

**Controller's Office**

To the Honorable Mayor and City Council of the City of Houston, Texas:

I hereby certify, with respect to the money required for the contract, agreement, obligation or expenditure contemplated by the Ordinance set out below that:

- ( ) Funds have been encumbered out of funds previously appropriated for such purpose.
- ( ) Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the Ordinance set out below.
- ( ) Funds will be available out of current or general revenue prior to the maturity of any such obligation.
- ( ) No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.
- ( ) The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.
- ( ) A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated hereby by this reference.

Date: \_\_\_\_\_ 2013      City Controller of the City of Houston

FUND REF:                      AMOUNT:                      ENCUMBRANCE NO:

City of Houston, Texas Ordinance No. 2014 - 50

**AN ORDINANCE APPROVING AN AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS, REINVESTMENT ZONE NUMBER TEN, CITY OF HOUSTON, TEXAS AND THE LAKE HOUSTON REDEVELOPMENT AUTHORITY IN CONNECTION WITH THE CITY'S REINVESTMENT ZONE NUMBER TEN IN THE LAKE HOUSTON AREA; CONTAINING FINDINGS AND PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN EMERGENCY.**

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

**Section 1.** That 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 (or, in the absence of the Mayor, the Mayor Pro Tem) is hereby authorized to execute such document and all related documents on behalf of the City of Houston. The City Secretary (or in the absence of the City Secretary, any Assistant City Secretary) is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents. The City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under said Agreement without further authorization from Council.

**Section 2.** That 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 22nd day of January, 2014.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Mayor of the City of Houston, Texas

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JAN 28 2014.

  
City Secretary

(Prepared by Legal Dept. )  
(SEK 1/09/14) Senior Assistant City Attorney  
(Requested by Andy Icken, Director of Economic Development)  
(L.D. File No.0421300041001)

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AYE	NO	
	<b>ABSENT</b>	<b>MAYOR PARKER</b>
••••	••••	<b>COUNCIL MEMBERS</b>
✓		STARDIG
✓		DAVIS
	<b>ABSENT</b>	COHEN
✓		BOYKINS
	<b>ABSENT</b>	MARTIN
✓		NGUYEN
	<b>ABSENT</b>	PENNINGTON
✓		GONZALEZ
✓		GALLEGOS
✓		LASTER
✓		GREEN
✓		COSTELLO
✓		ROBINSON
✓		KUBOSH
✓		BRADFORD
✓		CHRISTIE
CAPTION	ADOPTED	

**AGREEMENT BY AND AMONG THE  
CITY OF HOUSTON, TEXAS,  
REINVESTMENT ZONE NUMBER TEN,  
CITY OF HOUSTON, TEXAS, AND  
THE LAKE HOUSTON REDEVELOPMENT AUTHORITY**

**THIS AGREEMENT** is made by and among the City of Houston, Texas, a municipal corporation and home-rule city in the State of Texas (“City”); Reinvestment Zone Number Ten, City of Houston, Texas, a reinvestment zone created by the City pursuant to Chapter 311, Texas Tax Code (“Zone”); and the Lake Houston Redevelopment Authority, a not-for-profit local government corporation organized and existing under the laws of the State of Texas (“Authority”).

**RECITALS**

**WHEREAS**, by Resolution No. 2013-62 of the City Council of the City adopted on December 4, 2013, the City authorized the creation of the Authority to aid, assist and act on behalf of the City in the performance of the City’s governmental functions with respect to promoting, developing, encouraging and maintaining housing, employment, commerce and economic development of the Lake Houston and neighboring areas as described in City Ordinance No. 97-1589; and

**WHEREAS**, by City Ordinance No. 97-1589, the City created the Zone pursuant to Chapter 311, Texas Tax Code (“TIRZ Act”) and prepared a preliminary Reinvestment Zone Financing Plan for the Zone; and

**WHEREAS**, in accordance with the TIRZ Act, the Board of Directors of the Zone (“Zone Board”) is empowered to adopt a Project Plan and Financing Plan for the Zone, which must be approved by the City to be effective; and

**WHEREAS**, Resolution No. 2013-62, which authorized the creation of the Authority, also provided for the creation of a Board of Directors of the Authority (“Authority Board”), to be comprised of the same persons who serve on the Zone Board. Among other things, the Authority Board and the Authority are to aid, assist, and act on behalf of the City and the Zone:

A. In the preparation and implementation of a Project Plan and Financing Plan for the Zone and amendments thereto; and

B. In the development of a policy to finance public infrastructure improvements necessary for the development of the Zone; and

**WHEREAS**, the City and the Zone Board have agreed to have the Authority assist and act as consultant to the Zone Board in the implementation of the Project Plan and Financing Plan, and provide other assistance as set forth in this Agreement; and

**WHEREAS**, it is the intention of the parties to this Agreement that, subject to the limitations prescribed in this Agreement and the limitations of its Articles of Incorporation, the Authority shall have certain powers and authority to administer the Zone; make recommendations to the Zone Board and the City with respect to the redevelopment of the Zone; perform and engage in activities relating to the acquisition, development, leasing, and sale of land and other properties; engage in development and redevelopment activities; construct and improve infrastructure in the Zone; enter into Development Agreements with Developers/Builders in the Zone; issue, sell, or deliver its bonds, notes, or other obligations; and perform the other activities provided for in this Agreement; and

**WHEREAS**, it is the further intention of the parties to this Agreement that the City and the Zone will pay for the Authority's activities performed pursuant to this Agreement from Tax Increment as provided herein. The TIRZ Act and Chapter 431, Texas Transportation Code, authorize the City and the Zone to enter into a contract with the Authority for the purposes of providing management and administration for the Zone, providing services and improvements, and otherwise performing the functions set forth in this Agreement; and

**WHEREAS**, the City and the Zone desire to contract with the Authority to provide the assistance described in this Agreement during the term of the Zone; and

**WHEREAS**, the Authority was created in part to aid and assist the City and the Zone in the manner set forth above, and the Authority Board desires to enter into a contract with the City and the Zone setting forth the duties and responsibilities of the Authority, the City, and the Zone;

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants and agreements herein contained, it is agreed as follows:

## ARTICLE I DEFINITIONS

A. **Incorporation of Recitals**. The Recitals to this Agreement are incorporated herein for all purposes.

B. **Definitions**. The terms “Agreement,” “Authority,” “Authority Board,” “City,” “TIRZ Act,” “Zone,” and “Zone Board” have the meanings given to such terms in the Recitals, and the following terms have the following meanings:

“**Appraisal Districts**” means the Harris County Appraisal District and the Montgomery County Appraisal District.

“**Authority Obligations**” means the contractual obligations that the Authority may incur from time to time with a Developer/Builder pursuant to Article III hereof and includes, without limitation, Development Agreements.

“**Bonds**” means the bonds of the Authority.

“**Budget**” means the annual operating Budget of the Authority that has been reviewed and approved by the Authority Board, the Zone Board, and the City Council.

“**Captured Appraised Value**” means the total appraised value of property in the Zone as of January 1<sup>st</sup> of any year less the Tax Increment Base of the Zone, all as defined in the TIRZ Act.

“**City Council**” means the City Council of the City.

