

**CITY OF SHERMAN
TAX INCREMENT REINVESTMENT ZONE #8 COMMITTEE AGENDA
COUNCIL CHAMBERS OF THE CITY HALL
220 WEST MULBERRY STREET
SHERMAN, TEXAS
MONDAY, FEBRUARY 20, 2023
5:00 P.M.**

A. 1. CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

Citizen Comments

B. 1. CITIZEN COMMENTS

During this meeting, the Tax Increment Reinvestment Zone #8 (TIRZ #8) welcomes public comment only on agenda items listed under the Open Meeting portion of the agenda, in accordance with Texas Government Code Section 551.007. For items not listed on the agenda, those matters may be discussed with City staff during regular business hours, or with the Mayor or any Council member by contacting them at times other than at TIRZ meetings.

Other Business

C. 1. OTHER BUSINESS

Authorizing Execution of a TIRZ #8 Reimbursement Agreement with Heritage Ranch Municipal Utility District No. 1 of Grayson County for the Construction of Public Infrastructure within Sherman Tax Increment Reinvestment Zone, Number Eight (#8) in the City of Sherman

Executive Session

D. 1. EXECUTIVE SESSION

In accordance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, the Tax Increment Reinvestment Zone #8 may hold an Executive Session if the discussion of any of the items identified in this agenda, or any of the items identified below, concern one or more of the following:

Tex. Gov't Code § 551.071	Seeking the advice of its attorney about pending or contemplated litigation, settlement offers or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act.
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Tex. Gov't Code § 551.072	Deliberating the purchase, exchange, lease or value of real property if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.
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Tex. Gov't Code § 551.073	Deliberating a negotiated contract for a prospective gift or donation to the City if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.
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Tex. Gov't Code § 551.074	Deliberating the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing.
Tex. Gov't Code § 551.076	Deliberating the deployment, or specific occasions for implementation, of security personnel or devices or a security audit.
Tex. Gov't Code § 551.087	Discussing or deliberating commercial or financial information that the City has received from a business prospect that the City seeks to have locate, stay or expand in or near the City and with which the City is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect.
Tex. Gov't Code § 551.089	Deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementation of security personnel, critical infrastructure or security devices.

The Council reconvenes into General Session

- E. 1. OPEN MEETING**
Reconvene into Open Meeting and Consider Action, if any, on items discussed in Executive Session
- F. ADJOURNMENT**

CERTIFICATION

I, the undersigned authority, do hereby certify that the above Notice of Called Meeting of the Tax Increment Reinvestment Zone #8 Committee of the City of Sherman is a true and correct copy of said Notice and that I posted a true and correct copy of said Notice on the bulletin board at City Hall of said City of Sherman, Texas, a place convenient to the public, and said notice was posted on Friday, February 17, 2023 at 4:00 p.m., and said time of posting was 72 hours before said meeting was convened or called to order.

Dated this 17th day of February 2023.
City of Sherman, Texas

City Clerk

The above agenda schedule represents an estimate of the order for the indicated items and is subject to change at any time.

All agenda items are subject to final action by the City Council.

An unscheduled closed executive session may be held if the discussion of any of the above agenda items concerns the purchase, exchange, lease or value of real property; the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee; the deployment or use of security personnel or equipment; or requires consultations with the City Attorney.

At the discretion of the City Council, non-agenda items under the headings of "Citizens Requests", "Media Questions", and "Council Concerns" may be presented to the Council for informational purposes; however, by law, the Council shall not discuss, deliberate, or vote upon such matters except that a statement of specific factual information, a recitation of existing policy, and deliberations concerning the placing of the subject on a subsequent agenda may take place.

The City Attorney has approved the Executive Session items on this agenda.

PERSONS WITH DISABILITIES, WHO PLAN TO ATTEND THIS MEETING AND WHO MAY NEED ASSISTANCE, ARE REQUESTED TO CONTACT LINDA ASHBY AT (903) 892-7204, TWO (2) WORKING DAYS PRIOR TO THE MEETING SO THAT APPROPRIATE ARRANGEMENTS CAN BE MADE.

