DEVELOPMENT AGREEMENT

This Agreement (this "Agreement") is made as of _______, 2017, by and between the CITY OF LEAGUE CITY, TEXAS, a home rule municipality (the "City"), REINVESTMENT ZONE NUMBER TWO, CITY OF LEAGUE CITY, TEXAS (the "Zone"), a tax increment reinvestment zone created by the City pursuant to Chapter 311 of the Texas Tax Code, as amended, acting by and through its governing body, the Board of Directors (the "Zone Board"), and GEHAN HOMES, LTD., a Texas limited partnership (the "Developer").

RECITALS

WHEREAS, pursuant to Chapter 311 of the Texas Tax Code and Ordinance No. 99-27, the City Council created the Zone in the City, which Zone was enlarged pursuant to Ordinance No. 2006-106; and

WHEREAS, the Zone Board and the City adopted a Project and Financing Plan (as defined below in section 1.01 herein) which provides that the Zone will undertake to make certain acquisitions and improvements in the Zone; and

WHEREAS, the Texas Tax Code provides that the Zone may enter into agreements as the Zone Board considers necessary or convenient to implement the Project and Financing Plan and achieve its purposes; and

WHEREAS, the Zone Board and the City have determined that it is in the best interests of the Zone and the City to contract with the Developer to provide for the efficient and effective implementation of certain aspects of the Project and Financing Plan, and the Parties desire to enter into this Development Agreement to enable the development and financing of certain projects in connection with the Developer's development of property within the Zone, and the reimbursement of the Developer as provided herein.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits of this Agreement, the Zone, the City, and the Developer contract and agree as follows:

ARTICLE 1 GENERAL TERMS

1.01 <u>Definitions</u>. The terms "Agreement," "City," "Zone," "Zone Board," and "Developer" have the meanings set forth in the preamble hereof, and the following capitalized terms shall have the meanings provided below, unless otherwise defined or

the context clearly requires otherwise. For purposes of this Agreement the words "shall" and "will" are mandatory, and the work "may" is permissive.

Act shall mean the Increment Financing Act, Chapter 311, Texas Tax Code, as amended.

Administration Fee means the City's reimbursement for its costs of providing administration and other services within the Zone in the amount of \$300.00 per residential household within the Zone.

County shall mean Galveston County, Texas.

Developer Advances shall mean any funds advanced by the Developer pursuant to **Section 5.01**, and shall include any interest payable thereon.

Net Tax Increment shall mean the annual collections of the Tax Increment, less (i) (ii) the City's Administration Fee, and (iii) amounts reasonably required for the administration and operation of the Zone, including operating reserve.

Parties or Party shall mean the Zone, the City, and the Developer as parties to this Agreement.

Project shall mean the development within the Zone projected to be carried out by the Developer on the tract described in **Exhibit B**.

Project and Financing Plan shall mean the final project plan and reinvestment zone financing plan for the Zone as approved by City Council on July 29, 1999, as amended by the City on December 12, 2006, and as may be further amended from time to time.

Tax Increment shall mean funds deposited in the Tax Increment Revenue Fund by the City, generated with respect to the tract described in **Exhibit B**.

Tax Increment Revenue Fund shall mean the special fund established by the Zone and funded with payments made by the City and the County.

TIRZ Improvements shall mean the improvements described in Exhibit A and further described in Article 3 hereof.

1.02 <u>Singular and plural: gender</u>. Words used herein in the singular, where the context so permits, also include the plural and vice versa. The definitions of words in the singular herein also apply to such words when used in the plural where the context so permits and vice versa. Likewise, any masculine references shall include the feminine, and vice versa.