“**Code**” means the Code of Ordinances, Houston, Texas, including, without limitation, the City’s Construction Code and Fire Code.

“**Counties**” means Harris County and Montgomery County, Texas.

“**Department**” means the City’s Office of the Mayor, Economic Development, or other City department designated by the Mayor to administer this Agreement.

“**Developer/Builder**” means a person who is developing or redeveloping, or proposes to develop or redevelop, a TIRZ Project within the Zone and may include natural persons, private entities, public or private not-for-profit corporations, the City, the School District, the Counties, LSCC, the State of Texas, any other governmental bodies, or any other kind of person.

“**Development**” means any TIRZ Project.

**“Development Agreement”** means an agreement between the Authority and a Developer/Builder relating to the development, construction, remodeling, or rehabilitation of a TIRZ Project, which may be secured by a Note.

**“Director”** means the Chief Development Officer or director of the Department or such person as he or she shall designate in writing to administer this Agreement.

**“Director of the Office of Business Opportunity”** means the Director of the Office of Business Opportunity Department of the City (or any successor position), or such person as he or she shall designate in writing.

**“Disadvantaged Business”** as used in § 311.0101 of the Texas Tax Code and this Agreement, has, for the purposes of the Zone and any Project Plan or Financing Plan related thereto, the same meaning as Minority Business Enterprise or Women-Owned Business Enterprise as set out in Chapter 15 of the Code and certified by the City’s Office of Business Opportunity.

**“Effective Date”** means the date on which the City Controller signs this Agreement, as reflected on the execution page hereof.

**“Financing Plan”** means the financing plan for the Zone as it may be amended from time to time pursuant to the TIRZ Act, and as adopted by the Zone Board and approved by the City Council.

**“Generally Accepted Accounting Principles”** means, in the opinion of the Authority’s accountant, such accepted accounting practice as conforms at the time to a body of generally accepted accounting principles.

**“Lake Houston”** means the area comprising the Zone, as it may be enlarged from time to time, and neighboring areas.

**“LSCC”** means the Lone Star Community College District.

**“METRO”** means the Metropolitan Transit Authority of Harris County.

**“Notes”** mean the promissory notes issued by the Authority from time to time.

**“Plans”** means, collectively, the Project Plan and the Financing Plan.

**“Police Department”** means the Police Department of the City.

**“Project Costs”** means those costs of public works and improvements and other costs for which payment can be made pursuant to the TIRZ Act that are identified in the Plans.

**“Project Plan”** means the project plan for the Zone as it may be amended from time to time pursuant to the TIRZ Act, and as adopted by the Zone Board and approved by the City Council.

**“Public Works Department”** means the City’s Public Works and Engineering Department.

**“Revenue Fund”** means the fund established by the Authority into which payments from the Tax Increment Fund are deposited.

**“School District”** means the Humble Independent School District.

**“Surplus Fund”** means the fund established by the Authority into which excess funds from the Authority’s Revenue Fund are deposited.

**“Tax Increment”** means the amount of property taxes collected each year by each Taxing Unit participating in the Zone (to the extent of their participation) on the Captured Appraised Value.

**“Tax Increment Base”** means the total appraised value of all real property taxable by the City and located in the Zone as of January 1, 1997, the year in which the Zone was designated as a reinvestment zone, plus the total appraised value of all real property taxable by the City and the other Taxing Units participating in the Zone and annexed to the Zone, determined as of January 1st of the year in which an area is annexed to the Zone.

**“Tax Increment Fund”** means the fund created by the City for the Zone, including any subaccount therein, into which the City shall deposit all Tax Increment.

**“Taxing Unit”** means any taxing unit that levies an ad valorem tax on property in the Zone.

**“TIRZ Project”** means any project for which funds in the Tax Increment Fund can be used pursuant to the TIRZ Act and which has been approved in the Plans.

**“Zone Contracts”** means agreements entered into by the Zone Board with the City, Developer/Builders and other persons with respect to the operation, administration and development of the Zone prior to the Effective Date.

**ARTICLE II  
SCOPE OF SERVICES BY AUTHORITY**

To the extent of available funds and subject to the limitations of this Agreement, the services that the Authority may furnish consist of, among other things, the following:

**A. Management, Administrative Services, Consultants.** The Authority will provide management and administrative services for the Zone as requested by the Zone Board. The services may, without limitation, include the following:

1. Provide the staff and administrative services necessary to manage the Zone and provide or supervise the services and TIRZ Projects or improvements to be provided by the Zone;
2. Provide management, financial, and program monitoring systems for the administration of the Zone;
3. Provide any required reports to the City and the Zone concerning the administration of the Zone;
4. Provide office space for the Zone’s administrative and management personnel and an operation center for the Authority’s employees and equipment, if necessary;
5. Subject to the terms of this Agreement, recruit, hire, pay, and supervise consultants and any work force that the Authority will utilize to furnish services required for the development or redevelopment of the Lake Houston area;
6. Provide staff to participate in meetings concerning the administration of the Zone in all its capacities, including the services to the Zone Board when managing the Zone;
7. Provide liaison and coordination among the Zone, the City, the Counties, the School District, METRO, LSCC, other Taxing Units, Zone property

owners, and other persons and groups interested in the development and redevelopment activities of the Zone;

8. Supervise and monitor the performance of consultants and subcontractors who are employed by the Authority;

9. Provide assistance to and coordination with the City's Planning and Development Department concerning use of the Zone to complement the Lake Houston area planning process;

10. Assist in briefing Developers/Builders, property owners, and other persons concerning proposed activities and developments that would complement public and private development activities in the Zone;

11. Assist Developers/Builders in the identification of Code requirements concerning a Development;

12. Assist the City in identifying Code and land use control violations and eliminating them;

13. Provide a system of streamlined permit review for development to be constructed, reconstructed, or improved by a Developer/Builder, in order to correct any deficiencies that might delay City approval of such permits;

14. Review plans on behalf of Developers/Builders to attempt to eliminate conflicts with the Code;

15. Function as the information/complaint center for all matters relating to the administration of the Zone and advise the Zone Board and the City in a timely manner of any problems concerning the Zone or with City-owned equipment or facilities in the Lake Houston area; and

16. Provide engineering, planning, legal, financial, real estate, and other services through consultants engaged by the Authority as may be requested by the Zone Board or the City.

**B. Services Related to the Plans; Enlargement of the Zone; Amendments to the Plans.**

1. The Authority will act as consultant to the Zone in the preparation and implementation of the Plans and any amendments thereto. Any

amendments to the Plans will be prepared in accordance with this subparagraph and the requirements of the TIRZ Act. The Authority will engage such consultants and subcontractors as it deems necessary to complete the Plans and will make them available to the Zone Board and the City at all reasonable times. The Plans and any amendments thereto will include, at a minimum, the items required by Section 311.011 (b) and (c) of the TIRZ Act;

2. The Authority will meet with and receive input from property owners, the public, lenders, the School District, the Counties, LSCC, the City, the Zone Board, and other public and private entities concerning the preparation of any amendments to the Plans and will take such other actions, and will aid and assist in the conduct of the hearings, as may be required to complete the amendments for presentation to the City for approval;

3. The Authority will prepare such copies of the Plans and any amendments thereto that may be requested by the Zone Board and distribute them as required by the Zone Board; and

4. The Authority will review areas proposed to be added to the Zone as requested by the Zone Board and will provide information concerning any proposed enlargement that may be required by the Zone Board including, if requested, the information required for a preliminary Project Plan and a preliminary Financing Plan concerning enlargement of the Zone.

