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**FIRST AMENDMENT
TO INTERLOCAL AGREEMENT BY AND BETWEEN THE
CITY OF HOUSTON, TEXAS,
THE HOUSTON INDEPENDENT SCHOOL DISTRICT
AND REINVESTMENT ZONE NUMBER ONE, CITY OF HOUSTON, TEXAS**

STATE OF TEXAS

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§

KNOW ALL PERSONS BY THESE PRESENTS:

COUNTY OF HARRIS

This First Amendment to Interlocal Agreement ("First Amendment") is made and entered into by and between the City of Houston, Texas, a municipal corporation and a home-rule city in the State of Texas (the "City"); the Houston Independent School District ("HISD"), located at 3830 Richmond Avenue, Houston, Texas 77027; and Reinvestment Zone Number One, City of Houston, Texas, a reinvestment zone created by the City pursuant to Chapter 311, Texas Tax Code (the "Lamar Terrace Zone").

WITNESSETH:

WHEREAS, pursuant to Ordinance No. 97-0118 adopted on January 29, 1997, the City, the Lamar Terrace Zone and HISD have previously entered into that certain Interlocal Agreement By and Between the City of Houston, Texas, the Houston Independent School District and the Lamar Terrace Zone (the "Original Agreement"), pursuant to which HISD agreed to participate in the Lamar Terrace Zone; and

WHEREAS, the City, HISD and the Lamar Terrace Zone desire to amend the Original Agreement in order to modify the participation of HISD in the Lamar Terrace Zone and provide for the provision of tax increment funds for the payment of educational facilities project costs;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits herein expressed, the City, HISD and the Lamar Terrace Zone agree as follows:

ARTICLE I

Section II of the Original Agreement entitled "DEFINITIONS" is hereby amended by adding (or substituting, as appropriate) the following definitions in their appropriate alphabetical order to read as follows:

"Administrative Costs" means the costs of organizing the Lamar Terrace Zone, the costs of operating the Lamar Terrace Zone and the imputed administrative costs associated with the Lamar Terrace Zone, including reasonable charges, but not to exceed \$25,000 per year, for the time spent by employees of the City in connection with the implementation of the Project Plan.

"Educational Facilities" means equipment, real property and other facilities, including a public school building, that are used or intended to be used jointly by the City and HISD and that are acquired, constructed or reconstructed pursuant to the Project Plan.

"HISD Tax Increment Participation" means the amount of the HISD tax levy on the Captured Appraised Value which HISD agrees to contribute to the Lamar Terrace Zone pursuant to Subsections A, B and G of Section IV of this Agreement.

"Project Costs" means the costs identified as "project costs" or costs for Educational Facilities in the Project Plan for the Lamar Terrace Zone.

"Project Plan" means the project plan and the reinvestment zone financing plan for the Lamar Terrace Zone adopted by the board of directors of the Lamar Terrace Zone and approved by the City Council of the City on September 16, 1992, by Ordinance No. 92-1234, as amended by the Board of Directors of the Lamar Terrace Zone, approved by the Superintendent of Schools of HISD, and approved by the City Council of the City on May 21, 1997, by Ordinance No. 97-564, on July 21, 1999, by Ordinance No. 1999-755, and on August 11, 1999, by Ordinance No. 1999-822, and as may be further amended from time to time.

ARTICLE II

Section III of the Original Agreement entitled "BACKGROUND" is amended to read as follows:

By Ordinance No. 90-1452, adopted December 12, 1990, the City created the Lamar Terrace Zone for the purposes of development and redevelopment in the Lamar Terrace Area. The Board of Directors of the Lamar Terrace Zone initially adopted a project plan and reinvestment zone financing plan, which was approved by the City on September 16, 1992, by City of Houston Ordinance No. 92-1234. The City has enlarged the boundaries of the Lamar Terrace Zone pursuant to City of Houston Ordinance No. 92-1674, dated December 22, 1992. The Board of Directors of the Lamar Terrace Zone has adopted and the City Council has approved amendments to the Project Plan pursuant to City of Houston Ordinance Nos. 97-564, 1999-755, and 1999-822. The City currently contributes tax increments produced in the Lamar Terrace Zone to the Tax Increment Fund. HISD desires to participate in the Lamar Terrace Zone in consideration for the agreements set forth below.

ARTICLE III

Subsection IV. B. of the Original Agreement entitled "Tax Increment Limitation" is amended to read as follows:

1. Subject to the limitations set out in this Agreement, the amount to be contributed by HISD (the "HISD Tax Increment Participation") is the amount of taxes collected by HISD each year during the term of this Agreement by levying a tax at the then-current tax rate per \$100 valuation on the Captured Appraised Value.

