

AN ORDINANCE **91539**

APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE A DEVELOPMENT AGREEMENT WITH STREET RETAIL SAN ANTONIO, L.P., A WHOLLY OWNED AFFILIATE OF FEDERAL REALTY INVESTMENT TRUST, PERTAINING TO THE REDEVELOPMENT OF HOUSTON STREET BETWEEN ALAMO PLAZA AND THE SAN ANTONIO RIVER; AND APPROVING A CONDITIONAL WAIVER OF DEVELOPMENT FEES INCURRED BY THE DEVELOPER OR ITS TENANTS.

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**WHEREAS**, in its efforts to foster the redevelopment of the historic Houston Street and surrounding areas the City of San Antonio has identified a contiguous geographic area which would benefit from development; and

**WHEREAS**, City Council, in a Briefing Session held on April 15, 1999, was informed of a plan for the development of this area by Federal Realty Investment Trust; and

**WHEREAS**, Street Retail San Antonio, LP ("Street Retail"), a wholly owned affiliate of Federal Realty Investment Trust, owns thirteen building along Houston Street, acquired at a cost of \$17 million and projects an additional \$100 million in private investment; and

**WHEREAS**, in addition to Street Retail's redevelopment of these building, certain public improvements will be constructed as part of this Project, including a Presa Street Linkage, Houston Street Streetscape, a Majestic Courtyard, and a Houston Street Bridge Linkage; and

**WHEREAS**, City Council has previously approved the creation of a Tax Increment Financing (TIF) Zone that encompasses this Project, and it is anticipated that the incremental property taxes which are expected to be generated from Street Retail's improvements will be available to reimburse Street Retail for costs associated with the construction of the public improvements which they are responsible for undertaking; and

**WHEREAS**, as previously authorized by City Council, federal grants are alternately being pursued to fund some of these public improvements; and

**WHEREAS**, the Development Agreement which has been negotiated for this Project requires the City to: (1) complete Houston Streetscape and Presa Street Linkage; (2) subject to the satisfaction of certain conditions precedent, issue Certificates of Obligation up to \$6.61 million; (3) negotiate parking agreements for hotels being developed as part of

VMZ:SVR  
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item 46

the Project; and (4) review and approve the design and construction of public improvements; and

**WHEREAS**, safeguards which protect the City include: (1) an annual Letter of Credit from Street Retail that will cover any debt service shortfalls of City Certificates of Obligation backed by TIF proceeds, and (2) capitalized interest through 2002 for debt service payments; and

**WHEREAS**, the Development Agreement further provides for and this ordinance approves a waiver of the payment by Street Retail or its tenants of certain Development Fees which will be incurred in connection with this Project through January 1, 2004; **NOW THEREFORE**:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

**SECTION 1.** The terms and conditions of a Development Agreement with Street Retail San Antonio, L.P. (the "Developer"), are hereby approved. A copy of the Agreement, in substantially final form, is attached as Exhibit I.

**SECTION 2.** The City Manager is authorized, for 45 days following the effective date of this ordinance, to execute said Agreement. Failure to execute the Agreement during this time period will require further City Council authorization.

**SECTION 3.** The payments by the Developer or Developer's tenants, of certain Development Fees set out in Exhibit II, are hereby waived through January 1, 2004.

**SECTION 4.** This ordinance shall be effective on and after the tenth day after passage hereof.

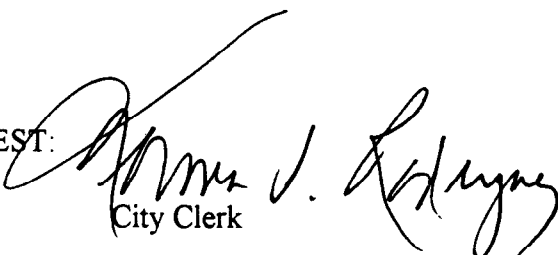
PASSED AND APPROVED this 30<sup>TH</sup> day of March, 2000



M A Y O R

Howard W. Peak

ATTEST:

  
City Clerk

APPROVED AS TO FORM:

Veronica M. Zetuche  
for City Attorney

00-13

**EXHIBIT II**  
**Fees to be Waived**

- ✍ Barricades: Streets, Curbs, Sidewalk & Alley
- ✍ Building Permit Administration Process Fee
- ✍ Building Permit Fees
- ✍ Preliminary Plan Review
- ✍ Certificate of Occupancy (permanent and temporary)
- ✍ Demolition Permit Fees
- ✍ Development Services Fee
- ✍ Electrical Permit Fees
- ✍ Environmental Impact Fee
- ✍ Flatwork, Patios, Driveways Fees
- ✍ Heating & Air Conditioning Permits
- ✍ Historic Design and Review Application
- ✍ Landscape Plan Checking and Inspection Fee
- ✍ Major Subdivision Plats
- ✍ Minor Subdivision Plats
- ✍ Notification List Fee
- ✍ Plan Review Fee (also known as "Plan Check Fees")
- ✍ Plumbing, Gas, Sewer, Medical Gas Permit
- ✍ Sidewalk and Trench Fee
- ✍ Technological Improvement Fee
- ✍ Topping Fees
- ✍ Traffic Impact analysis - Level 1
- ✍ Traffic Impact analysis - Level 2
- ✍ Traffic Impact analysis - Level 3
- ✍ Tree Preservation Fee
- ✍ Zoning Commission and City Council filing
- ✍ Zoning Verification Fee
- ✍ Zoning Site Verification Fee

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Exhibit I  
to #46  
(Houston Street)

REVISED 03/30/2000

NOTE: THIS REVISION REVISES THE 03/20/00 DRAFT.

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## DEVELOPMENT AGREEMENT

Between

STREET RETAIL SAN ANTONIO, LP

And

THE CITY OF SAN ANTONIO

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DEVELOPMENT AGREEMENT

This Development Agreement (this "Agreement") is made between STREET RETAIL SAN ANTONIO, LP ("Developer"), a Delaware limited partnership, duly organized and existing under the laws of the State of Delaware, and THE CITY OF SAN ANTONIO, TEXAS ("City"), a municipal corporation and home-rule City of the State of Texas, acting by and through its governing body, the City Council, pursuant to City of San Antonio Ordinance No. \_\_\_\_\_, dated \_\_\_\_\_, 2000 (the "Ordinance"), as of the date on which the Ordinance is effective (the "Effective Date"). Developer and City are sometimes referred to in this Agreement, collectively, as "Parties" and individually as a "Party."

RECITALS

A. City wishes to foster the redevelopment of the Houston Street and surrounding areas and has identified a contiguous geographic area which would benefit from development and re-development which meets the requirements of Section 311.005 of the Texas Tax Increment Financing Act, Chapter 311, Texas Tax Code. City has determined that improvements in this area (the "Reinvestment Zone") will provide for an increase in the City's ad valorem tax base by enhancing the value of all taxable real property in the Reinvestment Zone. City has further determined that any development or redevelopment in the Reinvestment Zone would not occur solely through private investment in the reasonably foreseeable future.

B. Developer is the owner of several tracts of land and buildings located along Houston Street in San Antonio, Texas, in the Reinvestment Zone. Developer proposes to renovate, rehabilitate, reconfigure and demolish where needed those existing buildings located on Houston Street identified on Exhibit A and to construct or cause to be constructed new structures, to encompass a variety of retail, hotel and mixed-use properties in the Reinvestment Zone, subject to the terms of this Agreement (collectively, the "Developer's Properties").

C. To facilitate redevelopment in the Reinvestment Zone, and based upon Developer's agreements to develop and redevelop the Developer's Properties, City, based upon the Developer's agreements to limit the financial risks to City by providing certain letters of credit and a guaranty, as hereinafter provided, has agreed to undertake certain public improvements and to finance same as provided herein, including the creation of the Reinvestment Zone pursuant to the Texas Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "Act"), the boundaries of which are described in the ordinance creating the Reinvestment Zone, subject to other taxing authorities agreeing to contribute incremental taxes generated in the Reinvestment Zone, as described in the final Reinvestment Zone Financing Plan.

D. City, acting through its City Council, has prepared a preliminary reinvestment zone financing plan (the "Initial Plan") which has been sent to all taxing authorities for the Reinvestment Zone.

E. Both City and Developer desire to enter into a definitive agreement which states the obligations undertaken by each, and the conditions to those obligations, with respect to the

Reinvestment Zone and the Developer's obligations with respect to the Developer's Properties, which agreement will be adopted by the board of directors of the Reinvestment Zone.

NOW, THEREFORE, in consideration of the agreements of the parties contained herein and other good and valuable consideration, City and Developer agree as follows:

## ARTICLE 1

### THE DEFINITIONS

- 1.1 Definitions: Capitalized terms used in this Agreement have the indicated meaning:
- 1.1.1 Affiliate: either (i) a wholly owned subsidiary of Developer or (ii) a limited liability company, joint venture, general partnership, or a limited partnership which in the case of a partnership has as its managing general partner, or in case of a limited liability company, its controlling manager either (x) Developer or a wholly owned subsidiary thereof or (y) a general partnership or limited partnership which has Developer or a wholly owned subsidiary thereof or a limited liability company controlled by Developer as a general partner or (iii) any person or entity that directly or indirectly controls, is controlled by, or is under common control with Developer. For purposes of this Agreement, the term "control" means the ability (directly or indirectly) to direct or cause the direction of the management or policies of Developer.
  - 1.1.2 Business Days: Monday through Friday, inclusive, excluding days which are holidays observed by City.
  - 1.1.3 City Codes: all codes of the City of San Antonio which now apply or hereafter will apply, during the term of this Agreement, to the Project (hereinafter defined) including, without implied limitation, the City Code of Ordinances, the City Building Code-General Provisions, the City Electrical Code, the City Mechanical Code, the City Plumbing Code, the City Fire Code, and the City Unified Development Code, as same may be amended, from time to time.
  - 1.1.4 City Improvements: those improvement projects described in Section 6.1 of this Agreement.
  - 1.1.5 Completion: the completion of all aspects of the applicable work and improvements in accordance with all Governmental Rules and substantially in accordance with the plans and specifications and other requirements contained in this Agreement such that, subject only to minor punch-list type items, all such work and improvements are finally complete and regardless of such punch-list type items, all improvements are ready for use by the general public for their intended purposes and are fully operational.

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- 1.1.6 **Conditions Precedent**: those undertakings of Developer and of City described in Article 8 of this Agreement which must be satisfied before the agreements of the Parties hereto will become their respective binding obligations; provided, however, that all such Conditions Precedent will be deemed to have been satisfied and performed at such time as City delivers to Developer the Confirmation Letter (hereinafter defined).
- 1.1.7 **Confirmation Letter**: the notice to be given by City to Developer when all Conditions Precedent to this Agreement set forth in Article 8 have been completed by City or, if performance is required of Developer or a third party, have been performed to City's satisfaction.
- 1.1.8 **Crockett Street Improvements**: means the proposed improvements to that portion of the 200 block of West Crockett Street adjacent to Lots 2 through 12, Block 3, New City Block 116, San Antonio, Bexar County, Texas, and any related improvements to the San Antonio River Walk, including (without implied limitation) the disability access features to be constructed with public funding.
- 1.1.9 **Debt Service Payment**: the amount of each scheduled debt service payment under the terms of the outstanding Zone C.O.s (hereinafter defined) calculated on the basis of a ten (10) year amortization of principal.
- 1.1.10 **Debt Service Requirement**: that portion of each Debt Service Payment which is allocable to the project costs of the Presa Street Linkage Project, plus the pro rata portion of the costs of issuance and capitalized interest related thereto, as follows:
- 1.1.10.1 Commencing with the date of issuance of the Zone C.O.s until and including *September 15, 2002*, the Debt Service Requirement for interest due is equal to the product of (i) interest accrued on the Zone C.O.s at the stated rate of interest for such Zone C.O.s multiplied by (ii) the Developer's Debt Service Principal Allocation (hereinafter defined).
- 1.1.10.2 Commencing with Fiscal Years *2003 through 2010*, inclusive, the Debt Service Requirement with respect to the Debt Service Payment of interest due each March 15 and the Debt Service Payment of principal and interest due each September 15 is equal to each such Debt Service Payment multiplied by the Developer's Principal Debt Service Allocation.
- 1.1.11 **Debt Service Shortfall**: as of a date not more than forty-five (45) days prior to each Payment Date, the amount equal to the difference between (i) the Debt Service Requirement as calculated with respect to the Debt Service Payment due on such Payment Date, and (ii) the amount of funds reasonably calculated by City to be available in the Tax Increment Fund (including capitalized interest but exclusive of amounts available in the Tax Increment Fund in the account(s) established for the

ultimate redemption of the Zone C.O.s), allocating the amount in such fund to the Developer in accordance with the Developer's Debt Service Principal Allocation.

1.1.12 Developer's Debt Service Principal Allocation: fraction, the numerator of which is the sum of (i) \$4,500,000 plus (ii) the product of the sum of the costs of issuance of the Zone C.O.s and the capitalized interest payments through and including the Debt Service Payment of September 15, 2002, multiplied by 4.5/5.65, and the denominator of which is \$5,650,000, subject to adjustment pursuant to Section 6.4 of this Agreement.

A schedule of the estimated Debt Service Requirements calculated on the basis of an estimated interest rate of six percent (6%) per annum and a ten (10) year amortization of principal, are set forth on an instrument attached hereto as Exhibit A. When the Zone C.O.s have been issued, Exhibit A will be re-calculated to reflect the actual interest rate of the Zone C.O.s on the basis of a ten (10) year amortization.

1.1.13 Developer's Properties: those real estate properties currently owned by Developer in the Reinvestment Zone as identified in Exhibit B; if such properties are conveyed by Developer, they shall remain Developer's Properties for purposes of this Agreement.

1.1.14 Defease or Defeased: if and when the whole amount of the principal, premium (if any) and interest due and payable upon the Zone C.O.s shall be paid or deemed paid by deposit in escrow with City of an amount sufficient (including the known minimum yield available without reinvestment for such purpose from Government Securities in which such amount wholly or in part may be initially invested), as determined by City and verified by independent agent acceptable to Developer, to meet all requirements of the Zone C.O.s, as the same become due on the earlier to occur of (i) the next succeeding call date (ii) September 15, 2010 or (iii) any redemption date as of which a redemption option (if any) is exercised by a call of the Zone C.O.s for payment, to the effect that the amount of such escrow will be sufficient to cause all amounts due in connection with the Zone C.O.s to be paid when due until the earlier to occur of (i), (ii), or (iii) above; provided, however, that payment shall not be deemed made until it is determined by the City, based upon a certificate of the Developer or other evidence reasonably acceptable to City, that no petition for relief under the Federal Bankruptcy Code (11 U.S.C. § 101 et. seq.) has been filed by or against the Developer or any general partner of the Developer or the Guarantor within ninety-one (91) days after the deposit by Developer or the Guarantor of any moneys or securities with City for payment of the Zone C.O.s or in escrow with City to cause such payment. Unless explicitly stated otherwise in this Agreement, the term "Defease" will mean and refer to all of the Zone C.O.s.

1.1.15 General Partner: SRI San Antonio, Inc., a Maryland corporation, doing business in Texas as Street Retail San Antonio I, Inc., and any successor general partner in Developer.

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- 1.1.16 Government Securities: direct obligations of the United States of America and obligations on which the timely payment of principal and interest is fully guaranteed by the United States of America.
- 1.1.17 Governmental Authority: any federal, state or City governmental entity, authority or agency, court, tribunal, regulatory commission or other body, whether legislative, judicial, executive or advisory (or a combination or permutation thereof).
- 1.1.18 Governmental Function: any regulatory, legislative, permitting, zoning, enforcement (including police power), licensing or other functions which City is authorized or required to perform in its capacity as a Governmental Authority.
- 1.1.19 Governmental Rule: any statute, law, treaty, rule, code, ordinance, regulation, permit, interpretation, certificate or order of any Governmental Authority, or any judgment, decision, decree, injunction, writ, order or like action of any court, arbitrator or other Governmental Authority. Governmental Rules shall include, but not be limited to, the City Codes.
- 1.1.20 Guarantor: Federal Realty Investment Trust, a Maryland real estate investment trust.
- 1.1.21 Guaranty: a written guaranty in favor of and delivered to City by Guarantor in the form attached to this Agreement as Exhibit C.
- 1.1.22 Historic Civic Center Linkage: improvements presently contemplated for the existing parking lot at the southeast corner of Soledad Street and Commerce Street to provide linkage from the San Antonio River to Main Plaza.
- 1.1.23 Letter of Credit: each irrevocable letter of credit to be provided annually to City by Developer pursuant to this Agreement or by Guarantor pursuant to the Guaranty.
- 1.1.24 Payment Date: each March 15 and September 15 of each calendar year in which an instalment of interest or of principal and interest is due under the terms of the Zone C.O.s.
- 0963 1.1.25 Project: the redevelopment undertaken in the Reinvestment Zone by the City or Developer (or its Tenant acting on behalf of Developer) pursuant to this Agreement, including, but not limited to, the City Improvements and TIF Eligible Improvements, but excluding the Crockett Street Improvements and the Historic Civic Center Linkage.
- 1.1.26 Project Completion Date: the earlier of (i) the date of final repayment from the Tax Increment Fund to City for the City Improvements and reimbursements (if any) to Developer for TIF Eligible Improvements and all other amounts due to Developer in accordance with all of the requirements of this Agreement or (ii) September 30, 2014.

