin
 Houston, Texas 77002
Attn: James A. Boone

Developer: Genstar Summerwood L.P.
 10235 W. Little York, Suite 260
 Houston, Texas 77040
Attn: David W. Jordan

The Parties shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by giving at least five days written notice to the other Parties. If any date or any period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the notice shall be extended to the first business day following such Saturday, Sunday or legal holiday.

Section 11.02 Time

Time is of the essence in all things pertaining to the performance of this Agreement.

Section 11.03 Severability

If any part of this Agreement is found to be unenforceable, all other parts remain enforceable unless the result materially prejudices either party.

Section 11.04 Waiver

Any failure by a Party hereto to insist upon strict performance by the other Party of any material provision of this Agreement shall not be deemed a waiver thereof or of any other provision hereof, and such Party shall have the right at any time thereafter to insist upon strict performance of any and all of the provisions of this Agreement.

Section 11.05 Applicable Law and Venue

The construction and validity of this Agreement shall be governed by the laws of the State of Texas without regard to conflicts of law principles. Venue shall be in Harris County, Texas.

Section 11.06 Reservation of Rights

To the extent not inconsistent with this Agreement, each Party reserves all rights, privileges, and immunities under applicable laws.

Section 11.07 Further Documents

The Parties agree that at any time after execution of this Agreement, they will, upon request of another Party, execute and deliver such further documents and do such further acts and things as the other Party may reasonably request in order to effectuate the terms of this Agreement.

Section 11.08 Incorporation of Exhibits and Other Documents by Reference

All Exhibits and other documents attached to or referred to in this Agreement are incorporated herein by reference for the purposes set forth in this Agreement.

Section 11.09 Effect of State and Federal Laws

Notwithstanding any other provision of this Agreement, the District shall comply with all applicable statutes or regulations of the United States and the State of Texas, as well as any City Ordinances or rules implementing such statutes or regulations.

Section 11.10 Authority for Execution

The City hereby certifies, represents, and warrants that the execution of this Agreement is duly authorized and adopted in conformity with the City Charter and City Ordinances. The District hereby certifies, represents, and warrants that the execution of this Agreement is duly authorized and adopted by the Board.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, the Parties have executed this Contract in multiple copies, each of which shall be an original, as of the date countersigned by the City Controller of the City of Houston.

HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 361

By: _____
Name:
President, Board of Directors

ATTEST:

By: _____
Name:
Secretary, Board of Directors

GENSTAR SUMMERWOOD L.P., a Delaware limited partnership

By: Genstar Houston LLC, a Delaware
limited liability company, its general partner

By: _____
David W. Jordan, Vice President

By: _____
Name: _____
Title: _____

CITY OF HOUSTON, TEXAS

By: _____
Mayor

ATTEST:

By: _____
City Secretary

APPROVED:

By: _____
Director, Department of Planning and Development

APPROVED AS TO FORM:

By: _____
Assistant City Attorney
L.D. File No. 0610100049001

COUNTERSIGNED:

By: _____
City Controller

DATE COUNTERSIGNED: _____

Exhibit A

Standard ETJ Consent Conditions

(a) The District will issue bonds only for the purpose of purchasing and constructing, or purchasing, or constructing under contract with the City of Houston, or otherwise acquiring waterworks systems, sanitary sewer systems, storm sewer systems, and drainage facilities, or parts of such systems or facilities, and to make any and all necessary purchases, construction, improvements, extensions, additions, and repairs thereto, and to purchase or acquire all necessary land, right-of-way, easements, sites, equipment, buildings, plants, structures, and facilities therefor, and to operate and maintain same, and to sell water, sanitary sewer, and other services within or without the boundaries of the District. Such bonds will expressly provide that the District reserves the right to redeem the bonds on any interest-payment date subsequent to the fifteenth (15th) anniversary of the date of issuance without premium and will be sold only after the taking of public bids therefor, and none of such bonds, other than refunding bonds, will be sold for less than 95% of par; provided that the net effective interest rate on bonds so sold, taking into account any discount or premium as well as the interest rate borne by such bonds, will not exceed two percent (2 %) above the highest average interest rate reported by the *Daily Bond Buyer* in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of such bonds is given, and that bids for the bonds will be received not more than forty-five (45) days after notice of sale of the bonds is given. The resolution authorizing the issuance of the District's bonds will contain a provision that any pledge of the revenues from the operation of the District's water and sewer and/or drainage system to the payment of the District's bonds will terminate when and if the City of Houston, Texas, annexes the District, takes over the assets of the District and assumes all of the obligation of the District. No land located within the extraterritorial jurisdiction of the City of Houston will be added or annexed to the District until the City of Houston has given its written consent by resolution or ordinance of the City Council to such addition or annexation.