ARTICLE 2 REPRESENTATIONS

- 2.01 <u>Representations of the City</u>. The City hereby represents to the Developer that:
- (A) The City is duly authorized, created and existing in good standing under the laws of the State and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement.
- (B) The City has the power, authority and legal right to enter into and perform this Agreement and the execution, delivery and performance hereof (i) have been duly authorized, (ii) will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation, and (iii) does not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the City under any agreement or instrument to which the City or the Zone is a party or by which the City or its assets may be bound or affected.
- (C) This Agreement has been duly authorized, executed and delivered by the City and, constitutes a legal, valid and binding obligation of the City, enforceable in accordance with its terms.
- (D) The execution, delivery and performance of this Agreement by the City does not require the consent or approval of any person which has not been obtained.
- 2.02 <u>Representation of the Zone</u>. The Zone hereby represents to the City and the Developer that:
- (A) The Zone is duly authorized, created and existing under the laws of the State and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement.
- (B) The Zone has the power, authority and legal right to enter into and perform this Agreement and the execution, delivery and performance hereof (i) have been duly authorized, (ii) will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation, and (iii) does not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the Zone under any agreement or instrument to which the Zone or the Zone is a party or by which the Zone or its assets may be bound or affected.
- (C) This Agreement has been duly authorized, executed and delivered by the Zone and, constitutes a legal, valid and binding obligation of the Zone, enforceable in accordance with its terms.
- (D) The execution, delivery and performance of this Agreement by the Zone does not require the consent or approval of any person which has not been obtained.

- 2.03 <u>Representations of the Developer</u>. The Developer hereby represents to the City and the Zone that:
- (A) The Developer is duly authorized, created and existing under the laws of the State of Texas, is qualified to do business in the State of Texas and is duly qualified to do business wherever necessary to carry on the operations contemplated by this Agreement.
- (B) The Developer has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement, and the execution, delivery and performance hereof, (i) have been duly authorized, and will not, to the best of its knowledge, violate any judgment, order, law or regulation applicable to the Developer or any provisions of the Developer's articles of incorporation and by-laws, and (ii) does not constitute a default under or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the Developer under any agreement or instrument to which the Developer is a party or by which the Developer or its assets may be bound or affected.
- (C) The Developer has sufficient capital to perform its obligations under this Agreement.
- (D) This Agreement has been duly authorized, executed and delivered and constitutes a legal, valid and binding obligation of the Developer, enforceable in accordance with its terms.

ARTICLE 3 THE PROJECT

- 3.01 <u>The TIRZ Improvements</u>. The TIRZ Improvements are intended to enhance the proposed implementation of a development consisting of residential and commercial improvements within the Zone constituting the Project, as more fully described in the Project and Financing Plan.
- 3.02 <u>TIRZ Improvements description</u>. The TIRZ Improvements consist of acquisition, construction and development of the public improvements as described in **Exhibit A**, which TIRZ Improvements are agreed to be contemplated in the Project and Financing Plan, and will be developed pursuant to a schedule that is mutually agreeable to the Parties. The TIRZ Improvements shall include all engineering, legal and other consultant fees and expenses related to such TIRZ Improvements.
- 3.03 <u>Additional Projects</u>. This Agreement does not apply to any projects not specifically defined herein unless this Agreement is amended to provide for the design and construction of such additional projects.

ARTICLE 4 DUTIES AND RESPONSIBILITIES OF THE DEVELOPER

- 4.01 <u>Construction manager</u>. The Developer agrees to construct, or cause to be constructed, the TIRZ Improvements and to provide and furnish, or cause to be provided and furnished, all materials and services as and when required in connection with the construction of the TIRZ Improvements. The Developer will obtain all necessary permits and approvals from the City and all other governmental officials and agencies having jurisdiction, provide supervision of all phases of construction of the TIRZ Improvements, provide periodic reports of such construction to the Zone board upon request, and cause the construction to be performed in accordance with the Project and Financing Plan. The Zone and the City shall use their best efforts to assist the Developer in obtaining such permits and approvals necessary to construct the TIRZ Improvements.
- 4.02 <u>Design of the TIRZ Improvements</u>. The Developer shall prepare or cause to be prepared the plans and specifications for the TIRZ Improvements and make appropriate recommendations to the Zone. Prior to the commencement of construction or implementation of the TIRZ Improvements, the plans and specifications must be approved by the Zone, if not already approved by the City by permit. If there are any material changes to the plans and specifications, the Developer shall submit such changes to the Zone and the City for approval. The TIRZ Improvements shall be designed in accordance with City standards applicable to similar public improvements within the City.
- The Developer, the Zone and the City shall Construction contracts. cooperate to promulgate form contract and bid documents that are acceptable to all parties for use in connection with TIRZ Improvement projects. The Developer shall prepare the TIRZ Improvements construction contract documents to ensure that the contract documents are in accordance with the approved plans and specifications and the agreed-upon forms. The Zone shall have 30 days to review and approve or disapprove all such contract documents. If the Zone fails to approve or disapprove such contract documents, the Developer shall be entitled to bid such contracts and/or obtain proposals for the construction of the TIRZ Improvements. Prior to the award of the contract for the construction of the TIRZ Improvements, the Zone shall have 30 days to review and either approve or disapprove the proposal selected by the Developer. After the 30-day review period for the Zone, unless disapproved, the Developer may award the contract and commence construction. The Developer shall comply with all laws and regulations regarding the bidding and construction of public improvements applicable to similar facilities constructed by the City, including wither it limitation any applicable requirement relating to payment, performance and maintenance bonds. The TIRZ Board will provide periodic written reports to the City with regard to the progress of the implementation of the Project and Financing Plan as requested by the City from time to time.