Committee Members

Josh Stevenson, Deputy Mayor, Council - District #2

Henry Marroquin, Council-At-Large, PL #1

Juston Dobbs, Council-At-Large, PL #2



SHERMAN CITY COUNCIL

Agenda Communication Form

Tax Increment Financing Board #8

C. 1.

Meeting Date: 02/20/2023

Approved By: Robby Hefton, City Manager

Caption:

OTHER BUSINESS

Authorizing Execution of a TIRZ #8 Reimbursement Agreement with Heritage Ranch Municipal Utility District No. 1 of Grayson County for the Construction of Public Infrastructure within Sherman Tax Increment Reinvestment Zone, Number Eight (#8) in the City of Sherman

Issue:

To approve a Reimbursement Agreement for Public Infrastructure within Sherman Tax Increment Reinvestment Zone, Number Eight (#8)

Background:

In 2021, the Council approved a Master Development Agreement (MDA) with the developer of TIRZ #8, the residential area of Heritage Ranch. According to the MDA, the TIRZ Board of Directors and the developer shall negotiate and enter into an agreement for reimbursement to the Developer for Project Costs consistent with the terms and conditions of the MDA with payments made to the Municipal Utility District. This Reimbursement Agreement would reimburse the Municipal Utility District (MUD) for the public infrastructure, initially paid for by the developer and reimbursed to the developer from MUD bond proceeds. Reimbursement for public infrastructure to the MUD is part of the TIRZ #8 Project and Financing Plan. The reimbursement would be funded by the incremental tax revenue generated by the zone. Payments by the City under this agreement would end at the earlier of the date the bonds are repaid, the date the MDA terminates, or the date TIRZ #8 terminates.

Origination:

Mary Lawrence, Finance Director
Robby Hefton, City Manager
TIRZ #8 Board

Financial Consideration:

Reimbursement will be made from TIRZ #8 revenue upon acceptance by the City of the public improvements. The estimated cost for public infrastructure is \$35 million.

Staff Recommendation:

Staff recommends approval of the TIRZ #8 Reimbursement Agreement.

Alternatives:

As directed by the City Council

Attachments

Resolution No. 7033

Reimbursement Agreement Heritage Ranch MUD

Aerial Heritage Ranch TIRZ #8

RESOLUTION NO 7033

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF A TIRZ #8 REIMBURSEMENT AGREEMENT WITH HERITAGE RANCH MUNICIPAL UTILITY DISTRICT NO. 1 OF GRAYSON COUNTY FOR THE CONSTRUCTION OF PUBLIC INFRASTRUCTURE WITHIN SHERMAN TAX INCREMENT REINVESTMENT ZONE, NUMBER EIGHT (#8) IN THE CITY OF SHERMAN; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That the City Manager be and is hereby authorized and directed, subject to all documents being properly completed and approved as to form and content by the City Attorney, to execute a TIRZ #8 Reimbursement Agreement with Heritage Ranch Municipal Utility District No. 1 of Grayson County for the construction of public infrastructure within Sherman Tax Increment Reinvestment Zone, Number Eight (#8) located generally along U.S. Hwy 82 and between Plainview Road and Travis Street in the City of Sherman, Grayson County, Texas, in the same or substantially same form as the contract documents to be attached hereto and incorporated herein for all purposes.

SECTION 2. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS on this the 20th day of February 2023.