(b) Before the commencement of any construction within the District, its directors, officers, or developers and landowners will submit to the Director of the Department of Public Works and Engineering of the City of Houston, or to their designated representatives, all plans and specifications for the construction of water, sanitary sewer, and drainage facilities to serve the District and obtain the approval of such plans and specifications therefrom. All water wells, water meters, flushing valves, valves, pipes, and appurtenances thereto, installed or used within the District, will conform exactly to the specifications of the City of Houston. All water service lines and sewer service lines, lift stations, sewage treatment facilities, and appurtenances thereto, installed or used within the District will comply with the City of Houston's standard plans and specifications as amended from time to time. Prior to the construction of such facilities within or by the District, the District or its engineer will give written notice by registered or certified mail to the Director of Public Works and Engineering, stating the date that such construction will be commenced. The construction of the District's water, sanitary sewer, and drainage facilities will be in accordance with the approved plans and specifications, and with applicable standards and specifications of the City of Houston; and during the progress of the construction and installation of such facilities, the Director of Public Works and Engineering of the City of Houston, or an employee thereof, may make periodic on-the-ground inspections.

(c) The District will agree to employ a sewage plant operator holding a valid certificate of competency issued under the direction of the Texas Department of Health as required by Article 4477-1,

§20(a), Tex. Rev. Civ. Stat. Ann. (Vernon Supp. 1994). The District will agree to make periodic analyses of its discharge pursuant to the provisions of Order No. 69-1219-1 of the Texas Water Quality Board (now, the Texas Natural Resources Conservation Commission) and further to send copies of all such effluent data to the Department of Public Works and Engineering, City of Houston, as well as to the TNRCC. The District will agree that representatives of the City of Houston may supervise the continued operations of the sewage treatment facility by making periodic inspections thereof.

(d) The District, its board of directors, officers, developers, and /or landowners will not permit the construction, or commit to any development within, the District that will result in a wastewater flow to the serving treatment facility which exceeds that facility's legally permitted average daily flow limitations or the District's allocated capacity therein.

(e) Prior to the sale of any lot or parcel of land, the owner or the developer of the land included within the limits of the district will obtain the approval of the Planning Commission of the City of Houston of a plat which will be duly recorded in the Map and Plat Records of Harris County, Texas, and otherwise comply with the rules and regulations of the Department of Planning and Development and the Department of Public Works and Engineering of the City of Houston.

Exhibit B

Regulatory Plan

**A Report on the Proposed Limited Purpose Annexation of
Harris County Municipal Utility District #361
Including
A Planning Study
And
Regulatory Plan**

The City of Houston will provide police service in the area annexed for limited purposes. In connection with that service, the City will enforce Chapters 4, 6, 8, 11, 20, 21, 22, 28, 30, 32, 33, 34, 43, 45, and 46 of the City Code and all applicable uncodified traffic ordinances. Since the City does not have a zoning ordinance, the area will not be zoned.

The area will be annexed for full purposes after the utility systems (water, wastewater and drainage) have been fully developed and any eligible developer reimbursements have been made. As a part of the Strategic Partnership Agreement a majority of the property owners waive the right to require the City to annex for full purposes within three years of the date that the area is annexed for limited purposes.