

THE STATE OF TEXAS
COUNTY OF BEXAR

§
§ **HOUSTON STREET TIRZ – BEXAR COUNTY**
§

INTERLOCAL AGREEMENT

PARTIES:

THIS INTERLOCAL AGREEMENT (the "Agreement") is made by and between the **CITY OF SAN ANTONIO, TEXAS** (hereafter referred to as "CITY"), a Texas Municipal Corporation, acting by and through its City Manager pursuant to Ordinance No. 2015-__-__-__ passed and approved by the City Council on _____2015; **BEXAR COUNTY**, a political subdivision of the State of Texas, acting through its County Judge pursuant to authority granted by the Bexar County Commissioners Court on _____, 2015 (hereafter referred to as "COUNTY"); and by the **BOARD OF DIRECTORS FOR TAX INCREMENT REINVESTMENT ZONE NUMBER NINE (9), CITY OF SAN ANTONIO, TEXAS**, a TIRZ created by the CITY pursuant to Chapter 311, Texas Tax Code, (hereafter referred to as the "BOARD", as hereafter defined). Collectively, the CITY, COUNTY and BOARD may be referred to as the "parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and Chapter 311, Texas Tax Code (the "TIF Act") for the participation of CITY and COUNTY in the Houston Street Redevelopment Project (the "Project").

RECITALS:

WHEREAS, by Ordinance No. 90969 dated December 9, 1999, the City Council of CITY created the Tax Increment Reinvestment Zone Number Nine (TIRZ) in accordance with the Act, to promote development and redevelopment within the TIRZ through tax increment financing, in which development and redevelopment would not otherwise occur solely through private investment in the reasonably foreseeable future.

WHEREAS, by Ordinance 2014-09-18-0713 dated September 18, 2014, the City Council of CITY extended the term of TIRZ until September 30, 2034 and expanded the boundaries of the TIRZ on June 4, 2015 by Ordinance 2015-06-04-0489; and

WHEREAS, the BOARD and COUNTY support the CITY in its development activities within the TIRZ, and the COUNTY intends to participate in the TIRZ by contributing its Tax Increment beginning with tax year 2015; for the purposes specified in the Agreement; and

WHEREAS, pursuant to said authority above, the Board, the CITY and the COUNTY each hereby enters into a binding agreement with the others to develop and/or redevelop the TIRZ as specified in this Agreement, the Project Plan, Finance Plan (as subsequently approved), and any associated Development Agreements, with priority for COUNTY's contribution to be utilized as set out more fully herein.

ARTICLE I. CONTENTS

A. Index

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the CITY, COUNTY, and BOARD hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

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B. Parts Incorporated

All of the below described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

- Exhibit "A" City of San Antonio Ordinance No. 90969
- Exhibit "B" City of San Antonio Ordinance No. 2014-09-18-0713
- Exhibit "B-1" City of San Antonio Ordinance No. 2015-06-04-0489
- Exhibit "C" Amended Finance Plan
- Exhibit "D" Amended Project Plan
- Exhibit "E" San Pedro Creek Improvements Project
- Exhibit "F" Alameda Theater Project

ARTICLE II. DEFINITIONS

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

1. "Administrative Costs" means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the TIRZ, as described in this Agreement. These costs include, but

are not limited to, reasonable costs and expenses for legal review and financial analysis related to the TIRZ incurred prior to entering into and during this Agreement, time spent by employees of the CITY or COUNTY in connection with the implementation of the TIRZ Project Plan and Finance Plan, as well as any such costs and expenses incurred after this Agreement becomes effective. The Administrative Costs for the CITY will be paid in an amount up to One Hundred Twenty Thousand Dollars and Zero Cents (\$120,000.00) each year from CITY fiscal year 2016 until City fiscal year 2034 of which a maximum of Fifteen Thousand Dollars and Zero Cents (\$15,000.00) per year to be paid from the COUNTY Contribution until this Agreement terminates. The Administrative Costs for the CITY are estimated to be Two Million Two Hundred and Eighty Thousand Dollars and Zero Cents (\$2,280,000.00) from CITY fiscal year 2016 until City fiscal year 2034. The Administrative Costs for the COUNTY shall be determined in accordance with Article V, Section D. 1 below and are estimated at One Hundred Fourteen Thousand Dollars and Zero Cents (\$114,000.00) during the Term.

2. "Alameda Theater Project" means the renovation of the Historic Alameda Theatre and as shown and described in Exhibit F.
3. "Agreement" means this Interlocal Agreement.
4. "BOARD" means the Board of Directors of the TIRZ.
5. "Captured Appraised Value" means the captured appraised value of the TIRZ, as defined in Section 311.012(b), Texas Tax Code (as may be amended from time to time).
6. "CITY" is defined in the "Parties" section of this Agreement and includes its successors and assigns.
7. "CITY Contribution" shall mean 100% of the Tax Increment in the TIRZ collected by the City which will be contributed to the TIF fund.

8. "COUNTY" is defined in the "Parties" section of this Agreement.
9. "COUNTY Contribution" shall mean one hundred percent (100%) of the maintenance and operation portion of its General Fund Tax collected by the COUNTY in the TIRZ which the COUNTY will contribute under this Agreement, subject to the terms herein described.
10. "COUNTY Developers" is defined as any developer that the COUNTY may contract with to carry out the projects listed in Article IV, Sections E, F, G of this Agreement and other future approved COUNTY Projects.
11. "COUNTY Project(s)" are defined as the projects described and listed in Article IV, Sections E, F, and G of this Agreement and other future approved COUNTY Projects.
12. "COUNTY Project Costs" means those project costs eligible under Section 311.002(1) of the Texas Tax Code, as amended from time to time, which are included in the Project Plan and more specifically include (i) the costs associated with infrastructure improvements related to the Weston Urban Tower Project; (ii) the Alameda Theater Project, where COUNTY will be reimbursed for principal, interest, and costs of issuing debt and administering all financing instruments, the proceeds of which will be used to pay the costs of the Alameda Theater Project; (iii) future Economic Development projects approved by COUNTY along the San Pedro Creek Improvements Project; and (iv) other COUNTY projects as may be approved by COUNTY and added to the Project and Finance Plan from time to time. The County Project Costs for the Weston Urban Tower, estimated to be Three Million Dollars and Zero Cents (\$3,000,000.00), and the Alameda Theater Project, estimated to be Ten Million Dollars and Zero Cents (\$10,000,000.00) plus interest, and costs of issuing and administering all financing instruments.
13. "Finance Plan" means the Finance Plan for the TIRZ and as adopted by the Board

on August 23, 2000 and approved by the City Council of the CITY on August 24, 2000, as amended on September 20, 2007, April 1, 2010, and _____, 2015, and when approved shall be attached hereto as Exhibit “C”, as such plan may be amended from time to time.