CITY OF SHERMAN, TEXAS

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

BY: _____
DAVID PLYLER, MAYOR

**APPROVED AS TO FORM AND
CONTENT:
THE LAW FIRM OF ABERNATHY,
ROEDER, BOYD & HULLETT, P.C.**

BY: _____
RYAN D. PITTMAN, CITY ATTORNEY

TIRZ#8 REIMBURSEMENT AGREEMENT

Between and Among

CITY OF SHERMAN, TEXAS

and

SHERMAN TAX INCREMENT REINVESTMENT ZONE #8

and

HERITAGE RANCH MUNICIPAL UTILITY DISTRICT NO. 1 OF GRAYSON COUNTY

Dated _____

TIRZ#8 REIMBURSEMENT AGREEMENT

This TIRZ#8 Reimbursement Agreement (“Agreement”) is made between and among the CITY OF SHERMAN, TEXAS, a home-rule municipal corporation situated in Grayson County, Texas, acting by and through its governing body (the “City”); SHERMAN TAX INCREMENT REINVESTMENT ZONE #8, a tax increment reinvestment zone created by the City, pursuant to Chapter 311 of the Texas Tax Code, as amended, acting by and through its governing body (the “Zone”); and HERITAGE RANCH MUNICIPAL UTILITY DISTRICT NO. 1 OF GRAYSON COUNTY, a political subdivision of the State of Texas (the “District”), effective as of _____.

RECITALS

Pursuant to Chapter 311 of the Texas Tax Code as amended, (the “TIRZ Act”) and by Ordinance No. 6476, the City Council of the City (the “City Council”) created the Zone located wholly in the corporate limits of the City pursuant to a Preliminary Financing Plan. The City Council for the City (“City Council”) has appointed the Zone’s Board of Directors (“Zone Board”).

The Zone Board has adopted a First Amendment to Project and Financing Plan dated November 21, 2022 (as hereinafter amended from time to time, the “Project and Financing Plan”). The Zone Board submitted the Project and Financing Plan to the City Council for approval, and the City Council approved such Project and Financing Plan.

The Texas Tax Code provides that the City and Zone may enter into agreements as the City and Zone Board consider necessary or convenient to implement the Project and Financing Plan and achieve its purposes.

The City Council and Zone Board have determined that it is in the best interest of the City and Zone to enter into this Agreement with the District, which the District encompasses the approximately 172 acres described in the attached Exhibit “A” within the Zone (the “District Tract”), in order to provide for the efficient and effective implementation of certain aspects of the Project and Financing Plan.

The District desires to enter into this Agreement to promote the development of the District Tract with certain improvements.

The District was created to encompass the District Tract for the purposes of providing a public water supply, sanitary sewer services, drainage services, and roads to the areas within its boundaries. The District has entered into a reimbursement agreement with RCICD Heritage Ranch LLC, a Texas limited liability company, the developer of the District Tract (the “Developer”), pursuant to which Developer will construct, among other things, the TIRZ Improvements (as hereinafter defined) and the District will reimburse Developer for the costs of constructing the TIRZ Improvements with the proceeds of its ad valorem tax bonds.

The Parties hereby intend for the monies hereinafter agreed by the City and Zone to be reimbursed for the TIRZ Improvements will flow to the District so that the District can utilize such

monies to pay its ad valorem tax bonds issued to reimburse Developer for construction of the TIRZ Improvements.

AGREEMENT

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

ARTICLE I GENERAL TERMS

1.01 Definitions. The terms “TIRZ Act,” “Agreement,” “Developer,” “District,” “City,” “City Council,” “District Tract,” “Project and Financing Plan,” “Zone,” and “Zone Board” have the above meanings, and the following terms have the following meanings:

“Available Tax Increment” shall mean the funds in the Tax Increment Revenue Fund derived from within the District Tract collected at 50% of the City’s Maintenance and Operations (“M&O”) portion of the ad valorem tax actually collected from within the District Tract and 50% of the County’s M&O portion of the ad valorem tax actually collected from within the District Tract , excluding amounts necessary to pay for the operation and administration of the Zone.

“City Increment” means, for a year, 50% of the M&O portion of the ad valorem property taxes levied and collected by the City for that year on the captured appraised value of real property (as defined in Section 311.012 of the TIRZ Act) taxable by the City and located within the District Tract.

“County” shall mean Grayson County, Texas.

