Controller's Office

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

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 herein by this reference.

( X ) Other - Contingent on receipt of tax increment

Date: 7-14, 2014

City Controller of the City of Houston

FUND REF: ENCUMB. NO.: 0-5052-15

City of Houston, Texas, Ordinance No. 2014-714

AN ORDINANCE APPROVING AND AUTHORIZING AN INTERLOCAL AGREEMENT AMONG THE CITY OF HOUSTON, TEXAS, HARRIS COUNTY, TEXAS, REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS (GREATER HOUSTON ZONE), AND THE HARRIS COUNTY REDEVELOPMENT AUTHORITY RELATING TO THE PARTICIPATION OF HARRIS COUNTY IN REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS (GREATER HOUSTON ZONE); AND DECLARING AN EMERGENCY.

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

Section 1. That the City Council hereby approves and authorizes the contract, agreement, or other undertakings 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 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 such contract, agreement, or other undertaking 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 16th day of July, 2014.

Approved this ____ day of _________, 2014.

________________________
Mayor of the City of Houston

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

________________________
City Secretary

(Prepared by Legal Department ____________ First Assistant City Attorney
DFM:drc June 19, 2014)
(Requested by Andy Icken, Chief Development Officer, Office of the Mayor)
(L.D. File No. 0421300024003)
ORD Harris County Participation Agmt 6192014
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CAPTION ADOPTED

MAY 017 Rev. 01/14
THE STATE OF TEXAS

COUNTY OF HARRIS

INTERLOCAL AGREEMENT

I. PARTIES AND ADDRESSES

THIS INTERLOCAL AGREEMENT (Agreement) is made by and among the CITY OF HOUSTON, TEXAS (City), a municipal corporation and home-rule city of the State of Texas principally situated in Harris County, acting by and through its governing body, the City Council; HARRIS COUNTY, TEXAS on behalf of itself and the Harris County Flood Control District (collectively referred to as the “County”), a body corporate and politic under the laws of the State of Texas, acting by and through its governing body, the Harris County Commissioners Court, the HARRIS COUNTY REDEVELOPMENT AUTHORITY (Authority), a local government corporation created and organized under the provisions of Chapter 431, Texas Transportation Code, as amended, and REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS (TIRZ or Zone), a reinvestment zone designated by the City of Houston pursuant to Chapter 311 of the Texas Tax Code, acting by and through its Board of Directors (Board). This Agreement is made pursuant to Chapter 791 of the Texas Government Code and Chapter 311 of the Texas Tax Code.

The initial addresses of the parties, which any party may change by giving written notice of its changed address to the other parties, are as follows:

City: City of Houston
      901 Bagby, 4th Floor
      Houston, TX  77002
      Attn:  Andy Icken
      Chief Development Officer
County: Harris County Community Services Department
8410 Lantern Point
Attn: David Turkel
Executive Director

TIRZ: Reinvestment Zone Number Twenty-Four, City of Houston, Texas
c/o Harris County Community Services Department
8410 Lantern Point
Houston, Texas 77054
Attn: David Turkel
Executive Director

Authority: Harris County Redevelopment Authority
c/o Harris County Community Services Department
8410 Lantern Point Drive
Houston, Texas 77054
Attn: David Turkel
Executive Director
II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

“Agreement” means this agreement among the City, the County, the Authority and the TIRZ.

“Agreement Term” is defined in Section VI.

“Base Year” means tax year 2014, the base year for Harris County’s participation.

“Base Value” means the certified appraised value within the Zone as established by HCAD for the 2014 Base Year.

“Captured Appraised Value” means the total taxable value of all real property in the Zone as of January 1 of any year less the Base Value of the Zone as defined herein.

“City” is defined in Section I of this Agreement and includes its successors and assigns.

“County” is defined in Section I of this Agreement and includes its successors and assigns.

“County Tax Increment” means, for each year, the amount of property taxes levied and assessed by the County on the Captured Appraised Value.

“County Tax Increment Participation” means the County’s annual ad valorem tax increment payments to the TIRZ pursuant to Section IVA of this Agreement.

“HCAD” means Harris County Appraisal District.

