

AN ORDINANCE DESIGNATING A CONTIGUOUS GEOGRAPHIC AREA WITHIN THE CITY OF PEARLAND AS REINVESTMENT ZONE NUMBER TWO, CITY OF PEARLAND, TEXAS; CREATING A BOARD OF DIRECTORS FOR SUCH ZONE; MAKING VARIOUS FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND PROVIDING A SEVERABILITY CLAUSE.

* * * * *

WHEREAS, the City Council has received petitions (the "Petitions"), requesting that a contiguous geographic area in the City of Pearland (the "City"), be designated as a reinvestment zone under the provisions of Chapter 311 of the Texas Tax Code; and

WHEREAS, the Petitions were submitted by the owners of property constituting at least fifty percent of the appraised value of the property in the proposed reinvestment zone according to the most recent certified appraisal rolls for Brazoria and Fort Bend Counties, Texas, the counties in which the proposed zone is located; and

WHEREAS, the City has prepared a preliminary reinvestment zone financing plan and has presented the plan to the governing body of each taxing unit that levies taxes on real property in the proposed reinvestment zone; provided written notice of its intent to establish the reinvestment zone on September 30, 1998, and made a formal presentation to representatives of Brazoria County, Fort Bend County, Alvin Community College, Brazoria Drainage District No. 4, Pearland Independent School District, Alvin Independent School District and Fort Bend Independent School District pursuant to Section 311.003 of the Texas Tax Code; and

WHEREAS, the preliminary reinvestment zone financing plan provides that the City's ad valorem taxes are to be deposited into the tax increment fund, and that taxes of other taxing units may be utilized in the financing of the proposed zone; and

WHEREAS, following notice thereof, published on December 13, 1998, in the *Houston Chronicle*, a newspaper of general circulation in the City, a hearing was held on the creation of the proposed zone on December 21, 1998, such hearing being more than 60 days following notice to the taxing units described above; and

WHEREAS, at the public hearing, all interested persons were allowed to speak for or against the creation of the proposed zone, its boundaries, or the concept of tax increment financing and evidence was received and presented at the public hearing in favor of the creation of the proposed zone under the provisions of Chapter 311, Texas Tax Code;

WHEREAS, no owner of real property in the proposed zone protested the inclusion of his property in the proposed zone; and

WHEREAS, in its consideration of the creation of the proposed reinvestment zone, the City Council anticipates the participation of the various other taxing units at levels sufficient to carry out the proposed projects, and if the actual level of participation by the other taxing units is insufficient in the determination of the City Council, the proposed reinvestment zone may be terminated by the City pursuant and subject to the applicable provisions of Chapter 311 of the Texas Tax Code; and

WHEREAS, the City will not incur financial obligation solely as a result of the approval of the creation of the reinvestment zone, with any such financial obligations to be incurred only upon further approval by City Council,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

Section 1. Findings.

(a) That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are adopted as part of this Ordinance for all purposes.

(b) That the City Council further finds and declares that the proposed improvements in the zone will significantly enhance the value of all the taxable real property in the proposed zone and will be of general benefit to the City.

(c) That the City Council further finds and declares that the proposed reinvestment zone meets the criteria of Section 311.005 of the Texas Tax Code because the proposed zone is an area designated in a petition submitted by the owners of property constituting at least 50 percent of the appraised value of the property in the area requesting that the area be designated as a reinvestment zone.

(d) That the City Council, pursuant to the requirements of Chapter 311, Texas Tax Code, further finds and declares:

- (1) That the proposed zone is a contiguous geographic area located wholly within the corporate limits of the City of Pearland;
- (2) That the total appraised value of taxable real property in the proposed zone, and in existing reinvestment zones, if any, does not exceed fifteen percent of the total appraised value of taxable real property in the City and in industrial districts created by the City;
- (3) That the proposed zone does not contain more than fifteen percent of the total appraised value of real property taxable by Brazoria County, Fort Bend County, Alvin Independent School District, or Fort Bend Independent School District;
- (4) That development or redevelopment within the boundaries of the proposed zone will not occur solely through private investment in the reasonably foreseeable future.

Section 2. Designation of the Zone

That the City, acting under the provisions of Chapter 311, Texas Tax Code (the "Act"), including Section 311.005(a)(5), does hereby create and designate a reinvestment zone over the area

described in Exhibit "A" and depicted in the map attached hereto as Exhibit "B." The reinvestment zone shall hereafter be identified as Reinvestment Zone Number Two, City of Pearland, Texas (the "Zone"). The City Council specifically declares that the Zone is designated pursuant to Section 311.005(a)(5) of the Texas Tax Code.