- 1.1.27 Project Costs: those expenditures reasonably made or incurred by the Developer for the TIF Eligible Improvements (herein defined) including (i) costs of construction, alteration, remodeling, repair, reconstruction and with respect to the Houston Street Bridge Linkage and Majestic Courtyard Park described in Article 7 of this Agreement, costs of acquisition of the property embraced by the Majestic Courtyard Park, and (ii) payment of fees to third parties, including architects, engineers, designers and consultants.
- 1.1.28 Reimbursement Request Letter: the form of letter attached to this Agreement as Exhibit D.
- 1.1.29 Reinvestment Zone: Reinvestment Zone No. Nine, being the territory so described in the Ordinance.
- 1.1.30 Reinvestment Zone Financing Plan: the financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone, based upon the Initial Plan in the form attached hereto as Exhibit E as a part hereof, establishing 1999 as the base tax year for the Reinvestment Zone, as approved by ordinance adopted by the City of San Antonio.
- 1.1.31 Reinvestment Zone Project Plan: the development or re-development plan for the City Improvements and TIF Eligible Improvements in the Reinvestment Zone as adopted by the board of directors of the Reinvestment Zone, including all adopted amendments of such plan, as approved by ordinance adopted by the City of San Antonio.
- 1.1.32 Tax Increment: the incremental increase of ad valorem taxes collected by the Taxing Authorities (herein defined) with respect to properties within the Reinvestment Zone over the ad valorem taxes collected by such Taxing Authorities with respect to those properties for assessed 1999 ad valorem taxes.
- 1.1.33 Tax Increment Fund: the funds created pursuant to the Ordinance which will contain the Tax Increment to be used to repay the Zone C.O.s issued by the City in accordance with the Reinvestment Zone Financing Plan and, upon payment in full of all amounts outstanding on such Zone C.O.s and, to the extent funds are available for such purpose, reimbursement to the Developer for the TIF Eligible Improvements constructed and funded by Developer in accordance with the Reinvestment Zone Project Plan and for other expenses incurred by Developer as authorized by the Reinvestment Zone Financing Plan.
- 1.1.34 Taxing Authorities: the taxing authorities participating in the Reinvestment Zone Project Plan.
- 1.1.35 Tenant: the person or entity occupying any of the Developer's Properties under lease agreement, sublease agreement or other occupancy agreement.

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- 1.1.36 TIF Eligible Improvements: improvements described in Sections 7.1, 7.2, 7.3 and 7.4, the costs of which, if provided by Developer or its Tenant(s), are eligible to be reimbursed from the Tax Increment Fund under the terms of this Agreement; it is expressly understood by the City and the Developer that TIF Eligible Improvements are only as defined in this Agreement and exclude any improvements funded by federal or state grant(s) or by the proceeds of the Zone C.O.s.
- 1.1.37 Zone C.O.s: Certificates of Obligation issued by City pursuant to Section 311.015 of the Texas Local Government Code, to finance the Presa Street Linkage, the Crockett Street Improvements and the Historic Civic Center Linkage, limited to \$5,650,000.00 plus the capitalized interest through September 15, 2002 and the costs of issuance of such Certificates of Obligation, subject to the limits set forth in this Agreement, the Reinvestment Zone Financing Plan and the Reinvestment Zone Project Plan.

## ARTICLE 2

### REPRESENTATIVES OF THE PARTIES

2.1 The City Representative: City hereby designates the City Manager, or his designee, to be the City Representative (the "City Representative"). The City Manager of City shall have the right, from time to time, to change the person who is the City Representative by giving Developer written notice thereof. The only functions under this Agreement of the City Representative shall be expressly specified in this Agreement. The City Representative shall not have any right to modify, amend or terminate this Agreement or incur any financial or other obligations on behalf of City except to the extent expressly stated in this Agreement.

2.2 Developer Representative: Developer hereby designates Howard Biel, Senior Vice President and Chief Development Officer, and John R. Tschiderer, Managing Director of Real Estate Development, or either of them, to be the Developer Representative (the "Developer Representative"), each of whom are authorized to act on behalf of Developer under this Agreement. Developer shall have the right, from time to time, to change the person who is the Developer Representative by giving City written notice thereof. The Developer Representative shall not have any right to modify, amend or terminate this Agreement.

## ARTICLE 3

### TERM

3.1 Term: The term of this Agreement shall commence on the Effective Date and, except as otherwise expressly provided herein, shall expire on the earlier to occur of (i) the Project Completion Date, (ii) the termination of this Agreement pursuant to Section 13.1 hereof or (iii) September 30, 2014.

ARTICLE 4

CITY'S REPRESENTATIONS

4.1 City's Representations: City hereby makes each of the following representations and covenants (collectively, the "City's Representations") to Developer as of the Effective Date:

4.1.1 Existence: City is a municipal corporation and home rule city of the State of Texas principally situated in Bexar County.

4.1.2 Power and Authority: City has all requisite municipal corporate power and authority to enter into this Agreement and perform all of its obligations under this Agreement. The execution and performance by City of this Agreement has been duly authorized by all necessary City Council action and, except for the additional approval of the Developer and the Taxing Authorities, does not require the consent or approval of any other person which has not been obtained, including, without limitation, any Governmental Authority. City will diligently seek the required approvals of the Taxing Authorities.

4.1.3 No Legal Bar: The execution and performance by City of this Agreement does not and will not violate any provisions of any contract, agreement, instrument or Governmental Rule to which City is a party or is subject.

4.1.4 Litigation: To the knowledge of the City Representative, there are no actions or proceedings pending which, if adversely determined, would materially and adversely affect the ability of City to fulfill its obligations under this Agreement.

4.1.5 Creation of TIF: Prior to issuance of the Zone C.O.s, City will have obtained the written opinion of the Attorney General of the State of Texas that the Zone C.O.s have been validly issued and are to be repaid with all or any part of the revenues of the Tax Increment Fund. The Attorney General's opinion will be based in part upon a transcript of the proceedings related to the creation of the Tax Increment Fund.

4.1.6 No Additional Tax Abatements: Until Developer has been fully reimbursed for all items for which Developer is entitled to be reimbursed in accordance with this Agreement or except as may be otherwise agreed by City and Developer, City will not grant any tax abatements with respect to properties within the Reinvestment Zone pursuant to Section 312 of the Texas Tax Code or other discretionary tax incentives which will materially and adversely affect the Tax Increment. This covenant by City does not apply to any tax exemption which may be granted pursuant to Section 11.24, *Texas Property Tax Code*, or recommended pursuant to any program established pursuant to Section 318.012, *Texas Local Government Code*.

4.2 Survival of City's Representations and Disclaimers: All of the City's Representations shall survive the execution of this Agreement until the Project Completion Date.

4.3 Acknowledgment of Reliance. City recognizes and acknowledges that, in entering into this Agreement, Developer is expressly and primarily relying on the truth and accuracy of the foregoing representations and covenants of City without any obligation to investigate the accuracy or completeness of such representations and covenants, and notwithstanding any investigation thereof by Developer; that such reliance exists on the part of Developer prior hereto; that such representations and covenants are a material inducement to Developer in making this Agreement and agreeing to undertake and accept its terms, and that Developer would not be willing to do so in the absence of any of such representations and covenants.

## ARTICLE 5

### DEVELOPER'S REPRESENTATIONS

5.1 Developer's Representations: Developer hereby makes and undertakes each of the following representations and covenants to City as of the Effective Date (collectively, "Developer's Representations"):

5.1.1 Existence: The Developer is a limited partnership duly organized and legally existing under the laws of the State of Delaware, and qualified to transact business in the State of Texas and whose General Partner is legally existing under the laws of the State of Maryland and is qualified to transact business as Street Retail San Antonio I, Inc., in the State of Texas.

5.1.2 Power and Authority: The Developer has all requisite power and authority to enter into this Agreement and perform all of its obligations under this Agreement. The execution and performance by the Developer of this Agreement have been duly authorized by all necessary partnership action and, except for the additional approval of City, any Taxing Authorities or other governmental approvals related to the TIF Eligible Improvements to be undertaken by Developer under this Agreement, do not require the consent or approval of any other person which has not been obtained, including, without limitation, any Governmental Authority. The General Partner has all requisite power and authority to enter into this Agreement as the general partner in Developer and does not require the consent or approval of any other person or entity which has not been obtained, including, without limitation, any Governmental Authority. The Developer will diligently seek the required approvals of the Taxing Authorities.

5.1.3 No Legal Bar: The execution and performance by the Developer, acting by and through its General Partner, of this Agreement do not and will not violate any provisions of any contract, agreement, instrument or Governmental Rule to which the Developer or its General Partner is a party or is subject.

5.1.4 Litigation: There are no actions or proceedings pending or, to the knowledge of Developer's Representative, threatened against Developer or its General Partner, which if adversely determined, would materially and adversely affect the ability of the

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Developer to fulfill its obligations under this Agreement or the financial condition, business or prospects of the Developer, or would materially and adversely affect the ability of the General Partner to fulfill its obligations under this Agreement as the General Partner in Developer or the financial condition, business or prospects of the General Partner.

- 5.1.5 Financial Ability: Developer, continuously from the date of this Agreement until the Developer's Debt Service Principal Allocation of Zone C.O.s are Defeased, shall maintain a net worth or stockholders' equity of not less than \$10,000,000, which shall be verifiable from the financial records required to be provided by Developer to City pursuant to Section 5.1.6 of this Agreement.
- 5.1.6 Financial Reports: Developer, Guarantor and the General Partner will, not later than the earlier to occur of (i) October 1 of each calendar year or (ii) sixty (60) days prior the expiration of the Letter of Credit, and in no event less often than annually during the Term of this Agreement, provide current financial reports and a current certificate from their respective internal accountants that there have been no material adverse changes from the date of the reports. The financial reports must include, without implied limitation, a statement of assets, liabilities and equity and any other information deemed necessary by the City's Office of Internal Review, or its designee, to verify Developer's financial covenant in Section 5.1.5 for the purposes of this Agreement. Unless already audited by an independent Certified Public Accounting firm, such financial reports will be subject to audit by the City, or its designee, in accordance with the audit provisions of this Agreement.
- 5.1.7 Documents: True and correct copies of Developer's written partnership agreement, other governing documents and any amendments thereto have been furnished to City, including evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if such approval or consent is required by Developer's written partnership agreement. Developer has fully disclosed to City a written list of all owners of equity interests in Developer of greater than ten percent (10%) and Developer shall annually provide to City a current list of all owners of an interest in the partnership. Such lists shall be furnished to City upon request and certified by Developer's General Partner. Developer shall take all steps necessary to ensure the information provided to City is true, accurate and complete at all times.
- 5.1.8 Knowledge. Developer has no knowledge of any facts or circumstances which presently, or with the passage of time would, evidence that any of the representations made by City under this Agreement are in any way inaccurate, incomplete or misleading.

5.2 Survival of Developer's Representations: All of the Developer's Representations shall survive the execution of this Agreement until the Project Completion Date.

5.3 Acknowledgment of Reliance. Developer recognizes and acknowledges that, in entering into this Agreement, City is expressly and primarily relying on the truth and accuracy of the foregoing representations and covenants of Developer without any obligation to investigate the accuracy or completeness of such representations or covenants, and notwithstanding any investigation thereof by City; that such reliance exists on the part of City prior hereto; that such representations and covenants are a material inducement to City in making this Agreement and agreeing to undertake and accept its terms, and that City would not be willing to do so in the absence of any of such representations and covenants.

ARTICLE 6

SCOPE OF CITY IMPROVEMENTS

6.1 City's Improvement Projects. Upon timely satisfaction of the Conditions Precedent to this Agreement, as hereinafter set forth, the City will issue the Zone C.O.s and, only to the extent of the amount of funds available from the Zone C.O.s and/or an EDA or UDAG grant for such purpose, and subject to the limitations described in this Article 6, City will construct or cause to be constructed the following described public improvement projects. City anticipates, but does not warrant or represent, that construction will commence on or about June 1, 2000. Upon commencement of construction, City will diligently prosecute to completion in a timely manner, or cause to be diligently prosecuted to completion in a timely manner, such public improvement projects (subject to strikes, lockouts, fire, other casualties, acts of God, weather and other factors beyond the control of City or its contractors).

a. Presa Street Linkage Project: A connection from the River Walk to Presa Street, estimated to cost up to \$4.5 million. As completed, the northern approach to the Presa Street Bridge, which is located between Crockett and College Streets, will be excavated and, a new, larger and more open ascent will be created from river level to street level. This linkage will include a stepped footpath, an elevator to provide access between street level and the River Walk, landscaping and streetscape improvements, improved lighting, and other pedestrian enhancements generally consistent with the conceptual plans presented to City Council on April 15, 1999. From the southern bridge approach to College Street, Presa Street will be realigned to the West within its present right-of-way to permit construction of this linkage. The associated eastern sidewalk expansion will facilitate greater pedestrian access from the River Walk and on street level. At street level, the improvements will include a significant water design feature.

b. Houston Street and Streetscape Improvements Project: Streetscape improvements along Houston Street from Alamo Plaza to the San Antonio River estimated to cost up to \$1.5 million in a manner generally consistent with the conceptual plans presented to City Council on April 15, 1999. Street trees will be added or re-installed, with associated irrigation systems. Signifier trees are planned to be placed at specific mid-block locations to heighten pedestrian visual interest and street identity. A small number of mid-block pull-outs may be constructed to facilitate passenger loading and unloading. Signifiers may be placed at either end of that portion of Houston Street which is embraced by the Project.

6.2 Re-Allocation of Project Funds. To the extent that City determines that funds allocated for the Presa Street Linkage and/or the Houston Street and Streetscape Improvement Project are not needed for such purposes, those funds may be re-allocated by City, to the extent permitted by law, to the Presa Street Linkage Project or the Houston Street and Streetscape Improvements Project or will be applied to retire the Zone C.O.s. If funds initially allocated for the Presa Street Linkage are applied to retire the Zone C.O.s, such funds will be applied to reduce the debt service on the Zone C.O.s in a manner consistent with the terms of issuance of the Zone C.O.s, and the Developer's Debt Service Principal Allocation will be adjusted as provided in Section 6.4 below. Any re-allocation of funds will not increase the combined total amount budgeted for both such projects. Further, to the extent that City receives an EDA grant which funds a portion of the Presa Street Linkage project above described, a portion of Zone C.O. proceeds equal to the EDA grant proceeds so utilized by the City in the Presa Street Linkage Project will be re-allocated by City as a source of funds for the Majestic Courtyard Project described below.

### 6.3 Parking.

6.3.1 Parking for West Hotel. Upon issuance of certificate of occupancy for the multi-story hotel on Developer's property located at the southwest corner of the intersection of Houston Street and N. St. Mary's Street, City will make available to guests of that hotel a maximum of one hundred twenty-five (125) spaces in the evening, and a percentage of such one hundred twenty-five (125) spaces during the day, in the Mid-City Parking Garage, in any public garage which may be constructed at the northeast corner of the intersection of St. Mary's Street and Travis Street or in another parking facility within the same walking distance from the hotel as the intersection of St. Mary's Street and Travis Street, at City's option. The terms and conditions upon which parking will be so provided will be determined by mutually satisfactory agreement to be negotiated diligently and in good faith and, if entered into between City and the hotel developer, executed prior to the earlier of (i) completion of the hotel or (ii) June, 2002, if at all.

6.3.2 Parking for East Hotel. Developer also contemplates the construction of an additional hotel at the northwest corner of the intersection of Jefferson Street and Houston Street. Recognizing the estimated need for approximately one hundred eighty-five (185) spaces in the evening and a percentage of such one hundred eighty-five (185) spaces during the day when such hotel has been completed and is operating, and subject to negotiation of other mutually acceptable terms and conditions prior to the completion of such hotel, Developer, the hotel operator and City agree to work together to make such spaces available on mutually satisfactory terms in the Mid-City Parking Garage or another parking facility within the same walking distance from the hotel as the Mid-City Parking Garage, at City's option. Such agreement will be finalized, if at all, on or before June, 2003.

6.3.3 Residential Parking. Developer and City agree to work together to attempt to make such spaces available, on mutually satisfactory terms, to accommodate the parking requirements for residential housing units in the Reinvestment Zone.

6.4 Adjustment of Developer's Debt Service Principal Allocation: If any part of the \$4,500,000 allocated for the Presa Street Linkage is applied to retire the Zone C.O.s pursuant to Section 6.2 of this Agreement, the Developer's Debt Service Principal Allocation will be adjusted to



reflect the funds actually expended for the Presa Street Linkage. The numerator of the Developer's Debt Service Principal Allocation will be adjusted to be the sum of (i) the difference between \$4,500,000 and that portion of such amount applied to retire the Zone C.O.s, plus (ii) the product of (x) the sum of the costs of issuance of the Zone C.O.s and the capitalized interest multiplied by (y) a fraction the numerator of which is (i) above and the denominator of which is \$5,650,000 less the amounts so applied to retire the Zone C.O.s. The denominator of the Developer's Debt Service Principal Allocation will be the difference between \$5,650,000 less the amount which was allocated for the Presa Street Linkage but was applied to retire the Zone C.O.s. Exhibit A will be adjusted to reflect the reduced Debt Service Requirements and the adjusted Developer's Debt Service Principal Allocation.

## ARTICLE 7

### SCOPE OF TIF ELIGIBLE IMPROVEMENTS: REIMBURSEMENTS

City and the Developer have identified three (3) projects which are desirable for the purpose of achieving the purposes of the Reinvestment Zone. These improvement projects may be undertaken and completed by Developer (or Developer's Tenant) or City, based upon the considerations hereinafter set forth. As indicated, and, to the extent noted below, if undertaken, funded and completed by Developer (or Developer's Tenant), are eligible for reimbursement from the Tax Increment Fund when the Zone C.O.s have been Defeased, to the extent that funds are available in the Tax Increment Fund for such reimbursement. Developer's reimbursement is subject to the terms of this Agreement and the Reinvestment Zone Financing Plan. Developer's reimbursement rights are defined and limited in this Article 7.

7.1 Houston Street Bridge Linkage: If undertaken, this project will incorporate a pathway, stairs and elevator linking the San Antonio River Channel and Houston Street to integrate street and river levels, enhance downtown pedestrian circulation, and increase access for persons with disabilities. It is contemplated that the design for this project and its construction will be coordinated with the private-sector hotel development planned for the southwest corner of the intersection of Houston Street and N. St. Mary's Street, which is described in Section 6.3.1 of this Agreement as the West Hotel.

7.1.1 Funding By State or Federal Grant. This project may be funded by federal or state grant(s) to City for such purpose. If so funded:

7.1.1.1 Design. Developer shall undertake the initial design work for this project and will be reimbursed for the reasonable costs of such design work from the proceeds of the grant(s) in accordance with the terms thereof. All such design work by Developer will be subject to the requirements of Section 7.6.1.