“Plan” means the Project Plan and Reinvestment Zone Financing Plan adopted by the TIRZ and approved by City Council by Ordinance No. _____-_____, and as may be subsequently amended.

“Tax Increment Fund” means the fund or account created by the City in the City Treasury for accumulating tax increment revenues associated with value increases in the Zone.
“Zone” means the area within the boundaries of the Tax Increment Reinvestment Zone Number Twenty-Four, City of Houston, Texas, also known as the Greater Houston Zone, as designated by the City by Ordinance No. 2012-1048, and as the boundaries may hereafter be enlarged or reduced. Attached hereto as Exhibit 1 is a map outlining the present boundaries of the Zone.

Otherwise, the terms used herein have the meanings ascribed to them in Chapter 311, Texas Tax Code.

III. BACKGROUND

As of December 31, 2013, the City had created 25 tax increment reinvestment zones ("TIRZs") within its boundaries pursuant to the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code (the “Act”). The City created all but one of these TIRZs to finance projects led and desired by the City, and for which the City contributed as much as 100% of tax increments derived from City taxes within a TIRZ (a “City-Lead TIRZ”). Harris County, on behalf of itself and, in some cases, one or more of the taxing entities for which it sets tax rates, participated in some, but not all of the City-Lead TIRZs by contributing a portion of the tax increment derived from Harris County and other County-affiliated taxing units pursuant to an Interlocal Agreement with the City and the respective TIRZ, which agreements generally conformed to a standard form and contained consistent terms and conditions. In the case of Harris County participation in a City-Lead TIRZ, the tax increment from the participating taxing units was used primarily to finance City-initiated projects, and the Interlocal Agreements contained provisions that protected the Harris County tax increment for use on City-initiated projects without the County’s consent.

In April 2010, Harris County, the City and the Harris County-Houston Sports Authority entered into an agreement approved by City Ordinance No. 2010-265 and County Order No.
2010-____ (the "County-Lead TIRZ Agreement") in which the City agreed, as consideration for the County's participation in Tax Increment Reinvestment Zone Number Fifteen, City of Houston, Texas, and contribution to the construction of the BBVA Compass Bank soccer stadium, to create the Zone primarily for County-initiated project. The County-Lead TIRZ Agreement provided that the County would be able to (1) determine the amount of the County's Tax Increment (as defined in the County-Lead TIRZ Agreement) it would contribute to the Zone and (2) direct its Tax Increment to projects and programs of its choosing consistent with the Act. The County-Lead TIRZ Agreement also provided that the City would be able to (1) determine the amount of the City's Tax Increment (as defined in the County-Lead TIRZ Agreement) it would contribute to the Zone and (2) direct its Tax Increment to projects and programs of its choosing consistent with the Act. It was the intent of the City and County that the Zone would be a County-Lead TIRZ and not a City-Lead TIRZ, with the initial expectation that the City would participate in the Zone with only five percent (5%) of its tax increment, which it would retain for administrative costs of operating the Zone. This Agreement sets forth the understanding of the Parties that this is a County-Lead TIRZ and that all of the County Tax Increment Participation will be used, consistent with the Project Plan, for project costs associated with County projects.

On December 12, 2012, the City designated the Zone pursuant to City Ordinance No. 2012-1048 for the purposes of development and redevelopment in the Eastern Downtown and Reliant Park Area, sometimes referred to herein as the "Greater Houston Zone." The Board of Directors of the Zone adopted the Plan, which was then approved by the City by City Ordinance 2014-____. The County authorized the creation of the Authority to aid, assist and act on behalf of the City and the County in the performance of the City's and the County's governmental and proprietary functions with respect to the common good and general welfare of the Zone and
neighboring areas. The City and the County have agreed to participate in the Zone by contributing tax increments collected in the Zone to the Tax Increment Fund as set out below.
IV. OBLIGATIONS OF THE COUNTY

The County shall pay amounts pursuant to this Agreement representing a total of eighty percent (80%) of the County Tax Increment in the Zone, consisting of (i) an amount equal to sixty five percent (65%) of the County Tax Increment in the Zone to be paid to the City for deposit to the Tax Increment Fund pursuant to Chapter 311 of the Texas Tax Code and Paragraph A below, and (ii) an amount equal to fifteen percent (15%) of the County Tax Increment in the Zone to be paid to the Authority for payment of the costs of its operations and other County programs pursuant to Paragraph C below.