Section 3. Board of Directors

That there is hereby created a Board of Directors for the Zone, which shall consist of nine (9) members. Position One on the Board of Directors shall be filled by the State Senator representing the area included within the Zone or his or her designee. Position Two on the Board shall be filled by the State Representative representing the area included within the Zone or his or her designee. The Mayor is hereby authorized to nominate and appoint the remaining seven (7) members of the Board to Positions Three through Nine, subject to the consent and approval of the City Council; provided, however, that (i) Brazoria County shall be entitled to appoint a director to Position Nine if Brazoria County approves the payment of all or part of the tax increment attributable to Brazoria County, (ii) Fort Bend County shall be entitled to appoint a director to Position Eight if Fort Bend County approves the payment of all or part of the tax increment attributable to Fort Bend County, (iii) the Alvin Independent School District ("Alvin ISD") shall be entitled to appoint a director to Position Seven if Alvin ISD approves the payment of all or part of the tax increment attributable to Alvin ISD, and (iv) the Fort Bend Independent School District ("Fort Bend ISD") shall be entitled to appoint a director to Position Six if Fort Bend ISD approves the payment of all or part of the tax increment attributable to Fort Bend ISD. Failure of Brazoria County, Fort Bend County, Alvin ISD, or Fort Bend ISD to appoint a director by March 1, 1999, shall be deemed a waiver of that taxing unit's right to appoint a director, and the Mayor shall be entitled to nominate and appoint persons to such positions, subject to the consent and approval of City Council.

The directors or their designees in Position One and Position Two shall be members of the board by operation of law pursuant to Section 311.009(b), Texas Tax Code. The initial directors appointed to Positions Three, Four and Five shall be appointed for two-year terms, beginning January 1, 1999, while the directors appointed to Positions Six, Seven, Eight and Nine shall be appointed to one-year terms, beginning January 1, 1999. All subsequent appointments shall be for two-year terms. The member of the Board of Directors appointed to Position Three is hereby designated to serve as the chair of the Board of Directors for a term beginning January 1, 1999, and ending December 31, 1999. Thereafter, the Mayor shall annually nominate and appoint, subject to City Council approval, a member to serve as chair for a term of one year beginning January 1 of the following year. The City Council authorizes the Board of Directors to elect from its members a vice chairman and such other officers as the Board of Directors sees fit.

The Board of Directors shall prepare or cause to be prepared and adopt a project plan and a reinvestment zone financing plan for the Zone as described in Section 311.011, Texas Tax Code, and shall submit such plans to the City Council for its approval. The City hereby delegates to the Board of Directors all powers necessary to administer, manage and operate the Zone and prepare and implement the project plan and reinvestment zone financing plan, subject to approval by the City Council, including the power to employ any consultants or enter into any reimbursement agreements payable solely from the Tax Increment Fund established pursuant to Section 6 of this Ordinance subject to the approval of the City Manager, that may be reasonably necessary to assist the Board of Directors in the preparation of the project plan and reinvestment zone financing plan and in the issuance of tax increment obligations.

Section 4. Duration of the Zone

That the Zone shall take effect on January 1, 1999, and termination of the operation of the Zone shall occur on December 31, 2028, or at an earlier time designated by subsequent ordinance,

or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds, have been paid in full.

Section 5. Tax Increment Base

That the Tax Increment Base for the Zone is the total appraised value of all real property taxable by the City and located in the Zone, determined as of January 1, 1998, the year in which the Zone was effective and designated as a reinvestment zone (the "Tax Increment Base").

Section 6. Tax Increment Fund

That there is hereby created and established a Tax Increment Fund for the Zone which may be divided into subaccounts as authorized by subsequent ordinances. All Tax Increments, as defined below, shall be deposited in the Tax Increment Fund. The Tax Increment Fund and any subaccounts shall be maintained at the depository bank of the City and shall be secured in the manner prescribed by law for Texas cities. The annual Tax Increment shall equal the amount by which the then-current appraised value of all taxable real property located in the Zone exceeds the Tax Increment Base of the Zone, less any amounts that are to be allocated from the Tax Increment pursuant to the Act. All revenues from the sale of any tax increment bonds or other notes hereafter issued by the City, if any, revenues from the sale of property acquired as part of the tax increment financing plan, if any, and other revenues to be used in the Zone shall be deposited into the Tax Increment Fund. Money shall be disbursed from the Tax Increment Fund only to pay project costs for the Zone, as defined by the Texas Tax Code, to satisfy the claims of holders of tax increment bonds or notes issued for the Zone or pursuant to any agreement the Board of Directors considers necessary or convenient to implement the Zone's project plan and reinvestment zone financing plan and achieve their purposes.

Section 7. Severability

If any provision, Section, subsection, sentence, clause or phrase of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be

unconstitutional, void or invalid, the validity of the remaining provisions of this Ordinance or their application to other persons or set of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or regulations contained herein shall become inoperative or fail by reason of any unconstitutionality voidness or invalidity of any portion hereof, and all provisions of this Ordinance are declared severable for that purpose.