14. “Participating Taxing Entity” or “Participating Taxing Entities” means, singularly, a taxing unit participating in the TIRZ, and collectively, all taxing units participating in the TIRZ, and shall include CITY and COUNTY.

15. “Project Plan” means the Project Plan for the TIRZ, as adopted by the Board of Directors of the TIRZ on August 23, 2000, and approved by the City Council of CITY on August 24, 2000, as amended on September 20, 2007, April 1, 2010, and _____, 2015, and attached hereto as Exhibit “D”, as such plan may be amended from time to time.

16 “Public Improvements” include those improvements that provide a public benefit and that are listed in the Project and Financing Plan or described in this Agreement.

17. “San Pedro Creek Improvements Project” as shown and described in Exhibit “E”.

18. “Tax Increment” has the meaning assigned by Section 311.012 of the Texas Tax Code, and applies only to taxable real property within the TIRZ or as shown in the TIRZ Finance Plan.

19. "Tax Increment Base" has the meaning assigned by Section 311.012 of the Texas Tax Code.

20. "Tax Increment Fund/TIF fund" means the fund created by the CITY for the deposit of Tax Increments for the TIRZ, entitled "Reinvestment Zone Number Nine (9), City of San Antonio, Texas Tax Increment Fund".

21. "Tax Increment Payment" means the amount of the Tax Increment that a

Participating Taxing Entity agrees to deposit annually into the Tax Increment Fund in accordance with this Agreement and the TIRZ Finance Plan.

22. "TIRZ" means Tax Increment Reinvestment Zone Number Nine, City of San Antonio, Texas, created by the CITY on December 9, 1999 by Ordinance No. 90969 and extended by Ordinance No. 2014-09-18-0713, and expanded by Ordinance No. 2015-06-04-0489. Ordinance No. 90969 is attached hereto as Exhibit "A", Ordinance No. 2014-09-18-0713 attached hereto as Exhibit "B", and Ordinance No. 2015-06-04-0489 attached hereto as Exhibit "B-1".

ARTICLE III. BACKGROUND

A. Resolution No. 99-32-34, passed and approved by the City Council of CITY on August 19, 1999, expressed the CITY's intent to create a TIRZ to support revitalization activities in the TIRZ pursuant to Chapter 311, Texas Tax Code. On December 9, 1999, the City Council of CITY passed and approved Ordinance No. 90969 which created the TIRZ. On September 18, 2014, the City Council of CITY approved Ordinance No. 2014-09-18-0713 which extended the term of TIRZ until September 30, 2034 and expanded the boundaries of the TIRZ on June 4, 2015 via Ordinance No. 2015-06-04-0489. The TIRZ boundary is located in the City's Central Business district generally between Flores and Navarro Streets from Cesar Chavez on the South to Interstate Highway 35 on the North. The boundary is more specifically described in Exhibit "B-1". The TIRZ will provide funding for Public Improvements within the TIRZ and from the COUNTY Contribution only for the following: (1) funding in the amount up to Three Million Dollars and Zero Cents (\$3,000,000.00) for public infrastructure related to the Weston Urban Tower Project; (2) reimbursement to the COUNTY for debt issued up to Ten Million Dollars and Zero Cents in principal (\$10,000,00.00) plus interest and

financing costs for the Alameda Theater Project; (3) provide funding for Economic Development projects along the San Pedro Creek Improvements Project; and (4) provide funding for other COUNTY approved projects located in the TIRZ. The Tax Increment Base for the TIRZ will be calculated in accordance with Texas Tax Code 311.012 to include the Tax Increment Base at the time of original designation of the TIRZ (1999) and the Tax Increment Base for the expanded Zone (2015).

The TIRZ will terminate on September 30, 2034 unless earlier termination occurs under this Agreement (the “Term of the TIRZ”).

B. It is anticipated that the extension of the Term of the TIRZ will enable COUNTY projects to be financed. Projects outlined in this Agreement and future approved COUNTY projects shall be added by amending the Project Plan, Finance Plan, and by amendment of this Agreement to include those projects which shall include the priority of payment for those projects after the priorities outlined in Article V, Section D. 3 of this Agreement. The CITY and COUNTY agree to participate in the TIRZ as described herein, and to deposit their respective Tax Increment Payments to the Tax Increment Fund, in accordance with the terms, and in consideration for the agreements set forth below. The COUNTY hereby acknowledges receipt of notice of the initial creation of the TIRZ.

ARTICLE IV. RIGHTS AND OBLIGATIONS OF COUNTY

A. Tax Increment Participation by COUNTY

1. Subject to the limitations set out in this Agreement, COUNTY agrees to participate in the TIRZ by contributing to the Tax Increment Fund one hundred percent (100%) of the maintenance and operation portion of its general fund tax collected in the TIRZ during each year of the Term of this Agreement, beginning with the 2015 tax year

and ending with the 2033 tax year. Further, beginning with City fiscal year 2016, COUNTY will be reimbursed for its administrative costs, as herein defined, under conditions and circumstances as set out in Article V, Section D of this Agreement.

2. The parties hereto agree that the COUNTY contribution to the Tax Increment Fund shall be used to fund those Public Infrastructure and Public Improvement projects, including related Project Costs, to include: (1) infrastructure costs related to the Weston Urban Tower Project described herein; (2) the Alameda Theater Project; (3) Economic Development projects along the San Pedro Creek Improvements Project and the surrounding area, to the extent such areas are within the TIRZ or otherwise eligible for the expenditure of Tax Increment Funds outside the TIRZ; (4) and other approved COUNTY projects. The parties also agree that the COUNTY contribution to the Tax Increment Fund shall be used to pay up to Fifteen Thousand Dollars and Zero Cents (\$15,000.00) of the CITY's ongoing Administrative Costs per year and one hundred percent (100%) of the COUNTY's ongoing Administrative Costs of up to Six Thousand Dollars and Zero Cents per year (\$6,000.00) from CITY fiscal year 2016 until the COUNTY's participation in the TIRZ is terminated.