7.1.1.2 Construction. City shall construct this project and Developer, to the extent permitted by law, shall serve as the project manager without fee or other compensation for such services. The construction contract(s) relating to this project will be subject to all public contracting requirements imposed by Governmental Rule for construction of public improvements, including

(without implied limitation) the public bidding requirements and the wage requirements of the Davis-Bacon Act (40 U.S.C.A. §276a).

7.1.1.3 Grant of Public Easement. Prior to the commencement of any work on this project, the property embraced by the project must be dedicated pursuant to a public easement to the City, upon terms which are acceptable to City and which comply with the requirements set forth in Section 9.10 of this Agreement.

7.1.2 Funding By Developer. In the event that this project is undertaken, funded and completed by Developer, the Project Costs (excluding acquisition costs) will be eligible for reimbursement from the Tax Increment Fund up to \$975,000.00. If so funded by Developer:

7.1.2.1 Design. Developer shall undertake the initial design work for this project and the reasonable costs of such design work will be reimbursed in accordance with Section 7.7 hereinbelow as a Project Cost. All such design work by Developer will be subject to the requirements of Section 7.6.1.

7.1.2.2 Construction. Developer shall construct the improvements. All construction contracts will be publicly bid and will be subject to the prevailing wage requirements imposed in contracts for improvement projects undertaken by City, and all such contracts will be subject to the requirements of Section 7.6.2.

7.1.2.3 Grant of Public Easement. The project will be dedicated to the public by granting a public easement upon terms which comply with this Agreement either (at Developer's option) (i) upon Completion of construction, or (ii) at such future time that the initial payment may be made to Developer in reimbursement of the Project Costs from the Tax Increment Fund. Developer and City will enter into an easement agreement which complies with the requirements of Section 9.10 of this Agreement.

7.2 Majestic Courtyard: If built, this project will create an urban courtyard park along and accessible to Houston Street between the Frost Brothers Building and Joseph's Building, on the site where the Carl Building is presently located. The project will involve acquisition of property, demolition of the Carl Building, design and construction (including, without limitation, renovation of those facades of the adjoining buildings which face the courtyard property).

7.2.1 Funding By State or Federal Grant. This project may be funded by the proceeds of the Zone C.O.s (in the event that an EDA grant funds a portion of the Presa Street Linkage project described in Section 6.1 above) or by federal or state grant(s) to City for this project. If so funded:

7.2.1.1 Design. Developer shall undertake the initial design work for this project and the reasonable costs of such design work will be reimbursed in accordance with Section 7.7 hereinbelow as a Project Cost of this project. All such design work by Developer will be subject to the requirements of Section 7.6.1.

7.2.1.2 Construction. City shall construct this project and Developer, to the extent permitted by law, shall serve as the project manager without fee or other compensation for such services. The construction contract(s) relating to this project will be subject to all public contracting requirements imposed by Governmental Rule for construction of public improvements, including (without implied limitation) the public bidding requirements and the wage requirements of the Davis-Bacon Act , (40 U.S.C.A. §276a).

7.2.1.3 Grant of Public Easement. Prior to the commencement of any work on this project, the property embraced by the project must be dedicated by public easement to the City (including, without limitation, easement or other rights to the facades of adjoining buildings to be renovated in connection with this project), upon terms acceptable to City and in accordance with the requirements of Section 9.10 of this Agreement.

7.2.2 Funding By Developer. In the event that this project is undertaken, funded and completed by Developer, the Project Costs and acquisition costs of the Carl Building will be eligible for reimbursement from the Tax Increment Fund up to \$1,600,000. If so funded by Developer:

7.2.2.1 Design. Developer shall undertake the initial design work for this project and the reasonable costs of such design work will be reimbursed in accordance with Section 7.7 hereinbelow as a Project Cost. All such design work by Developer will be subject to the requirements of Section 7.6.1.

7.2.2.2 Construction. Developer shall construct the improvements. All construction contracts will be publicly bid and will be subject to the prevailing wage requirements imposed in contracts for improvement projects undertaken by City.

7.2.2.3 Grant of Public Easement. The project will be dedicated to the public by granting a public easement upon terms which comply with this Agreement either (at Developer's option) (i) upon Completion of construction, or (ii) at such future time that the initial payment may be made to Developer in reimbursement of the Project Costs from the Tax Increment Fund. Developer and City will enter into an easement agreement which complies with the requirements of Section 9.10 of this Agreement.

7.3 Facade Preservation/Restoration Project: This project involves the preservation and/or restoration of the facades of Developer's Properties (as identified on Exhibit B). Up to \$1.5 million of the funds which Developer expends to preserve or restore such facades pursuant to the Reinvestment Zone Project Plan will be eligible for reimbursement from the Tax Increment Fund in accordance with the terms, conditions and limitations of this Article 7.

7.3.1 Design. Developer shall undertake the initial design work for this project and the reasonable costs of such design work will be reimbursed in accordance with Section 7.7 hereinbelow as a Project Cost. All such design work by Developer will be subject to the requirements of Section 7.6.1.

7.3.2 Construction. Developer shall construct the improvements.

7.4 Additional Public Improvement Projects: City and Developer may identify additional permanent improvement projects consistent with the Reinvestment Zone Project Plan. If approved by City and undertaken by Developer, the Project Costs of such additional improvement projects, when completed, will be eligible for reimbursement from the Tax Increment Fund up to \$600,000.00. The design, construction and other responsibilities for such projects shall be consistent with the provisions of this Agreement applicable to other improvements constructed by Developer and reimbursable from the Tax Increment Fund.

7.5 Reallocation of Reimbursables. To the extent that amounts identified in this Agreement as reimbursable with respect to one or more TIF Eligible Improvements are not expended, those amounts may be re-allocated, with City's prior approval, to other TIF Eligible Improvement(s), and be reimbursable in accordance with this Agreement.

7.6 Construction Requirements for Improvements:

7.6.1 Pre-Approval of Plans and Specifications. All completed designs, plans and specifications prepared by Developer for TIF Eligible Improvements must be submitted to and approved by the City's Director of Public Works, or such Director's designee, before any site work may commence. The Director's approval, which will not be unreasonably withheld or delayed, is in addition to the usual and customary approvals required for construction by City Codes. The results of the Director's review of plans and specifications, if such documentation was complete when submitted, will be communicated to Developer not later than thirty (30) days following the date of submission. Once approved, said plans and specifications shall not be thereafter materially modified without the prior written permission of the City's Director of Department of Public Works.

7.6.2 Contracting Requirements. In addition to other requirements set forth in this Article 7, the construction contract(s) for each project covered by this Article 7 must be submitted to the Director of Public Works of City for approval, which approval will not be unreasonably withheld, conditioned or delayed, and work shall not commence under such contract(s) unless and until such approval has been obtained. The Director of Public Works will respond to Developer within thirty (30) days of submission of complete contract documentation. If the Director of Public Works fails to respond to Developer within thirty (30) days of submission of complete contract documentation, Developer may give written notice of such failure to the Director of Public Works and City will be in default of this Agreement if the Director of Public Works fails to respond to Developer within seven (7) days of receipt of such written notice from Developer. Prior to commencement of any work, Developer, Tenant or its or their contractor shall provide written evidence of all insurance as may be required by City's Department of Risk Management. All contractors performing work on the TIF Eligible Improvements must provide payment and performance bonds issued by sureties, in amounts and upon terms reasonably acceptable to City.

7.7 Reimbursement to Developer: The total of all reimbursed Project Costs funded by Developer (or its Tenant) for TIF Eligible Improvements is limited to \$4,775,000.00 (plus interest and all other payments expressly authorized under the terms of this Agreement). For each TIF Eligible Improvement undertaken, funded and completed by Developer, or its Tenant(s), and to the extent that the Project Costs of such improvements have not been funded by federal, state or other governmental

authorities or the proceeds of the Zone C.O.s, the Project Costs expended by Developer (or its Tenant) will be reimbursed to Developer subject to and upon the following terms and limitations:

7.7.1 Defeasance Required. No reimbursement will be made until the Zone C.O.s have been Defeased.

7.7.2 Payment From Tax Increment Fund. Reimbursement will be made solely from revenues received from the Taxing Authorities and deposited in the Tax Increment Fund, and only to the extent that funds are available in the Tax Increment Fund after the Zone C.O.s have been Defeased. City shall have no duty to Developer to ensure that there are sufficient funds in the Tax Increment Fund for reimbursement other than its customary activities to collect delinquent taxes, and City shall have no liability to Developer in the event that there are insufficient funds in the Tax Increment Fund for reimbursement. City will not approve the financing of any other improvements from Tax Increment generated in the Zone or the Tax Increment Fund without Developer's prior written approval.

7.7.3 Subject to Plan. Reimbursement to Developer is further subject to the Reinvestment Zone Financing Plan and the amounts prescribed in that plan, plus interest (if any).

7.7.4 Subject to Performance. Reimbursement to Developer will be withheld to the extent that Developer has breached its warranty regarding construction of the TIF Eligible Improvements, as set forth in Section 9.6, failed to maintain any project, as set forth in Section 9.9 (and subject to the provisions thereof), or if an Event of Default has occurred.

7.7.5 Scope of Reimbursement. Developer will be eligible for reimbursement for Project Costs and the following additional amounts actually expended by Developer:

7.7.5.1 Certain Expenditures Prior to the Effective Date. Developer will be reimbursed from the Tax Increment Fund up to a total of \$100,000.00 (with interest thereon at a rate of ten percent (10.0%) per annum from the Effective Date) for the following expenditures made prior to the Effective Date by Developer for preliminary architectural or engineering design fees associated with the Presa Street Linkage Project and the Houston Street and Streetscape Improvements Project previously submitted to City.

7.7.5.2 Interest: Except as otherwise provided in this Agreement, Project Costs expended by Developer which are otherwise reimbursable under the terms of this Agreement will bear interest from the first day of the first month following the month in which such Project Cost(s) were expended for such purpose, at a rate of ten percent (10.0%) per annum, and such accrued interest will be reimbursable to Developer in the same manner, and subject to the same terms, conditions and limitations, as such Project Costs. Such reimbursement shall require submission by Developer to City of adequate documentation reflecting the nature and date of each such expenditure to verify the purpose thereof.

7.7.5.3 Debt Service Shortfall. All payments by Developer or Guarantor of Debt Service Shortfall and all amounts drawn by City under a Letter of Credit for payment of Debt Service

Shortfall, together with interest thereon from date of payment at a rate of ten percent (10%) per annum, will be eligible for reimbursement subject to the same terms, conditions and limitations as all other reimbursable items under this Agreement.

7.7.5.4 Demolition. The reasonable costs incurred in demolishing the Carl Building for the Majestic Courtyard will be eligible for reimbursement, as established by three (3) bids from third party companies selected by Developer, which companies are reasonably acceptable to City.

7.7.5.5 Remediation Costs. Costs of remediation of any substance, emission or material now or hereafter defined as, listed as or specified in a Governmental Rule as a "regulated substance," "toxic substance," "pesticide," "hazardous waste," "hazardous material," or any similar or like classification or categorization under any and all federal, state, City or other governmental statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licences, agreements or other legal restrictions applicable to such materials or substances, expended by Developer in connection with the Houston Street Bridge Linkage, the Majestic Courtyard and/or the Facade/Preservation/Restoration Project, as described in this Article 7, will be eligible for reimbursement.

7.8 Procedure for Reimbursement. To obtain reimbursement, Developer will submit an invoice to the board of directors of the Reinvestment Zone detailing the amounts to be reimbursed and providing sufficient detail to identify the same as a Project Cost for which reimbursement is authorized, together with a letter requesting reimbursement in the form attached hereto as Exhibit D. Developer shall simultaneously provide a copy of such submittal to the City's Director of Finance. Reimbursement will be made, subject to the provisions of this Article 7, when such submittal has been approved by the board of directors of the Reinvestment Zone as evidenced by the signature required on the Reimbursement Request Letter. City shall not make payments in reimbursement of Project Costs for the Majestic Courtyard project unless and until Developer has been fully reimbursed for Project Costs for the Houston Street Bridge Linkage project.

7.9 Approvals Required for all TIF Eligible Improvements: Notwithstanding any other provision in this Agreement to the contrary, all projects described in this Article 7 will require all customary submissions, permits and approvals required under applicable Governmental Rules, including (without implied limitation) Historic and Design Review Commission processes.

7.10 Conditional Fee Waiver by City. City agrees to conditionally waive those fees listed on Exhibit F to this Agreement for development to be undertaken by Developer or Developer's Tenants with respect to the Developer's Properties in the Reinvestment Zone and all TIF Eligible Improvements, from the Effective Date until January 1, 2004. In the event that Developer fails to timely satisfy or perform, as applicable, each of the Conditions Precedent to be satisfied or performed by Developer under Article 8 of this Agreement, all fee waivers will be rescinded and Developer shall pay all such fees to City upon demand.

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## ARTICLE 8

### CONDITIONS PRECEDENT TO THIS AGREEMENT

Except as hereinafter expressly provided, neither City nor Developer shall have any obligation or duty to perform its agreements under this Agreement, and this Agreement will terminate in all respects, unless each of the following conditions shall have been satisfied in accordance with this Article on or before September 1, 2000, unless such date is extended by the mutual agreement of City and Developer.

8.1 Reinvestment Zone Board of Directors: The initial board of directors for the Reinvestment Zone has been appointed by the Taxing Authorities and by the City Council, the Reinvestment Zone Project Plan has been adopted by the board of directors and approved by the City, the Reinvestment Zone Financing Plan has been adopted by the board of directors and approved by the City, all in accordance with the requirements of Section 311.011 of the Act, and the board of directors has approved and adopted this Agreement without revision.

8.2 Related Approvals: City has obtained the written agreements of other taxing authorities levying taxes in the Reinvestment Zone to contribute incremental taxes generated in the Reinvestment Zone, as described in the approved Reinvestment Zone Financing Plan.

8.3 Demolition Permit: Developer or its Tenant has obtained a demolition permit (to the extent needed) for the hotel described in the Hotel Development Agreement or Lease described next below.

8.4 Hotel Agreement:

8.4.1 Review of Executed Agreement. Not later than September 1, 2000, City's agent has reviewed, at the offices of Developer's counsel, a complete copy of the executed agreement between Developer and the hotel developer with regard to the West Hotel to be located at the southwest corner of the intersection of Houston Street and St. Mary's Street, and has confirmed to City that the agreement between the Developer and the hotel developer:

8.4.1.1 evidences a legally binding obligation on the part of the hotel developer to build an "up-scale" hotel at such location; and

8.4.1.2 requires that, at the address set forth in Section 17.7 of this Agreement, City shall be given written notice of any default under such agreement by Developer or by hotel developer, if such default occurs prior to the inclusion of the completed hotel on the certified tax rolls of City; Developer and the hotel developer will have no obligation to provide notice of default to City once the completed hotel has been included on the certified tax rolls of City.

For the purposes hereof, "up-scale" hotel shall mean a hotel which, as understood in the hotel industry, has the development, construction, operation, maintenance and service standards (excluding full service food and beverage operations and recognizing that the particular services provided at the hotel may differ from the particular services provided at any of the individual brands listed below) at

least equal to the general character and quality, as of the date hereof, of the following hotel brands: Loew's, Westin, Renaissance, J.W. Marriott and Hyatt.

8.4.2 Certificate. Not later than September 1, 2000, City shall have received a certificate signed by Developer and hotel developer certifying that: (a) attached thereto are true and correct copies of the provisions in the hotel agreement between Developer and the hotel developer which satisfy the requirements of Section 8.4.1, and (b) all contingencies to hotel developer's obligation to build a hotel at the location described above (other than the requirement to obtain required Governmental Approvals and permits), including, without limitation, any financing contingency, have been unequivocally waived or satisfied.

8.5 Approvals by Developer: City has received Developer's written approval of the Reinvestment Zone Project Plan and the Reinvestment Zone Financing Plan.

8.6 Guaranty: City shall have received a written Guaranty, from the Guarantor, in the form attached hereto as Exhibit C.

8.7 Request For Confirmation Letter. City has received Developer's written request for the Confirmation Letter below described, which written request of Developer shall represent to City that all of the Conditions Precedent to this Agreement to be performed or satisfied by Developer, as applicable, have been so performed or satisfied.

8.8 Confirmation Letter: When each of the Conditions Precedent have been performed or satisfied to the satisfaction of City, City shall prepare and deliver to Developer the Confirmation Letter.

8.9 Failure of Conditions Precedent. In the event the Conditions Precedent to this Agreement are not timely satisfied by either City or Developer, neither party will thereby incur any liability to the other and such failure will not be a default under this Agreement; provided, however, that the fees previously waived by City pursuant to Section 7.10 of this Agreement will become immediately due and payable. If the Conditions Precedent to this Agreement have not been fully satisfied as evidenced by the Confirmation Letter on or before September 1, 2000, this Agreement will terminate and neither City nor Developer shall have any further right, obligation or duty hereunder, except Developer's obligation to pay such fees to City, which agreement and obligation will survive any termination of this Agreement.

## ARTICLE 9

### DEVELOPER'S DEVELOPMENT / MAINTENANCE OBLIGATIONS

9.1 Developer's Properties; Permits: Developer shall pay all cost, liability and expense and shall have all responsibility for any development, construction, re-development and improvement of each of the Developer's Properties in the Reinvestment Zone undertaken by Developer, its agents or Tenants. Developer shall obtain all permits and certifications required for the lawful construction of all improvements, except to the extent expressly waived under the terms of this Agreement



9.2 TIF Eligible Improvements: Upon issuance by City of the Confirmation Letter, Developer may undertake each of the TIF Eligible Improvements which City does not undertake on its own behalf, and, if undertaken by Developer, Developer shall cause work on the Developer's TIF Eligible Improvements to be diligently prosecuted by its contractor(s) to Completion in a timely manner (exclusive of time lost by reason of strikes, lockouts, fire, other casualties, acts of God, weather and other factors beyond the reasonable control of Developer). During such construction, Developer shall provide written reports to the City Representative, signed by Developer or Developer's contractor, regarding the status of the respective TIF Eligible Improvement being constructed or performed by such contractor not less frequently than once every one hundred twenty (120) days after commencement of the respective TIF Eligible Improvement project.