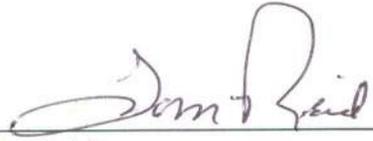
Section 8. Open Meetings

It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and rapidly accessible at all times to the general public at the City Hall of the City for the Time required by law preceding this meeting, as required by the Open Meetings Law, Texas Gov't Code Ann., ch. 551, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter hereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 9. Notices

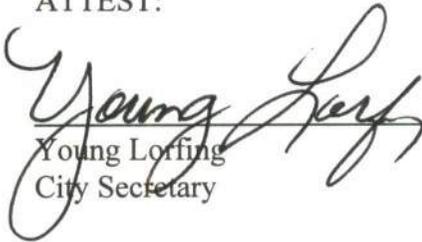
The contents of the notice of the public hearing, which hearing was held before the City Council on December 21, 1998, and the publication of said notice, is hereby ratified, approved and confirmed.

PASSED AND APPROVED on First Reading this the 14th day of December, 1998.



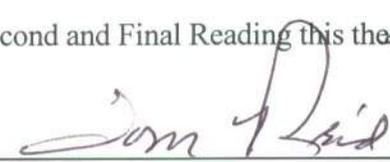
Tom Reid
Mayor

ATTEST:



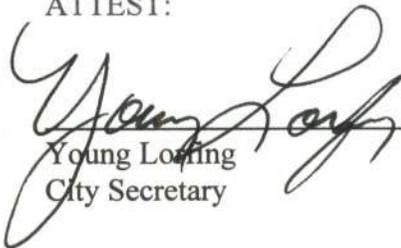
Young Loring
City Secretary

PASSED, APPROVED AND ADOPTED on Second and Final Reading this the 21st day of December, 1998.



Tom Reid
Mayor

ATTEST:



Young Loring
City Secretary

APPROVED AS TO FORM:



Darrin M. Coker
City Attorney

DESCRIPTION OF
3467 ACRES, MORE OR LESS
SHADOW CREEK RANCH
TAX INCREMENT REINVESTMENT ZONE

Being 3467 acres of land, more or less, located in the Dupuy and Roberts Survey, Abstract 726, Brazoria County; William Morris Survey, Abstract 344, Brazoria County; T. C. R. R. Co. Survey, Section 3, Abstract 678, Brazoria County; T. C. R. R. Co. Survey, Section 4 (John W. Maxcy), Abstract 675, Brazoria County; Obediah Pitts Survey, Abstract 717, Brazoria County; H.T. & B. R. R. Co. Survey, Section 80 (J.S. Talmage), Abstract 564, Brazoria County; H. T. & B. R. R. Co. Survey, Section 81, Abstract 300, Brazoria County; H. T. & B. R. R. Co. Survey, Section 82 (J. S. Talmage), Abstract 565, Brazoria County; H. T. & B. R. R. Co. Survey, Section 83, Abstract 305 in Brazoria County and Abstract 761 in Fort Bend County; S.G. Haynie Survey, Abstract 212 in Brazoria County and Abstract 620 in Fort Bend County; Franklin Hooper Survey, Abstract 198, Fort Bend County; George W. McDonald Survey, Abstract 577, Fort Bend County; I. C. Stafford Survey, Abstract 668, Fort Bend County and the H. Levering Survey, Abstract 279, Fort Bend County, Texas; said 3467 acres, more or less, being more particularly described as follows:

BEGINNING at the common north corner of Lots 3 and 4, Block 10 of the ALLISON - RICHEY GULF COAST HOME CO'S PART OF SUBURBAN GARDENS, SEC.'S 3 & 4, T.C.R.R. SURVEY AND SEC. 82, H. T. & B. R. R. CO. SURVEY & OBEDIAH PITTS SURVEY, a subdivision of record in Volume 2, Page 99 of the Plat Records of Brazoria County, Texas (B.C.P.R.) also being on the common line of the aforementioned T.C.R.R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, SOUTHERLY, 782 feet, more or less, along the common line of said Lots 3 and 4, to a point for corner on the southerly right-of-way line of Farm to Market Road 2234. 160 feet wide;

THENCE, EASTERLY, 998 feet, more or less, along said southerly right-of-way line and its easterly extension, to a point for corner on the west line of the J. Crawley Survey, Abstract 174, Brazoria County, Texas;

THENCE, SOUTHERLY, 3482 feet, more or less, along the west line of said J. Crawley Survey to a point for corner on the centerline of Hughes Ranch Road, also being the southwest corner of said J. Crawley Survey;

THENCE, EASTERLY, 421 feet, more or less, along the southerly line of said J. Crawley Survey and along said centerline of Hughes Ranch Road, to a point for corner on the centerline of State Highway 288;

