

**INTERLOCAL AGREEMENT FOR MONTGOMERY COUNTY  
PARTICIPATION IN REINVESTMENT ZONE NUMBER ONE,  
CITY OF OAK RIDGE NORTH, TEXAS**

THE STATE OF TEXAS           §  
COUNTY OF MONTGOMERY   §

THIS INTERLOCAL AGREEMENT (“Agreement”) is made by and between the CITY OF OAK RIDGE NORTH, TEXAS (“City”), a municipal corporation and general law city of the State of Texas situated in the County of Montgomery, acting by and through its governing body, the City Council, and MONTGOMERY COUNTY, TEXAS (“County”), a political subdivision of the State of Texas, acting by and through its governing body, the Montgomery County Commissioners Court; and the REINVESTMENT ZONE NUMBER ONE, CITY OF OAK RIDGE NORTH, TEXAS (“Reinvestment Zone”), a tax increment reinvestment zone created by the City pursuant to Chapter 311 (the “Tax Increment Financing Act” or the “Act”) of the Texas Tax Code, acting by and through its Board of Directors. The City, County and Reinvestment Zone (“Parties”), agree to all the recitals, definitions, terms, conditions and representations contained in this Agreement. This Agreement is made pursuant to Chapter 791 of the Texas Government Code and Section 311.013 of the Texas Tax Code.

**SECTION 1 -- RECITALS**

- A. The City of Oak Ridge North, Texas (“City”) is a Texas general law municipality incorporated in 1979 located in southern Montgomery County, Texas (“County”).
- B. The incorporated area of the City includes approximately 1.3 square miles and is primarily comprised of single family residential properties.
- C. The extra-territorial jurisdiction (“ETJ”) includes approximately 1.2 square miles and is comprised of numerous ownerships of varying size tracts of land.
- D. Due to its general law status, the City generally cannot annex properties without receiving petitions requesting annexation. As tracts in the ETJ petition for annexation in a piecemeal fashion, the City has no means of planning and providing infrastructure to promote overall quality development in the area.
- E. Low quality and/or sub-standard developments as a result of ad hoc development of the ETJ will be an ongoing obstacle to annexation by the City. The burden of providing service to the ETJ will remain with the County if the ETJ is left unincorporated as a result of low quality and/or sub-standard development.

- F. The City desires to promote commercial and light industrial development of the ETJ and annexation by the City of developed tracts. Quality development of the ETJ and the annexation by the City of developed tracts create significant public benefits for the City and the County, including without limitation, enhancement of the tax base for both the City and the County.
- G. On December 15, 2014, the City created the Reinvestment Zone over certain commercial areas within the City and certain areas within the ETJ in order to (1) maximize and preserve the taxable value of land and improvements in the ETJ, and (2) preserve and enhance the attractiveness and value of the City's neighborhoods.
- H. The Reinvestment Zone affords the City the opportunity to plan and prepare for the provision of public infrastructure to areas within the ETJ and upon annexation to assume the responsibility of providing full municipal services and maintenance that would otherwise remain the responsibility of the County.
- I. The County's participation in the Reinvestment Zone is predicated upon the need for roadway infrastructure within the ETJ and the City acknowledges that County would not participate unless the County's tax increment participation is used for eligible road projects over the term of this Agreement; and as a result the Reinvestment Zone will expend at least the amount of the County's tax increment contributed to the Reinvestment Zone on eligible road projects during the term of this Agreement.
- J. The County's participation in the Reinvestment Zone is at a rate substantially higher than the County's participation in previous tax increment reinvestment zones. The increased rate of participation by the County is provided in order to address mobility needs of the City and the properties and residents in the ETJ. The County's extraordinary rate of participation recognizes the essential need of the County's participation for the viability of the Reinvestment Zone and is in lieu of the County issuing debt to address such mobility needs to the extent of the County's participation.

The parties acknowledge and agree that the foregoing recitals are an integral and material part of this Agreement.

## **SECTION 2 -- DEFINITIONS**

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

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

2.02. "Captured Appraised Value" means total taxable value of all real property taxable by the County and located in the Reinvestment Zone less the Tax Increment Base of the County.