9.3 Demolition: To undertake the construction of the West Hotel and certain of the TIF Eligible Improvements, Developer must obtain demolition permits for certain properties in the Reinvestment Zone. The site for the West Hotel and for the Majestic Courtyard are highly visible and significantly impact the appearance and the public's impression of the downtown landscape. To minimize the adverse impact on such appearance and the public's impression, Developer (for itself and Developer's Tenants) agrees to the following limitations on its demolition scheduling for these sites:

9.3.1 Limitations Imposed on Demolition Permit(s). The Historic Preservation Officer will approve demolition permits for 146 to 160 E. Houston Street and for 225 to 229 N. St. Mary's Street subject to the following limitations and conditions:

9.3.1.1 With respect to the "Cast Iron Building" located at 152 to 158 E. Houston Street, the columns and windows must be reused;

9.3.1.2 With respect to the "Capri Building" located at 146 to 150 E. Houston Street, the balcony will be saved and reused;

9.3.1.3 With respect to that balcony, an interpretive feature about the balcony and Rena Maverick Green will be erected; and

9.3.1.4 As a general requirement, Developer will use its best efforts to salvage architecturally significant internal features of the "Cast Iron Building" and "Capri Building" for adaptive re-use in improvements to be constructed at those locations.

9.3.2 Commencement of Demolition. No building may be demolished unless and until Developer has obtained the approval of the Director of Public Works required under Section 7.6.2 for the TIF Eligible Improvements to be built on the site of the structure to be demolished. If the Director of Public Works concurs in writing with Developer that demolition of a building is necessary to evaluate the West Hotel site for design and construction purposes, Developer may demolish one (1) building on N. St. Mary's Street. Other than the building on N. St. Mary's Street which may be approved for demolition pursuant to the preceding sentence, at such time that Developer begins to physically dismantle the facade of any improvements located on a site, Developer shall diligently prosecute such demolition until completed, subject to delays occasioned by circumstances beyond the Developer's reasonable control. Demolition will be completed, for the purposes of this Section 9.3,

when the existing improvements have been removed to such an extent as to permit the construction of the replacement structures.

9.3.3 Completion of Demolition. Developer agrees that, not later than sixty (60) days following Developer's completion of demolition, Developer shall commence construction of the replacement improvements for such site. This requirement will not apply to any demolition undertaken by Developer with the approval of the Director of Public Works to evaluate the West Hotel site for design and construction purposes.

9.4 Commencement of Construction: Developer shall provide notice to City of the date construction commences on any TIF Eligible Improvements undertaken by Developer. Developer agrees that, apart from any inspections required under applicable City Codes, City may inspect such construction upon reasonable notice for the purpose of ascertaining that all work complies in all material respects with the final plans approved by City. However, Developer shall assume full responsibility for completing construction of TIF Eligible Improvements materially in accordance with such plans and this Agreement. Developer or its contractor shall warrant and certify to City, upon Completion of construction of the TIF Eligible Improvements, that the improvements have been built in accordance with City-approved plans and specifications in all material respects, with such exceptions, subject to City approval, as are noted in such certification, as a material condition to reimbursement under this Agreement.

9.5 Cooperation: Each Party to this Agreement will fully cooperate with the other Party to enable each Party to fulfill its obligations under this Agreement, to the end that, to the extent possible under the circumstances, all such work can be prosecuted to Completion without unnecessary delay or interruption.

9.6 Construction Warranties: Developer guarantees the TIF Eligible Improvements constructed by Developer, Developer's contractor(s) or Tenant(s) against all defective workmanship and materials for the Term of the Warranty (as defined in Section 9.8 below). Developer agrees, at its sole cost and expense, to promptly repair or replace any defective workmanship or materials which appear during the Term of the Warranty. In addition to any other remedy which may be available to City under this Agreement or applicable law, City may withhold payment of any reimbursement to Developer in an amount equal to the reasonable costs of repair of guaranteed items which Developer has failed to complete or to repair within a reasonable time following City's written request for such repairs. Upon the expiration of the Term of the Warranty with respect to a project, Developer shall assign and transfer to City all assignable warranties and guaranties granted or made to or for the benefit of Developer by contractors, Tenants, suppliers or manufacturers which supplied labor, material, equipment or funding for the construction of the project, and all rights, titles and interests (including, without limitation, causes of action) of Developer under each construction contract, development agreement or lease for work involving the construction of that project. From and after the expiration of the Term of the Warranty for a project, Developer agrees to cooperate with City in the enforcement by City of any express or implied warranties or guaranties of workmanship or materials granted or made by, and all rights, titles, interests and causes of action against, contractor(s), tenant(s), subcontractor(s) or materialmen that provided, work, labor, materials or equipment (or any or all of them) to Developer in connection with the construction of that project.

Developer further agrees to cooperate with City in the enforcement by City of any service contracts that provide service, repair or maintenance to any item incorporated in any of such projects for a period of time which is in excess of the Term of the Warranty for such project. Nothing in this Section or in any other section of this Agreement shall be deemed or construed as the agreement (express or implied) of City to release, relinquish or waive any right or remedy which City may have to recover from anyone, including, without limitation, Developer, for its damage and loss sustained as the result of latent defects in any TIF Eligible Improvements which were not capable of discovery during any warranty period.

9.7 Inspection by City.

9.7.1 Inspection Upon Completion. Developer shall notify City in writing of the date of Completion of each TIF Eligible Improvement constructed by Developer. Within thirty (30) days of such notification of Completion of each TIF Eligible Improvement project, City shall inspect such project to verify that the improvements are free of defective workmanship or materials and have been completed in a good and workmanlike manner in accordance with such plans and specifications. City shall notify Developer (within thirty (30) days following City's inspection) in writing of any defective conditions which are identified as a result of such inspection(s). At such time that such defective conditions have been corrected, Developer shall notify City in writing of the date that all defective conditions identified by City have been corrected, and City will, within ten (10) days, inspect the subject project to verify that the defective conditions have been corrected. Developer shall provide access at all reasonable times to afford City its inspection rights hereunder. If City concurs with Developer's determination that the project has been fully Completed, City shall notify Developer within ten (10) days in writing of such fact and the date on which City's final inspection was completed will be the date of Completion for the purposes of determining Developer's construction warranty obligations under Section 9.8 below. If City does not timely inspect the completed improvement project or, having inspected the completed improvement project, does not timely notify Developer in writing of any defective conditions or re-inspect following notice from Developer that defective conditions have been corrected, then the date of Developer's original notice to City shall be the Completion Date for such project for the purposes of this Agreement.

9.7.2 Additional Inspection By City. In addition, City shall have the right to inspect each TIF Eligible Improvement project completed by Developer within three-hundred thirty (330) days of the date of Completion for the purpose of assisting Developer in identifying any defective conditions which may be covered by applicable warranties.

9.7.3 No Third Party Beneficiary to Inspection by City. Inspection(s) which may be conducted by City pursuant to this Section 9.7 will be for the sole benefit of City and the failure by City to identify a defective condition will not evidence an approval of the condition of a project or estop City from thereafter requiring that such condition be repaired or corrected. Neither Developer nor any third party may rely upon any inspection(s) by City for any purpose other than to establish the date of Completion for the purposes of Section 9.8.

9.8 Term of the Warranty. As used in this Agreement, the phrase "Term of the Warranty" will be one (1) year following the date of Completion of such project.

9.9 Maintenance Obligations. For any TIF Eligible Improvement not dedicated to the public by easement at the time of final Completion thereof, Developer (or other owner thereof) shall maintain such project in substantially the same condition and repair as existed upon final Completion of such project, subject to reasonable wear and tear. In the event that Developer (or other owner thereof) fails to maintain such project in this manner, City may, after giving Developer thirty (30) days written notice and the opportunity to cure such failure and in addition to any other remedy available to City under this Agreement or otherwise, withhold or cause to be withheld reimbursement payments of Project Costs referable to such project and refuse to permit dedication to the public or accept a conveyance to City of such project. Nothing herein will preclude City from imposing reasonable conditions to any dedication to the public if Developer (or other owner of such project) has failed to maintain such project in accordance with this Agreement. Developer (or other owner of such project) shall afford City reasonable inspection rights to determine if such project(s) is/are being maintained in accordance with this Section 9.9 and shall not impede the exercise of such inspection rights.

9.10 Requirements For Public Easements.

9.10.1 Terms of Grant. As provided in Article 7 hereof, Developer shall grant to City a public easement in and to the Houston Street Bridge Linkage not later than the date of the initial reimbursement to Developer for Project Costs for the Houston Street Bridge Linkage and shall grant to City a public easement in and to the Majestic Courtyard not later than the date of the initial reimbursement for Project Costs for the Majestic Courtyard. Each such grant of public easement will be superior to all liens and encumbrances against the property covered by the easement (the "Easement Property"), other than liens for ad valorem taxes for the current and succeeding years, and will be in form and content reasonably acceptable to City and Developer. The easement agreement will grant to the City an exclusive and perpetual easement and right of way for access to, from and across the Easement Property, with full and free right and liberty for the City, in common with all members of the public for all purposes, to pass and re-pass along and over the Easement Property, to provide access to and from the public streets and sidewalks abutting or adjoining the Easement Property, to gain access to and from the structures adjoining or abutting the Easement Property, including the right of the City to temporarily close access to the Easement Property as necessary for such purposes, emergencies, repairs and other related purposes, subject to the grantor's retained rights to utilize portions of the Easement Property for dining, food and beverage (alcoholic and non-alcoholic) service, retail sales and other uses in accordance with Governmental Rules and such other uses as may be approved by City, all in accordance with the mutually acceptable easement agreements to be negotiated between City and Developer and which shall be executed prior to any reimbursement to Developer.

9.10.2 Obligations of Owner of Subservient Estate. The easement agreement will provide that the owner of the subservient estate and the owner of the appurtenant property (hereinafter identified and described) will observe and perform the following obligations, covenants and duties: (a) upon Completion of all improvements, to maintain, repair and insure, at grantor's sole cost and expense, all improvements now or hereafter located on the Easement Property (other than improvements constructed by City after the effective date of the easement agreement), (b) to remit to City the portion of the revenue received from the use or operation of the Easement Property (including without limitation any reimbursements from third parties) which exceeds the maintenance,

repair, utilities, taxes, insurance and other costs incurred in connection with the Easement Property as provided in the easement agreement, (c) to pay all taxes assessed against the Easement Property by all taxing authorities, (d) to pay all utility charges associated with the Easement Property, (e) to fully comply with all Governmental Rules in connection with the Easement Property, and (f) UPON COMPLETION OF ALL IMPROVEMENTS, TO FULLY INDEMNIFY, HOLD HARMLESS AND DEFEND CITY FROM AND AGAINST ANY AND ALL CLAIMS FOR PERSONAL INJURY (INCLUDING DEATH) AND PROPERTY DAMAGE RELATED TO THE USE OF THE EASEMENT PROPERTY AND ALL IMPROVEMENTS THEREON.

9.10.3 Appurtenant Owners. For the purposes of such easement agreement, the "owner of the appurtenant property" with respect to the Houston Street Bridge Linkage will be the owner of the West Hotel and the "owner of the appurtenant property" with respect to the Majestic Courtyard will be the owner of that portion of the Carl Building site not included in the courtyard park.

9.10.4 Construction by City. In the event that the grant of public easement is made by Developer prior to construction of the contemplated improvements for such Easement Property, the easement agreement shall grant to City the additional right to use the Easement Property for all necessary construction purposes.

9.10.5 Enforcement. To secure the performance of the obligations of the owner of the subservient estate thereunder, the easement agreement will grant a lien in favor of City encumbering the fee interest in the subservient estate, which lien may be non-judicially foreclosed upon any default by such owner or the owner of appurtenant property, after notice and expiration of the applicable cure period, upon City's compliance with the provisions of *Texas Property Code, Section 51.002*.

9.10.6 Conveyance Upon Reimbursement. Upon being fully reimbursed for all costs expended by the Developer for the Houston Street Bridge Linkage or the Majestic Courtyard, the Developer will convey the fee title to the property and improvements for which it has been reimbursed, by special warranty deed subject only to such reservations, limitations, or encumbrances as are in effect on the date of this Agreement or as may be approved by City. If the grantor previously acquired such property by special warranty deed, then such deed will contain a special warranty of title; otherwise, such deed will contain a general warranty of title. After the grant of the easement agreement described in Section 9.10.1, Developer shall not encumber or restrict the Easement Property covered thereby without the prior, written consent of City, such consent to be not unreasonably withheld or delayed. If City elects to accept such conveyance, City shall grant Developer a long term lease of portions of such conveyed property which were occupied or used by Developer pursuant to the easement agreement referred to in Section 9.10.1 above. Under each lease, Developer shall assume the payment and other obligations of the owner of the subservient estate under the easement agreement for such property, as outlined in Section 9.10.2, as the rental obligations for such lease. All such leases shall comply with the requirements of all Governmental Rules.

9.10.7 Construction Warranty: The construction warranty of Developer under Section 9.6 will survive, to the extent the Term of the Warranty has not expired, any grant of easement or conveyance and shall be fully enforceable in accordance with Section 9.6.

APPROVALS AND RELATED MATTERS

10.1 Governmental Rule: Nothing contained herein shall relieve or release Developer or City from any Governmental Rules (including without implied limitation, approvals required from the Historic Design and Review Committee) relating to the design, construction, development, operation or occupancy of the City Improvements, the TIF Eligible Improvements or any other development undertaken by Developer in the Reinvestment Zone (including Governmental Rules that are procedural, as well as or rather than, substantive in nature), except with respect to the fees as provided in Section 7.10. However, nothing in this Agreement shall keep Developer from asking for a waiver or exception. Developer acknowledges that City is a municipal corporation operating pursuant to a home-rule charter which exercises certain police powers, taxation powers and other Governmental Functions of general application which affect all properties within the Reinvestment Zone. This Agreement shall not in any way affect the exercise of such powers, duties and authorities. The approval or consent by City of any matter submitted to City pursuant to this Agreement, which matter is specifically provided herein to be approved or consented to by City in its capacity as a party to this Agreement, shall not constitute a replacement or substitute for, or otherwise excuse the Developer from, such permitting, licensing or approval processes under the City Codes or any other Governmental Rules; and, conversely, no permit or license so obtained shall constitute a replacement or substitute for, or otherwise excuse the Developer from, any requirement hereunder for the approval or consent of City under this Agreement. Nothing contained or set forth in this Section or elsewhere in this Agreement is intended or shall operate to limit the obligation of City under this Agreement to work and cooperate with Developer in Developer's performance of its duties and obligations under this Agreement to the fullest extent possible without conflicting with the City's performance of its Governmental Functions.

ARTICLE 11

FINANCIAL OBLIGATIONS OF DEVELOPER

11.1 Obligation to Fund Each Debt Service Shortfall: Until all Zone C.O.s have been Defeased, the Developer shall be obligated to pay to City, for deposit in the appropriate debt service payment account of the Tax Increment Fund, the amount of each Debt Service Shortfall which City has determined will occur on any Payment Date, commencing with the March 15, 2003 Payment Date. If, on the forty-fifth (45<sup>th</sup>) day preceding a Payment Date which occurs on or after the March 15, 2003 Payment Date, City has calculated that a Debt Service Shortfall will exist on such Payment Date, City shall give notice to Developer in writing of such Debt Service Shortfall, such notice to specify (i) the amount of that Debt Service Requirement, (ii) the amount in the debt service payment account allocated in accordance with the Developer's Debt Service Principal Allocation, and (iii) the amount of the resulting Debt Service Shortfall. Developer shall deliver to City for deposit in the appropriate debt service payment account, an amount equal to the Debt Service Shortfall in immediately available funds prior to the fifth (5<sup>th</sup>) Business Day preceding such Payment Date.

11.2 Net Worth Requirement. Developer, continuously from the date of this Agreement until Developer's Debt Service Principal Allocation of the Zone C.O.s are Defeased, shall maintain a net worth or stockholders' equity of not less than US\$10,000,000, which shall be verifiable from the



financial records required to be provided by Developer to City pursuant to Section 5.1.6 of this Agreement.

11.3 Delivery of Annual Letter of Credit: Not later than October 1 of each calendar year during the Term of this Agreement, commencing October 1, 2002, Developer shall deliver to City an irrevocable Letter of Credit or an extension thereof in form and content reasonably acceptable to City and issued by a financial institution reasonably acceptable to City, in a stated amount equal to the sum of the Debt Service Requirements for the twelve (12) month period following the date of such Letter of Credit, payable by the issuer of such Letter of Credit upon sight draft. Each Letter of Credit shall be issued to City and immediately available for funding the obligations of Developer as follows:

11.3.1 At any time that Developer has not tendered the Debt Service Shortfall to City for deposit in the Tax Increment Fund in accordance with the requirements of Section 11.1 hereinabove, City may draw upon the Letter of Credit in the amount of such Debt Service Shortfall plus an amount equal to the reasonable expenses payable or paid by City to third parties in connection with such default by Developer and that portion of the draw equal to the Debt Service Shortfall will be deposited by City in the debt service payment account described in Section 11.1.

11.3.2 At any time following a default under the Guaranty, City may draw upon the Letter of Credit in the full stated amount of the Letter of Credit.

11.4 Abatement of Letter of Credit Requirement. Provided that no uncured Event of Default shall then exist, Developer's obligation to annually provide a Letter of Credit shall abate and no Letter of Credit will be required of Developer for each twelve (12) month period, commencing October 1 and ending September 30, in which City has reasonably calculated that, as of September 15 prior to such twelve (12) month period:

11.4.1 the Tax Increment for the current year will be no less than the product of the sum of the Debt Service Payments for that twelve (12) month period multiplied by a factor of 1.25; and

11.4.2 the portion of the Tax Increment for the current year referable solely to the Developer's Properties will be no less than the product of the sum of the Debt Service Requirements for that twelve month period multiplied by a factor of 1.25.

11.5 Mediation of Dispute. In the event that Developer disputes a calculation made by City under the foregoing Section 11.4, such dispute shall not relieve Developer of its obligation to timely provide the Letter of Credit or impede or impair City's right to draw upon such Letter of Credit pursuant to this Article 11; however, such dispute will be submitted to mediation in accordance with Article 16 of this Agreement.