- 4.04 <u>Construction and implementation of the TIRZ Improvements</u>. The Developer shall be responsible for the inspection and supervision of the construction and implementation of the TIRZ Improvements.
- (A) The Developer shall commence construction of the TIRZ Improvements in a timely fashion to coincide with the expected development of the Project.
- Upon completion of a contract for the construction of the TIRZ (B) Improvements, the Developer shall provide the Zone with a final cost summary of all costs associated with such contract, and show that all amounts owing to contractors and subcontractors have been paid in full evidenced by customary affidavits executed by such contractors. Except as otherwise provided herein, following completion of a construction contract, the Developer will call for inspection of the applicable TIRZ Improvements by the City, and upon approval thereof as being in compliance with City standards relating thereto, the TIRZ Improvements will be accepted by the City and incorporated into the City system for operation and maintenance. Title to the applicable TIRZ Improvements shall remain with the Developer until reimbursement in full to the Developer pursuant to this Agreement; provided that if the Net Tax Increment from the Property has been insufficient to generate reimbursement pursuant to Section 5.02, title to all TIRZ Improvements shall be vested in the City upon termination of the Zone without further action.
- 4.05. <u>Conveyance of easements</u>. If necessary, the Developer shall grant the City and the Zone all required temporary construction and access easements necessary to install and maintain the TIRZ Improvements. The Zone shall grant the Developer, and shall use its best efforts to obtain for the Developer from the City, all required temporary construction and access easements necessary to install and maintain the TIRZ Improvements.

ARTICLE 5 PROJECT FINANCING AND FUNDING

5.01 The Developer's Advances.

(a) In connection with the construction of the TIRZ Improvements, the Developer agrees to provide sufficient funds as such become due for all costs thereof (the "Developer Advances"), including the payment of all Project Costs, including costs of design, engineering, materials, labor, construction, and inspection fees arising in connection with the TIRZ Improvements, including all payments arising under any contracts entered into pursuant to this Agreement, all costs incurred in connection with obtaining governmental approvals, certificates or permits required as a part of any contracts entered in to in accordance with this Agreement, and all related legal fees and out-of-pocket expenses incurred on behalf of the Zone in connection therewith.

Developer Advances shall further include any amounts advanced by the Developer in connection with the administration of the Zone and the design and construction of the TIRZ Improvements.

(b) Interest on each Developer Advance shall accrue at a per annum rate of four percent, simple interest, per annum, for a maximum of five years from the date of each expenditure.

5.02 Repayment of Developer Advances.

- (a) In consideration of the development and construction of the TIRZ Improvements, the Zone shall begin repaying the Developer Advances, and shall continue such repayment until repaid in full, on the earliest date that funds are available from any of the following sources, and solely from the Net Tax Increment, payable annually as the Net Tax Increment is accumulated each year. In no event will the total payments to the Developer, including interest, exceed \$1,644,142. No bonds shall be issued for repayment of the Developer Advances.
- (b) At such time as funds are available to pay all or any portion of the Developer Advances made hereunder, the Zone shall hire a certified public accountant to calculate the amount due the Developer and prepare and submit a report to the Zone certifying (1) the amount due the Developer for the Developer Advances being repaid with interest calculated thereon, and (2) that funds are available to make such payment. Such report shall be approved at the earliest practicable time, but not later than 90 days after submission by the Developer of the records required therefor. The Zone shall make payment to the Developer within 30 days of approval of the auditor's report.
- (e) The Zone shall provide to the Developer, upon the written request of the Developer, and on the earliest date such information is available after the date of such request, certified copies of all statements of revenue and the sources of such revenue of the Zone and City the intended use of which is to verify the availability of funds for repayment of the Developer Advances, if applicable, under this section.