3. The parties hereto agree that, except as provided herein, any bond, certificate of obligation, or other financial instruments issued by the COUNTY to finance any costs or improvements on any County Project shall only be any obligation of the COUNTY's Contribution and to the extent that funds are available from the COUNTY's Contribution deposited in the TIF fund and subject to priority of payment. The parties hereto agree, that under *no circumstances* shall a bond, certificate of obligation, or other financial instrument issued by the COUNTY to finance any costs or improvements on any COUNTY Project become an obligation of the CITY's Contribution deposited in the TIF

fund, the CITY's General Fund, or generally an obligation of the CITY or the Board.

B. Tax Increment Payment

1. COUNTY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in Article IV., Section A. 1 of this agreement, shall accrue as COUNTY collects its Tax Increment. The parties hereto agree that all real property taxes collected each year by COUNTY that are attributable to real property in the TIRZ, shall first constitute taxes on the Tax Increment Base, and after the total amount of taxes on the Tax Increment Base have been collected, shall then constitute the Tax Increment.

2. COUNTY agrees to deposit its Tax Increment Payment to the Tax Increment Fund semi-annually on or before April 15 and September 15 (or the first business day thereafter) of each year or within thirty (30) days after receipt on an invoice from the CITY. The amount of the first Tax Increment Payment shall be based on the COUNTY's Tax Increment collected for the 2015 tax year and shall be deposited in 2016 in accordance with this Agreement. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the semi-annual period preceding each deposit date.

3. The parties expressly agree that COUNTY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by COUNTY. In addition, COUNTY shall not be obligated to contribute its Tax Increment Payment from any non-Tax Increment revenue sources.

4. The CITY agrees to comply with the TIRZ Project and Finance Plans. The CITY agrees to provide prior written notice to all Participating Taxing Entities of a proposed change to the Project and Finance Plans that affects COUNTY Projects and or the COUNTY's participation in the TIRZ at least two (2) weeks prior to presenting the

proposed changes to the BOARD.

5. With the exception of those projects set out in Article IV Sections E, F and G below, any future approved COUNTY Projects, any debt instrument issued by the COUNTY for COUNTY Projects, and CITY and COUNTY administrative costs, the COUNTY shall have no obligation or responsibility for any costs and or expenses associated with the development of the TIRZ or the implementation of the TIRZ Number Nine Finance or Project Plan, including any obligation to pay or repay any debt issued by another Participating Taxing Entity, the TIRZ, or the BOARD relating to the TIRZ or any costs associated with the operation of TIRZ, other than contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement.

6. In the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by the COUNTY, the Parties agree that the COUNTY will make a reasonable determination as to the amount of any Tax Increment owed by the COUNTY under this Agreement and the COUNTY will be responsible for reasonably determining which tax collections will be apportioned for purposes of determining the COUNTY Tax Increment and the COUNTY's final determination shall be conclusive. The annual total appraised value of all real property taxable by the COUNTY located in the TIRZ shall be determined through independent third-party verification obtained from the Bexar Appraisal District. For the CITY and COUNTY, the CITY Tax Assessor Collector Administrator will verify taxes levied and collected in regards to property contained within the TIRZ.

C. Management of the TIRZ

1. The CITY and the COUNTY are the only Participating Taxing Entities with any responsibility for managing or administering the TIRZ Projects within the TIRZ.

The CITY, during the term of this Agreement, may inspect all Project sites and review all Project plans and drawings at times and intervals which will not interfere with ongoing operations upon five (5) days notice. The COUNTY shall be responsible for ensuring compliance with all agreements entered into by the COUNTY for the purposes of carrying out this Agreement and for the COUNTY Projects. The COUNTY will endeavor to complete all Projects that are listed in Article IV, Sections E, F, and G and any future approved COUNTY Projects in accordance with the TIRZ Project Plan, and this Agreement. In the event the COUNTY or CITY's performance of any of the terms, conditions, obligations or requirements of this Agreement is prevented or impaired due to a force majeure event beyond COUNTY or CITY's reasonable control, such inability to perform will be deemed to be excused and no penalties or sanctions will be imposed as a result thereof, provided COUNTY and CITY took steps to mitigate damages and accepts responsibility to cure the performance breach.

2. The BOARD shall be composed of seven (7) members. The COUNTY shall have a right to appoint three (3) individuals to the TIRZ Board. CITY shall have a right to appoint four (4) individuals to the TIRZ Board. The Parties agree that all projects which will be paid in part with the COUNTY Contribution shall be approved by the three COUNTY appointees and the majority approval of the Board present and voting. The Parties agree not to place a COUNTY Project using COUNTY Contributions on the BOARD Agenda unless the City receives the recommendations of all three COUNTY appointees on the BOARD.

D. Expansion of the TIRZ Area

The obligation of COUNTY to participate in the TIRZ is limited to the description of the TIRZ in Exhibit "B-1" hereto. COUNTY's participation shall not

extend to the Tax Increment on any additional property added to the TIRZ by the CITY unless COUNTY approves in writing such participation.