11.6 Guarantor's Rights. In the event that the Guarantor pays any amounts or assumes any obligations of Developer under this Agreement, Developer agrees that Guarantor will be entitled to exercise the rights of Developer under this Development Agreement, and DEVELOPER AGREES TO HOLD HARMLESS, INDEMNIFY AND DEFEND CITY FROM AND AGAINST ANY AND

ALL CLAIMS ARISING FROM OR IN CONNECTION WITH GUARANTOR'S EXERCISE OF SUCH RIGHTS.

ARTICLE 12

DEFAULT BY DEVELOPER

The occurrence of any of the following shall be an "Event of Default" by Developer or a "Developer Default":

12.1 Except as otherwise provided in this Agreement, the failure by Developer to substantially perform or substantially observe any of the obligations, covenants or agreements to be performed or observed by Developer under this Agreement within thirty (30) days after notice from the City's Representative or his designee of such failure; provided, however, that if such performance or observance cannot reasonably be accomplished within such thirty (30) day period, then no Event of Default shall occur unless Developer fails to commence such performance or observance within such thirty (30) day period and fails to diligently prosecute such performance or observance to conclusion thereafter; and provided, further, however, that if such performance or observance has not been accomplished within forty-five (45) days after notice from the City Representative or his designee to Developer of such failure (notwithstanding Developer's diligent prosecution of its curative efforts), exclusive of time lost by reason of strikes, lockouts, fire, other casualties, acts of God, weather and other factors beyond the reasonable control of Developer, then same shall constitute an Event of Default hereunder.

12.2 If Developer fails to maintain a net worth of \$10,000,000 in accordance with this Agreement; or if Developer makes a general assignment for the benefit of creditors; or if Developer files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Developer is adjudicated a bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state thereof; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment representing a claim or charge against the assets of Developer in an amount in excess of \$1.0 million remains unsatisfied or of record for ninety (90) days or longer (unless a supersedeas or other appeal bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any of Developer's Properties is instituted against Developer and not dismissed within thirty (30) days; or if any of Developer's Properties shall be sold after levy thereupon by any sheriff, marshal or constable.

12.3 If Developer fails to provide to City any Letter of Credit required of Developer in this Agreement, or following issuance, such Letter of Credit shall be disavowed, revoked or canceled by



the issuer thereof (or its legal representative) for any reason and such Letter of Credit is not replaced by Developer or Guarantor within fifteen (15) days thereafter.

12.4 If, following City's compliance with the stated terms of the Letter of Credit for effecting a draw thereunder, the draw under the Letter of Credit is not paid to City by the issuer thereof, following three (3) Business Days' notice by City to Developer of the Letter of Credit issuer's refusal to pay on the Letter of Credit.

12.5 If Guarantor defaults under the Guaranty.

12.6 If a Transfer (hereinafter defined) occurs in violation of Section 17.20 of this Agreement.

12.7 The knowing and intentional submission by Developer or any Developer's Representative of a report, application or certificate which contains any materially false or misleading statements.

12.8 If any financial reports required under Section 5.1.6 of this Agreement are not provided to City and such failure is not cured within thirty (30) days after notice thereof from City.

12.9 If Developer fails to permit City, or its designee, to conduct an audit authorized by this Agreement, or having commenced such audit, to permit City to complete the same without its efforts being impeded by Developer or its agent(s), following seven (7) days' written notice from City to Developer of such failure.

12.10 If Developer fails to commence to correct, repair and/or replace any defective workmanship or materials guaranteed by Developer under this Agreement, within thirty (30) days following notice of said defect from City or, having commenced such corrective action within such thirty (30) days, fails thereafter to diligently prosecute such action to Completion, to the reasonable satisfaction of City.

12.11 If Developer breaches its agreement concerning demolition as set forth in Section 9.3 of this Agreement.

## ARTICLE 13

### REMEDIES

13.1 If an Event of Default under Article 12 is committed by Developer, to the extent applicable after expiration of any cure period and delivery of any required notice, City may pursue, at its option and without prejudice to any other rights and remedies provided for hereunder or by law, any right or remedy conferred upon or reserved to City under this Agreement, and/or any written guaranty provided to City under the terms of this Agreement. In addition to and without limiting the generality of the foregoing and without having elected its sole remedy, if an Event of Default described in Section 12.5 or 12.6 occurs, City shall have the right to terminate this Agreement upon ten (10) days' written notice to Developer.

13.2 Remedies Cumulative: The rights and remedies provided to City in this Agreement shall be in addition to and cumulative of all other rights and remedies available to City against Developer as applicable, upon an Event of Default by Developer, and City shall have the right to pursue all such other or additional remedies, whether the same be remedies at law and/or equitable remedies, including injunction and relief in the form of mandamus.

13.3 Cure: Any Event of Default by Developer under this Agreement, other than (i) a breach of Developer's construction warranties described in Section 9.6, (ii) any breach of Developer's agreements concerning demolition described in Section 9.3 and Section 13.4, or (iii) Developer's obligations under Article 14 hereof, will be deemed cured by deposit with City of an amount sufficient to Defeas the Developer's Debt Service Principal Allocation of the Zone C.O.s. Such deposit shall be subject to reimbursement on the same basis as a Debt Service Shortfall.

13.4 Construction Delay: In the event that Developer (or Developer's Tenant) shall breach its agreement concerning commencement of construction of improvements as described in Section 9.3.3 of this Agreement, Developer shall identify to City in writing, on or before the tenth (10<sup>th</sup>) day following the expiration of the sixty (60) day period described in Section 9.3.3, the reasons for such breach, which notice also shall identify the date that Developer or Developer's Tenant, as applicable, expects the construction to commence.

13.4.1 West Hotel site. If the date on which Developer's Tenant expects to commence construction of the West Hotel is not within ninety (90) days (or such longer period as may be approved by City in its reasonable discretion) of the expiration of the sixty (60) day period described in Section 9.3.3, then Developer, without further delay and at its sole expense, shall (i) commence restoration of the facades of the Giles Building (located at the corner of St. Mary's and Houston Street) consistent with the restoration plan to be effected by Developer or Developer's Tenant in connection with the West Hotel construction and repair of any structural problems of the Giles Building occasioned by the demolition of an adjacent building, (ii) store and safeguard for the benefit of City any and all items required to be salvaged or preserved by Developer in accordance with Section 9.3.1 of this Agreement, and (iii) improve the site of each demolished building as a pedestrian park and to install such lighting, walkways and plantings as may be approved or reasonably required by City.

13.4.2 Courtyard Park site. If the date on which Developer expects to commence construction of the Majestic Courtyard Park is not within ninety (90) days (or such longer period as may be approved by City in its reasonable discretion) of the expiration of the sixty (60) day period described in Section 9.3.3, then Developer, without further delay and at its sole expense, shall either (i) restore such site as a pedestrian park and to install such lighting, walkways and plantings as may be approved or reasonably required by City or (ii) erect a barrier to visually shield such site in an aesthetically appropriate manner approved by City.

13.4.3 Construction Requirements. All improvements to be constructed by Developer pursuant to this Section 13.4 will be subject to all of the requirements of Section 7.6 and all submissions required thereunder for approval by the Director of Public Works shall be submitted by Developer not later than the expiration of the sixty (60) day period described in Section 9.3.3.

13.4.4 Maintenance of Parks. Developer shall maintain and have sole liability for each pedestrian park constructed by Developer pursuant to this Section 13.4 as the owner thereof.

ARTICLE 14

INDEMNIFICATION BY DEVELOPER

14.1 DEVELOPER COVENANTS AND AGREES TO FULLY INDEMNIFY, DEFEND AND HOLD HARMLESS CITY AND THE ELECTED OFFICIALS, MEMBERS, AGENTS, EMPLOYEES, OFFICERS DIRECTORS AND REPRESENTATIVES OF CITY, INDIVIDUALLY AND COLLECTIVELY, FROM AND AGAINST ANY AND ALL COSTS, CLAIMS, LIENS, DAMAGES, LOSSES, EXPENSES, FEES, FINES, PENALTIES, PROCEEDINGS, ACTIONS, DEMANDS, CAUSES OF ACTION, LIABILITY AND SUITS OF ANY KIND AND NATURE, INCLUDING BUT NOT LIMITED TO, PERSONAL INJURY OR DEATH AND PROPERTY DAMAGE, MADE UPON CITY DIRECTLY OR INDIRECTLY ARISING OUT OF, RESULTING FROM OR RELATED TO DEVELOPER'S ACTIVITIES UNDER THIS AGREEMENT, INCLUDING ANY ACTS OR OMISSIONS OF DEVELOPER, ANY AGENT, OFFICER, DIRECTOR, REPRESENTATIVE, DEVELOPER'S EMPLOYEE OR PERSONNEL, CONSULTANT, CONTRACTOR OR SUBCONTRACTOR, AND THEIR RESPECTIVE OFFICERS, AGENTS, EMPLOYEES, PERSONNEL, DIRECTORS AND REPRESENTATIVES WHILE IN THE EXERCISE OR PERFORMANCE OF THE RIGHTS OR DUTIES UNDER THIS AGREEMENT, ALL WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO CITY UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW. THE PROVISIONS OF THIS INDEMNIFICATION ARE SOLELY FOR THE BENEFIT OF CITY. DEVELOPER SHALL PROMPTLY ADVISE CITY IN WRITING OF ANY CLAIM OR DEMAND AGAINST CITY OR DEVELOPER KNOWN TO DEVELOPER RELATED TO OR ARISING OUT OF DEVELOPER'S ACTIVITIES RELATED TO THIS AGREEMENT AND SHALL SEE TO THE INVESTIGATION AND DEFENSE OF SUCH CLAIM OR DEMAND AT DEVELOPER'S EXPENSE. CITY SHALL HAVE THE RIGHT, AT ITS OPTION AND AT ITS OWN EXPENSE, TO PARTICIPATE IN SUCH DEFENSE WITHOUT RELIEVING DEVELOPER OF ANY OF ITS OBLIGATIONS UNDER THIS ARTICLE.

14.2 Developer's Waiver: With respect to any policies of insurance required by City's Department of Risk Management to be provided by Developer in connection with the construction of the TIF Eligible Improvements, Developer waives any subrogation rights against City with respect to any claims or damages (including, but not limited to, claims for bodily injury and property damage) which are caused by or result from (i) any risks insured against under any valid collectible insurance contract or policy carried by Developer in force at the time of any such injury and/or damage giving rise to such claim or (ii) any risk that would be covered under any insurance required to be obtained and maintained by Developer under this Agreement, even if such required insurance is not in fact obtained and maintained. The provisions of this Section are not intended to limit the claims of Developer or City to the face amount or coverage of the insurance policies herein provided for.

## ARTICLE 15

### CITY DEFAULT

15.1 City Default. Except as otherwise provided in this Agreement, City will be in default under this Agreement upon City's failure to substantially perform or substantially observe any of the obligations, covenants or agreements to be performed or observed by City under this Agreement within thirty (30) days after notice from the Developer of such failure; provided, however, that if such performance or observance cannot reasonably be accomplished within such thirty (30) day period, then no default by City shall occur unless City fails to commence such performance or observance within such thirty (30) day period and fails to diligently prosecute such performance or observance to conclusion thereafter; and provided, further, however, that if such performance or observance has not been accomplished within forty-five (45) days after notice from the Developer to City of such failure (notwithstanding City's diligent prosecution of its curative efforts), exclusive of time lost by reason of strikes, lockouts, fire, other casualties, acts of God, weather and other factors beyond the reasonable control of City), then same shall constitute a default by City hereunder. Notwithstanding the foregoing to the contrary, City will be in default under this Agreement upon City's failure to respond to a seven (7) day notice given by Developer pursuant to Section 7.6.2 of this Agreement.

15.2 If City is in default under this Agreement, to the extent applicable after expiration of any cure period and delivery of any required notice, Developer may pursue, at its option and without prejudice, any and all rights and remedies available to Developer against City, including whether the same be remedies at law and/or equitable remedies, including injunction and relief in the form of mandamus; provided, however, nothing herein shall be construed as or deemed to be a waiver of any form of governmental immunity available to City under Texas law or any other defenses available to City under similar or dissimilar laws.

## ARTICLE 16

### MEDIATION

16.1 Non-Binding Mediation: The Parties agree that if a dispute should arise between them relating to this Agreement after all Conditions Precedent to this Agreement have been fully satisfied by all Parties, they will attempt in good faith to settle the dispute by the alternative dispute resolution procedures ("ADR") described in this paragraph prior to pursuing any other available legal remedies. Any Party may give notice to the other Party that a dispute exists and that such Party desires to pursue ADR, such notice to be given in the manner hereinafter provided for notices. The Parties shall have fifteen (15) days after receipt of such notice to agree upon a neutral person not an Affiliate of, or otherwise affiliated with, any of the Parties (the "Mediator") to negotiate a resolution of the dispute and to participate in good faith in the ADR to its conclusion as determined by the Mediator. If the Parties are not successful in selecting a mutually agreeable Mediator within such fifteen (15) day period or in resolving the dispute through ADR within a period of thirty (30) days following receipt of such notice, then any Party may thereafter pursue any other available remedies. Each Party shall pay its own attorneys' fees in connection with any ADR. Notwithstanding the foregoing to the contrary, no agreement by the City to resolve a dispute arising under this Agreement by ADR shall

prohibit, limit or impede the City's unequivocal rights to draw under the Letter of Credit, including (without implied limitation) the right to draw upon such Letter of Credit under the terms of this Agreement and such Letter of Credit, or delay or impede the Guarantor's obligation under the Guaranty to provide a Letter of Credit in the event Developer fails or refuses to provide a Letter of Credit in accordance with this Agreement.

## ARTICLE 17

### GENERAL PROVISIONS

17.1 Relationship of the Parties: The relationship of Developer and City under this Agreement is that of independent parties, each acting on its own best interests, and notwithstanding anything in this Agreement to the contrary, no partnership, joint venture, or other or additional business relationship is established or intended hereby between Developer and City.

17.2 Certificates Regarding Agreement: Each party hereto agrees, at any time and from time to time upon not less than twenty (20) calendar days prior written notice from the other party, to execute, acknowledge and deliver to such other party, or to any person designated by the other party, a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that the Agreement and other Project documents are in full force and effect as modified and stating the modifications), and stating whether or not to the knowledge of the party making the statement and based upon facts then known to such party without duty of further inquiry, the other party is in default hereunder or thereunder in keeping, observing or performing any of the terms, covenants or conditions contained in this Agreement to be kept, observed or performed by the other party hereto and, if in default, specifying each such default of which the party making the statement is aware, it being intended that any such statement delivered pursuant to this Section shall be relied upon by the other party.

17.3 Representations Regarding Individual Capacity: Each individual executing and delivering this Agreement on behalf of a party hereto hereby represents to the other party hereto that such individual has all requisite power and authority to execute and deliver the same and to bind such party hereunder.

17.4 City Council Approval: Notwithstanding anything to the contrary set forth in this Agreement, Developer recognizes and agrees that any contracts or agreements contemplated to be entered into by City under the terms of this Agreement which are entered into after the date of this Agreement will be subject to the prior approval of the City Council of City, if City Council approval is required under the terms of the City's Charter or other applicable law.

17.5 Capacity of City:

17.5.1 Limitation on Capacity of City: Without in any way limiting or exercising the obligation, duties, covenants and agreements of City as a party to this Agreement, the parties agree that any action, omission or circumstance arising out of the exercise or performance of the City's Governmental Functions shall not cause or constitute a default by City under this

Agreement or any other Project document or give rise to any rights or claims for damages or injury against City in its capacity as a party to the Agreement. Developer's remedies for any injury, damage or claim resulting from any other action, omission or circumstance shall be governed by the laws and regulations concerning claims against City as a charter city and governmental entity. In addition, no set-off, reduction, withholding, deduction or recoupment shall be made in or against any payment due by the Developer to City under this Agreement.

17.5.2 Capacity of Parties Acting on Behalf of City: Notwithstanding anything to the contrary in this Agreement, all references in this Agreement to employees, agents, representatives, contractors and the like of City shall refer only to such persons or entities acting on behalf of City in its capacity as a party to this Agreement or any other Project document, and all such references specifically exclude any employees, agents, representatives, contractors, elected officials and the like acting in connection with the performance of the City's Governmental Functions.

17.5.3 No Limitation on City's Governmental Functions: The parties hereto acknowledge that no representation, warranty, consent, approval or agreement in this Agreement by City (as a party to this Agreement) shall be binding upon, constitute a waiver by or estop City from exercising in good faith any of its rights, powers or duties in its Governmental Functions. For example, approval by City of plans for improvements to be constructed shall not constitute satisfaction of any requirements of, or the need to obtain any approval by, the City's Fire Department, Building Inspections Department, Public Works Department, Planning Department and Economic Development Department or other approval required by City Codes or Government Rules.

17.6 Audit: The Developer will provide to the City, and shall cause its General Partner and the Guarantor to provide to the City the financial reports required pursuant to Section 5.1.6 in accordance therewith. All such financial reports and any and all other financial information or reports reasonably required by City will be made available to City and its designee for purposes of audit by the City and such designee. The Developer agrees to provide reasonable information to the City's Office of Internal Review, or its designee, which is deemed reasonably necessary by City for purposes of the City's determination by audit that the Developer is in apparent compliance with the terms of this Agreement. Developer shall comply with City in effecting a timely audit by promptly complying with the provisions hereof and responding to City's requests made pursuant to hereto.