**C. Tax Rolls.**

1. The Authority will assist the Zone Board and the City regarding the preparation of special tax rolls relating to the Zone. The Authority will analyze property uses in the Zone, compare them to the records of the Appraisal Districts, and attempt to reconcile the tax rolls of the Appraisal Districts with the actual land uses.

2. The Authority will also work with the Appraisal Districts to ensure that tax values as shown on the tax rolls will, to the greatest extent possible, accurately reflect true market value of all property in the Zone.

3. The Authority will assist the City in securing a tax roll for the Zone for the year 2014 and each year thereafter. In tax years beginning January 1<sup>st</sup> 2015 and thereafter, the Authority will assist the Zone Board, the City, and the Appraisal Districts in having the Zone tax rolls correctly reflect the total appraised value of real property in the Zone for that year and showing separately the Tax Increment Base and the Captured Appraised Value. The Authority will assist the Zone Board and the City in advising all Taxing Units participating in the Zone with respect to the Captured Appraised Value and the amount of Tax Increment of each Taxing Unit which is to be paid into the Tax Increment Fund as required by the TIRZ Act.

D. **Public Safety Program**. The Authority will assist the Zone Board in establishing a program to increase the level of safety within the Zone. If requested by the Zone Board, the Authority will:

1. Communicate public safety concerns among the Police Department, METRO Transit Police, and private interests.

2. Communicate needs for additional waste management and cleaning services to METRO and the City.

3. Work to establish a public safety network, including private property owners, METRO Transit Police, and the City Police Department, which will provide a mechanism by which private security directors, Lake Houston area businesses, and merchants will exchange information to impact crime.

4. Work to establish a program of crime prevention and safety literature, conduct and hold seminars, and convene meetings with Lake Houston area business and residents to increase public safety awareness.

5. Annually evaluate the feasibility of entering into a contract with the City to defray incremental costs of providing municipal services, including public safety costs, due to development or redevelopment in the Lake Houston area.

E. **Lake Houston Area Planning, Design, Infrastructure Improvements**. The Authority will assist the Zone Board in preparing a development plan and will

provide technical assistance to encourage public and private property owners to make improvements or provide services to:

1. Increase residential, business, retail, restaurant, and entertainment establishments in the Lake Houston area.
2. Encourage private and public entities to make any improvements that are necessary to the streets, utilities, drainage and flood control facilities, curbs, sidewalks, signage, landscaping, lighting, and other infrastructure in the Lake Houston area.
3. Design and select streetscape elements such as benches, flower pots, tables and chairs, umbrellas, fountains, lighting, trees, shrubs, and other pedestrian amenities.
4. Increase the enjoyment and public use of sidewalks, trails, parks, and plazas.
5. Establish a planning, design, and streetscape group that will bring people together to plan and make improvements to create a more vital Lake Houston area.

**F. Construction of Infrastructure and TIRZ Projects.** The Authority may construct infrastructure, buy equipment and supplies, and deal in real estate as necessary to implement the Plans and as permitted by the TIRZ Act:

1. To the extent funds are available, the Authority may design and construct TIRZ Projects identified in the Plans that meet the qualifications of the TIRZ Act and use money to fund such TIRZ Projects pursuant to this Agreement.
2. To the extent funds are available, the Authority may buy, sell, lease and otherwise deal in real estate.

**G. Land Acquisition, Development and Redevelopment.** Subject to the availability of funds, the Authority will provide appraisals, surveys, and title policies for any properties that need to be acquired pursuant to the Plans. The Authority may acquire any property or land that is permitted to be acquired pursuant to the Plans with the proceeds of its Bonds, Notes, or other Authority Obligations or with Tax Increment paid to the Authority by the City and the Zone pursuant to this Agreement. The

Authority may lease, sell, or otherwise dispose of and deal in any land or property that it acquires. At the request of the City, the Authority will provide legal counsel and other consultants and advisors for land or improvements that may be required by the Plans as directed by the Zone Board, including those required to acquire property pursuant to the exercise of eminent domain by the City for implementation of the Project Plan.

**H. Subcontractors.** The Authority may provide the services required by this Agreement through staff, subcontractors, and/or consultants subject to the conditions of this Agreement.

**I. City Administrative Assistance.** The parties acknowledge that the Zone has received substantial assistance from City staff in the administration of the Zone and the implementation of the Project Plan. Such assistance shall continue in the same fashion provided for the Zone, until any party gives the others written notice that such assistance will not continue in the future.

### **ARTICLE III CONTRACTUAL OBLIGATIONS OF THE AUTHORITY**

**A. General Statement.** The parties have agreed that the Authority is authorized to issue Bonds or Notes, or enter into other Authority Obligations with Developers/Builders and enter into contracts with consultants to be repaid from funds to be paid by the City and the Zone to the Authority from Tax Increment pursuant to this Agreement, and may issue Bonds with the consent of the City; provided, however, the Authority is authorized to issue Bonds only upon the approval of the City Council. Nothing in this Agreement shall be construed to authorize the Authority to expend any of the funds received pursuant to this Agreement for any costs other than Project Costs.

**B. Power to Incur Authority Obligations.** Subject to the provisions of this Article, the Authority shall have the power from time to time to issue and incur Authority Obligations and enter into contracts with consultants upon such terms and conditions as the Authority Board and the Zone Board determine to be necessary or desirable to implement the Plans. The Authority Obligations may be in the form of a Development Agreement with the Developer/Builder of a Development who agrees to construct one or

more TIRZ Projects in exchange for the obligation of the Authority to repay the Developer/Builder for the costs of the TIRZ Project from future payments made to the Authority by the City and the Zone pursuant to this Agreement. All Development Agreements are subject to approval by the Director, who may approve such contracts if they are consistent with the Plans, and must provide that (i) the Authority will not reimburse any Developer/Builder for any TIRZ Project that is determined to be an ineligible Project Cost under the TIRZ Act, and (ii) the Developer/Builder must repay the Authority for any payment made by the Authority to the Developer/Builder that is determined to be an ineligible Project Cost. All consultant contracts, including contracts for accounting, engineering, legal and planning services, are subject to the approval of the Director, who shall approve such contracts if they conform to the terms and conditions of City contracts of substantially the same or similar scope for similar services, and must provide that (i) the Authority will not pay any consultant for services that are determined to be an ineligible Project Cost under the TIRZ Act, and (ii) the consultant must repay the Authority for any payment made by the Authority to the consultant that is determined to be an ineligible Project Cost.

**C. Approval of Authority Obligations.** No Authority Obligation will be issued or incurred by the Authority that cannot be paid from funds budgeted for expenditures in the Authority's current Budget unless the Authority Obligation is approved by the Zone Board and the Director.