E. Reimbursement to County for Alameda Theater Project Costs

The COUNTY shall enter into a separate Alameda Theater Development Agreement for the COUNTY to provide up to Ten Million Dollars and Zero Cents (\$10,000,000.00) to Alameda Theater Developer to complete the renovation of the Alameda Theater as shown in Exhibit F and attached to this Agreement. The Parties acknowledge that completion of the renovation of the Alameda Theater shall be of significant benefit to the TIRZ. The COUNTY's Alameda Theater Development Agreement shall require that the funds be used solely for Project Costs associated with the Alameda Theater. Payments of TIF funds to COUNTY for reimbursement for principal, interest, and costs of issuing and administering financing instruments for the Alameda Theater Project shall be carried out in accordance with this Agreement and shall be paid to the extent COUNTY contributions in the Tax Increment Fund are available, until such time as County receives full reimbursement of principal, interest, and costs of issuing and administering all financing instruments or the term of this Agreement or the TIRZ ends whichever shall first occur. The COUNTY's reimbursement for principal, interest, and costs of issuing and administering all financing instruments shall not exceed the available COUNTY Contributions minus any other priority payment(s) described in Article V Section D. 3. The COUNTY shall provide a debt payment schedule from a financial institution to the CITY and the BOARD for debt issued to finance allowable Alameda Theater Project costs. Upon receipt of the debt payment schedule and approval by the BOARD, the CITY shall pay directly to the COUNTY for reimbursable costs on the Alameda Project in accordance with the approved debt payment schedule and this

Agreement. The COUNTY shall insure that all payments received by the CITY in connection with this Project are in compliance with the TIF Act. The COUNTY agrees to provide CITY and BOARD with a copy of any notice of default that is delivered or sent to any party under the Alameda Theater Development Agreement within fifteen (15) business days after receipt or delivery of the notice by the COUNTY.

F. Reimbursement to County for Economic Development Projects along the San Pedro Creek Improvements Project

The COUNTY shall enter into separate Economic Development Agreement(s) to fund and to facilitate projects along the San Pedro Creek Improvements Project and the surrounding area; to the extent such areas are within the TIRZ or are otherwise eligible for the expenditure of Tax Increment Funds outside the TIRZ. The Parties acknowledge that Economic Development Projects along the San Pedro Creek Improvements Project shall be of significant benefit to the TIRZ. The Parties acknowledge that TIRZ funding shall not be used to pay for County bonds, debt service, budget allocations, or previous commitments associated with the original San Pedro Creek Improvements Project as described in the attached Exhibit E. Payments of TIF funds to COUNTY for reimbursement for Project Costs for Economic Development Projects along the San Pedro Creek Improvements Project shall be carried out in accordance with this Agreement and shall be paid to the extent COUNTY contributions in the TIF fund are available, until such time as County receives full reimbursement of Project Costs or the term of the TIRZ ends whichever shall first occur. The COUNTY's reimbursement for Project Costs shall not exceed the available COUNTY Contributions minus any other priority described in Article V Section D. 3. The COUNTY shall submit to the CITY and the BOARD for approval a payment schedule for all economic development projects

along the San Pedro Creek Improvement Project. Upon receipt of the payment schedule and approval by the BOARD, the CITY shall pay directly to the COUNTY or COUNTY Developers for reimbursable costs on any Economic Development Project along the San Pedro Creek Improvement Project and in accordance with the approved payment schedule and this Agreement. The COUNTY shall insure that all payments received by the CITY in connection with this Project are in compliance with the TIF Act. The COUNTY agrees to provide CITY and BOARD with a copy of any notice of default that is delivered or sent to any party under any Development Agreement for projects along the San Pedro Creek Improvements Project within fifteen (15) business days after receipt or delivery of the notice by the COUNTY.

G. Reimbursement to County for Public Infrastructure Development Agreement with Weston Urban Tower Project Costs

The COUNTY shall enter into a separate Chapter 381 Agreement with Weston Urban to fund Project Costs associated with infrastructure improvements in the amount of up to Three Million Dollars and Zero Cents (\$3,000,000.00) from the COUNTY's increment to the TIRZ. The Parties acknowledge that the infrastructure improvements shall be of significant benefit to the TIRZ. The COUNTY's Agreement with the Weston Urban Tower Developer shall require that the funds be used solely for Project Costs associated with Public Infrastructure. Payments of TIF funds to Weston Urban Tower Developer for reimbursement of Project Costs for the Weston Urban Tower Project shall be carried out in accordance with this Agreement and shall be paid to the extent COUNTY Contributions in the TIF funds are available, until such time as the Weston Urban Tower Developer receives full reimbursement of Project Costs up to Three Million Dollars and Zero Cents (\$3,000,000.00) or the term of this Agreement or the TIRZ ends

whichever is sooner. The Weston Urban Tower Developer's reimbursement for Project Costs shall not exceed the available COUNTY Contributions minus any other priority payment(s) described in Article V Section D. 3. The COUNTY shall submit to the CITY and BOARD for approval a payment schedule for the Weston Urban Tower projects along the San Pedro Creek Improvement Project. Upon receipt of the payment schedule and approval by the BOARD, the CITY shall pay directly to the Developer for reimbursable costs on the Weston Urban Tower Project and in accordance with the approved payment schedule and this Agreement. The COUNTY shall insure that all payments received by the CITY in connection with this Project are in compliance with the TIF Act. The COUNTY agrees to provide CITY and BOARD with a copy of any notice of default that is delivered or sent to any party under the Weston Urban Development Agreement within fifteen (15) business days after receipt or delivery of the notice by the COUNTY.

ARTICLE V. RIGHTS AND OBLIGATIONS OF CITY AND TIRZ

A. Tax Increment Participation by the CITY

1. Subject to the terms of this Agreement, CITY agrees to continue to participate in the TIRZ by contributing to the Tax Increment Fund one hundred percent (100%) of its Tax Increment for each tax year until 2033.

2. The Parties agree that the City's contribution to the Tax Increment Fund shall be used at the CITY and BOARD's discretion and in accordance with the TIF Act. The CITY's contributions shall not be used to fund any COUNTY projects, COUNTY Administrative fees, or any COUNTY expenses associated with the TIRZ or this Agreement. Under this Agreement, the Parties agree and understand that CITY may issue bonds, certificates of obligation, or other financial instruments issue to fund Projects

other than COUNTY Projects and to cover the costs of each issuance and capitalized interest. City Contributions from the Tax Increment Fund will be used to pay the principal, interest, and costs of issuing and administering said certificates of obligation or other public debt instrument.

B. Tax Increment Payment

1. CITY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund as provided in Article V, Section A shall accrue as CITY collects its Tax Increment. CITY shall satisfy said obligation by contributing its Tax Increment Payment to the Tax Increment Fund semi-annually but not later than June 1 and September 1 (or first business day thereafter) of each year. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the semi-annual period preceding each deposit date. Any delinquent deposit of a Tax Increment Payment under this Agreement by CITY shall be administered as provided in Section 311.013(c) of the Texas Tax Code.