A. County Tax Increment Participation

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, the parties agree that the County’s Tax Increment Participation in the TIRZ is a payment, to the extent authorized by law, to the Tax Increment Fund during the term of this Agreement equal to a total of sixty-five percent (65%) of the County Tax Increment in the Zone. This County Tax Increment Participation shall be used only for the project costs incurred by the Zone.

The payments by the Port of Houston Authority of Harris County, Texas ("the Port"), the Harris County Hospital District ("the Hospital"), and any other taxing entity for whom the County imposes taxes, either now or in the future, shall be zero percent (0%) of the tax increment attributed to the Captured Appraised Value in the TIRZ boundaries, attributable to the Port, the Hospital, and any other taxing entity for whom the County imposes taxes, either now or in the future.

The County Tax Increment Participation shall be restricted for use only on those projects that are included in the Plan. In the event of bond or other financing by the Authority on behalf of the TIRZ, the County’s Tax Increment Participation may be dedicated to bond or loan
repayment; however, in that event, if the principal and interest and other payments due with respect to such bonds or loans exceed the County’s Tax Increment Participation, the dedication of the County’s Tax Increment Participation shall be limited to the amount of the County’s Tax Increment Participation.

In the event the City, the TIRZ or the Authority expends the County Tax Increment Participation inconsistent with the Plan or this Agreement, the inconsistent expenditure shall constitute a breach of this Agreement. The County shall notify the City and TIRZ of the breach, and the defaulting party shall have sixty (60) days to cure the breach. In the event the breach is not cured within the sixty (60) day period, the County may suspend all tax increment payments until the breach is cured.

B. Limitation on County Tax Increment Participation

The County shall make payments of the County Tax Increment Participation to the City for deposit to the Tax Increment Fund once each year, by August 31st, for the prior tax year, beginning with tax year 2015 (during calendar year 2016). The County is not obligated to pay its County Tax Increment Participation from any source other than taxes collected by the County on the Captured Appraised Value attributable to the Zone. Furthermore, the County has no duty or obligation to pay the County Tax Increment Participation from any other County tax collections or revenues, or until the County Tax Increment Participation in the Zone is actually collected. Any portion of the taxes representing the County Tax Increment Participation that are paid to the County and subsequently refunded pursuant to the provisions of the Texas Tax Code shall be offset against future payments of County Tax Increment Participation to the Tax Increment Fund. The obligation to pay the County Tax Increment Participation accrues, as ad valorem taxes representing the County Tax Increment Participation are collected by the County,
and payment shall be due as provided in the Texas Tax Code. No interest or penalty will be charged to the County for any late payment received from the County by the TIRZ or the City.

C. County Payments to the Authority

The County shall pay to the Authority an amount equal to fifteen percent (15%) of the County Tax Increment which shall not be subject to Chapter 311 of the Texas Tax Code. Such payment shall be made once each year, by August 31st, for the prior tax year, beginning with tax year 2015 (calendar year 2016). Within 30 days after the Authority has received the payment, the Authority shall pay from the 15% an amount equal to five percent (5%) of the County Tax Increment to the Harris County Community Services Department for contract administration and five percent (5%) of the County Tax Increment to the Harris County Community Services Department for Homeless Projects and Programs, and shall retain five percent (5%) of the County Tax Increment for the Authority's operating costs. If the Authority has any surplus out of funds paid directly to it from Harris County (account balance minus a reasonable reserve at the end of any year out of the five percent (5%) retained by it for current and future operating costs and debt retirement), such surplus shall be repaid to the County or, at the County's option, placed in Authority's non-Chapter 311 Harris County Public Facilities Revenue Funds.