**D. Approval of Bonds and Notes.** 1. The TIRZ and the City have entered into an agreement approved by City Ordinance No. 2008-940 on October 22, 2008 which required the City to issue \$7.5 million in Certificates of Obligation and the TIRZ to pay the City installments sufficient to service that debt, and various Development Agreements prior to the Effective Date (the "Zone Contracts"). In addition to the Zone Contracts, the Authority may issue Bonds and Notes secured by payments made pursuant to this Agreement with the approval of City Council. To secure funds to begin providing the services required by this Agreement, the City Council hereby approves the Authority's issuance of its Notes secured by payments made to the Authority by the City and the Zone pursuant to this Agreement for the purposes specified in the Budget;

provided, however, that not more than One Million Dollars (\$1,000,000) in principal amount of such Notes can be outstanding at any given time unless additional authorization is granted by the City Council which \$1,000,000 shall be in addition to the Zone Contracts.

**2.** Prior to the issuance of any Bonds or Notes, the Authority will consult with the Director to determine the most cost effective means to issue debt. If the City determines that it can issue debt at a lower cost and has the capacity to do so, the City may issue bonds, notes or other obligations and pay the proceeds to the Authority, in which case the City shall retain from the payments made to the Authority pursuant to Article IV the amount necessary to pay debt service, plus fees and expenses on the City issued bonds, notes or other obligations.

**E. Use of Tax Increment.** The Authority will use the moneys in the Revenue Fund as follows: (1) to pay all principal, all interest, and all paying agent/registrar charges on the Bonds and Notes of the Authority at the respective times and in the respective amounts as fixed and prescribed in the resolution(s) pursuant to which the Bonds or Notes are issued by the Authority; and (2) to make payments on other Authority Obligations with Developers/Builders as required by the Development Agreements entered into with such Developers/Builders. Thereafter, the Authority must transfer any excess funds in the Revenue Fund to the Surplus Fund and must use the excess funds to perform services, provide improvements, or to pay any other Project Costs, including amounts to be paid pursuant to contracts with consultants as permitted by this Agreement and the TIRZ Act.

The Authority and the Zone Board may pledge and assign all or a part of the Revenue Fund under this Agreement to (1) the owners and holders of Bonds and Notes of the Authority; and (2) Developers/Builders pursuant to a Development Agreement.

The City consents to any such assignment and pledge to which the Zone Board and the Director also consent. The City shall also have the right to approve the terms and conditions of the instruments assigning or pledging the proceeds to be received by the Authority pursuant to this Agreement.

F. **Approval of TIRZ Projects.** The Authority must obtain the prior approval of the Director of the appropriate City department for any TIRZ Project constructed, caused to be constructed, or financed by the Authority and must require any Developer/Builder to obtain all necessary permits for the construction of a TIRZ Project and comply with all rules and regulations of the City applicable to the TIRZ Project.

G. **Zone Contracts.** The parties acknowledge that the Zone and the City have entered into various Zone Contracts whereby the Zone is obligated to pay Tax Increment to the City, in consideration of various services and construction projects, and to Developer/Builders in consideration of advances of funds to build improvements in furtherance of the Project Plan. The Authority hereby agrees to be bound by terms of such Zone Contracts to the same extent as the Zone is so bound, and to use the Tax Increment to satisfy such obligations as if they had been originally incurred as Authority Obligations.

#### **ARTICLE IV DUTIES AND RESPONSIBILITIES OF THE CITY AND THE ZONE**

A. **Duties of the City.** The City agrees to maintain the existing level of services that the City currently provides in the Lake Houston area subject to the provision of funds for these services in the City budget. The City agrees to consider the promulgation of ordinances or resolutions pertaining to policies relating to the development of the Lake Houston area upon the Authority's advice and assistance.

B. **Tax Increment Fund.** The City has established and will maintain a separate fund, including any necessary subaccounts, in the City treasury into which the Tax Increment shall be deposited. During the term of this Agreement, the Tax Increment will be paid to the Authority as provided herein.

C. **Limitation of Source of Payment.** The City and the Zone will have no financial obligation to the Authority other than as provided in this Agreement or in other agreements between the City, the Zone, and the Authority. The obligation of the City and the Zone to the Authority under this Agreement is limited to the Tax Increment that is collected by the City. This Agreement creates no obligation of the City or the Zone

payable from taxes or other City funds other than the Tax Increment that is collected by the City. The obligation of the City and the Zone to the Authority under this Agreement is subject to the rights of any holders of Bonds, Notes, or other obligations that have been or will be issued by the City, the Counties, the School District, and any other Taxing Units participating in the Zone that are payable from or secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City, the Counties, the School District, and the other Taxing Units.

**D. Allocated Funds: Limitation of Duties.** The duty of the City and the Zone to pay money to the Authority for any purpose under this Agreement is limited in its entirety by the provisions of this Article and Article V. The payments herein provided are to be the entire and complete compensation to the Authority for its services and expenses as set forth in this Agreement.

**E. Collection and Payment of Tax Increment by the City and the Zone.** In consideration of the services and TIRZ Projects to be provided by the Authority, the City and the Zone covenant and agree that they will, as authorized by the TIRZ Act and other applicable laws, continuously collect the Tax Increment from the Taxing Units whose participation in the Zone is reflected in the Plans during the term of this Agreement in the manner and to the extent permitted by applicable law. To the extent they may legally do so, the City and the Zone also covenant and agree that they will not permit a reduction in the Tax Increment paid by the Taxing Units participating in the Zone except as provided in an agreement with the Taxing Unit executed at the time the Taxing Unit agrees to participate in the Zone. In addition, the City covenants and agrees that it will not dissolve the Authority, and that any repeal of the right and power to collect the Tax Increment will not be effective, until all of the Authority Bonds, Notes, or other Authority Obligations have been paid in full or are legally defeased. The City and the Zone further covenant and agree that they will make all payments as set forth in Article V below, by a direct deposit into the Revenue Fund, without counterclaim or offset, but minus any expenses incurred by the City in connection with the collection of the Tax Increment and less any amount retained pursuant to the provisions set forth in Article V below.

F. **Obligations of the City and the Zone to be Absolute.** The obligation of the City and the Zone to make the payments set forth in this Agreement from Tax Increment is absolute and unconditional, and until such time as the Bonds, Notes, Authority Obligations and other contractual obligations of the Authority incurred pursuant to this Agreement have been fully paid or provision made for payment thereof shall have been made in accordance with their terms or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments provided for in this Agreement and will not terminate this Agreement for any cause, including, without limitation, the failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or in connection with this Agreement except as provided in Article XXIV. Nothing contained in this Article shall be construed to release the Authority from performance of any of the agreements on its part contained in this Agreement, and in the event the Authority fails to perform any such agreement, the City may institute such action against the Authority as the City deems necessary to compel performance so long as the action does not abrogate the obligations of the City and the Zone to pay the Bonds and Notes of the Authority or to meet its Authority Obligations.

G. **Annual Offset.** Notwithstanding Articles IV.E and IV.F., the City has the right to offset from its annual payment, in accordance with Article V, any amount the Authority pays to a Developer/Builder, consultant, or vendor that is not authorized by and consistent with this Agreement or the terms of the contract pursuant to which it was incurred. Nothing in this Article will affect the obligation of the City and the Zone to pay from Tax Increment an amount that will permit the Authority to pay its Bonds, Notes, or Authority Obligations issued or incurred pursuant to and consistent with this Agreement.