2. The COUNTY and the BOARD expressly agree that CITY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by CITY by the delinquency dates specified herein. In addition, CITY shall not be obligated to contribute its Tax Increment Payment from any non-Tax Increment revenue sources. Furthermore, CITY shall not be obligated to contribute its Tax Increment Payment to the Tax Increment Fund in the event a Participating Taxing Entity, other than the CITY, discontinues its contribution to the Tax Increment Fund (except as permitted in this Agreement) during the term of this Agreement, unless the discontinuance is in compliance with and authorized by a written amendment to this Agreement.

3. The Parties agree that payment for the performance of governmental functions

or services under this Agreement shall only be made from current revenues available to the paying party. Therefore, a Party is not obligated to perform said services or functions if said Party lacks current revenues to pay for said services or functions.

C. Financing of Project Costs

Each Participating Taxing Entity shall participate in the payment of Project Costs only to the extent described herein. The CITY and the BOARD shall be entitled to enter into any other agreements to pay Project Costs and other expenses from the Tax Increments paid into the Tax Increment Fund by the CITY without the consent of any other Participating Taxing Entity. However, except as provided herein, the COUNTY shall not ever use any Tax Increment Payments contributed by another Participating Taxing Entity to make payments on bonds, certificates of obligation, or other financial instruments without the prior written consent of the Participating Taxing Entity.

D. Disbursement of Funds in the Tax Increment Fund

1. Administration of Funds. The Parties agree that BOARD and the CITY shall administer the Tax Increment Fund. The Parties agree that no COUNTY contribution shall be disbursed from the Tax Increment Fund without the prior written approval of the BOARD. The Parties agree that in accordance with Section 311.014 (c) of the Texas Tax Code funds in the TIRZ fund will be invested and earn interest. The Parties further agree that any interest earned on the TIF fund will be a benefit to the TIF fund and not available to the COUNTY or COUNTY Developer(s) for reimbursement of any eligible costs under this Agreement or for disbursement to the COUNTY upon termination of this Agreement or the TIRZ.

2. Administration Costs. COUNTY recognizes that the CITY and the BOARD may, to the extent funds are available from COUNTY contributions in the Tax Increment

Fund and to the extent allowed by law, use such funds to reimburse each the CITY and COUNTY for its Administrative Costs, subject to the limitations set forth herein. The Parties agree that the CITY has ongoing CITY Administrative Costs and will be reimbursed up to One Hundred Twenty Thousand Dollars and Zero Cents (\$120,000.00) per year of which a maximum of Fifteen Thousand Dollars and Zero Cents (\$15,000.00) per year will be paid from the COUNTY contribution to the TIF Fund. The BOARD shall, to the extent funds are available in the Tax Increment Fund and to the extent allowed by law, reimburse the COUNTY for ongoing Administrative Costs up to Six Thousand Dollars and Zero Cents (\$6,000.00) for each year from CITY fiscal year 2016 thru CITY fiscal year 2034. The COUNTY's reimbursement for Administrative Costs shall not exceed the COUNTY contribution in any given year after first deducting up to Fifteen Thousand Dollars and Zero Cents (\$15,000.00) per year for the CITY's ongoing Administrative Costs and subject to priority of payment as described in Article V. Section D. 3 of this Agreement. If it is determined during the term of this Agreement that reimbursement of Administrative Costs is not allowed under law, the parties agree that the BOARD shall set the amount each Participating Taxing Entity may withhold as Administrative Costs from their respective Tax Increment Payment based on the best evidence available to the BOARD to make such projections, including but not limited to invoices reflecting Administrative Costs incurred by the Participating Taxing Entity and historical data of actual Administrative Costs of the Project incurred by the Participating Taxing Entity in prior years. The parties agree and understand that under no circumstances shall Administrative Costs, in the aggregate, exceed the amount set out in this Agreement.

3. Priority of Payment for COUNTY Contribution. The CITY and BOARD have

represented and expressly agree that they may only use the County Contribution in the Tax Increment Fund to pay expenditures in the following order or priority of payment: (i) to pay up to Fifteen Thousand and Zero Cents (\$15,000.00) per year of the CITY's ongoing Administrative Costs to the CITY; (ii) to pay ongoing Administrative Costs up to Six Thousand Dollars and Zero Cents (\$6,000.00) per year to the COUNTY; (iii) to reimburse up to Three Million Dollars and Zero Cents (\$3,000,000.00) of Project Costs associated with the Weston Urban Tower Project; (iv) to reimburse the COUNTY for principal, interest, and costs of issuing and administering all financing instruments associated with the Alameda Theatre Project; (v) to reimburse COUNTY Economic Development Project Costs for projects along the San Pedro Creek Improvements Project; and (vi) to reimburse future approved COUNTY Project costs that are funded by the COUNTY contribution and in accordance with the TIF Act to include financing costs on any bond, certificate of obligation, or other financial instrument issued by the COUNTY, as may be provided in any Development Agreement for COUNTY Projects and to the extent that COUNTY contributions in the TIF Fund are available for this purpose. The foregoing notwithstanding, no funds will be paid from the TIF Fund to a Participating Taxing Entity or any Developer for its financial or legal services in any dispute arising under this Agreement or a related Interlocal Agreement between a Developer and a Participating Taxing Entity or between Participating Taxing Entities.

4. County Reimbursement Process. The COUNTY shall submit payment requests to the BOARD and the CITY in accordance with this Agreement and the TIF Act. The COUNTY shall submit to the CITY and the BOARD any debt payment, or payment schedules for reimbursable project expenses in accordance with this Agreement, the Project and Finance Plans, and the TIF Act. BOARD authorized reimbursements of

available Tax Increment Funds shall be paid to the COUNTY, or COUNTY Developers, by the CITY within thirty (30) days after submission of payment request(s) from the COUNTY and subject to available funds from the COUNTY's Contribution and priority of payment. All payment requests must contain a statement that the COUNTY's request for reimbursement is for eligible project expenses in accordance with the TIF Act and this Agreement.