2. HISD's Tax Increment Participation and obligation to participate in the Lamar Terrace Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Lamar Terrace Zone. HISD shall not be obligated to pay its HISD Tax Increment Participation from other HISD taxes or revenues or until the HISD Tax Increment Participation in the Lamar Terrace Zone is actually collected. The obligation to pay the HISD Tax Increment Participation shall accrue as taxes representing the HISD tax increment are collected by HISD and payment shall be due as provided in section 311.013(c) of the Texas Tax Code. The City and the Lamar Terrace Zone agree that no interest or penalty will be charged to HISD for any late payment received from HISD. Taxes collected by HISD in any year on actual Captured Appraised Value that exceeds the estimate of Captured Appraised Value for that year shown in the Project Plan approved before September 1, 1999, shall be retained by HISD.

ARTICLE IV

Subsection IV.C. of the Original Agreement entitled "Changes in Applicable Laws" is amended to read as follows:

Notwithstanding any other provision of this Agreement, in the event and to the extent that Texas law applicable to HISD or tax increment reinvestment zones is changed subsequent to August 31, 1999, or there is any interpretation, ruling, order, decree or court decision interpreting existing or subsequently enacted law applicable to HISD or tax increment reinvestment zones, whether administratively by the Texas Education Agency, the Comptroller of Public Accounts of the State of Texas, the Attorney General of the State of Texas, or by a court of competent jurisdiction, with the result that the participation of HISD in the Lamar Terrace Zone decreases the aggregate amount of the state and local funds available to or received in any school year by HISD during the term of this Agreement that would otherwise be available to or received by HISD in such school year if HISD was not participating in the Lamar Terrace Zone during that year, as determined by HISD subject to the review by the City as to the accuracy of the calculations, HISD's Tax Increment Participation shall, at the option of HISD, be reduced in an amount equal to the amount of the decrease in the aggregate state and local funding available to or received in that school year by HISD during the term of this Agreement as a result of HISD's participation in the Lamar Terrace Zone. HISD shall provide the City sufficient information for the City to review the accuracy of the calculation of loss. Educational Facilities Project Costs shall be reduced by the portion of the reduction that is equal to the amount of the reduction multiplied by a fraction the numerator of which is the amount otherwise to be paid to HISD pursuant to Section V.E. in that year and the denominator of which is the HISD Tax Increment Participation; Non-Educational Facilities Project Costs shall be reduced by the remaining portion of the reduction, provided that the total amount of any reduction in Non-Educational Facilities Project Costs shall not exceed two-thirds of the total amount of any reduction that would have resulted if HISD's participation was at a tax rate of \$0.96 per \$100 valuation. "State and local funds" for purposes of this section are defined in chapters 41, 42 and 46 of the Education Code but do not include the amounts paid by HISD into the Tax Increment Fund pursuant to this Agreement. Nothing in this Agreement shall require the City, the Lamar Terrace Zone or the Saint George Place Redevelopment Authority to pay HISD Educational

Facilities Project Costs with funds other than the portion of the Tax Increment Fund attributable to the HISD Tax Increment Participation.

For any HISD fiscal year that HISD intends to decrease its participation in the Lamar Terrace Zone pursuant to this Article, HISD's calculation of the decrease will be provided to the City no later than 15 months following the end of such fiscal year or six months following such interpretation, ruling or decree, and the City shall have 2 months to review HISD's calculations. If HISD submits the calculation after the payment of its tax increment for the applicable year, the deductions shall be made from HISD's future payments of HISD Tax Increment Participation.

ARTICLE V

Subsection IV.F. of the Original Agreement entitled "Shared Educational Facilities" is added to read as follows:

HISD agrees that the City will be permitted to use the grounds and facilities of any Educational Facilities acquired, constructed or reconstructed with or financed by monies from the Tax Increment Fund, and that HISD and the City will negotiate use agreements for such use. HISD will allow the City to use, at no cost to the City other than proportionate utility, maintenance and building personnel costs of HISD, ballfields, tennis courts and other outdoor recreational areas, indoor recreational areas, lunchrooms, and other assembly areas of the Educational Facilities constructed with or financed by monies from the Tax Increment Fund for municipal recreational and meeting purposes, at all reasonable times to be agreed to by the City and HISD that HISD is not conducting school or other related activities at the facilities. HISD shall identify annually for the City and the Lamar Terrace Zone those Educational Facilities that are acquired, constructed or reconstructed or financed with monies from any City reinvestment zone created pursuant to Chapter 311, Texas Tax Code.