## **ARTICLE V CITY PAYMENT TO AUTHORITY**

The City, on behalf of itself and the Zone, will pay the Authority, not later than the first business day of each September in which a current, approved Budget is in effect for the Authority, all funds then available in the Tax Increment Fund, subject to the retention by the City of (i) a reserve up to five percent (5%) of the funds then available in the Tax

Increment Fund, (ii) funds, if any, required to be paid to the School District for the development of educational facilities pursuant to a contract among the School District, the City, and the Zone, (iii) amounts due the City under the Zone Contracts and any other contracts entered into by the Authority and the City providing for payments to the City; provided, however, that the City and the Zone will never be obligated in any fiscal year to pay to the Authority an amount that exceeds the amount of the approved Budget for the fiscal year, and (iv) and any amounts retained by the City pursuant to Article III Section D or Article IV section G. The Authority will deposit the payments received pursuant to this Article into the Revenue Fund and use the funds in the Revenue Fund for payment of its budget-approved expenditures, its obligations to holders of its Bonds and Notes, its obligations to Developers/Builders pursuant to a Development Agreement, or other contractual obligations, all in accordance with an approved Budget. Notwithstanding the foregoing, in the event that the Budget is not approved in accordance with Article VI of this Agreement by the thirtieth (30th) day before the date of a principal or interest payment on the Authority's Bonds or Notes, and upon request by the Authority, the City will pay to the Authority the amount of available funds in the Tax Increment Fund otherwise payable to the Authority under this Agreement, and the obligation to make these payments will survive a termination of this Agreement as provided by Article VI.

A quarterly accounting of expenditures and revenues of the Authority, including its operating statements and balance sheets, are to be submitted to the Director by the thirtieth (30th) day of the quarter following such expenditure or receipt of revenue ("Accounting"). The City's review of the Accounting will be limited to determining whether the expenditures are (i) authorized by the Budget, and (ii) consistent with the terms of the contract pursuant to which they were incurred and this Agreement, and not a review to determine whether the Authority Board properly exercised its discretion in making the expenditure.

**ARTICLE VI  
BUDGET, ACCOUNTING, AND AUDITS**

**A. Budget, Books, and Records.** During the term of this Agreement, the Authority will prepare and submit to the City and the Zone Board, in the form required by the City, by April 1<sup>st</sup> of each year during the term of this Agreement, its annual Budget setting forth the Authority's proposed expenditures during the ensuing fiscal year, including the Authority's administrative costs incurred in connection with providing services under this Agreement, and its obligations payable to the holders of its Bonds or Notes, to Developers/Builders pursuant to a Development Agreement, and to consultants pursuant to contract. Administrative costs may include reasonable employee salaries, travel, insurance, and other benefits expenses. The annual Budget also must disclose the amount of all revenues available to the Authority for purposes of funding the services and paying the obligations of the Authority and is subject to the review and approval of the Zone Board and City Council. The Authority may only transfer funds from one line item of approved Project Costs to another (1) as needed for debt service, and (2) provided that the aggregate of such transfer does not exceed the lesser of Four Hundred Thousand Dollars (\$400,000) or five percent (5%) of the Project Costs. Any changes in excess of the foregoing must be approved by the Zone Board and the City Council. In the event that the Zone Board or the City Council fails to approve the Authority's proposed Budget for the ensuing year by July 1<sup>st</sup> of that year, the Authority may continue to operate under the Budget for the previous fiscal year for a period not to exceed twelve (12) months. If, at the end of that period, no Budget has been approved by City Council, either the City or the Authority may terminate this Agreement as provided in Article XXIV hereof, subject to payment of all Bonds, Notes, and other Authority Obligations. Termination of this Agreement will constitute the sole remedy of the parties under this circumstance. **Accounts, Records, and Accounting Reports.** The Authority will maintain books of records and accounts in which full, true, and proper entries will be made on all dealings, transactions, business, and matters that in any way affect or pertain to the operation of the Zone and the allocation and application of the Tax Increment. All such records are to be maintained in accordance with Generally Accepted Accounting Principles and must be clearly identified and

readily accessible. The Authority must provide free access to the books and records at all times to the City and the Zone or their representatives and must permit them to examine, audit, and make copies thereof. The Authority must further allow the City and the Zone and their representatives to make inspections of all work data, documents, proceedings, and activities related to this Agreement. Such right of access and audit is to continue for a period of three (3) years from the date of final payment under this Agreement. The Authority will operate on the basis of a fiscal year that begins July 1<sup>st</sup>.

**B. Audit.** At the end of each fiscal year (beginning with the fiscal year or fraction thereof during which this Agreement is executed), the Authority will have at its own expense a final audit prepared by an independent Certified Public Accountant for that fiscal year that is to be submitted to the Authority, the Zone, and the City within sixty (60) days after the end of the fiscal year. The Authority must furnish copies of the audit without cost to the City and the Zone Board.

**C. Construction Audit.** At the end of each fiscal year (beginning with the fiscal year or fraction thereof during which this Agreement is executed), the Authority will have at its own expense an audit of construction activities prepared by an independent consultant approved by the Director for that fiscal year that shall be submitted to the Authority, the Zone, and the City within a reasonable period after the end of the fiscal year. The scope of the audit must include an analysis of all expenditures for reasonableness and a review to ensure that they conform with the approved Plans and any Development Agreements. The Authority must furnish copies of this audit without cost to the City and the Zone Board.

**D. Authority Depository.** The Authority's Revenue Fund is the account into which all payments made by the City and the Zone pursuant to this Agreement are to be deposited. Any funds received from investing and reinvesting funds paid by the City and the Zone to the Authority are to remain in the Revenue Fund until used by the Authority for one of the purposes permitted by this Agreement, and may be commingled with other revenue of the Authority; provided, however, these funds must be accounted for separately. Funds in the Revenue Fund may be invested and reinvested by the Authority only in investments that would be eligible for investment by the City pursuant

to the provisions of the Public Funds Investment Act (Chapter 2256, Texas Government Code). Funds on deposit in the Revenue Fund will be secured by the depository bank in the same manner as City funds are required to be secured at the City depository and in accordance with the provisions of the Public Funds Investment Act.

**ARTICLE VII  
PUBLIC CONVENIENCE AND SAFETY**

**A. Observance of City Ordinances.** The Authority must observe City ordinances relating to street obstruction, maintaining open access to alleys or other rights-of-way and protecting same, and must obey all laws and City ordinances controlling or limiting those engaged in the work.

**B. Performance of Duties.** The Authority will perform its duties in a manner that will cause the least inconvenience and annoyance to the general public and property owners, and will exercise every necessary precaution for the safety of the property and protection of all persons and property located adjacent to or making passage through said property.

**ARTICLE VIII  
RIGHT OF OWNERSHIP**

All permanent public facilities and equipment owned by the City within the Zone will remain the property of the City, and the Authority may not dispose of this property. All property and improvements purchased by the Authority will be the property of the Authority and must be maintained by the Authority throughout the term of this Agreement, and the Authority may lease, sell, or otherwise dispose of its property upon such terms and conditions as the Authority deems desirable, or if the TIRZ Project is integrated in and used as part of the City's infrastructure, the property may be conveyed to the City at the time of such integration, at the City's discretion; however, all water and sewer utilities, stormwater drainage facilities, public street improvements, sidewalks, and light fixtures are to be conveyed to the City subject to City policy. Upon termination of this Agreement, title to all Authority property will immediately vest in the City without the need for further action by the City. The Authority must attach to its annual Budget an up-to-date inventory of all of its property and improvements.