2.03. "City" is the City of Oak Ridge North, Texas, a municipal corporation and general law city of the State of Texas situated in the County of Montgomery.

2.04. "County Tax Increment Participation" means seventy-five percent (75%) of all real property taxes collected by the County on the operation and maintenance portion of its tax rate on the Captured Appraised Value based upon the then-prevailing County operation and maintenance tax rate. The County Tax Increment Participation shall be determined using the following formula:

$$[(\text{County's 2014 M\&O Tax Rate}) \times 75\% = \text{Tax Increment per } \$100]$$

For illustration using the County's tax rate and a hypothetical Tax Increment value of \$100 million:

$$\$4.008 \times 75\% = \$3.0060 \text{ per } \$100 \times \$100,000,000 = \$300,600$$

2.05. "Eligible Projects" means the public works, public improvements, programs, or other projects listed in the Project Plan, if any, pursuant to Tex. Tax Code Sec. 311.002(1). Residential development projects are excluded.

2.06. "Project Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the Board of Directors of the Reinvestment Zone and approved by the City Council of the City which may be validly amended pursuant to the Act.

2.07. "Reinvestment Zone" means the Tax Increment Reinvestment Zone Number One, City of Oak Ridge North, Texas, the City created pursuant to Chapter 311 of the Texas Tax Code, as described in Ordinance No. 66-2014 creating the Reinvestment Zone and the reinvestment zone boundaries as described in Exhibit "A" attached hereto and made a part hereof for all purposes.

2.08. "Tax Increment" means the annual amount of property taxes levied and collected by the County on the Captured Appraised Value of real property taxable by the County and located in the Reinvestment Zone, less any amounts that are to be allocated from the Tax Increment pursuant to the Texas Tax Code or this Agreement. Tax Increment shall not include penalty and interest collected on delinquent property taxes in the Reinvestment Zone.

2.09. "Tax Increment Base" for the Reinvestment Zone is the total taxable value of all real property taxable by the County and located in the Reinvestment Zone for the tax year 2015.

2.10. "Tax Increment Fund" means the separate account or fund created by the City for accumulating tax increment revenues associated with the value increases in the Reinvestment Zone.

Unless otherwise provided in this Agreement, the terms used herein shall have the meanings ascribed to such terms in Chapter 311, Texas Tax Code, as applicable.

### SECTION 3 -- TERMS, CONDITIONS AND REPRESENTATIONS

3.01. *Purpose.* The City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone as described in Exhibit "A." The County desires to participate in the Reinvestment Zone in consideration of the mutual benefits, public purposes and agreements contained herein.

3.02. *Authority.* The City and County are authorized by Section 311.008(b) of the Texas Tax Code to:

(1) cause project plans to be prepared, approve and implement the plans, and otherwise achieve the purposes of the plan;

(2) acquire and sell real property, on the terms and conditions and in the manner it considers advisable, to implement project plans;

(3) enter into agreements, including agreements with bondholders, determined by the City or County to be necessary or convenient to implement project plans and achieve their purposes, which agreements may include conditions, restrictions, or covenants that run with the land or that by other means regulate or restrict the use of land; and

(4) consistent with the project plan for the zone:

(A) acquire blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed real property or other property in a blighted area or in a federally assisted new community in the zone for the preservation or restoration of historic sites, beautification or conservation, the provision of public works or public facilities, or other public purposes;

(B) acquire, construct, reconstruct, or install public works, facilities, or sites or other public improvements, including utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, parks, flood and drainage facilities, or parking facilities, but not including educational facilities.