THENCE, SOUTHERLY, 5326 feet, more or less, along said centerline of State Highway 288 to a point for corner on the southerly line of County Road 92, 40 foot wide, a dedicated road as shown on aforementioned ALLISON-RICHEY GULF COAST HOME CO.'S PART OF SUBURBAN GARDENS;

THENCE, WESTERLY, 9448 feet, more or less, along the southerly line of said County Road 92, to a point for corner on the west line of aforementioned H. T. & B. R. R. Co. Survey, Section 80 and the east line the H. T. & B. R. R. Co. Survey, Section 84 (R. B. Lyle), Abstract 538 in Brazoria County and Abstract 767 in Fort Bend County;

THENCE, NORTHERLY, 20 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84, to a point for corner, same being the common corner of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84 and aforementioned H. T. & B. R. R. Co. Survey, Section 82 and Section 83;

THENCE, WESTERLY, 5280 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84, to a point for corner on the east line of aforementioned Franklin Hooper Survey, same being the common west corner of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84;

THENCE, SOUTHERLY, 158 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 84 and the Franklin Hooper Survey, to a point for corner, same being the southeast corner of said Franklin Hooper Survey and the northeast corner of the A.B. Langerman Survey, Abstract 555, Fort Bend County, Texas;

THENCE, EASTERLY, 2636 feet, more or less, along the common line of said Franklin Hooper Survey and said A.B. Langerman Survey, to a point for corner on the easterly right-of-way line of Farm to Market Road 521;

THENCE, NORTHEASTERLY, 9667 feet, more or less, along said easterly right-of-way line, to a point for corner on the centerline of Clear Creek;

THENCE, NORTHEASTERLY, 1327 feet, more or less, along the centerline of Clear Creek to a point for corner on the aforementioned southerly right-of-way line of Farm to Market Road 2234;

THENCE, SOUTHEASTERLY, 1519 feet, more or less, along said southerly right-of-way line to a point for

3467 Acres

November 3, 1998
Job No. 1545-9803-100

corner on the of Fort Bend and Brazoria County line;

THENCE, NORTHEASTERLY, 577 feet, more or less, along said county line, to a point for corner at the common corner of Brazoria, Fort Bend and Harris Counties;

THENCE, NORTHEASTERLY, 2426 feet, more or less, along the of Brazoria and Harris County line, to a point for corner in the aforementioned centerline of Clear Creek;

THENCE, EASTERLY, 8250 feet, more or less, along the centerline meanders of Clear Creek to a point for corner on the northerly line of aforementioned Lot 3, Block 10 of said ALLISON-RICHEY GULF COAST HOME CO'S PART OF SUBURBAN GARDENS, same being on the aforementioned common survey line of the T. C. R. R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, EASTERLY, 453 feet, more or less, along said north line of Lot 3, Block 10 and said common survey line to the POINT OF BEGINNING and containing 3467 acres, more or less.

LJA Engineering & Surveying, Inc.

THE STATE OF TEXAS
COUNTIES OF FORT BEND,
BRAZORIA AND HARRIS

§
§
§
§

AGREEMENT

I. PARTIES

A. Address

THIS AGREEMENT ("Agreement") is made by and between the **CITY OF PEARLAND, TEXAS** ("City"), a municipal corporation and home-rule city of the State of Texas principally situated in the Counties of Fort Bend, Brazoria, and Harris, acting by and through its governing body, the City Council; **FORT BEND COUNTY** ("County"), located at 301 Jackson, Suite 719, Richmond, Texas 77469; and the **REINVESTMENT ZONE NUMBER TWO, CITY OF PEARLAND, TEXAS** (the "Reinvestment Zone"), a reinvestment zone created by the City of Pearland pursuant to Chapter 311 of the Texas Tax Code, acting by and through its Board of Directors. This Agreement is made pursuant to Section 311.013 of the Texas Tax Code, which Section permits a taxing unit to enter into agreements to pay into the tax increment fund any of its tax increment produced from property located in a reinvestment zone.

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

<u>City</u>	<u>County</u>	<u>The Reinvestment Zone</u>
City Manager or Designee City of Pearland, Texas 3519 Liberty Drive Pearland, Texas 77581	Fort Bend County Attention County Judge 301 Jackson Street, Suite 719 Richmond, Texas 77469	Reinvestment Zone Number Two, City of Pearland, Texas Attention: Chairman c/o City of Pearland, Texas 3519 Liberty Drive Pearland, Texas 77581

B. Index

The City, the County and the Reinvestment Zone hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section/Description</u>	<u>Page</u>
I. PARTIES	1
II. DEFINITIONS	5
III. BACKGROUND	6
IV. OBLIGATIONS OF THE COUNTY	6
V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE	8
VI. TERM AND TERMINATION	8
VII. MISCELLANEOUS	9

Exhibit "A" — City of Pearland Ordinance No. 891

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

IN WITNESS HEREOF, the City, the County and the Reinvestment Zone have made and executed this Agreement in multiple copies, each of which is an original.