**ARTICLE IX  
EQUAL EMPLOYMENT OPPORTUNITY**

The Authority agrees to comply fully with the provisions of the City's current Equal Employment Opportunity Ordinance, as set forth in Exhibit "A" hereto, and as they may be amended from time to time.

**ARTICLE X  
PARTICIPATION OF DISADVANTAGED BUSINESS ENTERPRISES**

It is the City's policy to stimulate the growth of minority and women-owned business by encouraging their full participation in all phases of its procurement activities and by affording them a full and fair opportunity to compete for all City contracts and/or agreements.

The Authority agrees to use its best efforts to carry out this policy through award of contracts, subcontracts, and aid to Disadvantaged Business enterprises to the extent consistent with the efficient performance of this Agreement.

Without limiting the foregoing, the Authority agrees to make Good Faith Efforts (as defined by the Director of the Office of Business Opportunity) to award the percentage of the value of contracts, pursuant to this Agreement, to Disadvantaged Businesses at the same rate as the City's Affirmative Action Program, as it may be in effect from time to time. While it is not a requirement of this Agreement that the Authority meet or exceed these goals, it is a requirement that the Authority objectively demonstrate to the City that it has made Good Faith Efforts to meet these goals. To this end, the Authority must maintain records showing (i) its subcontracts, supply agreements, and support with and to Disadvantaged Business enterprises, and (ii) its specific efforts to identify and award subcontracts, supply agreements, and support with and to minority and women-owned business enterprises. The Authority is to submit reports of its Good Faith Efforts under this Article to the Director of the Office of Business Opportunity in such form and manner as the Director, in consultation with the Director of the Office of Business Opportunity, may prescribe.

**ARTICLE XI  
PERSONAL LIABILITY OF PUBLIC OFFICIALS**

To the extent permitted by State law, no director of the Authority, nor any employee or agent of the Authority, no director of the Zone, nor any employee or agent of the Zone, and no employee of the City, nor any agent of the City, will be personally responsible for any liability arising out of or in connection with the Agreement, or operations of the Authority under the terms of this Agreement.

**ARTICLE XII  
CITY AND ZONE NOT LIABLE FOR DELAY**

It is expressly agreed that in no event will the City or the Zone be liable or responsible to the Authority or any other person for or on account of any stoppage or delay in the work herein provided for by injunction or other legal or equitable proceedings, or from or by or on account of any delay for any cause over which the City or the Zone has no control.

**ARTICLE XIII  
INDEMNITY AND RELEASE**

**A. INDEMNITY FOR PERSONAL INJURIES. THE AUTHORITY COVENANTS AND AGREES TO AND DOES HEREBY DEFEND, INDEMNIFY, AND HOLD THE CITY, THE ZONE, AND THEIR OFFICERS AND EMPLOYEES (THE "INDEMNIFIED PERSONS") HARMLESS FOR ALL CLAIMS, CAUSES OF ACTION, LIABILITIES, FINES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES, COURT COSTS AND INTEREST) FOR INJURY, DEATH, DAMAGE, OR LOSS INJURIES, INCLUDING DEATH, TO PERSONS OR PROPERTY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO ANY PERFORMANCE UNDER THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THOSE CAUSED BY:**

**1. THE AUTHORITY'S AND/OR ITS AGENTS', EMPLOYEES', OFFICERS', DIRECTORS', CONTRACTORS', OR SUBCONTRACTORS' (COLLECTIVELY IN LETTERED PARAGRAPHS 1-3, "AUTHORITY'S") ACTUAL OR ALLEGED NEGLIGENCE OR INTENTIONAL ACTS OR OMISSIONS;**

2. THE INDEMNIFIED PERSONS' AND THE AUTHORITY'S ACTUAL OR ALLEGED CONCURRENT NEGLIGENCE, WHETHER THE AUTHORITY IS IMMUNE FROM LIABILITY OR NOT; AND

3. THE INDEMNIFIED PERSONS' AND THE AUTHORITY'S ACTUAL OR ALLEGED STRICT PRODUCTS LIABILITY OR STRICT STATUTORY LIABILITY, WHETHER THE AUTHORITY IS IMMUNE FROM LIABILITY OR NOT. THE AUTHORITY SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS THE INDEMNIFIED PERSONS DURING THE TERM OF THIS AGREEMENT AND FOR FOUR (4) YEARS AFTER THE AGREEMENT TERMINATES. THE AUTHORITY'S INDEMNIFICATION IS LIMITED TO FIVE HUNDRED THOUSAND DOLLARS (\$500,000) PER OCCURRENCE. THE AUTHORITY SHALL NOT INDEMNIFY THE INDEMNIFIED PERSONS FOR THE INDEMNIFIED PERSONS' SOLE NEGLIGENCE.

B. INDEMNITY TO CITY PROPERTY. THE AUTHORITY SHALL LIKEWISE INDEMNIFY AND HOLD HARMLESS THE CITY FOR ANY AND ALL INJURY OR DAMAGE TO CITY PROPERTY ARISING OUT OF OR IN CONNECTION WITH ANY AND ALL ACTS OR OMISSION OF THE AUTHORITY, ITS OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS, SUBCONTRACTORS, LICENSEES, OR INVITEES.

C. RELEASE. THE AUTHORITY AGREES TO AND SHALL RELEASE THE INDEMNIFIED PERSONS FROM ALL LIABILITY FOR INJURY, DEATH, DAMAGE, OR LOSS TO PERSONS OR PROPERTY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO PERFORMANCE UNDER THIS AGREEMENT, EVEN IF THE INJURY, DEATH, DAMAGE, OR LOSS IS CAUSED BY THE INDEMNIFIED PERSONS' SOLE OR CONCURRENT NEGLIGENCE AND/OR THE INDEMNIFIED PERSONS' STRICT PRODUCTS LIABILITY OR STRICT STATUTORY LIABILITY.

THE AUTHORITY SHALL REQUIRE ALL CONTRACTORS ENGAGED BY IT TO CONSTRUCT TIRZ PROJECTS (AND THEIR SUBCONTRACTORS) TO RELEASE AND INDEMNIFY THE INDEMNIFIED PERSONS TO THE SAME EXTENT AND IN SUBSTANTIALLY THE SAME FORM AS ITS RELEASE OF AND INDEMNITY TO THE INDEMNIFIED PERSONS HEREUNDER.

**D. Indemnification Procedures.**

1. **Notice of Claims.** If the Indemnified Persons or the Authority receive notice of any claim or circumstances that could give rise to an indemnified loss, the receiving party must give written notice to the other party within ten (10) days. The notice must include the following:

- a. A description of the indemnification event in detail;
- b. The basis on which indemnification may be due; and
- c. The anticipated amount of the indemnified loss.