3.03. *Tax Increment Participation by the County.* In each year during the term of this Agreement, the County shall pay to the City for deposit into the Tax Increment Fund a sum equal to the County Tax Increment Participation. The County's payment of the County Tax Increment Participation and the County's obligation to participate in the Reinvestment Zone shall be restricted to its Tax Increment actually collected on the Captured Appraised Value in the Reinvestment Zone. The County shall not be obligated to pay the County Tax Increment Participation from other County taxes or revenues, nor until the County Tax Increment Participation in the Reinvestment Zone is actually collected. The County's obligation to pay the County Tax Increment Participation shall accrue as taxes representing the County Tax Increment are collected and the County's payment of the County Tax Increment Participation shall be due on the last day of February and August, respectively, in each calendar year. It is a condition precedent

to County's obligation to pay the County Tax Increment Participation that the Project Plan be approved and adopted by the Reinvestment Zone Board of Directors and the City.

3.04.1. *Early Termination - County.* The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than September 30, 2030 without the prior consent of the County; provided that the Reinvestment Zone may otherwise terminate by operation of law. Notwithstanding the foregoing, the County may terminate this Agreement and its participation in the Reinvestment Zone effective for the tax year 2031 upon written notice to the City on or before September 30, 2030, if, and only if, at least one of the following conditions exist on September 1, 2030:

- (a) The Captured Appraised Value in the Reinvestment Zone is less than \$300 million; or
- (b) On September 1, 2030, at least \$12.5 million in eligible road projects
  - (1) have not been completed; or
  - (2) are not under construction; or
  - (3) the TIRZ Board is not in receipt of one or more bona fide developer proposals for eligible road project(s) that would fulfill the \$12.5 million commitment.

The County's right to terminate this Agreement and the County's participation in the Reinvestment Zone is discretionary even if one of the above conditions exist that allows the County to terminate this Agreement and the County's participation in the Reinvestment Zone.

3.04.2. *Early Termination - City.* After September 30, 2030, the City shall not adopt an ordinance terminating the Reinvestment Zone without providing 90 days prior written notice to the County if the County has not already exercised its right to terminate under Section 3.04.1 above. Otherwise, the City may terminate the Reinvestment Zone without notice to the County. Notwithstanding the foregoing, the Reinvestment Zone may otherwise terminate by operation of law.

3.04.3. *Funding.* Notwithstanding the foregoing, the County's participation and the City's participation each shall continue to the extent necessary to fund the County's pro-rata share and City's pro-rata share of enforceable developer reimbursement agreements entered into by the Reinvestment Zone, and/or pledges by the Reinvestment Zone of tax increment revenue to the payment of bonds.

3.05. *Notices.* Any notice, communication, request, demand, reply or advice (severally and collectively referred to as "Notice") in this Agreement required or permitted to be given, made

or accepted must be in writing. Notice may, unless otherwise provided herein, be given or served (a) by depositing the same in the United States Mail, postage paid, registered or certified, and addressed to the party to be notified, with return receipt requested, (b) by delivering the same to such party, or an agent of such party, in person or by commercial courier or (c) by regular mail, facsimile transmission, telegram or other commercially reasonable means addressed to the party to be notified. Notice sent by registered or certified mail in the manner herein above described shall be effective from and after the earlier of: the expiration of three (3) days after such deposit or actual receipt thereof. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as provided below, be as follows:

Notices and communications to the County shall be delivered or sent as follows:

Montgomery County  
Attn: County Judge  
501 North Thompson, Ste. 401  
Conroe, Texas 77301  
Tel.: 936-539-7812  
Fax: 936-760-6919

with a copy to:

Montgomery County Attorney  
501 N. Thompson, Ste. 300  
Conroe, Texas 77301  
Tel.: 936-539-7828  
Fax: 936-760-6920

With regard to financial reporting and contract accounting:

Montgomery County Tax Assessor  
400 N. San Jacinto St.  
Conroe, TX 77301  
Tel.: 936-539-7897  
Fax: 936-788-8390

Notices to City shall be delivered or sent as follows:

City of Oak Ridge North, Texas  
Attention: Vicky Rudy, City Manager  
27424 Robinson Rd.  
Oak Ridge North, Texas 77385  
Tel. 281-292-4648

With a copy to:

Christopher L. Nichols, City Attorney  
Bank of America Center  
700 Louisiana St., Suite 4800  
Houston, Texas 77002  
(713) 275-7832 – Office

3.06. *Headings; Construction.* The headings which have been used throughout this Agreement have been inserted for convenience of reference only and do not constitute matters to be construed in interpreting this Agreement. Words of any gender used in this Agreement shall be held and construed to include any other gender and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise. The words "herein," "hereof," "hereunder" and other similar compounds of the word "here" when used in this Agreement shall refer to the entire Agreement and not to any particular provision or section. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that all parties have contributed substantially and materially to the preparation of this Agreement.