CITY OF PEARLAND, TEXAS,
a home rule municipality

Tom F. Reid 12-15-98
City Mayor Date

FORT BEND COUNTY

Wade D. Boyd 12-29-98
County Judge Date

ATTEST:

Young Loopf 12-15-98
City Secretary Date
(SEAL)

Commissioner Date

Commissioner Date

COUNTERSIGNED:

Glen C. Erwin 3/12/99
City Manager Date

Commissioner Date

Commissioner Date

APPROVED AS TO FORM:

Darin M. Oker 3-10-99
City Attorney Date

APPROVED AS TO FORM:

Portia Paundexter 7/8/99
Attorney Date

REINVESTMENT ZONE NUMBER TWO,
CITY OF PEARLAND, TEXAS

By: _____ Date _____
Title: Chairman, Board of Directors

ATTEST/SEAL:

By: _____ Date _____
Title: Secretary, Board of Directors

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

II. DEFINITIONS

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

"Administrative Costs" means the costs of organizing the Reinvestment Zone, the costs of operating the Reinvestment Zone and the imputed administrative costs associated with the Reinvestment Zone incurred by the City in connection with the implementation of the project plan.

"Agreement" means this agreement between the City, the County and the Reinvestment Zone.

"Agreement Term" is defined in Section VI.

"Captured Appraised Value" means the captured appraised value of the Reinvestment Zone as defined by Chapter 311, Texas Tax Code.

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

"Countersignature Date" means that date shown as the date countersigned by the City Manager on the signature page of this Agreement.

The "County" is defined in Section I of this Agreement and includes its successors and assigns.

The "County Tax Increment Participation" means the amount of the County tax levy on the Captured Appraised Value which the County agrees to contribute to the Reinvestment Zone pursuant to Subsections A and B of Section IV of this Agreement.

"Project Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City.

"Reinvestment Zone" means Reinvestment Zone Number Two, City of Pearland, Texas created by the City on Dec 21, 1998, by Ordinance No. 891, attached as Exhibit "A," and includes its successors and assigns.

"Tax Increment Fund" means the tax increment fund created by the City in the City Treasury for the Reinvestment Zone.

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

III. BACKGROUND

By Ordinance No. 891, adopted Dec 21, 1998, the City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone. The City will deposit tax increments produced in the Reinvestment Zone in the Tax Increment Fund. The County desires to participate in the Reinvestment Zone in consideration for the agreements set forth below.

The County received written notice from the City of the City's intent to establish the Reinvestment Zone. Such notice was received more than sixty (60) days before the public hearing on the creation of the Reinvestment Zone and conforms in all respects to the requests of §311.003 of the Texas Tax Code.

IV. OBLIGATIONS OF THE COUNTY

A. Tax Increment Participation by the County

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, the County agrees to participate in the Reinvestment Zone by contributing the below listed amounts of the tax increment produced in the Reinvestment Zone attributable to the County to the Tax Increment Fund during the term of this Agreement (the "County Tax Increment Participation").

(1) The amount in the years 1999 through 2008 is the amount of taxes collected by the County in each of such years at a County tax rate of \$0.624100 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.624100 during such period, then the County Tax Increment Participation is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected during such period by result of a County tax levy at a tax rate greater than \$0.624100 shall be retained by the County.

(2) The amount in years 2009 through 2018 is the amount of taxes collected by the County in each of such years at a rate of \$0.468075 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.468075 for such year, then the County Tax Increment Participation in such year is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected by result of a County tax levy at a tax rate greater than \$0.468075 shall be retained by the County.

(3) The amount in years 2019 through 2028 is the amount of taxes collected by the County in each of such years at a rate of \$0.312050 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.312050 for such year, then the County Tax Increment Participation in such year is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected by result of a County tax levy at a tax rate greater than \$0.312050 shall be retained by the County.

The County's Tax Increment Participation and obligation to participate in the Reinvestment Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Reinvestment Zone in the amounts shown above. The County shall not be obligated to pay its County Tax Increment Participation from other County taxes or revenues or until the County Tax Increment Participation in the Reinvestment Zone is actually collected. The obligation to pay the County Tax Increment Participation shall accrue as taxes representing the County tax increment are collected and payment shall be due on the first day of each calendar quarter.

B. Expansion of the Investment Zone

The obligation of the County to participate in the Reinvestment Zone is limited to the area described in Exhibit "A" attached hereto. The County's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless the County approves the participation.

C. Board of Directors

As a participating taxing unit, the County shall have the right to appoint one (1) member on the Reinvestment Zone Board of Directors. Failure of the County to appoint a person to the Board of Directors of the Reinvestment Zone by March 1, 1999, shall be deemed a waiver of the County's right to make an appointment by a later date.