ARTICLE VI

Subsection IV.G. of the Original Agreement entitled "Option to Reduce Participation" is added to read as follows:

In circumstances where there is not a loss caused by change in law such that Section IV.C applies, upon written notice to the City, HISD may reduce its HISD Tax Increment Participation from year to year and for any tax year beginning in January of the year after the notice is given and subsequent years to a rate not less than \$0.64 per \$100 valuation. Any such reduction shall reduce the aggregate amount paid to HISD for Educational Facilities Project Costs pursuant to Section V.E. by the total aggregate amount of the reduction of tax increments paid to the City as a result of such reduction in the HISD Tax Increment Participation.

ARTICLE VII

Subsection V.A. of the Original Agreement entitled "Street Right of Way" is amended to read as follows:

To the extent requested by HISD, the City and the Lamar Terrace Zone agree that monies from the Tax Increment Fund shall be used, at no cost to HISD, to pay to the City the following costs that otherwise would be incurred by HISD with respect to the construction and operation of any educational facilities constructed by or on behalf of HISD in the Lamar Terrace Zone pursuant to the Project Plan: (1) the cost of abandonment of any street right of way by the City on behalf of HISD for HISD Educational Facilities in the Lamar Terrace Zone and (b) the cost of water and sewer utility connections and construction outside the boundaries of HISD property for HISD Educational Facilities in the Lamar Terrace Zone (collectively, "School Support Expenses"). The City shall use

the proceeds obtained from payments made pursuant to the preceding sentence for infrastructure improvements or other projects identified in the Lamar Terrace Zone Project Plan.

ARTICLE VIII

Subsection V.B. of the Original Agreement entitled "Project Plans and Financing Plans" is amended to read as follows:

The parties agree that the Superintendent of Schools of HISD shall be permitted to review and comment upon any amendments to the Lamar Terrace Zone Project Plan before the amendments are submitted to the City Council for City approval. Any Lamar Terrace Zone Project Plan shall provide Educational Facilities Project Costs for HISD Educational Facilities within the Lamar Terrace Zone or the City. The parties further agree that an amendment to the Project Plan occurring after September 1, 1999, shall not apply to HISD unless the Board of Trustees of HISD or its duly authorized designee approves the amendment to the Project Plan, if the amendment to the Project Plan:

- (1) has the effect of directly or indirectly increasing the percentage or amount of tax increment to be contributed by HISD;
- (2) requires or authorizes the City to issue additional tax increment bonds or notes; or
- (3) eliminates or reduces Educational Facilities Project Costs.

In the event the City and the Lamar Terrace Zone use any portion of the Tax Increment Fund for costs of elementary or secondary school facilities for any entity other than HISD without the prior consent of the Board of Trustees of HISD, HISD shall have the right to terminate this agreement. The City and the Lamar Terrace Zone shall not use any portion of the HISD Tax Increment Participation for the construction, renovation, repair, maintenance, lease, purchase or

financing of any educational facilities serving postsecondary students without the prior written approval of the HISD Superintendent of Schools, but may use the Tax Increment Participation contributed by participating taxing units other than HISD for such purposes, provided that a taxing unit providing educational services to postsecondary students in such educational facilities contributes 100 percent of its tax increment produced in the Lamar Terrace Zone to the Tax Increment Fund from the date of its participation until the termination of the Lamar Terrace Zone.

ARTICLE IX

Subsection V.C. of the Original Agreement entitled "Control of Educational Facilities" is added to read as follows:

The parties agree that all decisions regarding location, acquisition, construction, reconstruction and educational content of HISD Educational Facilities will be in the control of HISD. If the Lamar Terrace Zone acquires property for the construction of an Educational Facility to be operated by HISD, the Lamar Terrace Zone shall convey the property to HISD at the request of HISD. The parties anticipate that the zoning regulations for the Lamar Terrace Zone will be amended to provide for the construction of a school in the Lamar Terrace Zone by or on behalf of HISD in conformance with plans to be developed by HISD in the future. If the zoning regulations have not been so amended by the time that HISD desires to begin construction, the parties agree that the Lamar Terrace Zone zoning regulations will not apply to the construction and that this Agreement will control. Nothing in this subsection shall be construed to relieve HISD of the obligation to comply with all City ordinances and regulations applicable to the acquisition, construction, reconstruction and operation of any Educational Facility by or on behalf of HISD.