17.7 Notices: Any notice required or permitted to be given hereunder by one party to another shall be in writing and it shall be given and shall be deemed to have been served and given if (a) delivered in person to the address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail, return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by telecopy (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized overnight delivery service, such as Federal Express Corporation, addressed to such party at the address herein specified. Any notice mailed in the above manner shall be effective three (3) days after its deposit into the custody of the U.S. postal service or one (1) day after deposit with such nationally recognized overnight delivery service, as

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applicable; all other notices shall be effective upon receipt. The addresses of the parties for notices under this Agreement and for all notices hereunder shall be:

If to City: Office of Economic Development  
100 Main Plaza, Fourth Floor  
San Antonio, Texas 78204

with copy to: Frank J. Garza, Esq.  
Veronica M. Zertuche, Esq.  
OFFICE OF THE CITY ATTORNEY  
P.O. Box 839966  
San Antonio, Texas 78283-3966

If to Developer: Street Retail San Antonio, LP  
c/o Street Retail, Inc.  
1626 East Jefferson Street  
Rockville, Maryland 20852-4041  
Attn: John Tschiderer

With a copy to: Street Retail San Antonio, LP  
c/o SRI San Antonio, Inc.  
1626 East Jefferson Street  
Rockville, Maryland 20852-4041  
Attn: Legal Department

Mr. Jim Plummer  
Ms. Jane Macon  
Fulbright & Jaworski L.L.P.  
300 Convent, Suite 2200  
San Antonio, Texas 78205

**17.9 Governing Law: THIS AGREEMENT, AND THE ACTIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING PRINCIPALS OF CONFLICTS OF LAW).**

**17.10 Attorneys' Fees: If any party to such instrument defaults in the performance of any covenants, obligations or agreements of such party contained in such instrument and the other party thereto places the enforcement of such instrument, or any part thereof, or the exercise of any other remedy therein provided for such default, in the hands of an attorney who files suit upon the same (either by direct action or counterclaim), the non-prevailing party shall pay to the prevailing party its reasonable attorneys' fees and costs of court. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party shall be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of such instrument into any judgment on such instrument.**

17.11 Severability: If any term or provision of such instrument, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable in any jurisdiction, as to such jurisdiction, the remainder of such instrument, or the application of such term or provision to the persons or circumstances other than those as to which such term or provision is held invalid or unenforceable in such jurisdiction, shall not be affected thereby, and each term and provision of such instrument shall be valid and enforceable to the fullest extent permitted by applicable law and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties to such instrument hereby waive any provision of law that renders any provision thereof prohibited or unenforceable in any respect.

17.12 No Oral Modification: Any agreement hereafter made shall be ineffective to change, waive, modify, discharge, terminate, or effect an abandonment of this Agreement in whole or in part unless such agreement is in writing and signed by the party against whom such charge, waiver, modification, discharge, termination or abandonment is sought to be enforced.

17.13 No Party Deemed Drafter: Each party has thoroughly reviewed and revised this Agreement and has had the advice of counsel prior to execution hereof, and the parties agree that none of them shall be deemed to be the drafter thereof.

17.14 Use of Defined Terms: Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any number of members of the relevant class. Any reference to this Agreement or any Exhibits hereto and any other instruments, documents and agreements shall include this Agreement, Exhibits and other instruments, documents and agreements as originally executed or existed and as the same may from time to time be supplemented, modified or amended.

17.15 Multiple Counterparts: This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but taken together shall constitute only one document. The parties agree to circulate for execution all executed such counterparts in order that each party may obtain a counterpart executed by all parties.

17.16 Entire Agreement, Amendment and Waiver: This Agreement, together with the exhibits hereto and the documents referenced herein, constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior written and oral agreements and understandings with respect to such subject matter. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought, and in the case of City, approved by action of the City Council. No failure or delay of any party in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right of power, preclude any other or future exercise thereof or the exercise of any other right or power.

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17.17 Table of Contents, Headings: The table of contents and headings of the various articles, sections and other subdivisions of this Agreement are for convenience of reference only and shall not modify, define or limit any of the terms or provisions of this Agreement.

17.18 Parties in Interest, Limitation on Rights of Others: The terms of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their permitted successors and assigns. Nothing in this Agreement, whether express or implied, shall be construed to give any person (other than the parties thereto and their permitted successors and assigns and as expressly provided therein) any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, conditions or provisions contained herein or any standing or authority to enforce the terms and provisions of this Agreement.

17.19 Notices of Changes in Fact: Promptly after either party becomes aware of same, such party will notify the other party of (i) any change in any material fact or circumstance represented or warranted by such party in this Agreement, and (ii) any default, event or condition which, with notice or lapse of time or both, could become an Event of Default of such party under this Agreement, specifying in each case, the nature thereof and what action such party has taken, is taking and proposes to take with respect thereto. Such notice shall not delay or impede the exercise of remedy which City has under this Agreement or otherwise.

17.20 Transfer:

17.20.1 Transfer Prior to Investment Date. Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and that City has entered into this Agreement in reliance upon the business skills, financial capacity and reputation of Developer and Guarantor and upon the business skills and reputation of Developer's Representatives. Accordingly, until the date (the "Investment Date") on which Developer has established to the reasonable satisfaction of City that Developer or Developer's Tenant(s) have invested in Developer's Properties at least Ninety-Three Million Dollars (\$93,000,000), neither Developer, nor any individual, partnership, corporation or other entity which directly or indirectly has, owns or controls any interest in Developer, other than Guarantor ("Developer Entities"), shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber its interest in this Agreement ("Agreement Transfer") or sell, assign, transfer, convey or give away any direct or indirect interest in the Developer Entities ("Developer Transfer") except in accordance with the provisions set forth in Section 17.20.2. Further, from and after the Investment Date, no Developer Entity shall engage in an Agreement Transfer or a Developer Transfer (collectively, a "Transfer") except in accordance with the provisions set forth in Section 17.20.3. Any purported Transfer, by operation of law or otherwise, not in accordance with Sections 17.20.2 or 17.20.3, as applicable, shall be null and void and shall constitute a material breach of this Agreement, unless Developer shall deposit with the City an amount sufficient to Defeas the Developer's Debt Service Principal Allocation of the Zone C.O.s. Such deposit shall be subject to reimbursement on the same basis as a Debt Service Shortfall pursuant to Section 7.7.5.3.

17.20.2 Permitted Transfers. The term "Permitted Transfer" refers to each one of the following described Transfers: (a) any Developer Transfer which, when combined with all other transfers which occurred in the six (6) months immediately preceding such Developer Transfer, is of less than a "controlling interest" (herein defined) in that Developer Entity; (b) any Developer

Transfer of more than a controlling interest in a Developer Entity which does not result in a "substantial change in the management" (herein defined) of the Developer Entity for a period of one (1) year after the effective date of the Developer Transfer; or (c) any Developer Transfer of an interest in a Developer Entity to the shareholders of Guarantor with the direct result that the ownership of such Developer Entity becomes widely held, or (d) any Developer Transfer resulting from any merger, consolidation or reorganization of Street Retail, Inc. involving all or substantially all of its shares or properties; or (e) any Developer Transfer resulting from a sale of all or substantially all of the properties of Street Retail, Inc. or (f) any Transfer to an Affiliate so long as Guarantor reaffirms its obligations under the Guaranty. These Permitted Transfers are permitted by a Developer Entity without the prior, written consent of the City provided that no Event of Default shall then exist under this Agreement or would exist but for the giving of notice and the expiration of the applicable cure period therefor.

17.20.2.1 For the purposes of Section 17.20.2, the term "controlling interest" means an interest which enables the holder thereof, directly or indirectly, to direct or cause the direction of the management and policies of such Developer Entity.

17.20.2.2 For the purposes of Section 17.20.2, the term "substantial change in the management" means the departure, divestiture or re-assignment of individual(s) in management position(s) of a Developer Entity who, prior to such departure, divestiture or re-assignment (actual or de facto) were able to direct or cause the direction of the actions and policies of the Developer Entity, whether acting singly or in unison with others, and who, following such departure, divestiture or re-assignment, no longer possess such ability or authority.

17.20.3 Transfer After Investment Date: From and after the Investment Date and until the Developer's Debt Service Principal Allocation of the Zone C.O.s has been Defeased, City's consent shall not be required for any Transfer (other than a mortgage, pledge or other encumbrance of this Agreement) to a transferee that has a net worth of Twenty Million Dollars (\$20,000,000) provided that no Event of Default shall then exist under this Agreement (or would exist after the expiration of applicable notice and cure periods without curative action on the part of Developer). City's consent to any Transfer not expressly permitted under the preceding sentence after the Investment Date shall not be unreasonably withheld, conditioned or delayed; provided, however, City may require in its sole discretion, as a condition of its approval, that the transferee demonstrate to City's satisfaction that transferee individually has the financial resources necessary to satisfy the remaining financial obligations of Developer under this Agreement.

17.20.4 Approvals. Developer shall provide to City a written notice and explanation in reasonable detail of each Transfer prior thereto, and shall provide on a timely basis such additional information as City may reasonably require in order to determine whether the applicable criteria in Sections 17.20.2 or Section 17.20.3 have been satisfied. For any Transfer requiring City's prior approval, within thirty (30) days after City's receipt of the foregoing information, City shall advise Developer of its approval or disapproval of the requested Transfer and if City disapproves the request, City shall specify the reasons for such disapproval. City may require, in its sole discretion, any or all of the following as conditions of its approval:

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17.20.4.1 All accrued monetary obligations and all other outstanding obligations to City required to be performed prior to the effective date of the Transfer shall have been satisfied;

17.20.4.2 There is no Event of Default under this Agreement, any amendment hereof or successor hereto, or any other agreement between City and Developer, a Developer Entity or Guarantor or in connection with the work to be performed by Developer and/or City pursuant to this Agreement; and

17.20.4.3 The transferee shall demonstrate to City's satisfaction that transferee and transferee's principals meet the following criteria: (a) transferee has a good business reputation; (b) transferee (either directly or indirectly or through contractual relationships) has the ability to perform the remaining obligations of the transferor under this Agreement, any amendments hereof or successor hereto (as may be evidenced by prior related business experience or otherwise); (c) transferee has the financial resources necessary to satisfy the remaining financial obligations of the transferor under this Agreement.

17.20.5 Investment Date. Developer may request at any time that City acknowledge the occurrence of the Investment Date by submitting to City a request therefor together with such documentation and information as may be reasonably required by City to demonstrate that Developer and Developer's Tenants have invested a minimum of Ninety-Three Million Dollars (\$93,000,000) in Developer's Properties.

17.20.6 Transfer Requirements. In connection with any Transfer, whether or not requiring City's consent and whether such Transfer occurs before, on or after the Investment Date, the following provisions shall apply:

17.20.6.1 Release. The transferor shall execute on its own behalf (and not on behalf of any other Developer Entity) a general release, in form satisfactory to City, of any and all claims against City and its representatives, managers, employees, elective officials, and agents, including, without limitation, claims arising under or pursuant to this Agreement and federal, state and local laws, rules and ordinances;

17.20.6.2 Written Assumption. The transferee shall enter into a written agreement, in form reasonably satisfactory to City, assuming full liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements to be performed by the transferor under this Agreement.

17.20.6.3 Continuing Liability. The transferor shall remain liable for all the obligations to City under this Agreement arising prior to the effective date of the Transfer and shall be released from any and all liabilities, obligations, covenants and agreement arising from and after the effective date of the Transfer. The transferor and City shall execute any and all instruments reasonably requested by City and/or Developer to evidence the foregoing.

17.20.7 Developer acknowledges and agrees that each condition which must be met by the transferee and/or the transferor with respect to Transfers is reasonable and necessary to assure full performance of the obligations hereunder.

17.20.8 Nothing herein shall impair Developer's ability to convey any of the Developer's Properties.

17.21 Exhibits: Each document appended to this Agreement as an exhibit is incorporated herein as a part hereof for all purposes.

IN WITNESS WHEREOF, this Agreement has been executed by City on [\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_].

**CITY OF SAN ANTONIO, TEXAS**

ATTEST:

By: \_\_\_\_\_  
Alexander E. Briseño,  
City Manager

\_\_\_\_\_  
City Clerk

I, the undersigned, City Attorney for the City of San Antonio, Texas, hereby certify that I read, passed upon and approved as to form the foregoing Agreement prior to its approval by the City Council.

\_\_\_\_\_  
City Attorney, City of San Antonio

IN WITNESS WHEREOF, this Agreement has been executed by the Developer on [\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_].

**STREET RETAIL SAN ANTONIO, LP**, a Delaware limited partnership, acting by and through its sole general partner, Street Retail San Antonio, Inc., a Maryland corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit A**  
**Estimated Debt Service Requirement**

Houston Street Redevelopment  
December 14, 1999

Houston Street Redevelopment - TIF Reinvestment Zone					
Projected Tax Increment Revenue					
Principal and Interest Requirements - Debt 2000					
Date	Principal	Interest Rate	Interest	Semi-Annual	Annual
09/15/99				0.00	0.00
03/15/00				-	
09/15/00		6.00%*	91,260.00	91,260.00	91,260.00
03/05/01			157,950.00	157,950.00	
09/15/01		6.00%	157,950.00	157,950.00	315,900.00
03/15/02			157,950.00	157,950.00	
09/15/02		6.00%	157,950.00	157,950.00	315,900.00
03/15/03			157,950.00	157,950.00	
09/15/03	530,000	6.00%	157,950.00	687,950.00	845,900.00
03/15/04			142,050.00	142,050.00	
09/15/04	565,000	6.00%	142,050.00	707,050.00	849,100.00
03/15/05	-		125,100.00	125,100.00	
09/15/05	600,000	6.00%	125,100.00	725,100.00	850,200.00
03/15/06	-		107,100.00	107,100.00	
09/15/06	635,000	6.00%	107,100.00	742,100.00	849,200.00
03/15/07	-		88,050.00	88,050.00	
09/15/07	670,000	6.00%	88,050.00	758,050.00	846,100.00
03/15/08	-		67,950.00	67,950.00	
09/15/08	710,000	6.00%	67,950.00	777,950.00	845,900.00
03/15/09	-		46,650.00	46,650.00	
09/15/09	755,000	6.00%	46,650.00	801,650.00	848,300.00
03/15/10	-		24,000.00	24,000.00	
09/15/10	800,000	6.00%	24,000.00	824,000.00	848,000.00
03/15/11			0.00	-	
	5,265,000		2,240,760	7,505,760	7,505,760

Dated Date: 06/01/00

\*Estimated Rate of Interest; Amounts to be re-calculated at actual date of interest of Zone C.O.'s.

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Schedule of Exhibits:

- Exhibit A - Debt Service Requirement
- Exhibit B - Developer's Properties
- Exhibit C - Guaranty
- Exhibit D - Reimbursement Request Letter
- Exhibit E - Reinvestment Zone Financing Plan (Initial Plan)
- Exhibit F - Fees To Be Waived

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Exhibit B

Houston Street Redevelopment  
Growth Rate of 2.80%  
December 6, 1999

**DEVELOPER'S PROPERTIES**

- Frost Brothers Building
- Josephs Building
- Harvey House
- Vogue Building
- Kress Building
- East Hotel Site
- Stuarts Building
- Walgreen Building
- West Hotel Site
- Carl Courtyard

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Exhibit C

FORM OF GUARANTY AGREEMENT

FOR VALUE RECEIVED, and in consideration of the agreement by CITY OF SAN ANTONIO, TEXAS ("CITY") to enter into that certain Development Agreement dated effective \_\_\_\_\_, 2000 ("Development Agreement"), between CITY and STREET RETAIL SAN ANTONIO, LP, a Delaware limited partnership (hereinafter called "DEVELOPER"), which Development Agreement directly and materially benefits the undersigned, and for other good and valuable considerations, the undersigned, FEDERAL REALTY INVESTMENT TRUST, a Maryland Real Estate Investment Trust, whose address is 1626 E. Jefferson Street, Rockville, Maryland 20852, ATTN: Legal Department (herein called "Guarantor"), absolutely and unconditionally guarantees the prompt and punctual payment and performance of the Obligations, as hereinafter defined, of DEVELOPER as and when the same shall be due, whether by the lapse of time or otherwise, and at all times thereafter, to CITY, whose address is c/o Finance Department, 506 Dolorosa, San Antonio, Bexar County, Texas 78204, as provided herein. Payment of all amounts hereunder shall be made at the address of CITY, unless and until such address may be changed by notice given in accordance with this Guaranty Agreement.

1. Specific Guaranty of Payment and Performance.

This is a specific guaranty applicable to and, except as limited herein, guaranteeing the following agreements, undertakings and obligations of DEVELOPER under the Development Agreement (herein collectively called the "Obligations"):

- A. The obligation to provide to CITY a letter of credit annually on or before October 1, in amounts specified in the Development Agreement, subject to possible abatement for certain years as therein provided. Upon each notice in writing from CITY that Developer has failed to provide a letter of credit in accordance with the terms of the Development Agreement, Guarantor shall provide the letter of credit to CITY within fifteen (15) days of Guarantor's deemed receipt (as determined in accordance with Paragraph 10 hereof) of such notice from CITY.
- B. Performance, payment and undertaking all of DEVELOPER's obligations under the Development Agreement without further notice or demand of any kind within ten (10) days after notice in writing from CITY that Developer does not have or has failed to maintain a \$10 million net worth requirement in accordance with the terms of the Development Agreement; Guarantor shall perform, pay and undertake all of DEVELOPER's obligations under the Development Agreement if, and only if, Developer fails to have or maintain such \$10 million net worth, except as otherwise required under Paragraph A. above.

2. Guarantor to Pay Attorneys' Fees and Costs.

In addition to any other amounts which may become due hereunder, Guarantor agrees to pay to the CITY or to its successors or assigns, all reasonable attorneys' fees or court costs incurred by CITY in enforcing this Guaranty Agreement, if the Obligations are not performed or paid by



Guarantor as required herein or if this Guaranty is enforced by suit or through bankruptcy court or through any judicial proceedings whatsoever, and should it be necessary to reduce the CITY's claim to judgment, said judgment shall bear interest at the highest legal rate permitted by applicable law.

3. Waivers by Guarantor.

Guarantor waives:

1. notice of acceptance of this Guaranty Agreement and of any liability to which it applies or may apply;
2. except as hereinabove expressly provided, demand for payment, presentment for payment, notice of nonpayment, notice of default, protest, notice of protest, notice of dishonor, notice of collection, notice of intention to accelerate, notice of acceleration and any claim for lack of diligence by CITY in bringing suit against any person liable therefor;
3. marshaling of assets and liabilities;
4. all defenses given to sureties or guarantors at law or in equity other than the actual payment and performance of the Obligations and all defenses based upon questions as to the validity, legality or enforceability of the Obligations or the Development Agreement;
5. any and all rights of set-off, statutory or otherwise.