“County Increment” means, for a year, 50% of the M&O portion of the ad valorem property taxes levied and collected by the County for that year on the captured appraised value of real property (as defined in Section 311.012 of the TIRZ Act) taxable by the County and located within the District Tract.

“Net TIRZ Revenue” means for any given period of time the Available Tax Increment minus that portion of the costs and expenses authorized by the TIRZ Act for the establishment and administration of the TIRZ (“Administrative Costs”).

“Parties” or “Party” shall mean the City, Zone and the District, and any authorized assignee thereof.

“Plans and Specifications” shall mean the designs, plans and specifications for each of the TIRZ Improvements that have been approved by the City.

“Project Costs” shall mean all costs directly related to the design and construction of the TIRZ Improvements which are eligible for financing by the Zone pursuant to the TIRZ Act, including those costs referenced in Section 3.03 and Exhibit “B”.

“Tax Increment Revenue Fund” shall mean the special fund established by the City and funded with payments made by the City and the County (and any other entity which agrees to participate in the TIRZ Project and Finance Plan), which payments are attributable to incremental ad valorem property taxes paid on all taxable properties in the Zone, as such are defined by the TIRZ Act.

“Tax Increments” means for any given period the total revenue paid into the Tax Increment Revenue Fund from the incremental ad valorem property taxes paid on all taxable properties in the Zone.

“TIRZ Improvements” shall mean the water, sanitary sewer and drainage facilities or capacities, and roads necessary to serve the District Tract, as further described in Article 4 and Exhibit “B,” that are dedicated and conveyed to the City upon final acceptance thereof by the City.

1.02 Singular and Plural. Words used herein in the singular, where the context so permits, also include the plural and vice versa. The definitions of words in the singular herein also apply to such words when used in the plural where the context so permits and vice versa.

ARTICLE 2 REPRESENTATIONS

2.01 Representations of the City. The City hereby represents to the other parties to this Agreement that as of the date hereof:

(A) The City is duly authorized, created and existing under the laws of the State of Texas and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement. Ordinance No. 6476, adopted by the City Council of the City, remains in full force and effect and has not been amended or supplemented since the date of its adoption.

(B) The City Council has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement and the execution, delivery and performance hereof (i) have been duly authorized, will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation applicable to the City, and (ii) do not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the City under any agreement or instrument to which the City is a party or by which the City or its assets may be bound or affected.

(C) The execution, delivery and performance of this Agreement by the City does not require the consent or approval of any person which has not been obtained.

2.02 Representations of the Zone. The Zone hereby represents to the other parties to this Agreement that as of the date hereof:

(A) The Zone is duly authorized, created and existing under the laws of the State of Texas and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement. Ordinance No. 6476, adopted by the City Council of the City, remains in full force and effect and has not been amended or supplemented since the date of its adoption.

(B) The Zone has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement and the execution, delivery and performance hereof (i) have been duly authorized, will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation applicable to the Zone, and (ii) do not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the Zone under any agreement or instrument to which the Zone or is a party or by which the Zone or its assets may be bound or affected.

(C) The execution, delivery and performance of this Agreement by the Zone does not require the consent or approval of any person which has not been obtained.

2.03 Representations of the District. The District hereby represents to the other parties to this Agreement that as of the date hereof:

(A) The District is duly authorized, created and existing under the laws of the State of Texas and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement. The District is a legally created municipal utility district, created pursuant to Senate Bill 2219, 87th Texas Legislature, Regular Session, codified as Chapter 7920A, Special District Local Laws Code (the “District Act”), remains in full force and effect and has not been amended or supplemented since the date of its adoption.

(B) The District has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement, and the execution, delivery and performance hereof (i) have been duly authorized, will not, to the best of its knowledge, violate any judgment, order, law or regulation applicable to the District, and (ii) do not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the District under any agreement or instrument to which the District is a party or by which the District or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed and delivered and constitutes a legal, valid and binding obligation of the District, enforceable in accordance with its terms.

(D) The TIRZ Improvements are components of or are consistent with the current Project and Financing Plan. The TIRZ Improvements are eligible project costs under the TIRZ Act.