ARTICLE X

Subsection V.E. of the Original Agreement entitled "Financing and Construction of Educational Facilities" is added to read as follows:

One-third of the HISD Tax Increment Participation, and interest earned thereon, shall be applied to the provision of affordable housing pursuant to Chapter 311 of the Texas Tax Code. Of the remaining two-thirds of the HISD Tax Increment Participation, the amount of taxes collected at a tax rate of \$0.42 $\frac{3}{4}$ per \$100 valuation, and interest earned thereon, shall be applied to the payment of Non-Educational Facilities Project Costs. Administrative Costs and School Support Expenses. The remaining HISD Tax Increment Participation shall be paid to HISD by the City, the Lamar Terrace Zone or the Saint George Place Redevelopment Authority, along with interest earned thereon, on an annual basis to be used by HISD for Educational Facilities Project Costs within the Lamar Terrace Zone or the City.

All funds paid to HISD pursuant to this Agreement shall come from the Lamar Terrace Zone HISD Tax Increment Participation. Neither the City nor the Lamar Terrace Zone shall ever be obligated to set aside for or pay to HISD any funds other than HISD's portion of funds derived from the Lamar Terrace Zone, nor shall the City or the Lamar Terrace Zone ever be obligated to expend any funds other than funds made available by HISD after payment pursuant to this Agreement to finance, acquire, construct or reconstruct any Educational Facilities Project Costs.

ARTICLE XI

Article VI of the Original Agreement entitled "TERM AND TERMINATION" is amended to read as follows:

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until December 31, 2032. The first payment of increment taxes by HISD under this Agreement shall be for those taxes levied by HISD in the year 1996 and the last payment by HISD under this Agreement is for those taxes levied by HISD in the year 2031.

B. Early Termination

The City shall not adopt an ordinance terminating the Lamar Terrace Zone earlier than the duration of the Zone established in Ordinance No. 90-1452, without the prior consent of HISD, provided that the Lamar Terrace Zone may otherwise terminate by operation of law.

C. Disposition of Tax Increments

Upon termination of the Lamar Terrace Zone, and if all Project Costs have been paid, the City and the Lamar Terrace Zone shall pay to HISD all monies, including any interest thereon, remaining in the Tax Increment Fund that are attributable to the HISD Tax Increment Participation paid into the Tax Increment Fund and shall pay to the City all monies, including any interest thereon, then remaining in the Tax Increment Fund attributable to the City.

ARTICLE XII

Subsection VII.I. of the Original Agreement entitled "Access to Financial Information" is added to read as follows:

Each party to this Agreement shall have reasonable access to all financial information and audit reports regarding the Lamar Terrace Zone and expenditures from the Tax Increment Fund.

ARTICLE XIII

Except as modified herein, the Original Agreement will remain in full force and effect. In the event of a conflict between the Original Agreement and this First Amendment, this First Amendment shall prevail. This First Amendment shall be effective as of August 31, 1999, and shall remain in effect for the term of the Original Agreement, as amended by this First Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment, in multiple copies, each of which shall be an original.

CITY OF HOUSTON, TEXAS Joe P. Brown
By: Joe P. Brown
Mayor

ATTEST/SEAL:
By: [Signature]
City Secretary

APPROVED:
[Signature]
Director, Planning and Development Department

COUNTERSIGNED:
[Signature]
City Controller

APPROVED AS TO FORM:
[Signature]
Senior Assistant City Attorney
C.D. File No. 61-92053-19

DATE COUNTERSIGNED:
03.03.00

HOUSTON INDEPENDENT SCHOOL DISTRICT

Jamie A. [Signature] 8/30/99
President, Board of Trustees Date

Arthur M. [Signature] 8-30-99
Secretary, Board of Trustees Date

Rob [Signature]
Superintendent of Schools Date

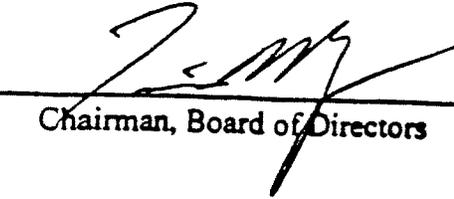
APPROVED AS TO FORM:

Donald Boehm Aug. 27, 1999
Attorney Date

David Thompson Aug 27, 1999

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**REINVESTMENT ZONE NUMBER ONE,
CITY OF HOUSTON, TEXAS**

By: 
Chairman, Board of Directors

ATTEST:

By: 
Secretary, Board of Directors