ARTICLE 6 DEFAULT

6.01 Default.

- (a) If the Zone or the City does not perform its obligations hereunder in substantial compliance with this Agreement (other than the financial obligations, which shall be in strict compliance), in addition to the other rights given the Developer under this Agreement, the Developer may enforce specific performance of this Agreement or seek actual damages incurred by the Developer for any such default.
- (b) If the Developer fails to commence or complete the TIRZ Improvements or the Project in accordance with the terms of this Agreement, including the failure to fund Developer Advances, the Zone and/or the City may terminate this Agreement and shall be relieved of any obligation to reimburse the Developer for any Developer Advances made after notice of such default has been provided to the Developer in writing; in the event the Developer does not otherwise perform its obligations hereunder in substantial compliance with this Agreement, and in addition to the other rights given to the Zone and the City under this Agreement, the Zone and the City may enforce specific performance or seek actual damages incurred for any such default.
- (c) The Party alleging default shall provide written notice to the other party of such default, and the defaulting party shall have 60 days to remedy the default prior to the declaration of any default hereunder.

ARTICLE 7 GENERAL

- 7.01 <u>Inspections, audits</u>. The Developer agrees to keep such operating records with respect to the Project and other activities contemplated by this Agreement and all costs associated therewith as may be required by the Director of Finance of the City, the Zone, or by state and federal law or regulation. The Developer shall allow the Zone access to, and the Zone shall have a right at all reasonable times to audit all, documents and records in the Developer's possession, custody or control relating to the Project that the Zone deems necessary to assist the Zone in determining the Developer's compliance with this Agreement.
- 7.02 <u>Developer operations and employees</u>. All personnel supplied or used by the Developer in the performance of this Agreement shall be deemed contractors or subcontractors of the Developer and will not be considered employees, agents, contractors or subcontractors of the Zone or the City for any purpose whatsoever. The Developer shall be solely responsible for the compensation of all such contractors and subcontractors.
- 7.03 <u>Personal Liability of public officials, legal relations</u>. To the extent permitted by State law, no director, officer, employee or agent of the Zone or the City, and no officer, employee or agent of the Zone or the City, shall be personally responsible for any liability arising under or growing out of the Agreement. The Parties

shall indemnify and save harmless each other and their respective officers, representatives, and agents from all suits, actions, or claims of any character brought for or on account of any injuries or damages received by any person, persons, or property resulting from the negligent acts of such Party, or any of its agents, officers, or representatives in performing any of the services and activities under this Agreement. The expenses of the Zone or the City with respect to this Section shall be satisfied from the Net Tax Increment.

7.04 <u>Notices</u>. Any notice sent under this Agreement (except as otherwise expressly required) shall be written and mailed, or sent by electronic or facsimile transmission confirmed by mailing written confirmation at substantially the same time as such electronic or facsimile transmission, or personally delivered to an officer of the receiving party at the following addresses:

City of League City 300 W. Walker League City, Texas 77573 Attn: Director, Department of Finance

Reinvestment Zone Number Two 300 W. Walker League City, Texas 77573 Attn: Chair, Board of Directors

Gehan Homes, Ltd.

38/5 South Capital of Texas Highway

Suite 275

Houston, Texas 77041 Austin TX 78704

Attn: Christynch, Vlof Land Operations

Each party may change its address by written notice in accordance with this section. Any communication addressed and mailed in accordance with this section shall be deemed to be given when so mailed, any notice so sent by electronic or facsimile transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when received for by, or actually received by, Director of Finance of the City, the Zone, or the Developer, as the case may be.

7.05 Amendments and Waivers. Any provision of this Agreement may be amended or waived, provided such amendment or waiver is in writing and is signed by the Zone, the City and the Developer. No course of dealing on the part of the Parties, nor any failure of delay by one or more of the Parties, with respect to exercising any

right, power or privilege under this Agreement shall operate as a waiver thereof, except as otherwise provided in this section.