This notice does not estop or prevent the Indemnified Persons from later asserting a different basis for indemnification or a different amount of indemnified loss than that indicated in the initial notice. If the Indemnified Persons do not provide this notice within the ten (10) day period, they do not waive their right to indemnification except to the extent that the Authority is prejudiced, suffers loss, or incurs expense because of the delay.

2. **Defense of Claims.**

a. **Assumption of Defense.** The Authority may assume the defense of the claim at its own expense with counsel chosen by it that is reasonably satisfactory to the Indemnified Persons. The Authority must then control the defense and any negotiations to settle the claim. Within ten (10) days after receiving written notice of the indemnification request, the Authority must advise the Indemnified Persons as to whether or not it will defend the claim. If the Authority does not assume the defense, the Indemnified Persons will assume and control the defense, and all defense expenses constitute an indemnification loss.

b. **Continued Participation.** If the Authority elects to defend the claim, the Indemnified Persons may retain separate counsel at their own expense to participate in (but not control) the defense and to participate in (but not control) any settlement negotiations. The Authority may settle the claim without the consent or agreement of the Indemnified

Persons, unless the settlement (i) would result in injunctive relief or other equitable remedies or otherwise require the Indemnified Persons to comply with restrictions or limitations that adversely affect the Indemnified Persons; (ii) would require the Indemnified Persons to pay amounts that the Authority does not fund in full; or (iii) would not result in the Indemnified Persons' full and complete release from all liability to the plaintiffs or claimants who are parties to or otherwise bound by the settlement.

**E. Insurance Requirements.** Insurance coverage specified herein constitutes the minimum requirements and will in no way reduce or limit the liability of the Authority under the terms of this Agreement. The Authority must procure and maintain, at its own cost and expense, any additional kinds and amounts of insurance that, in its own judgment, may be necessary in connection with its performance of its obligations under this Agreement.

**F. Subordinate Obligation.** The obligations of the Authority imposed by this Article are subordinate to the Authority's obligation to pay the principal of and interest on its Bonds and Notes.

**G. Payment from Tax Increment.** All costs of obligations of the Authority imposed by this Article may be paid from proceeds from insurance or, to the extent provided by law, Tax Increment.

#### **ARTICLE XIV INDEPENDENT CONTRACTOR**

It is expressly understood and agreed that the Authority will perform all work and services described herein as an independent contractor and not as an officer, agent, servant, or employee of the City or the Zone; that except as herein provided, the Authority will have exclusive control of and the exclusive right to control the details of the services and work performed hereunder, and all persons performing the same, and will be solely responsible for the acts and omissions of its officers, agents, employees, contractors, and subcontractors; that the doctrine of respondeat superior will not apply

as between the City or the Zone and the Authority, its officers, agents, employees, contractors, and subcontractors; and that nothing herein is to be construed as creating a partnership or joint enterprise between the City or the Zone and the Authority. No person performing any of work and services described hereunder will be considered an officer, agent, servant, or employee of the City or the Zone.

**ARTICLE XV  
INSURANCE**

The Authority must obtain and maintain insurance coverage continuously during the term of this Agreement, and the Authority must contract with each contractor engaged by it to maintain (and to cause each of its subcontractors to maintain) insurance coverage during the term of its contract, in each case in accordance with the terms of this Article through any combination of primary and excess coverage.

**A. Risks and Limits of Liability.** The insurance required by this Article must insure against the following risks in at least the following amounts:

<u>Coverage</u>	<u>Limit of Liability</u>
Workers' Compensation:	Statutory
Employer's Liability (each accident)	Bodily Injury by Accident \$100,000
(policy limit)	Bodily Injury by Disease \$500,000
(each employee)	Bodily Injury by Disease \$100,000
Commercial General Liability	Each Occurrence Limit of \$1,000,000 Personal and Advertising Limit of \$1,000,000 General Aggregate Limit of \$2,000,000 Products - Completed Operations Aggregate Limit of \$2,000,000
Automobile Liability Insurance (for vehicles used in performing under this Agreement, including Employer's Non Ownership and Hired Auto Coverage)	\$1,000,000 Combined Single Limit per Occurrence

Professional Liability Coverage (for professional service contract only)	\$500,000 per occurrence \$1,000,000 aggregate
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Defense costs are excluded from the face amount of the policy. Aggregate Limits are per 12-month policy period unless otherwise indicated. If the amount of any contract awarded by the Authority to construct a TIRZ Project exceeds One Million Dollars (\$1,000,000), the Authority must contract with the contractor to maintain Commercial General Liability coverage for at least twice the combined minimum limits specified above.

**B. Form of Policies.** The Director may approve the form of the insurance policies, but nothing the Director does or fails to do relieves the Authority of its obligation to provide the required coverage under this Agreement. The actions or inactions of the Director do not waive the City's rights under this Agreement.

**C. Issuers of Policies.** The issuer of each policy must be a carrier authorized or eligible to do business in the State of Texas by the Texas Department of Insurance or a legally established self-insurance pool in the State of Texas. As applicable, carriers must have a Best's rating of at least B+ and a Best's Financial Size Category of Class VI or better, according to the most current edition of Best's Key Rating Guide, Property-Casualty United States.

**D. Insured Parties.** Each policy, except those for Workers' Compensation, Employer's Liability, and Professional Liability, must name the City (and its officers, agents, and employees) as additional insured parties on the original policy and all renewals or replacements.

**E. Deductibles.** The Authority will be responsible for and bear (or will contract with each applicable contractor to bear and assume) any claims or losses to the extent of any deductible amounts and waives (and will contract with each contractor to waive) any claim it may have for the same against the City, its officers, agents, or employees.

**F. Cancellation.** Each policy must state that it may not be canceled, materially modified, or nonrenewed unless the insurance company gives the Director

thirty (30) days' advance written notice. The Authority will (and will contract with each contractor to) give written notice to the Director within five (5) days of the date on which total claims by any party against such person reduce the aggregate amount of coverage below the amounts required by this Agreement. In the alternative, the policy may contain an endorsement establishing a policy aggregate for the particular project or location subject to this Agreement.

**G. Subrogation.** Each policy must contain an endorsement to the effect that the issuer waives any claim or right of subrogation to recover against the City, its officers, agents, or employees.

**H. Primary Insurance Endorsement.** Each policy, except Workers' Compensation and Professional Liability (if any), must contain an endorsement that the policy is primary to any other insurance available to the additional insured with respect to claims arising under this Agreement.

**I. Liability for Premium.** The Authority will pay from Tax Increment or other available funds (or will contract with contractors to pay) all insurance premiums for coverage required by this Article, and the City will not be obligated to pay any premiums.

**J. Subcontractors.** Notwithstanding the other provisions of this Article, the amount of coverage contracted to be provided by subcontractors must be commensurate with the amount of the subcontract, but in no case less than One Hundred Thousand dollars (\$100,000) per occurrence. The Authority must provide to the Director (or must contract with contractors to provide) copies of insurance certificates.