Any payment request that are required to be submitted to the CITY and the BOARD shall be submitted within One Hundred and Fifty (150) days for work completed that are eligible Project Costs. Should there be any discrepancies in the payment request or if more information is required, COUNTY will have thirty (30) days upon notice by CITY to correct any discrepancies or submit additional information requested by City. Failure to timely submit the additional information requested by the City shall result in disallowance of the COUNTY's requested expense reimbursement. The sole source of the funds to reimburse the COUNTY for Project Costs shall be the available Tax Increment Funds levied and collected on the TIRZ Property by the COUNTY and contributed by the COUNTY in the TIRZ to the fund created and maintained by the City.

ARTICLE VI. TERM AND TERMINATION

A. Agreement Term and Termination

This Agreement shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until September 30, 2034, unless earlier terminated as provided herein (the "Agreement Term"). Subject to the terms of this Agreement, COUNTY agrees to participate under this Agreement beginning with the 2015 tax year, and ending in accordance with the terms provided herein. The parties

agree and understand that County's Tax Increment Payments will not be made after September 30, 2034, as set out in Article IV, Section A.1 of this Agreement.

B. Early Termination

1. The CITY may terminate the TIRZ earlier than the duration of the TIRZ as specified herein in addition to any other provision relating to termination provided herein or under Chapter 311 of the Texas Tax Code. Termination of the TIRZ terminates this Agreement. If the CITY or COUNTY terminates the Agreement under Article VI., Section B., the CITY shall refund any Tax Increment Payments made by the COUNTY through the date of termination less any amount utilized for CITY and COUNTY administrative costs and COUNTY Project costs and expenses previously reimbursed to the COUNTY in accordance with the terms of this Agreement.

2. If the CITY fails to perform any material obligation of this Agreement, then the COUNTY shall provide written notice to the CITY, and BOARD stating its intent to terminate its participation in the TIRZ and or this Agreement and detailing its objection(s) or concern(s). If the objection and/or concerns as set out in the notice are not resolved within (90) ninety days from the date of such notice, then the Participating Taxing Entity providing the notice may discontinue its Tax Increment Payments and terminate its participation in the TIRZ and this Agreement. If such objections and or concerns as detailed in any notice cannot be resolved within (90) days then the COUNTY may grant additional time as is necessary for the CITY to cure.

3. If the COUNTY fails to perform any material obligation of this Agreement, then the CITY shall provide written notice to the COUNTY, and BOARD stating its intent to terminate its participation in the TIRZ and or this Agreement and detailing its objection(s) or concern(s). If the objection and/or concerns as set out in the notice are not

resolved within (90) ninety days from date of such notice, then the CITY may terminate the TIRZ and or this Agreement. If such objections and or concerns as detailed in any notice cannot be resolved within (90) days then the CITY may grant additional time as is necessary for the COUNTY to cure.

C. Disposition of Tax Increment Funds

Upon expiration or termination of the TIRZ, any money remaining in the Tax Increment Fund shall be paid to the Participating Taxing Entities in accordance with Section 311.014(d) of the Texas Tax Code. The Parties agree that the COUNTY's respective share under Section 311.014(d) of the Texas Tax Code shall not be more than the COUNTY'S Contribution deposited in the TIF Fund during the Term of the TIRZ in accordance with this Agreement minus payments made by the CITY from the COUNTY's Contribution to the COUNTY and the COUNTY's Developers for Project Costs, CITY and COUNTY Administrative costs, or any other payments made from the COUNTY's contribution under the terms of this Agreement.

VII. MISCELLANEOUS

A. Understandings

Any and all costs incurred by the COUNTY for COUNTY Projects are not, and shall never become, general obligations or debts of the City. The Project Costs incurred by any Developer and/or the COUNTY for any Project listed in Article IV, Sections E, F, G, or other future approved COUNTY Projects shall be payable solely from the COUNTY's tax increment deposited into the Tax Increment Fund in the manner and priority provided in this Agreement. There shall also be no recourse against CITY, CITY public officials and or employees, TIRZ, or BOARD if all or part of any Developer's costs and/or the COUNTY contributions or costs for any COUNTY Project listed in

Article IV., Sections E, F, G or any other future approved COUNTY Projects are not reimbursed.

The Parties each represent that the TIRZ Project and Finance Plans for the TIRZ may not forecast sufficient tax revenues to reimburse the COUNTY and/or the COUNTY Developers for all their estimated contributions or costs.

B. Severability

1. If any clause or provision of this Agreement is held invalid, illegal or unenforceable under present or future federal, state or local laws, including but not limited to the City Charter, City Code, or ordinances of the CITY, then and in that event it is the intention of the Parties that such invalidity, illegality or unenforceability shall not affect any other clause or provision hereof and that the remainder of this Agreement shall be construed as if such invalid, illegal or unenforceable clause or provision was never contained herein; it is also the intention of the Parties that in lieu of each clause or provision of this Agreement that is invalid, illegal, or unenforceable, there be added as a part of the Agreement a clause or provision as similar in terms to such invalid, illegal or unenforceable clause or provision as may be possible, legal, valid and enforceable.

2. In the event any term, covenant, or condition of this Agreement shall be held invalid, the parties hereto agree that the Tax Increment Fund shall not refund any prior Tax Increment Payments under this provision of this Agreement unless ordered to do so by a Court having proper jurisdiction and subject to any rights of appeal.

C. Entire Agreement

This Agreement merges the prior negotiations and understandings of the parties hereto and embodies the entire agreement of the parties. There are no other agreements, assurances, conditions, covenants (express or implied), or other terms with respect to the

covenants, whether written or verbal, antecedent or contemporaneous, with the execution hereof.

D. Written Amendment

This Agreement may be changed or amended only by a written instrument duly executed on behalf of each party hereto. All parties to this Agreement understand and recognize that only the City Council of CITY and only the Commissioners Court of the COUNTY have authority to approve a change or amendment to this Agreement on behalf of CITY or COUNTY, respectively.

E. Notices

1. The initial addresses of the Parties are listed below. Each Party may designate a different address by giving the other Parties ten (1) days' prior notice.