3.07. *Expansion of the Reinvestment Zone.* The County's obligation to participate in the Reinvestment Zone is limited to the area of the Reinvestment Zone as of the date hereof and as described in Exhibit "A." The County's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless the County expressly approves the participation in the expanded area.

3.08. *Board of Directors.* The County has the right to appoint two members of the Reinvestment Zone #1 Board of Directors. If the Reinvestment Zone #1 Board of Directors is expanded to a number greater than five (5) members, the County has the right to appoint one (1) additional director for every three (3) expanded director positions.

3.09. *Agreement Term.* This Agreement shall become effective as of the date of the final signature hereto. The first payment of the County Tax Increment Participation shall be for those taxes levied by the County in the year 2016 and the last payment by the County under this Agreement is for those taxes levied by the County in the year 2045, or in the alternative, the year when all public improvements in the Project Plan have been constructed and all Reinvestment Zone debt has been paid in full if it occurs prior to year 2045. As a condition of the County Tax Increment Participation during the term of this Agreement, County consent must be obtained for any refinancing of Reinvestment Zone debt that would extend the duration of the Reinvestment Zone.

3.10. *Disposition of Tax Increments.* Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to the County

all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation.

3.11. *Severability.* In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either the County, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof. In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County's contributions or participation, then this Agreement shall be void as to the County and the County shall have no liability for any incremental or other payments as may otherwise be provided for this Agreement.

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

3.13. *Written Amendment.* Unless otherwise provided herein, the Agreement may be amended only by written instrument duly executed on behalf of each party. A copy of the preliminary Project Plan has been provided to the County and any amendments or changes thereto shall be provided to the County before the Project Plan is finally approved by the Reinvestment Zone Board of Directors and the City.

3.14. *Non-Waiver.* Failure of any party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights of 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.

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

3.16. *Successors.* This Agreement shall bind and benefit the parties and their successors unless otherwise terminated in accordance with the terms herein or pursuant to the Act. This Agreement does not create any personal liability on the part of any officer or agent of the City or of any trustee, officer, agent or employee of the County.

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

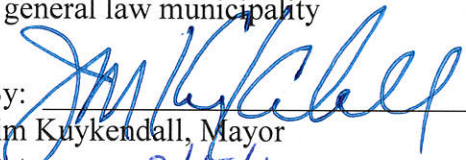


3.18. *Payment from Current Revenues.* The undersigned further acknowledge that each party paying for the performance of governmental functions or services shall make these payments from current revenues available to the paying parties in accordance with applicable law.


*[Signatures are contained on separate execution pages]*

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

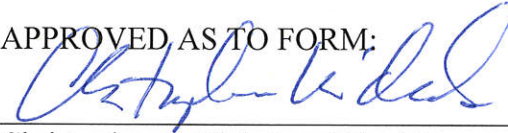
CITY OF OAK RIDGE NORTH, TEXAS,  
a general law municipality

By:   
Jim Kuykendall, Mayor  
Date: 2/15/16

ATTEST:

  
Heather Neeley, City Secretary  
Date: 2/15/16

APPROVED AS TO FORM:

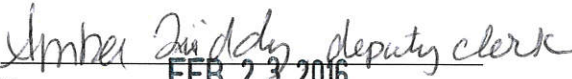
  
Christopher L. Nichols – City Attorney  
Date: 2/15/16

MONTGOMERY COUNTY

By:   
Craig Doyal, County Judge  
Date: FEB 23 2016


ATTEST:

Mark Turnbull, County Clerk

By:   
Date: FEB 23 2016

APPROVED AS TO FORM:

JD LAMBRIGHT, COUNTY ATTORNEY

By:   
Date: 2/23/2016