**K. Proof of Insurance.** Promptly after the execution of this Agreement and from time to time during the term of this Agreement, at the request of the Director, the Authority must furnish the Director with certificates of insurance maintained by the Authority in accordance with this Article along with an affidavit from the Authority confirming that the certificates accurately reflect the insurance coverage maintained. If requested in writing by the Director, the Authority must furnish the City certified copies

of the Authority's actual insurance policies. Failure of the Authority to comply with the requirements of this Article constitutes an event of default and the Director, at his or her sole discretion, may (1) suspend performance by the City and the Zone hereunder and begin procedures to terminate this Agreement for default pursuant to Article XXIV hereof, or (2) purchase the required insurance with City or Zone funds and, notwithstanding the provisions of Article V of this Agreement, deduct the cost of the premiums from amounts due to the Authority under this Agreement. The City will never waive or be estopped to assert its right to terminate this Agreement pursuant to Article XXIV hereof because of its acts or omissions regarding its review of insurance documents.

**L. Other Insurance.** If requested by the Director, the Authority must furnish adequate evidence of Social Security and Unemployment Compensation Insurance, to the extent applicable to the Authority's operations under this Agreement.

#### **ARTICLE XVI LAW TO BE OBSERVED**

The Authority must at all times observe and comply with all federal and state laws, local laws, ordinances, orders, and regulations of the federal, state, county, or city governments. The federal, state and local laws, ordinances, and regulations that affect those engaged or employed in the work, or the equipment used in the work, or that in any way affect the conduct of the work, will be in effect at all times, and no pleas of misunderstanding will be considered on account of ignorance thereof.

#### **ARTICLE XVII PERMITS**

Before proceeding with the work hereunder, the Authority must obtain and pay for any necessary permits and licenses, whether issued by the State, Counties, or City, and furnish proof thereof upon the request of the Director.

**ARTICLE XVIII  
INFORMATION**

The Authority must, at such times and in such form as the City may require, furnish information concerning the status of the Authority, the Zone, and the performance of its obligations under the Agreement, and such other statements, certificates, and approvals related to the Authority and the Zone as the City may request.

**ARTICLE XIX  
COORDINATION WITH CITY OFFICIALS**

The Authority will coordinate its activities with the City departments involved or providing services to the Lake Houston area through the Director. At the request of the Authority, the Director will assist the Authority in coordinating with other City departments as necessary and appropriate from time to time.

Nothing in this Agreement is intended to confer upon the Authority the right to use, improve, or service any City property without the approval of the director of the affected City department.

**ARTICLE XX  
ADDRESS AND NOTICE**

Any and all notices and communications under this Agreement are to be mailed by first-class mail, or delivered, to the Authority at the following address:

Lake Houston Redevelopment Authority  
c/o Allen Boone Humphries Robinson  
3200 Southwest Freeway, Suite 2600  
Houston, Texas 77027

Any and all notices and communications under this Agreement are to be mailed by first-class mail, or delivered, to the City at the following address:

Chief Development Officer, Economic Development  
Office of the Mayor  
City of Houston  
P.O. Box 1562  
Houston, Texas 77251

Any and all notices and communication under this Agreement are to be mailed by first-class mail, or delivered, to the Zone at the following address:

Reinvestment Zone Number Ten,  
c/o Allen Boone Humphries Robinson  
3200 Southwest Freeway, Suite 2600  
Houston, Texas 77027

#### **ARTICLE XXI APPLICABLE LAWS**

This Agreement is made subject to the Constitution and laws of the State of Texas and the Charter of the City.

#### **ARTICLE XXII CAPTIONS**

The captions at the beginning of the Articles of this Agreement are guides and labels to assist in locating and reading such Articles and will be given no effect in construing this Agreement and do not restrict the subject matter of any article, section, paragraph, or part of this Agreement.

#### **ARTICLE XXIII SUCCESSORS AND ASSIGNS**

This Agreement binds and benefits the respective parties and their legal successors, and is not be assignable, in whole or in part, by any party hereto without first obtaining the written consent of the other parties. Nothing herein is to be construed as creating any personal liability on the part of any officer or agency of the City, of the Zone, or of the Authority.

#### **ARTICLE XXIV TERM AND TERMINATION, DISSOLUTION OF AUTHORITY**

A. **In General**. This Agreement becomes effective and its initial term begins on the date the City Controller countersigns this Agreement and will terminate upon termination of the Zone.

**B. Termination for Cause.** A party may terminate its performance under this Agreement only upon default by the other party. Default by a party will occur if the party fails to perform or observe any of the terms and conditions of this Agreement required to be performed or observed by that party. Should such a default occur, the party against whom the default has occurred will have the right to terminate all or part of its duties under this Agreement as of the thirtieth (30th) day following the receipt by the defaulting party of a notice describing such default and intended termination, provided: (i) such termination will be ineffective if within the thirty (day) period the defaulting party cures the default, or (ii) such termination may be stayed, at the sole option of the party against whom the default has occurred, pending cure of the default. No termination of this Agreement will affect the obligation of the City and the Zone to pay from Tax Increment an amount that will permit the Authority to pay its Bonds, Notes, or Authority Obligations issued or incurred pursuant to and consistent with this Agreement prior to termination.

**C. Dissolution of Authority.** The City agrees not to dissolve the Authority or the Zone unless it makes satisfactory arrangements to provide for the payments of the Authority's Bonds, Notes, or other Authority Obligations incurred prior to the Authority's dissolution.

## **ARTICLE XXV AMENDMENT OR MODIFICATIONS**

Except as otherwise provided in this Agreement, this Agreement is subject to change, amendment, or modification only by the mutual written consent of the parties hereto.

**IN TESTIMONY OF WHICH** this instrument has been executed on behalf of the Authority, the Zone, and the City in duplicate originals which are considered of equal force and effect.

**[The remainder of this page intentionally left blank.]**

**CITY OF HOUSTON, TEXAS**

\_\_\_\_\_  
Mayor Date

**ATTEST/SEAL:**

\_\_\_\_\_  
City Secretary Date

**COUNTERSIGNED:**

**APPROVED AS TO FORM:**

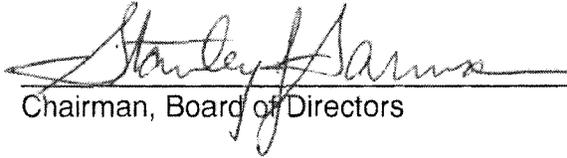
\_\_\_\_\_  
City Controller Date

\_\_\_\_\_  
Assistant City Attorney

**APPROVED:**

\_\_\_\_\_  
Chief Development Officer Date  
Office of the Mayor

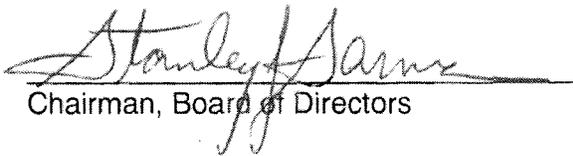
LAKE HOUSTON REDEVELOPMENT AUTHORITY

  
Chairman, Board of Directors

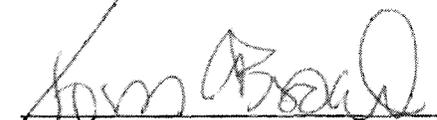
ATTEST:

  
Secretary, Board of Directors

REINVESTMENT ZONE NUMBER TEN, CITY OF HOUSTON, TEXAS

  
Chairman, Board of Directors

ATTEST:

  
Secretary, Board of Directors

## **EXHIBIT A**

### **Provisions of City's Equal Employment Opportunity Ordinance**