D. Expansion of the TIRZ

The obligation of the County to participate in the TIRZ is limited to the area of the Zone described in the map of which is attached hereto as Exhibit 1. The County's participation does not extend to the tax increment on any additional property that may be added to the Zone or any amendment to the Plan by the TIRZ and the City that would increase the total amount of project costs after the date of this Agreement, unless the County specifically agrees to participate in the additional area or amendment to the Plan. The City will not permit an amendment to the Plan or the Zone that affects the County's Tax Increment Participation or use thereof or the amount of
project costs to by paid thereby without the County’s consent, as determined at the County’s sole and absolute discretion. No amendment to the Plan will eliminate or reduce the identity or scope of a County project or the project costs associated with any County project described in the then-current Plan without the County’s consent, as determined by the County in its sole and absolute discretion. In addition, the County’s participation does not extend to any dedication of revenue attributable to the County Tax Increment Participation from the Tax Increment Fund by the TIRZ for projects other than those specified herein unless the County specifically agrees to participate in the dedication.

E. **Reconciliation of Accounts**

Each year after calendar year 2016, the County Tax Increment Participation is due on August 31st for the year and shall include any retroactive adjustments that may be due for the prior year over or under payments determined to have been less than ten per cent (10%). In any year, beginning with calendar year 2016, that the County payment is determined to have been ten per cent (10%) or greater than the amount actually due, the amount of overpayment by the County shall be refunded by the City and/or the Authority within forty-five (45) days of written notification from the County that such overpayment occurred. Alternatively, in the event that the underpayment by County is determined to have been ten per cent (10%) or greater than the amount actually due, the amount of underpayment by the County shall be disbursed by the County to the City within forty-five (45) days of written notification from the City that such underpayment occurred.

F. **Board of Directors**

Notwithstanding anything to the contrary in Ordinance No. 2012-1048, which designated the TIRZ, or any subsequent amendment thereto, and pursuant to the provisions of the County-Lead TIRZ Agreement, the County shall have the continuing, unequivocal right throughout the term of this Agreement to recommend to the City Mayor for nomination and appointment to the
TIRZ Board of Directors and thereafter at all times maintain five (5) members on the TIRZ Board of Directors. Pursuant to the provisions of Chapter 311 of the Texas Tax Code, the County may appoint one additional director directly to the Board of Directors of the Zone without action by the City as long as the County is a participating taxing unit in the Zone. The City will additionally appoint one nominee to represent the City’s interests in the TIRZ. The County may also appoint and maintain as many non-voting ex officio members on the TIRZ Board of Directors as the County may desire.

V. OBLIGATIONS OF THE CITY AND THE TIRZ

A. Project Plan and Financing Plan

Any member of the County Commissioners Court may review and comment upon any amendment to the Plan before any amendments thereto are submitted to the City Council for approval. At the request of any member of the County Commissioners Court, the City agrees to make a formal presentation to the County Commissioners Court of any proposed amendments to the Plan or changes in boundaries of the Zone at least sixty (60) days prior to their submission to the City Council for approval. County participation in such an amendment or expansion requires a favorable vote by the County Commissioners Court and an amendment to the terms of this Agreement, prior to any approval by City Council. Failure of the City and/or the TIRZ to receive County Commissioners Court approval will result in the County’s non-participation in such Plan amendment and/or boundary alteration.

B. Disposition of Tax Increment

Upon termination of the TIRZ, and after all bonded or other indebtedness of the Authority or the TIRZ secured by or payable from the Tax Increment Fund has been paid, the City and the TIRZ shall refund to the County, within thirty (30) days of said termination, all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation paid by the County into the Tax Increment Fund.

C. Audits
The Authority shall provide to the City and County a copy of each audit, as may be required by any present or future agreement entered into by or on behalf of the TIRZ and/or the Authority, within thirty (30) days of receipt of each audit. In addition, the Authority shall provide to the City and County a copy of all reports, studies and analyses prepared by the TIRZ, the Authority, or others that concern the expenditure of Tax Increment Fund or repayment of bonded indebtedness of the TIRZ or the Authority.

The County shall have the right to audit the City’s Tax increment Fund and/or the books and records of the TIRZ or the Authority upon thirty (30) days written notice to the TIRZ and the Authority. Any such audit shall be at the County’s expense.

