

DEVELOPMENT AGREEMENT

This Development Agreement (“Agreement”) is entered into by and between the **CITY OF HARKER HEIGHTS, TEXAS** (“City”) and **YELLOW LILLY, INC.** (“Yellow Lilly”). The purpose of this Agreement is to set forth the terms under which the City will provide certain economic development incentives to Yellow Lilly pursuant to its authority under Chapter 380 of the Texas Local Government Code and, in consideration thereof, Yellow Lilly will agree to provide certain economic development benefits to the City. The parties agree as follows:

Economic Development Obligations of Yellow Lilly

Yellow Lilly is the owner of a 4.216 acre tract of property, further described in a General Warranty Deed attached as Exhibit A, (“Property”) located adjacent to North Mary Jo Drive and between Jamie Road and West Valley Road in the City. Certain substandard structures and other structures currently exist on the property. To enhance the economy of the City, to provide economic activity, to provide housing for persons employed within the City of Harker Heights, and to enhance the property tax base of the City, Yellow Lilly agrees to do the following:

- A. Yellow Lilly agrees to demolish all structures located on the Property by June 1, 2022.
- B. Yellow Lilly agrees to promptly dispose of and/or remove from the City all building materials, rubbish, scrap or debris that result from the demolition of the structure presently located on the Property.
- C. Yellow Lilly shall, after consultation with the City, prepare and submit a proposed plat for the Property in a configuration that will allow the construction of at least nineteen (19) duplex units as authorized by the current R2-I zoning classification. Such plat will be submitted to the City by January 1, 2023.

Yellow Lilly will reconstruct Lynn Drive and that portion of Jamie Road located on the Property to City standards. The plat of the Property shall include all easements and rights-of-way required by City ordinance and shall include a dedication of the reconstructed Lynn Drive to the City and the public as a city street. The plat shall also include a dedication of all of the reconstructed roadway currently referred to as “Jamie Road” that is contained on the Property to the City and the public as a city street.

D. Upon proper authorization from the City, Yellow Lilly shall conduct all site work and grading of the Property in a good and workmanlike manner and shall maintain the Property in a clean, mowed, and cleared condition until such time as duplexes have been constructed on all lots located on the property.

E. Yellow Lilly will construct on the Property at least nineteen (19) duplexes of a minimum size of 1,200 square feet of living space per side. Each such duplex shall have a one car

garage per side. Yellow Lilly shall complete the construction of nineteen (19) duplexes by January 1, 2025.

F. On January 1 of the year following completion of each duplex, such duplex shall have an appraised value of at least \$225,000.00 on the rolls of the Bell County Appraisal District.

G. For so long as Yellow Lilly owns any of the duplexes, they shall be kept in good and sound condition in full compliance with all City building codes and Yellow Lilly shall assure that the front yards of such duplexes shall be regularly mowed and kept free of debris and trash. Yellow Lilly shall require any successor in title to any of the duplexes to comply with this paragraph for so long as the City is paying 380 grants to Yellow Lilly pursuant to this Agreement.

H. Yellow Lilly will construct a minimum of three (3) new LED cobra style streetlights on pole on Lynn Drive. One of the streetlights shall be installed at the intersection of Lynn Drive and West Valley Road and another at the intersection of Lynn Drive and Jamie Road at locations approved by the City. Such streetlights shall be constructed within three hundred sixty-five (365) days of final approval of the plat of the Property.

Economic Development Incentives – City of Harker Heights

In consideration for the economic development benefits to be provided by Yellow Lilly as described in Section 1 above, the City agrees to provide Yellow Lilly with certain economic development incentives pursuant to its authority under Chapter 380 of the Texas Local Government Code.

A. The City will waive all platting fees in relation to the platting of the Property as required above.

B. The City will waive all tap and service fees for water and sewer connections to each of the duplexes that Yellow Lilly will construct pursuant to this Agreement.

C. The City will waive all permit fees in connection with the construction of the duplexes described above.

D. On or about January 25, 2022, the City entered into an agreement with Harker Heights Condominiums, LLC (“HHC”) and BSLNC, Inc. (“BSLNC”) to settle litigation relating to the disposition of the substandard structures located on the Property (“Settlement Agreement”). The settlement agreement required that HHC/BSLNC, or their successor, pay the total amount of \$118,157.00 to the City as compensation for costs incurred by the City to demolish certain substandard structures that had existed on the Property (“Demolition Debt”). At the time the settlement was executed, HHC/BSLNC paid the City the amount of \$23,641.40, leaving a Demolition Debt balance of \$94,518.60 due and payable to the City. Yellow Lilly purchased the Property from HHC/BSLNC and assumed the obligation of those entities under the settlement agreement. Yellow Lilly now owes the City \$94,518.60 pursuant to said agreement. That amount is secured by a lien on the Property. As an economic development incentive, the City will declare

said Demolition Debt balance of \$94,518.60 to be paid in full and no longer owed to the City upon the completion by Yellow Lilly of nineteen (19) duplexes on the Property in accordance with this Agreement. Upon such occurrence, the City's lien securing the Demolition Debt will also be released. Such duplexes shall be considered to be "complete" upon issuance of occupancy permits by the City. Further, the lien which exists against the Property to secure payment of amounts necessary to reimburse the City for demolition costs will be released upon the completion by Yellow Lilly of nineteen (19) duplexes on the Property. Between the date of the execution of this Agreement and the date that Yellow Lilly is required to have constructed the nineteen (19) duplexes, Yellow Lilly shall not be required to make payment to the City on the \$94,518.60 Demolition Debt.