- 7.06 <u>Invalidity</u>. In the event that any of the provisions contained in this Agreement shall be held unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement.
- 7.07 Successors and Assigns. All covenants and agreements contained by or on behalf of a Party in this Agreement shall bind its successors and assigns and shall inure to the benefit of the other Parties, their successors and assigns. The Parties may assign their rights and obligations under this Agreement or any interest herein, only with the prior written consent of the other Parties, and any assignment without such prior written consent, including an assignment by operation of law, is void and of no effect; provided that this section shall not be construed to prevent the Developer from selling all or a portion of the property within the Zone in the normal course of business. If such assignment of the obligations by the Developer hereunder is effective, the Developer shall be deemed released from such obligations. If any assignment of the obligations by the Developer hereunder is deemed ineffective or invalid, the Developer shall remain liable hereunder. This Section shall not prevent the Developer from collaterally assigning its payment rights hereunder to a lender.
- 7.08 Exhibits: Titles of Articles, Sections and Subsections. The exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail. All titles or headings are only for the convenience of the parties and shall not be construed to have any effect or to the agreement between the parties hereto. Any reference herein to a Section or subsection shall be considered a reference to such section or subsection of this Agreement unless otherwise stated. Any reference herein to an exhibit shall be considered a reference to the applicable exhibit attached hereto unless otherwise stated.
- 7.09 <u>Construction</u>. This Agreement is a contract made under and shall be construed in accordance with and governed by the laws of the United States of America and the State of Texas, as such laws are now in effect.
- 7.10 Entire Agreement. This written agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.
- 7.11 <u>Term</u>. This Agreement shall be in force and effect from the date of execution hereof for a term expiring on the date that the Developer Advances have been repaid in full, or January 1 of the year following the expiration of the Zone.

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- 7.12 <u>Time of the essence</u>. Time is of the essence with respect to the obligations of the Parties to this Agreement.
- 7.13 <u>Approval by the Parties</u>. Whenever this Agreement requires or permits approval or consent to be hereafter given by any of the parties, the parties agree that such approval or consent shall not be unreasonably conditioned, withhold or delayed.
- 7.14 <u>Counterparts</u>. This Agreement may be executed in multiple counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute but one and the same instrument,
- 7.15 <u>Legal costs</u>. If any Party hereto is the prevailing party in any legal proceedings against another Party brought under or with relation to this Agreement, such prevailing Party shall additionally be entitled to recover court costs and reasonable attorneys' fees from the non-prevailing Party to such proceedings.
- 7.16 <u>Further assurances</u>. Each Party hereby agrees that it will take all actions and execute all documents necessary to fully carry out the purposes and intent of this Agreement.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the partie duly executed as of the day of	s hereto have caused this instrument to be, 2017.
REINVESTMENT ZONE NUMBER TWO, CITY OF LEAGUE CITY, TEXAS	CITY OF LEAGUE CITY, TEXAS
By: RyAN SEARLE Title: Director	By:
ATTEST: By:	ATTEST: By: City Secretary
	GEHAN HOMES, LTD., a Texas limited partnership By: Gehan Homes I, Inc., a Texas corporation, General Partner
	By: Name: Title:

Exhibit A
Victory Lakes Section 7B
TIRZ Improvements

Engineer's			Developer					
ltem	E	stimate (1)	Developer %	TIRZ %	_	Share	1	FIRZ Share
Water	\$	108,460	53%	47%	\$	57,484	\$	50,976
Sanitary Sewer	\$	203,830	53%	47%	\$	108,030	\$	95,800
Drainage	\$	455,070	53%	47%	\$	241,187	\$	213,883
Paving	\$	746,153	53%	47%	\$	395,461	\$	350,692
Detention	\$	817,520	50%	50%	\$	408,760	\$	408,760
Engineering & Testing	\$	387,800	56%	44%	\$	217,168	\$	170,632
Land-Detention (2)	\$	520,334	50%	50%	\$	260,167	\$	260,167
Land-Local Streets (2)	\$	115,368	74%	26%	\$	85,372	\$	29,996
Subtotal	\$	3,354,535			\$	1,773,629	\$	1,580,906
Estimated Financing Cost (3)	\$	134,181			\$	70,945	\$	63,236
Total	\$	3,488,717			\$	1,844,574	\$	1,644,142

(1) Construction Estimates include 10% contingency

(2) Land Cost Detail:

	Acres	Cost/Acre	Total		
Land-Detention	22.1	\$ 23,544.52	\$ 520,334		
Land-Local Streets	4.9	\$ 23,544.52	\$ 115,368		

(3) One year at 4%

Exhibit B

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