V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE

A copy of the Reinvestment Zone Project Plan and any amendments thereto shall be provided to the County before any such plan is finally approved by the Reinvestment Zone.

VI. TERM AND TERMINATION

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until thirty (30) years later. The first payment of the County Tax Increment Participation shall be for those taxes levied by the County in the year 1999 and the last payment by the County under this Agreement is for those taxes levied by the County in the year 2028.

B. Early Termination

The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than the duration of the Zone established in Ordinance No. 891, without the prior consent of the County, provided that the Reinvestment Zone may otherwise terminate by operation of law.

C. Disposition of Tax Increments

Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to the County all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation.

VII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either the County, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County's contributions or participation, then this Agreement shall be void as to the County and the County shall have no 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 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 or agent of the City or of any trustee, officer, agent or employee of the County.

H. No Waiver of Immunity

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

B. Index

The City, AISD and the Reinvestment Zone hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section/Description</u>	<u>Page</u>
I. PARTIES	1
II. DEFINITIONS	5
III. BACKGROUND	6
IV. OBLIGATIONS OF AISD	6
V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE	7
VI. LIMITATIONS ON THE PARTICIPATION OF AISD	7
VII. TERM AND TERMINATION	9
VIII. MISCELLANEOUS	9

Exhibit "A" — City of Pearland Ordinance No. 891

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

IN WITNESS HEREOF, the City, AISD and the Reinvestment Zone have made and executed this Agreement in multiple copies, each of which is an original.

CITY OF PEARLAND, TEXAS,
a home rule municipality

ALVIN INDEPENDENT SCHOOL
DISTRICT

Don Reed 6/22/99
City Mayor Date

Charlie G. L... 5-11-99
President, Board of Trustees Date

ATTEST:

Young Lopez 6/22/99
City Secretary Date

Mayfield 5-11-99
Secretary, Board of Trustees Date

Vigil Sieman 5/11/99
Superintendent of Schools Date

(SEAL)

COUNTERSIGNED:

Glen B. Erwin 6/22/99
City Manager Date

APPROVED AS TO FORM:

Darwin Coker 6-22-99
City Attorney Date

REINVESTMENT ZONE NUMBER TWO,
CITY OF PEARLAND, TEXAS

By: _____ Date _____
Title: Chairman, Board of Directors

ATTEST/SEAL:

By: _____ Date _____
Title: Secretary, Board of Directors

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

II. DEFINITIONS

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

“Administrative Costs” means the costs of organizing the Reinvestment Zone, the costs of operating the Reinvestment Zone and the imputed administrative costs associated with the Reinvestment Zone incurred by the City in connection with the implementation of the project plan and the AISD Administrative Costs.

“Agreement” means this agreement between the City, AISD and the Reinvestment Zone.

“Agreement Term” is defined in Section VI.

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

“AISD Administrative Costs” the reasonable consulting, accounting, and legal fees incurred by AISD in determining to participate in the Reinvestment Zone, to be incurred by AISD in connection with the approval of the Project Plan, and to be incurred by AISD annually in making the determinations in accordance with Article VI. hereof.

“AISD Tax Increment Participation” means the amount of the AISD tax levy on the Captured Appraised Value which AISD agrees to contribute to the Reinvestment Zone pursuant to Subsections A and B of Section IV of this Agreement.

“Captured Appraised Value” means the captured appraised value of the Reinvestment Zone as defined by Chapter 311, Texas Tax Code.

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

“Countersignature Date” means that date shown as the date countersigned by the City Manager on the signature page of this Agreement.

“Project Plan” means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City.

“Reinvestment Zone” means Reinvestment Zone Number Two, City of Pearland, Texas created by the City on December 21, 1998, by Ordinance No. 891, attached as Exhibit “A,” and includes its successors and assigns.

"State Funds" means the funds provided or potentially available to AISD from the State of Texas, currently being Tier One, Tier Two, and Instructional Facilities Allotment, and any successor or replacement form of revenues provided or potentially available to AISD from the State of Texas.

"State Funds Formula Calculations" means the current method of calculation and allocation utilized by the Comptroller of Public Accounts of the State of Texas and the Texas Education Agency, or any successors thereto, in determining the amount of State Funds.

“Tax Increment Fund” means the tax increment fund created by the City in the City Treasury for the Reinvestment Zone.

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

III. BACKGROUND

By Ordinance No. 891, adopted December 21, 1998, the City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone. The City will deposit tax increments produced in the Reinvestment Zone in the Tax Increment Fund. AISD desires to participate in the Reinvestment Zone in consideration for the agreements set forth below.

AISD received written notice from the City of the City's intent to establish the Reinvestment Zone. Such notice was received more than sixty (60) days before the public hearing on the creation of the Reinvestment Zone and conforms in all respects to the requirements of §311.003 of the Texas Tax Code.