CITY
Sheryl Sculley
City Manager
City of San Antonio
100 Military Plaza
San Antonio, Texas 78205
Re: Houston Street TIRZ

COUNTY
Honorable Nelson Wolff
Bexar County Judge
Bexar County Courthouse
101 W. Nueva, Suite 1019
San Antonio, Texas 78205-3482
Re: Houston Street TIRZ

With copies to:
Office of the County Manager
101 W. Nueva, Suite 901
San Antonio, Texas 78205-3446
Re: Houston Street TIRZ

And
Chief, Civil Section
Bexar County Criminal District
Attorney's Office
101 W. Nueva, Suite 727
San Antonio, Texas 78205-3406
Re: Houston Street TIRZ

TIRZ BOARD

Chairman
Reinvestment TIRZ Number Nine (9),
City of San Antonio, Texas
1400 South Flores
San Antonio, TX 78204
Attn: TIF Unit DPCD

2. All notices required or permitted hereunder shall be in writing and shall be deemed delivered the earlier of (i) when actually received by personal delivery if received during normal business hours; or (ii) on the third day following deposit in a United States Postal Service post office or receptacle with proper postage affixed; or (iii) on the date of receipt if mailed by certified mail, return receipt requested, addressed to the respective other Party at the address prescribed in Article VII, Section E. 1 of this Agreement, or at such other address as the receiving Party may have theretofore prescribed by notice to the sending Party.

F. Non-Waiver

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

G. Assignment

Except for the CITY's right to assign and delegate this Agreement and the performance of obligations to the BOARD, no party shall assign this Agreement at law or otherwise without the prior written consent of the other parties, and no party shall

delegate any portion of its performance under this Agreement without the written consent of the other parties. All parties to this Agreement understand and recognize that only the City Council of CITY has authority to approve an assignment or delegation of this Agreement on behalf of CITY by a party to this Agreement.

H. Successors

This Agreement shall bind and benefit the parties and their legal successors. This Agreement does not create any personal liability on the part of any trustee, officer, employee, elected official, or agent of a party to this Agreement.

I. TIRZ Project and Finance Plan

The parties agree that an amendment to the TIRZ Project and Finance Plans that affects COUNTY Projects and or the COUNTY's participation in the TIRZ shall not apply to the COUNTY unless it is approved by the TIRZ BOARD and by an amendment to this Agreement.

J. No Waiver of Immunity

No party hereto waives or relinquishes any immunity or defense on behalf of itself, its trustees, officers, employees, and agents as a result of its execution of this Agreement and performance or non-performance of the covenants contained herein. CITY and COUNTY acknowledge that the CITY and COUNTY are both political subdivisions of the State of Texas and that the CITY and COUNTY are both subject to and shall comply with the applicable provisions of the Texas Tort Claims Act, as set out in Civil Practice and Remedies Code, Section 101.001*et seq.* and the remedies authorized therein regarding claims or causes of action that may be asserted by third parties for accident, injury or death. This Agreement will be interpreted according to the Constitution and laws of the State of Texas. Nothing in this Agreement waives any

governmental immunity available to the CITY or COUNTY under the laws of the State of Texas.

K. Access to Financial Information

Each party to this Agreement shall have reasonable access to financial information and audit reports regarding the operation of the TIRZ, contribution of Tax Increment Payments to the Tax Increment Fund, and expenditures from the Tax Increment Fund for Project Costs. In addition, CITY agrees, during the term of this Agreement, to prepare and deliver a copy of the annual State Legislative report to COUNTY in accordance with Section 311.016, Texas Tax Code.

L. Development/Project Agreements

The COUNTY may enter into a written agreement with a Developer related to any Projects listed in Article IV, Sections E, F, and G or any other future approved COUNTY Projects. The CITY may enter into a written agreement with a Developer related to any Projects listed in the TIRZ Project Plan and or the development or redevelopment of the TIRZ. The COUNTY represents that it will enforce the provisions of this Agreement, as required, and shall be solely responsible for insuring compliance with all applicable Federal, State, and local laws, in any and all written agreements executed by the COUNTY for the purposes of carrying out the Projects listed in Article IV, Sections E, F, and G and any future approved COUNTY Projects.

M. Independent Contractors

1. All Parties expressly agree that in performing their services under this Agreement, the CITY, BOARD, COUNTY and/or any Developer at no time shall be acting as agents for each other. The Parties further agree that any and all consultants or contractors engaged by a Party to this Agreement shall not be an independent contractor

of the other Parties to this Agreement. No Party to this Agreement shall be liable for any claims that may be asserted by any third party occurring in connection with services performed by another Party to this Agreement and/or any Developer, under this Agreement unless any such claims are due to the fault of the Party.

2. Any Developer is solely responsible for compensation payable to any employee, contractor, or subcontractor of the Developer, and none of the Developer's employees, contractors, or subcontractors will be deemed employees, contractors, or subcontractors of the CITY, the BOARD, or any Participating Taxing Entity because of this or any other Agreement.

N. Litigation Expenses

Under no circumstances will the available Tax Increment Funds from this Agreement be used, either directly or indirectly, to pay costs or attorney fees incurred in litigation related to TIF or the TIRZ or adversarial proceedings related to TIF or the TIRZ regarding this Agreement involving the City or any other public entity. The Parties shall bear their own costs, including, but not limited to, attorneys' fees, for any action at law or in equity brought to enforce or interpret any provision of this Agreement. This paragraph does not affect the indemnity provisions herein.

O. Legal Authority

Each person executing this Agreement represents and guarantees that he or she has legal authority to execute this Agreement on behalf of their respective Party and to bind said Party and their successors and assigns to all of the terms, conditions and obligations of this Agreement.

P. Venue and Governing Law

THIS AGREEMENT SHALL BE CONSTRUED UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. Venue and jurisdiction for any claim or dispute arising under or in connection with this Agreement shall lie exclusively in Bexar County, Texas.

Q. Parties' Representations

The CITY, BOARD and COUNTY jointly negotiated this Agreement, which shall not be construed against a Party simply because that Party primarily assumed responsibility for drafting.

R. Captions

All captions used in this Agreement are for the convenience of reference only and shall not be construed to have any effect or meaning as to the Agreement between the Parties.