D. Administrative Fees

The City shall forego acceptance of any administrative fee out of the County’s Tax Increment Participation that may be permitted by current or future federal, state, or local law, whether deducted from the County Tax Increment Participation as received or reimbursed by the TIRZ at a later date.

VI. TERM AND TERMINATION

A. Agreement Term

This Agreement becomes effective as of the date of the final signature hereto. The term of this Agreement shall commence with the tax year beginning on January 1, 2014 (calendar year beginning January 1, 2015). The County may terminate this Agreement on the earlier of the tax year ending December 31, 2042 (calendar year ending December 31, 2043), or when the County Tax Increment Participation is no longer required to cover bond or other debt service, unless earlier terminated by the parties hereto, whichever occurs first. In the event bonds or other debt
are issued, the County’s participation shall not increase. It is the intent of the parties that the County’s participation in the Zone, or any expansion thereof, is limited to the term stated herein. Nothing in this Agreement, however, limits the authority of the County Commissioners Court to extend the term of this Agreement or increase the amount of the County Tax Increment Participation in the TIRZ, as set forth in Section IV of this Agreement. Upon termination of this Agreement, the obligation of the County to contribute to the Tax Increment Fund for the TIRZ shall end. However, the obligations of the City and the TIRZ to refund any overpayment by the County shall survive such termination.

B. Early Termination

The TIRZ may terminate pursuant to the provisions of Texas Tax Code Chapter 311. If the City’s participation ceases or is decreased, then the County’s participation may cease or be decreased by the same pro rata percentage at the option of the County.

VII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County’s, or any other party’s, contributions or participation, then neither the County, nor any other party, shall have any liability for any incremental or other payments as may otherwise be provided for in this Agreement.
B. Entire Agreement

This Agreement merges the prior negotiations and understandings of the parties hereto and embodies the entire agreement of the parties, and there are no other agreements, assurances, conditions, covenants (express or implied) or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous, with the execution hereof.

C. Written Amendment

Unless otherwise provided herein, this Agreement may be amended only by written instrument duly executed on behalf of each party.

D. Notices

All notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third (3rd) day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other party at the address prescribed in Section I of this Agreement or at such other address as the receiving party may have theretofore prescribed by notice to the sending party.

E. Non-Waiver

Failure of any party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any other right or remedy occurring as a result of any future default or failure of performance.
F. Assignment

No party shall assign this Agreement at law or otherwise without the prior written consent of the other parties. No party shall delegate any portion of its performance under this Agreement without the written consent of the other parties.

G. Successors

This Agreement shall bind and benefit the parties and their legal successors. This Agreement does not create any personal liability on the part of any officer, agent or employee of the City, the City Council, the TIRZ, the Board, the Authority, the County, or the County Commissioners Court.

H. No Waiver of Immunity

No party hereto waives or relinquishes any immunity or defense on behalf of itself, officers, employees, and agents as a result of its execution of this Agreement and performance of the covenants contained herein.

[The remainder of this page is intentionally left blank.]
IN WITNESS WHEREOF, the City, County, the Authority and the TIRZ have made and executed this Agreement in multiple copies, each of which is an original.

ATTEST/SEAL:

CITY OF HOUSTON

By: __________________________
Name: ANNISE PARKER
Mayor, City of Houston

APPROVED AS TO FORM:

COUNTERSIGNED:
CONTROLLER, CITY OF HOUSTON

By: __________________________
Name: ________________________

By: __________________________
Name: ________________________

ATTEST/SEAL:

TAX INCREMENT REINVESTMENT
ZONE NUMBER TWENTY-FOUR,
CITY OF HOUSTON, TEXAS

By: __________________________
Name: ________________________
Chairperson, Board of Directors

Date Signed: 6-13-2014

ATTEST/SEAL:

HARRIS COUNTY
REDEVELOPMENT AUTHORITY

By: __________________________
Name: ________________________
Chairman, Board of Directors

Date Signed: 6-13-2014

APPROVED AS TO FORM:

HARRIS COUNTY
VINCE RYAN
County Attorney

By: ______________
DOUGLAS PRAY
Assistant County Attorney

By: _______________________
Ed Emmett
County Judge, Harris County

Date Signed: ______________