IV. OBLIGATIONS OF AISD

A. Tax Increment Participation by AISD

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, AISD agrees to participate in the Reinvestment Zone, contributing the below listed amounts of the tax increment produced in the Reinvestment Zone attributable to AISD to the Tax Increment Fund during the term of this Agreement (the "AISD Tax Increment Participation")

The amount to be contributed by AISD is one hundred percent (100%) of all taxes collected by AISD each year during the term of this Agreement at the prevailing AISD tax rate on the Captured Appraised Value.

AISD's Tax Increment Participation and obligation to participate in the Reinvestment Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Reinvestment Zone in the percentage shown above. AISD shall not be obligated to pay its AISD Tax Increment Participation from other AISD taxes or revenues or until the taxes representing the AISD tax increment are actually collected. The obligation to pay the AISD Tax Increment Participation shall accrue as taxes representing the AISD Tax Increment are collected by AISD and payment shall be due on the first day of each calendar quarter. The City and the Reinvestment Zone agree that no interest or penalty will be charged to AISD.

B. Expansion of the Investment Zone

The obligation of AISD to participate in the Reinvestment Zone is limited to the area described in Exhibit "A" attached hereto. AISD's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless AISD approves the participation.

C. Board of Directors

As a participating taxing unit, AISD shall have the right to appoint one (1) member on the Reinvestment Zone Board of Directors. Failure of AISD to appoint a person to the Board of Directors of the Reinvestment Zone by June 1, 1999, shall be deemed a waiver of AISD's right to make an appointment by a later date. In addition, AISD and the City agree that AISD and the City shall jointly appoint one (1) member of the Reinvestment Zone Board of Directors. AISD agrees that, in accordance with State law, AISD Trustees are not eligible for appointment to the Reinvestment Zone Board of Directors.

V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE

A. Copy of Project Plan

A copy of the Reinvestment Zone Project Plan and any amendments thereto shall be provided to AISD before any such plan is finally approved.

B. Timing of School Construction

The City and the Reinvestment Zone agree that AISD will only be asked to build the school facilities as required by the Project Plan when they are needed to serve the population of the Reinvestment Zone. AISD will not be required to build school facilities earlier than such facilities would be needed in accordance with customary procedures established by AISD. Notwithstanding

anything herein to the contrary, the City and the Reinvestment Zone agree that AISD shall have the right to determine the location of all school facilities which serve the Reinvestment Zone and such location may be outside the boundaries of the Reinvestment Zone.

VI. LIMITATIONS ON THE PARTICIPATION OF AISD

A. Changed Circumstances

In the event that State Funds Formula Calculations applicable to AISD change so that the participation of AISD in the Reinvestment Zone will result in a decrease or decreases the amount of State Funds available and/or received by AISD, or AISD determines in its sole and independent discretion that it would be in AISD's best interest due to negative financial impact to AISD, resulting from participation in the Reinvestment Zone, the City and the Reinvestment Zone agree that, at the option of AISD in its sole and independent discretion, (i) the AISD Tax Increment Participation shall be decreased by an amount determined by AISD to account for the amount of the decrease in AISD State Funding as a result of AISD's participation in the Reinvestment Zone, (ii) the percentage of payments to be made by the Reinvestment Zone to AISD from taxes generated from the AISD Tax Increment Participation under Article VI.C. hereof shall be increased by an amount determined by AISD to account for the amount of the decrease in AISD State Funding as a result of AISD's participation in the Reinvestment Zone, (iii) any combination of the options set forth in subparagraphs (i) or (ii) above, or (iv) AISD may completely withdraw from further participation in the Reinvestment Zone. In addition, in the event the City determines that the continued participation by AISD in the Reinvestment Zone has or will have a negative financial impact on the Reinvestment Zone, then the City shall have the right to terminate AISD's participation in the Reinvestment Zone.

In the event that the laws applicable to AISD or tax increment reinvestment zones are changed so that the participation of AISD in the Reinvestment Zone is prohibited, the City and the Reinvestment Zone agree that AISD shall withdraw from further participation in the Reinvestment Zone. If such change of law occurs and AISD withdraws from participation in the Reinvestment Zone, AISD agrees to finance and build school facilities to serve development in the Reinvestment Zone in accordance with customary procedures established by AISD.

The City, the Reinvestment Zone and AISD agree that (i) any change to the percentage of the AISD Tax Increment Participation, (ii) any change to the percentage of the taxes generated from the AISD Tax Increment Participation to be paid to AISD in accordance with Article VI.C. hereof, or (iii) the withdraw by AISD from further participation in the Reinvestment Zone, shall be selected by AISD not later than October 31 of each calendar year and shall be effective as of December 31 of the immediately preceding calendar year. AISD agrees to provide written notice to the City and the Reinvestment Zone of any election hereunder on or before October 31 of each calendar year.