4. Primary Obligation of Guarantor.

Guarantor specifically agrees that it shall not be necessary or required as a condition to the enforcement of this Guaranty Agreement against Guarantor or any person liable hereunder to CITY, and that Guarantor shall not be entitled to require, that CITY

- A. make any effort at collection of the Obligations from DEVELOPER other than delivering notice and waiting for expiration of cure periods required under Development Agreement;
- B. seize, liquidate, proceed against, foreclose (whether by non-judicial, judicial, executory process or otherwise) upon or otherwise seek to realize upon any security now or hereafter existing or available for the Obligations;
- C. file suit or proceed to obtain or assert a claim for personal judgment against any other party (whether maker, guarantor, endorser, surety or otherwise) liable for the Obligations; and
- D. make any effort at collection of the Obligations from any such other party or exercise or assert any other right or remedy to which CITY is or may be entitled in connection with the Obligations or any security or other guaranty therefor.

5. Modification of Obligations.

Without in any way diminishing Guarantor's agreements, duties and undertakings under this Guaranty Agreement, CITY may at any time without the consent of Guarantor, and without notice to Guarantor, upon or without any terms or conditions, and in whole or in part:

- A. enter into an agreement with Developer modifying or amending the Development Agreement;
- B. exercise or refrain from exercising any rights against DEVELOPER or others; and
- C. settle or compromise any liabilities hereby guaranteed or hereby incurred.

6. Accounting For Payments Made by Guarantor.

Whenever Guarantor pays any sum which may become due to CITY under the terms of this Guaranty Agreement, notice in writing shall be delivered to CITY at the time of such payment and, in the absence of such notice, any sums received by CITY on account of any Obligations hereby guaranteed shall be conclusively deemed to be paid by DEVELOPER. All sums paid to CITY by Guarantor shall be applied by CITY to the Obligations according to the terms of the Development Agreement. Guarantor will not be subrogated to the rights of CITY by virtue of any payments made on behalf of DEVELOPER or otherwise. In the event that Guarantor pays any amounts or assumes any obligation of DEVELOPER under the Development Agreement, Guarantor shall be entitled pursuant to Section 11.6 of the Development Agreement to exercise the rights of DEVELOPER under the Development Agreement in connection therewith, provided that Guarantor shall indemnify, hold harmless and defend CITY from and against any claims of Developer arising from or in connection with the exercise of such rights.

7. Benefit Conferred Upon Guarantor.

Guarantor acknowledges that the execution and delivery of this Guaranty Agreement is an essential condition to CITY's agreement to the Development Agreement and all transactions therein described, and Guarantor hereby acknowledges, confirms and declares that CITY's agreement to the Development Agreement to be beneficial and valuable to Guarantor.

8. Continuation of Guaranty.

This instrument is a guaranty of the Obligations and all renewals, extensions and modifications thereof, and shall not be wholly or partially satisfied or extinguished by Guarantor's partial payment or performance thereof, but shall continue in full force and effect as against the Guarantor for the full amount of the Obligations until payment in full or completed performance thereof.

9. Complete Agreement.

The parties hereto expressly acknowledge and agree that, with regard to the subject matter of this Guaranty Agreement, and the transactions contemplated herein, there are no oral agreements between the parties hereto. This Guaranty Agreement embodies the final and complete agreement between the parties and supersedes all prior and contemporaneous negotiations, offers, proposals, agreements, commitments, promises, acts, conduct, course of dealing, representations, statements, assurances and understandings, whether verbal or written.

10. Notices.

Any notice required or permitted to be given hereunder by one party to another shall be in writing and it shall be given and shall be deemed to have been served and given if (a) delivered in person to the address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by telecopy (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized overnight delivery service, such as Federal Express Corporation, addressed to such party at the address herein specified. Any notice mailed in the above manner shall be deemed effective three (3) days after its deposit into the custody of the U.S. postal service or one (1) business day after deposit with such nationally recognized overnight delivery service, as applicable, if marked for delivery the next day; all other notices shall be effective upon receipt. The addresses of the parties for notices under this Guaranty Agreement and for all notices hereunder shall be as stated on page 1 of this Guaranty Agreement.

11. Governing Law:

**THIS GUARANTY AGREEMENT, AND THE ACTIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING PRINCIPALS OF CONFLICTS OF LAW).**

12. Waiver:

No failure or delay of CITY in exercising any power or right under this Guaranty Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right of power, preclude any other or future exercise thereof or the exercise of any other right or power by CITY.

13. Assignment and Assumption:

(a) Guarantor shall not be entitled to assign, transfer, convey or give away or otherwise alienate (collectively a "Transfer") its interest in this Guaranty without the prior written consent of the City which shall not be unreasonably withheld, conditioned or delayed, provided, however, City's consent shall not be required if such transferee shall then have a net worth of at least One Hundred Million Dollars (\$100,000,000) ("Permitted Transferee"). Guarantor shall be released from all liabilities and obligations under this Guaranty arising from and after but shall remain liable for obligations arising prior to: (i) the effective date of any Transfer approved by City; (ii) the effective date of a Transfer to any Permitted Transferee; or (iii) upon a determination by City that the Developer (or any permitted assignee thereof) is a Permitted Transferee.

(b) Any request for approval of a Transfer or confirmation of release upon a Transfer to a Permitted Transferee shall be submitted to City together with such information as City may reasonably require in order to determine whether to grant its consent to a proposed transferee or to determine if a transferee or the Developer is a Permitted Transferee. Within thirty (30) days after City's receipt of the foregoing information, City shall advise Developer of approval or disapproval of the requested Transfer or of a transferee's status as a Permitted Transferee, and if City disapproves, City shall specify the reasons for such disapproval. If City approves a Transfer or the

status of a transferee as a Permitted Transferee, City, Developer and transferee shall negotiate diligently and in good faith the documentation required pursuant to Paragraphs 13(c) and 13(d).

(c) Upon any Transfer by Guarantor or any substitution of a Permitted Transferee for Guarantor, Guarantor shall execute a general release, in form reasonably satisfactory to City, of any and all claims against City and its representatives, managers, employees, elective officials, and agents, including, without limitation, claims arising under the Guaranty and federal, state and local laws, rules and ordinances. In addition, the transferee or replacement guarantor shall enter into a written agreement, in form reasonably satisfactory to City, assuming full liability for and agreeing to perform from the date of the transfer or substitution, all obligations, covenants and agreements contained in this Guaranty to be performed by Guarantor.

(d) Guarantor shall remain liable for all of the obligations to City under this Guaranty arising prior to the effective date of the Transfer or substitution of Guarantor and shall be released from any and all liabilities, obligations, covenants and agreements arising from and after the effective date thereof. Guarantor and City shall execute any and all instruments reasonably requested by City and/or Guarantor to evidence the foregoing.

14. Termination. This Guaranty will terminate upon the earlier to occur of

- (a) the full performance of the obligations of Developer under the Development Agreement;
- (b) the full performance by Guarantor of the Obligations; or
- (c) upon a transfer by Developer of its rights, duties and obligations under the Development Agreement to a transferee with a net worth of at least Twenty Million Dollars (US\$20,000,000.00) upon the terms and conditions set forth in Section 17.20.3 and Section 17.20.6 of the Development Agreement.

**EXECUTED** to be effective as of this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

**GUARANTOR:**

FEDERAL REALTY INVESTMENT  
TRUST, a Maryland Real Estate Investment  
Trust

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

THE STATE OF \_\_\_\_\_

§

COUNTY OF \_\_\_\_\_

§

This instrument was acknowledged before me, the undersigned authority, by \_\_\_\_\_ of FEDERAL REALTY INVESTMENT TRUST, a Maryland Real Estate Investment Trust, on behalf of said entity.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

[seal]

\_\_\_\_\_  
Notary Public in and for  
The State of Texas

1007

**Exhibit D**

**Form of Reimbursement Request Letter**

[date]

**REQUEST FOR REIMBURSEMENT**

Re: Houston Street Reinvestment Zone Tax Increment Fund

With respect to the funds now on deposit in the Tax Increment Fund of the Houston Street Reinvestment Zone, the undersigned requests reimbursement authorized under the terms of the Development Agreement dated effective \_\_\_\_\_, 2000, between the City of San Antonio, Texas, and Street Retail San Antonio, LP, as follows:

- O. The sum of \$ \_\_\_\_\_, which represents the following expenditures by the undersigned which are reimbursable under the Development Agreement as follows:

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- P. Attached to this Request for Reimbursement are the certificates of contractors, subcontractors, suppliers, laborers and materialmen evidencing payment in full for all labor, services, materials and supplies used, consumed, installed, fabricated and/or incorporated within the improvements, if any, for which reimbursement is requested.

- Q. The expenditures for which reimbursement is requested were made for the following purposes:

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- R. The undersigned certifies as follows:

1. All expenditures for which reimbursement is requested are properly reimbursable under the terms of the Development Agreement.

- 2. Improvements for which reimbursement is requested have been completed in a good and workmanlike manner and are warranted in accordance with the Development Agreement.
- 3. Street Retail San Antonio, LP is not in default under the terms of the Development Agreement or, with notice or the passage of time or both, would not be in default under the terms of the Development Agreement, with the exception of the following (if none, please so state):

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**STREET RETAIL SAN ANTONIO, LP,**  
 a Delaware limited partnership, acting by and  
 through its sole general partner, SRI San  
 Antonio, Inc. d/b/a Street Retail San Antonio  
 I, Inc., a Maryland corporation

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Reimbursement to STREET RETAIL SAN ANTONIO, LP, is hereby approved in the following amounts:

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**CITY OF SAN ANTONIO, TEXAS**

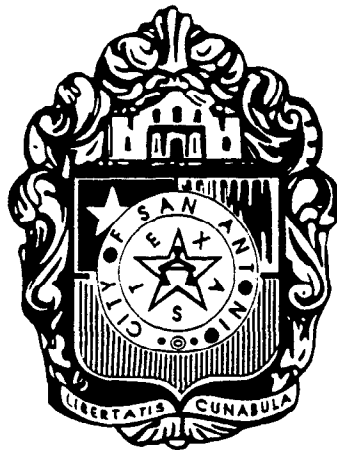
Date: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
 City Manager

\_\_\_\_\_  
 City Clerk

**CITY OF SAN ANTONIO, TEXAS**  
**Houston Street Redevelopment Project**



**TIF Plan of Finance**

**\$4,500,000 Houston Street Redevelopment**  
**\$750,000 Historic Civic Center Linkage**  
**\$400,000 Crockett Street**  
**Improvements Growth Rate of 2.80%**

**City, Bexar County,**  
**UHS & ACCD**

**November 29, 1999**



# **Houston Street Redevelopment Tax Increment Reinvestment Zone – Plan of Finance**

## **Introduction**

The proposed Houston Street Redevelopment project is located in the center of the downtown business district and will encompass approximately 0.9832 square miles. The proposed approximate boundaries stretch from a southernmost point of Crockett Street and extend north to Martin Street. The zone's western boundary is Soledad Street and Alamo Street to the east. The northernmost boundary extends to Martin Street. The proposed tax increment reinvestment zone ("TIRZ") will provide a source of funding for public improvements primarily along Houston Street. These public improvements are a significant part of a broader plan to revitalize and redevelop the commercial, retail and residential property along Houston Street and beyond.

The project includes the issuance of a certificate of obligation to fund approximately \$4,500,000 of improvements along Presa Street, \$750,000 for pedestrian linkage from the River Walk to the Historic Civic Center area, and \$400,000 of improvements along Crockett Street. In addition to the aforementioned public improvements, the developer plans to fund \$4,800,000 for public improvements to include: \$1,600,000 for courtyard improvements, \$975,000 for the Houston Street bridge linkage, \$1,500,000 for facade preservation, \$625,000 for other public improvements, and \$100,000 for architect and engineering fees. Revenues produced from the tax increment reinvestment zone will be utilized to pay principal and interest on the certificates of obligation and the developer loan.

The revitalization of Houston Street is founded in the development program of Federal Realty Investment Trust, an equity real estate investment trust ("REIT") traded on the New York Stock Exchange. Houston Street development will be done through Street Retail San Antonio, LP ("Developer"), a Delaware limited partnership, organized and existing under the laws of the State of Delaware. Street Retail San Antonio, LP is a wholly-owned affiliate of a Federal Realty Investment Trust.

## **Public Infrastructure**

The public infrastructure improvements and related capital costs include streetscaping, pedestrian/sidewalk expansions, River Walk access improvements, street improvements, construction of handicap-accessible elevators from street to River Walk, public courtyard development, and facade preservation. The total capital cost is estimated at \$10,450,000.

## **Plan of Finance**

The creation of the proposed TIRZ would provide a base value of \$224,926,390. Future taxable value increases within the TIRZ in tax year 1999 and beyond would provide incremental revenue beginning in Fiscal Year Ending 9/30/2001. The taxable value increases captured within the TIRZ grow from \$6,297,939 in Tax Year 2000 to \$226,148,793 in Tax Year 2013. The tax revenue provided by the captured value will be used to pay principal and interest on the certificates of obligation and Developer loan.

The City of San Antonio intends to issue Certificates of Obligation in one or two installments over the next year to fund the improvements and certain costs of issuance. Through a contractual arrangement,

TIRZ tax collection will be remitted to the City to meet debt service requirements. In addition to the debt service cost, other costs to be paid from the TIRZ revenue include certain City of San Antonio and/or administrator fees. Revenues derived from the TIRZ will be used to pay costs in the following order of priority: (1) the administrative fees and other eligible costs incurred by the governmental entities participating in the TIRZ; (2) the payment of debt service requirements of certain obligations issued for the purpose of funding public improvements; (3) to reimburse Developer for liquidated damages payments plus accrued interest on the liquidated damages amount; and (4) the payment of the Developer's loan debt service requirements.

The taxing jurisdictions and tax rate per \$100 valuation utilized in the analysis include: City of San Antonio at \$0.57979; Bexar County at \$0.339458; University Health System at \$.243869 and the Alamo Community College District at \$0.105961. Based on these assumptions, projected annual revenues of \$77,928 in fiscal year 2001 to \$2,798,254 in fiscal year 2014 are projected. No growth in tax rates is assumed. Growth of 2.80% in taxable value is assumed.

#### **Limited Obligation of the City or Participating Governmental Entities**

The City and Participating Governmental Entities shall have a limited obligation to impose, collect taxes, and deposit such tax receipts into a TIRZ fund and to submit the funds to the City of San Antonio as long as any debt obligation that funded the improvements remains outstanding. The TIRZ collections for this project shall not extend beyond September 30, 2014, and may be terminated prior to September 30, 2014, upon payment in full of its contractual obligations with the City of San Antonio, or for any other reason deemed appropriate by the City and the Participating Governmental Entities.

The contractual obligations of the TIRZ shall never in any event become general obligations or debt of the City or any of the Participating Governmental Entities. The contractual obligations incurred shall be payable solely from the TIRZ revenues and shall never constitute a debt, indebtedness, or a pledge of the faith and credit or taxing power of the State, the City, the Participating Governmental Entities, any political corporation, subdivision, or agency of the State.

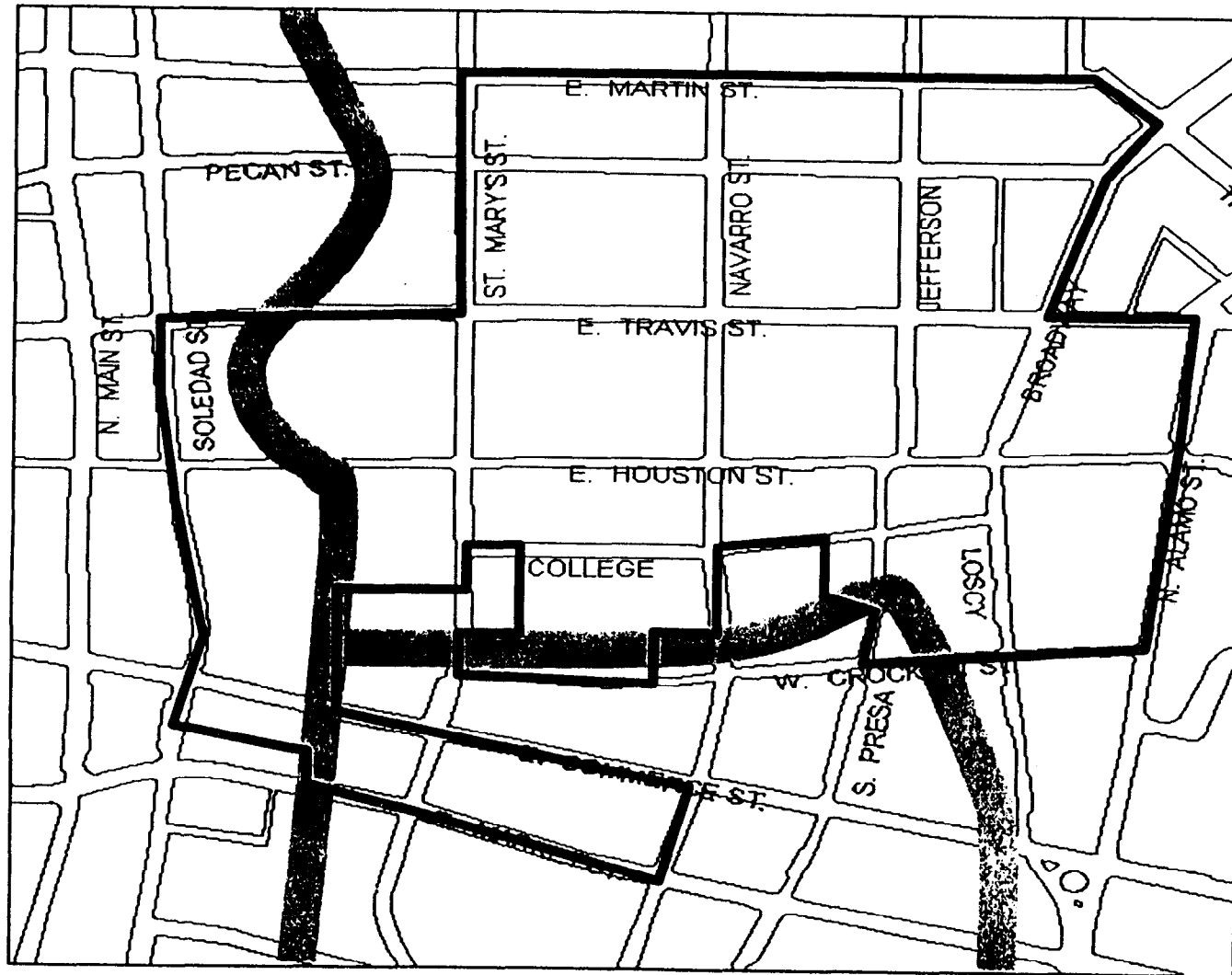
#### **Inspection**

The City, Participating Governmental Entities or Administrator shall have the right to inspect the project site or sites.