Except as modified or amended, the recitals, provisions, conditions, obligations, and terms of the Agreement are hereby ratified and confirmed and shall remain in full force and effect as of the Effective Date hereof.

IN WITNESS THEREOF, the Parties hereto have made and executed this Second Amendment to Interlocal Agreement, to be effective on the date of the last signature below ("Effective Date").

Signatures on next page.

CITY OF SAN ANTONIO

BEXAR COUNTY

Sheryl Sculley
City Manager or Designee
Date:_____

Nelson W. Wolff
County Judge
Date:_____

ATTEST/SEAL:

ATTEST/SEAL:

Leticia M. Vacek
City Clerk
Date:_____

Gerard C. Rickhoff
County Clerk
Date:_____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

**Criminal District Attorney
Bexar County, Texas**

Martha G. Sepeda
Acting City Attorney
Date:_____

By: _____
Gerard A. Calderon
Assistant Criminal District
Attorney - Civil Section
Date:_____

**REINVESTMENT TIRZ NUMBER NINE
CITY OF SAN ANTONIO, TEXAS**

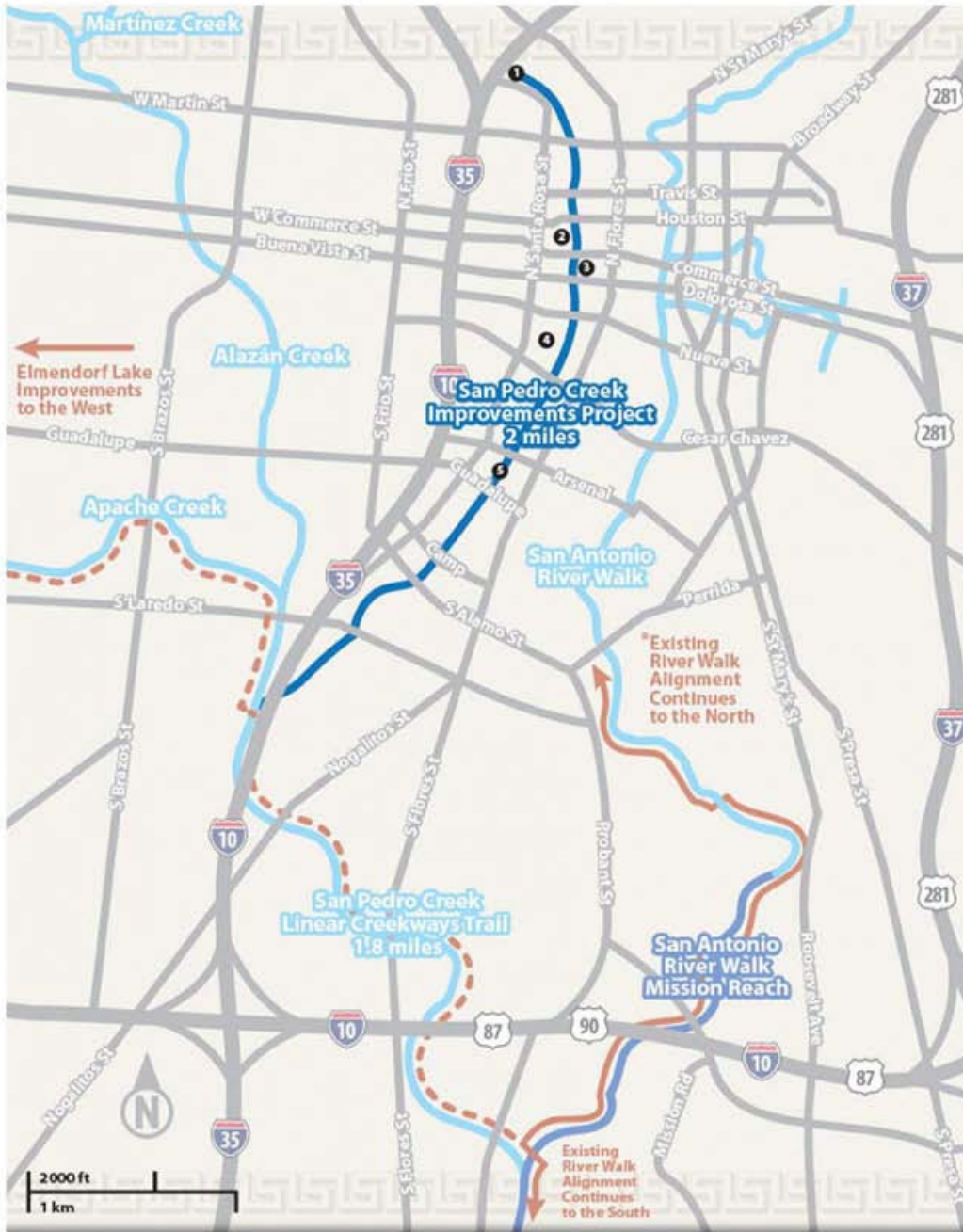
XXXXXX
Chairman, Board of Directors
Date:_____

**APPROVED AS TO FINANCIAL
CONTENT:**

Susan Yeatts, CPA
County Auditor

David Smith
County Manager

EXHIBIT "E"



San Pedro Creek Improvements Project

- 1 San Pedro Creek Tunnel Inlet
 - 2 Alameda Theater
 - 3 Spanish Governor's Palace
 - 4 Future Federal Courthouse
 - 5 San Pedro Creek Tunnel Outlet
- - - - Proposed Trail Alignment
— Existing River Walk Alignment



Exhibit “F”



Alameda Theater

Once the largest theater in the nation dedicated to Spanish-language entertainment, The Alameda Theater opened in 1949 and showed films of the golden age of Mexican cinema. Renovations of the theater have begun and include construction of a new stage house and production building that will allow the theater to better accommodate modern performances. The multiphase project is being led by the Alameda Theater 501(c)(3) non-profit corporation. The new addition will include an orchestra pit, and rooms for dressing, storage, prop making and rehearsal. From Laredo Street, load-in area is being constructed for the touring shows.

The Houston Street TIRZ will support the renovation of the historic theater by providing TIRZ funding generated from the Bexar County tax increment. Once restored, the Alameda Theater will be returned to its vintage condition and will be able to seat 2,400 patrons.