In the event that AISD elects to withdraw from further participation in the Reinvestment Zone, the City and the Reinvestment Zone agree that AISD shall be paid by the Reinvestment Zone an amount equal to the negative financial impact resulting to AISD during the preceding calendar year from its participation in the Reinvestment Zone. The City and the Reinvestment Zone agree that the Reinvestment Zone's obligation to make such payment shall be payable solely from the prior years taxes generated from AISD Tax Increment Participation, plus any investment earnings thereon. The City and the Reinvestment Zone agree that all taxes generated from AISD Tax Increment Participation, other than those funds disbursed to AISD pursuant to Article VI.C. hereof, shall be held in a special account of the tax increment fund for the Reinvestment Fund (the "AISD Suspende

Account") for a period of one (1) calendar year. All funds held in the AISD Suspense Fund shall be invested at the written direction of AISD in accordance with Article 2256, Texas Government Code, as amended, and shall not be used, disbursed, pledged or encumbered in any way by the City or the Reinvestment Zone for one (1) full calendar year and during which time such funds shall solely be used to reimburse AISD.

Further, the City and the Reinvestment Zone agree that the AISD Administrative Costs shall be paid as Administrative Costs of the Reinvestment Zone.

B. Project Plan Approval

The City, the Reinvestment Zone and AISD agree that the Project Plan shall specifically include the construction timing, financing and location of school facilities. AISD shall have the right to review and approve the sections of the Project Plan relating to the location, construction timing and financing of school facilities. In the event that the sections of the Project Plan relating to the location, construction timing and financing of school facilities are not approved by AISD, the City and the Reinvestment Zone agree that AISD shall have the right to withdraw from further participation in the Reinvestment Zone. If AISD withdraws from participation in the Reinvestment Zone, all school facilities shall be deleted from the Project Plan and AISD agrees to finance and construct school facilities to serve development in the Reinvestment Zone in accordance with customary procedures established by AISD. Notwithstanding the above, in the event AISD does not approve the Project Plan by August 1, 1999, the City and the Reinvestment Zone shall have the right to terminate the provisions of this Agreement.

C. Use of the AISD Tax Increment Participation

The Reinvestment Zone agrees that twenty-five percent (25%) of the funds generated from the AISD Tax Increment Participation will be used to fund (i) the acquisition of land for school facilities, (ii) the construction of park and recreation improvements benefitting AISD taxpayers, (iii) the acquisition of land for such park and recreation improvements, (iv) AISD's pro rata share of water, sewer and drainage facilities to serve the school facilities, and (v) other public improvements in the Project Plan which benefit AISD taxpayers.

The Reinvestment Zone agrees that seventy-five percent (75%) of the funds generated from the AISD Tax Increment Participation, without deduction or setoff for costs of collection or any other costs, will be paid to AISD to be used by AISD to construct and operate school facilities within the Reinvestment Zone and for any other lawful purpose consistent with the Project Plan as determined by AISD. Such amounts shall be paid to AISD by the Reinvestment Zone within thirty (30) days of the receipt by the Reinvestment Zone of the taxes generated from the AISD Tax Increment Participation in accordance with Article IV.A. hereof.

Notwithstanding the above, AISD agrees that the first school facility to be constructed by AISD for the Reinvestment Zone will be constructed within the boundaries of the Reinvestment Zone if either the Reinvestment Zone or any developer of the Reinvestment Zone funds the costs of such school facility or provides financing acceptable to AISD for the costs of such school facility.

VII. TERM AND TERMINATION

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until the earlier of (a) thirty (30) years later, (b) the later of the fund maturity of any bonds issued by the Reinvestment Zone or final payment of all contractual obligations to complete

the Project Plan, or (c) the date of earlier termination by AISD in accordance with Article VI hereof. The first payment of the AISD Tax Increment Participation shall be for those taxes levied by AISD in the year 1999, and, unless AISD terminates earlier as provided hereunder, the last payment by AISD under this Agreement is for those taxes levied by AISD in the year 2028.

B. Early Termination

The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than the duration of the Zone established in Ordinance No. 891, without the prior consent of AISD, provided that the Reinvestment Zone may otherwise terminate by operation of law.

C. Disposition of Tax Increments

Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to AISD all monies remaining in the Tax Increment Fund that are attributable to the AISD Tax Increment Participation.

VIII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either AISD, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on AISD's contributions or participation, then this Agreement shall be void as to

AISD and AISD shall have no 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 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 or agent of the City or of any trustee, officer, agent, employee, or consultant of AISD.

H. No Waiver of Immunity

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

I. Enforceability

In the event the provisions of this Agreement are determined to be unenforceable by a court of competent jurisdiction, the City, the Reinvestment Zone and AISD agree that this Agreement shall terminate immediately and the parties shall have no further obligations hereunder.