E. Upon acceptance of the reconstructed Lynn Drive and Jamie Road and approval of the final plat for the Property, the City will, within thirty (30) days after such acceptance and approval, pay an economic development grant in the amount of \$23,641.40 to Yellow Lilly.

F. Property Value Grants -- Beginning for the tax year 2023 and continuing for ten (10) years through the tax year 2032, the City will make an economic development grant to Yellow Lilly in an amount equal to one-half (1/2) of the increase in property tax revenue received by the City from the Property (including improvements) over the ad valorem property tax revenue received by the City from the Property for the tax year 2022. This grant shall be payable by the City on or before March 1 of the year following the year for which the grant is paid. For example, the first grant will be paid for the tax year 2023. Property taxes assessed by the City for the tax year 2023 are due on or before January 31, 2024. The Property Value Grant for the tax year 2023 will be paid by the City to Yellow Lilly on or before March 1, 2024. This grant shall only be payable if Yellow Lilly owns all of the Property.

In order for Yellow Lilly to qualify for Property Value Grants, Yellow Lilly, or its successor, must timely pay all ad valorem property taxes due on each and every lot that will be platted on the Property. If property taxes are not timely paid for each such lot and become delinquent for any such lot during any year for which this grant is to be paid, the obligation of the City to pay this grant shall terminate for the year in which the delinquency occurs and all subsequent years for which the City has otherwise agreed to pay this grant. Nothing herein shall prohibit Yellow Lilly, or its successor, from objecting to appraisals of fair market value and pursuing such objections in accordance with the Texas Tax Code. To the extent any such protest is made, Yellow Lilly, or its successor, must timely pay ad valorem taxes as required by law to continue this obligation. In the case of such appeal, the City shall have only the obligation to pay the grant based upon the amount of ad valorem taxes assessed by the City which are actually paid by Yellow Lilly, or its successor.

The cumulative amount of Property Value Grants that the City is obligated to make is \$150,000.00. Once the cumulative total amount of Property Value Grants paid by the City under this Agreement equals \$150,000, the City shall have no further obligation to make such grant payments to Yellow Lilly. Subject to the requirements and conditions of this Agreement, Yellow Lilly shall be entitled to receive Property Value Grants even if title to any of the lots located on the Property is transferred to another person or entity after the execution of this Agreement.

Recovery of Incentives

In the event Yellow Lilly does not complete construction of nineteen (19) duplexes on the Property by January 1, 2025, Yellow Lilly must refund to the City all amounts paid to Yellow Lilly by that date for Property Value Grants. Additionally, if Yellow Lilly fails to timely pay ad valorem taxes for any year that a Property Value Grant is to be paid this Agreement shall terminate, the City's obligation to pay Property Value Grants shall terminate and Yellow Lilly shall repay all Property Value Grants made by the City to that date.

If Yellow Lilly has not completed construction of all nineteen (19) duplexes by January 1, 2025, Yellow Lilly will remain obligated to pay a portion of the \$94,518.60 Demolition Debt that will be reduced on a pro rata basis based upon the number of duplexes completed before January 1, 2025. For example, if Yellow Lilly completes ten (10) duplexes by January 1, 2025, Yellow Lilly shall continue to owe the City 9/19 of the \$94,518.60 Demolition Debt. Any amount due shall be paid by Yellow Lilly to the City by June 1, 2025. In the event that Yellow Lilly owes the City a percentage of the Demolition Debt after January 1, 2025, the City's lien securing the debt shall remain in place until the balance of the debt is paid. In the event of a default or breach of any provision of this Agreement by Yellow Lilly or its , other than a failure to construct all nineteen duplexes, Yellow Lilly shall fulfill and perform all obligations that were originally required of HHC and/or BSLNC in the Settlement Agreement and repay to the City all Property Value Grants paid to Yellow Lilly, or any authorized successor.

General Provisions

1. This Agreement and the benefits to be paid hereunder may not be assigned by Yellow Lilly without the express written consent of the City.
2. Yellow Lilly agrees that the City is authorized to enter upon the Property to conduct such inspections as are necessary to determine whether permits, including occupancy permits, should be issued and to determine whether the provisions of this Agreement are being met. The parties agree that the City's inspections shall be conducted during regular business hours or at such other time as agreed by the parties.
3. The relationship between the City and Yellow Lilly is not, and shall not be deemed to be, a partnership or joint venture for purposes of this Agreement or for any purposes whatsoever.
4. The City is not a participant in the construction of the duplex improvements that are to be constructed by Yellow Lilly. In the event any claim or suit is made against the City arising out of or relating to the construction of the duplexes described herein, Yellow Lilly will indemnify and hold harmless the City from any such claim or legal actions.
5. This Agreement shall be construed and interpreted under the laws of the State of Texas. This Agreement is performable in Bell County, Texas.

IN WITNESS WHEREOF and to confirm the agreements of the parties to the terms of this Development Agreement, the parties sign and execute the Agreement on the dates shown below their signature as follows:

CITY OF HARKER HEIGHTS, TEXAS



By: David Mithcell

David Mithcell, City Manager

Date: 3/22/22

ATTEST:

Julie Helsham

Julie Helsham, City Secretary
City of Harker Heights, Texas

YELLOW LILLY, INC.

By: MBhakta

Print Name: MANISH BHAKTA

Title: President of yellow Lilly, Inc.

Date: 3/22/2022