#### **Recommendation**

It is recommended that the City and Participating Governmental Entities proceed with the project, submit the plan of finance, create the mechanisms required to tax and collect TIRZ revenues and deposit such revenues into a TIRZ account. Such recommendation is conditioned on the acceptance of the plan of finance by the Participating Governmental Entities, at the approximate participation levels described in this Plan of Finance.

# Proposed TIF Boundaries



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**City of San Antonio, Texas**  
**Houston Street Improvements - Tax Increment Financing Zone**

**Summary of Financial Analysis**

<b>Credit Rating (Certificates of Obligation)</b>		AA+
<b>Bond Insurance</b>		No
<b>Debt Structure</b>	Level with Balloon in 2009	
<b>Dated Date</b>		June 1, 2000
<b>Estimated Interest Rate</b>		
Current Interest Bonds		6.00%
<b>Bond Issue Proceeds</b>		
Current Interest Bonds	\$	6,610,000
Developer Loan	\$	4,800,000
<b>Capitalized Interest (net funded amount)</b>	\$	907,773
<b>Approximate Amount Available for Project Cost</b>	\$	11,410,000

**Additional Bond and TIF Statistics**

Maximum Annual Debt Service	\$	651,900
Total Debt Service	\$	10,106,173
Final Term of Debt		09/15/2020
Final Year of TIF		2014
Base Year TIF Value (1999)	\$	224,926,390
Total Projected New Development	\$	93,743,688
Projected Annual Value Appreciation		
Base Model Growth Factor		2.80%
Enhanced Growth Model		0.00%
Total Projected Value Increase Over Base Year	\$	226,148,793
(Beginning Value of final year less beginning value of base)		
Total TIF Revenues	\$	22,345,732

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**Houston Street Redevelopment  
 Tax Increment Financing Zone**

**Project Construction Sources and Uses of Funds**

**Sources of Funds**

Par Amount of Current Interest Bonds	\$ 6,610,000
Developer Loan	4,800,000

<b>Total Sources of Funds</b>	<b><u>\$ 11,410,000</u></b>
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**Uses of Funds**

Construction & Equipment Fund Deposit	
Houston Street Improvements	4,500,000
Crockett Street Improvements	400,000
Historic Civic Center	750,000
Majestic Courtyard	1,600,000
Houston Bridge Linkage	975,000
Façade Preservation	1,500,000
Architects & Engineering	100,000
Other Projects	625,000
Costs of Issuance	50,000
Underwriter's Discount	
Capitalized Interest Fund Deposit	907,773
Reserve Fund Deposit	
Contingency	2,227

<b>Uses of Funds</b>	<b><u>\$ 11,410,000</u></b>
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Total TIF Revenues	\$ 22,345,732
TIF Fund Interest Earnings	\$ 693,135
<b>Total Sources of Funds</b>	<b><u>\$ 23,038,867</u></b>

Total Public Improvement Construction Cost	\$ 10,450,000
Cost of Issuance	\$ 52,227
Interest Cost on Certificates of Obligation	\$ 3,496,173
Interest Cost on Developer's Loan	\$ 8,692,406
Total Admin. Expenses	\$ 190,000
Ending TIF Fund Balance	\$ 158,061
<b>Total Uses of Funds</b>	<b><u>23,038,867</u></b>

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City of San Antonio, Texas  
Houston Street Redevelopment - Tax Increment Financing Zone

Projected Tax Increment Revenue

Tax Year	(1) Tax Increment Zone					(2) City of San Antonio			(3) Bexar County			(4) University Health System			(5) Alamo Community College District			Combined Tax Increments	Fiscal Year Ending	
	Proposed Assessed Value	Federal Realty Improvements	Other Improvements	Total Taxable Value	Proposed Year End Assessed Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments			
1999	224,926,390			224,926,390	231,224,329	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2000	
2000	231,224,329	9,289,643	6,000,000	246,513,972	252,988,253	6,297,939	0.57979	35,602	6,297,939	0.33946	20,844	6,297,939	0.24387	14,915	6,297,939	0.10596	6,567	77,928	2001	
2001	252,988,253	461,889		253,450,142	260,533,813	28,061,863	0.57979	138,632	28,061,863	0.33946	92,877	28,061,863	0.24387	66,723	28,061,863	0.10596	28,991	347,224	2002	
2002	260,533,813	3,640,600		264,174,413	271,669,360	35,607,423	0.57979	201,287	35,607,423	0.33946	117,850	35,607,423	0.24387	84,665	35,607,423	0.10596	36,767	440,389	2003	
2003	271,669,360	13,246,967		286,716,327	294,317,469	46,542,970	0.57979	263,105	46,542,970	0.33946	154,044	46,542,970	0.24387	110,666	46,542,970	0.10596	48,064	573,500	2004	
2004	294,317,469	59,104,589		353,422,058	361,662,947	69,391,079	0.57979	392,264	69,391,079	0.33946	229,665	69,391,079	0.24387	164,993	69,391,079	0.10596	71,689	858,611	2005	
2005	361,662,947			361,662,947	371,789,510	136,736,557	0.57979	772,965	136,736,557	0.33946	452,559	136,736,557	0.24387	325,122	136,736,557	0.10596	141,265	1,691,911	2006	
2006	371,789,510			371,789,510	382,199,616	146,863,120	0.57979	830,210	146,863,120	0.33946	486,075	146,863,120	0.24387	349,200	146,863,120	0.10596	151,727	1,817,212	2007	
2007	382,199,616			382,199,616	392,901,205	157,273,226	0.57979	889,058	157,273,226	0.33946	520,530	157,273,226	0.24387	373,952	157,273,226	0.10596	162,482	1,946,822	2008	
2008	392,901,205			392,901,205	403,902,439	167,974,815	0.57979	949,554	167,974,815	0.33946	555,949	167,974,815	0.24387	399,396	167,974,815	0.10596	173,536	2,078,436	2009	
2009	403,902,439			403,902,439	415,211,707	178,976,049	0.57979	1,011,743	178,976,049	0.33946	629,790	178,976,049	0.24387	425,555	178,976,049	0.10596	184,904	2,214,562	2010	
2010	415,211,707			415,211,707	426,837,635	190,285,317	0.57979	1,075,674	190,285,317	0.33946	679,790	190,285,317	0.24387	452,446	190,285,317	0.10596	196,588	2,354,497	2011	
2011	426,837,635			426,837,635	438,789,089	201,911,245	0.57979	1,141,395	201,911,245	0.33946	707,825	201,911,245	0.24387	480,089	201,911,245	0.10596	208,598	2,498,351	2012	
2012	438,789,089			438,789,089	451,075,183	213,862,099	0.57979	1,208,956	213,862,099	0.33946	748,488	213,862,099	0.24387	508,506	213,862,099	0.10596	220,546	2,646,232	2013	
2013	451,075,183			451,075,183	463,703,288	226,148,793	0.57979	1,278,408	226,148,793	0.33946	798,488	226,148,793	0.24387	537,719	226,148,793	0.10596	233,639	2,798,234	2014	
2014	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2015	
2015	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2016	
2016	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2017	
2017	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2018	
2018	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2019	
2019	0			0	0	0	0.57979	0	0	0.33946	0	0	0.24387	0	0	0.10596	0	0	2020	
				\$87,743,688	\$6,000,000			\$10,208,854			\$5,977,125			\$4,294,008			\$1,865,745		\$22,545,731	
	Existence Value Growth Factors																			
	Base Model Growth Factor							2.80%	Participation Level		100%	Participation Level		100%	Participation Level		100%	Participation Level		100%
	Growth Factor Above Base							0.00%	Tax Rate Growth Factor		0.00%	Tax Rate Growth Factor		0.00%	Tax Rate Growth Factor		0.00%	Tax Rate Growth Factor		0.00%
	Combined Growth Rate							2.80%	Tax Rate Collection Factor		97.50%	Tax Rate Collection Factor		97.50%	Tax Rate Collection Factor		97.50%	Tax Rate Collection Factor		97.50%

(1) Tax year 1999 value based on estimated certified values of existing property within the proposed zone (provided by the City of San Antonio, Texas)  
 (2) Projected value of proposed improvements based on the development schedule provided by Federal Realty  
 (3) Projected total taxable value increase over base year (1999) taxable value

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**Houston Street Redevelopment - TIF Reinvestment Zone**  
**Reimbursement for Public Improvements**

Fiscal Yea: Ending	TIF Revenue	Cumulative TIF Revenues	Debt Service Pub. Imp. Infrastructure	Capitalized Interest	San Antonio Admin. Exp.	Developer Construction Funding	Payment to Developer	Interest on Deficit @ 10.00000%	Developer Balance	5.50% TIF Fund Interest Earnings	TIF Fund Balance
2000			114,573	114,573	50,000						(50,000)
2001	77,928	77,928	396,600	396,600	10,000	(1,600,000)		(160,000.00)	(1,760,000.00)		17,928
2002	347,224	425,151	396,600	396,600	10,000	(1,600,000)		(336,000.00)	(3,696,000.00)		355,151
2003	440,589	865,740	396,600		10,000	(1,600,000)		(529,600.00)	(5,825,600.00)	19,533	408,674
2004	575,900	1,441,640	481,600		10,000			(582,560.00)	(6,408,160.00)	22,477	515,450
2005	858,611	2,300,251	646,500		10,000			(640,816.00)	(7,048,976.00)	28,350	745,912
2006	1,691,911	3,992,163	646,200		10,000			(704,897.60)	(7,753,873.60)	41,025	1,822,648
2007	1,817,212	5,809,375	645,000		10,000			(775,387.36)	(8,529,260.96)	100,246	3,085,106
2008	1,946,022	7,755,397	647,900		10,000			(852,926.10)	(9,382,187.06)	169,681	4,542,909
2009	2,078,438	9,833,835	5,734,600		10,000			(938,218.71)	(10,320,405.76)	249,860	1,126,607
2010	2,214,562	12,048,397			10,000		3,331,169	(1,032,040.58)	(8,021,277.60)	61,963	61,963
2011	2,354,497	14,402,894			10,000		2,406,461	(802,127.76)	(6,416,944.62)	-	-
2012	2,498,351	16,901,245			10,000		2,488,351	(641,694.46)	(4,570,288.18)	-	-
2013	2,646,232	19,547,478			10,000		2,636,232	(457,028.82)	(2,391,084.64)	-	-
2014	2,798,254	22,345,732			10,000		2,630,193	(239,108.46)	0.00	-	158,061
2015											
2016											
2017											
2018											
2019											
2020											
	<u>22,345,732</u>		<u>10,106,173</u>	<u>907,773</u>	<u>190,000</u>	<u>(4,800,000)</u>	<u>13,492,406</u>	<u>(8,692,406)</u>		<u>693,135</u>	

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**Houston Street Redevelopment - Tax Increment Financing Zone  
 Participation**

Entity	Tax Rate	Level of Participation	Tax Rate Based on Participation	% of Project	TIF Revenues	TIF Expenses
San Antonio	0.5797900	100%	0.5797900	45.69%	\$ 10,208,854	\$ 10,525,519
Bexar County	0.3394580	100%	0.3394580	26.75%	\$ 5,977,125	6,162,527
University Health S	0.2438690	100%	0.2438690	19.22%	\$ 4,294,008	4,427,203
Alamo CCD	0.1059610	100%	0.1059610	8.35%	\$ 1,865,745	1,923,618
<b>TOTAL</b>	<b>1.2690780</b>		<b>1.2690780</b>	<b>100.00%</b>	<b>\$ 22,345,732</b>	<b>\$ 23,038,867</b>

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Federal Realty  
 Projected Property Improvement Value

Year	Frost Brothers Building	Josephs Building	Harvey House	Bayous Restaurant	Vogue Building	Kress Building	East Hotel Site	Stuarts Building	Walgreen Building	West Hotel Site	Carl Courtyard	Unvalued Property	Annual Total
1999	1,097,912	613,542	1,664,600		468,443	1,400,629	1,597,154	541,062	431,437	1,390,040	84,824	0	9,289,043
2000				461,889									461,889
2001			3,640,600										3,640,600
2002	5,511,064	2,693,658			2,334,994			3,436,488			1,270,763		15,246,967
2003						9,591,783	28,402,846			21,109,960			59,104,589
2004													0
2005													0
2006													0
2007													0
2008													0
	6,608,976	3,307,200	5,305,200	461,889	2,803,437	10,992,412	30,000,000	3,977,550	431,437	22,500,000	1,355,587	0	87,743,688

TOT  
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**Houston Street Tax Increment Financing Zone  
 Projected Improvements**

Year	(1) Non-Federal Improvements	(1) Federal Improvements	(2) Abatement Phase-Ins	Total New Improvements Base Model
1999		0	0	0
2000	6,000,000	9,289,643	0	15,289,643
2001		461,889	0	461,889
2002		3,640,600	0	3,640,600
2003		15,246,967	0	15,246,967
2004		59,104,589	0	59,104,589
2005		0	0	0
2006		0	0	0
2007		0	0	0
2008		0	0	0
2009			0	0
2010			0	0
2011			0	0
2012			0	0
2013			0	0
2014			0	0
2015			0	0
2016			0	0
2017			0	0
2018			0	0
2019			0	0
2020			0	0
	6,000,000	87,743,688	0	93,743,688

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**Houston Street Redevelopment - TIF Reinvestment Zone**  
**Projected Tax Increment Revenue**

Date	Principal and Interest Requirements			
	Principal	Interest Rate	Interest	Annual Debt Service
09/15/99				
03/15/00	-		0 00	
09/15/00	-	6.00%	114,573.33	114,573.33
03/15/01	-		198,300.00	198,300.00
09/15/01	-	6.00%	198,300.00	198,300.00
03/15/02	-		198,300.00	198,300.00
09/15/02	-	6.00%	198,300.00	198,300.00
03/15/03	-		198,300.00	198,300.00
09/15/03	-	6.00%	198,300.00	198,300.00
03/15/04	-		198,300.00	198,300.00
09/15/04	85,000	6.00%	198,300.00	283,300.00
03/15/05	0		195,750.00	195,750.00
09/15/05	255,000	6.00%	195,750.00	450,750.00
03/15/06	0		188,100.00	188,100.00
09/15/06	270,000	6.00%	188,100.00	458,100.00
03/15/07	0		180,000.00	180,000.00
09/15/07	285,000	6.00%	180,000.00	465,000.00
03/15/08	0		171,450.00	171,450.00
09/15/08	305,000	6.00%	171,450.00	476,450.00
03/15/09	0		162,300.00	162,300.00
09/15/09	320,000	6.00%	162,300.00	482,300.00
03/15/10	0		152,700.00	152,700.00
09/15/10	340,000	6.00%	152,700.00	492,700.00
03/15/11	-		142,500.00	142,500.00
09/15/11	360,000	6.00%	142,500.00	502,500.00
03/15/12	-		131,700.00	131,700.00
09/15/12	380,000	6.00%	131,700.00	511,700.00
03/15/13	-		120,300.00	120,300.00
09/15/13	405,000	6.00%	120,300.00	525,300.00
03/15/14	-		108,150.00	108,150.00
09/15/14	430,000	6.00%	108,150.00	538,150.00
03/15/15	-		95,250.00	95,250.00
09/15/15	455,000	6.00%	95,250.00	550,250.00
03/15/16	-		81,600.00	81,600.00
09/15/16	480,000	6.00%	81,600.00	561,600.00
03/15/17	-		67,200.00	67,200.00
09/15/17	510,000	6.00%	67,200.00	577,200.00
03/15/18	-		51,900.00	51,900.00
09/15/18	540,000	6.00%	51,900.00	591,900.00
03/15/19	-		35,700.00	35,700.00
09/15/19	575,000	6.00%	35,700.00	610,700.00
03/15/20	-		18,450.00	18,450.00
09/15/20	615,000	6.00%	18,450.00	633,450.00
03/15/21	-		0 00	-
09/15/21	-	6.00%	0 00	0 00
03/15/22	-		0 00	-
09/15/22	-	6.00%	0 00	0 00
03/15/23	-		0 00	-
09/15/23	-	6.00%	0 00	0 00
03/15/24	-		0 00	-
09/15/24	-	6.00%	0 00	0 00
03/15/25	-		0 00	-
09/15/25	-	6.00%	0 00	0 00
03/15/26	-		0 00	-
09/15/26	-	6.00%	0 00	0 00
03/15/27	-		0 00	-
	<u>6,610,000.00</u>		<u>5,507,073.33</u>	<u>12,117,073.33</u>

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## EXHIBIT G

### Fees to be Waived

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- Barricades: Streets, Curbs, Sidewalk & Alley
- Building Permit Administration Process Fee
- Building Permit Fees
- Preliminary Plan Review
- Certificate of Occupancy (permanent and temporary)
- Demolition Permit Fees
- Development Services Fee
- Electrical Permit Fees
- Environmental Impact Fee
- Flatwork, Patios, Driveways Fees
- Heating & Air Conditioning Permits
- Historic Design and Review Application
- Landscape Plan Checking and Inspection Fee
- Major Subdivision Plats
- Minor Subdivision Plats
- Notification List Fee
- Plan Review Fee (also known as "Plan Check Fees")
- Plumbing, Gas, Sewer, Medical Gas Permit
- Sidewalk and Trench Fee
- Technological Improvement Fee
- Topping Fees
- Traffic Impact analysis - Level 1
- Traffic Impact analysis - Level 2
- Traffic Impact analysis - Level 3
- Tree Preservation Fee
- Zoning Commission and City Council filing
- Zoning Verification Fee
- Zoning Site Verification Fee

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