ARTICLE 3
THE DISTRICT TRACT AND NEEDED TIRZ IMPROVEMENTS

3.01 District Tract. In order to promote and expedite development of the District Tract, the District, or Developer on behalf of the District, is willing to design and construct the TIRZ Improvements, and, in return the City is willing to reimburse the cost of the TIRZ Improvements with monies made available to the City as a result of the growth of ad valorem tax base within the District Tract, subject to the terms of this Agreement, the Development Agreement (hereinafter defined) and applicable law.

3.02 TIRZ Improvements. The TIRZ Improvements will consist of those improvements defined as TIRZ Improvements under this Agreement.

3.03 Project Costs. The Project Costs of the TIRZ Improvements shall include, to the maximum extent allowed by law, all of the costs directly related to the construction of the TIRZ Improvements which can be paid from the Tax Increment Revenue Fund pursuant to the TIRZ Act, including without limitation, the payment of the costs of design, engineering, reports, materials, labor, construction, and inspection arising in connection with the TIRZ Improvements, including all payments arising under any contracts entered into pursuant to this Agreement, all costs incurred in connection with obtaining governmental approvals, certificates or permits required as a part of any contracts entered in to in accordance with this Agreement, all related legal fees and out-of-pocket expenses incurred in connection therewith directly related to the TIRZ Improvements, including costs of sites and right-of-way (including all costs related to condemnation, if needed) and interest on such costs as provided herein. Notwithstanding any statement to the contrary in this Agreement, all Project Costs must be an eligible project cost under the TIRZ Act and the Project and Financing Plan.

ARTICLE 4
DESIGN AND CONSTRUCTION OF TIRZ IMPROVEMENTS

4.01 Design of the TIRZ Improvements. The District, or Developer on behalf of the District, shall be responsible for the design of the TIRZ Improvements in conformance with applicable City ordinances and all other local, state and federal regulatory requirements. Upon the completion of such design, the District, or Developer on behalf of the District, shall submit plans and specifications for review and approval by the City, along with an updated budget for all the costs to construct the TIRZ Improvements. The City shall have sixty (60) days to review and approve or disapprove such plans and specifications and budget, and all required permits shall be obtained by the District, or Developer on behalf of the District, from the City prior to the commencement of the construction of the TIRZ Improvements.

4.02 Construction of the TIRZ Improvements. The District, or Developer on behalf of the District, shall be responsible for the construction of the TIRZ Improvements in conformance with applicable City ordinances and all other local, state and federal regulatory requirements. The District's engineer, or such engineer chosen by Developer and reasonably acceptable to the District and the City, shall serve as the project engineer for the construction of the TIRZ Improvements.

The TIRZ Improvements shall be constructed in accordance with all applicable rules and regulations, including, but not limited to, state laws related to competitive bidding requirements for municipal utility districts, and in accordance with the terms and conditions of that certain Heritage Ranch Master Development Agreement by and between TPJ Properties, Ltd., and the City, effective as of October 5, 2021 (as it exists or may be amended, the “Development Agreement”). To the extent there is a conflict between this Agreement and the Development Agreement, the Development Agreement shall control. It is understood and agreed that the District, or Developer on behalf of the District, is acting independently of the City and the Zone, and the City and the Zone assumes no responsibilities or liabilities in connection with the means, methods or course of the design or construction of the TIRZ Improvements.

ARTICLE 5

PROJECT COST REIMBURSEMENT

5.01 Tax Increment Revenue Fund. The City has established and will maintain a separate Tax Increment Revenue Fund, including the City Increment and County Increment, in the City treasury into which all Tax Increments shall be accounted. During the term of this Agreement, Tax Increments shall be paid to the District from the Tax Increment Fund as herein provided, subject to the terms of this Agreement and applicable law.

5.02 Collection of Tax Increments by the City and the Zone. Pursuant to Sections 311.010(b) and 311.113 of the TIRZ Act, the City has entered into a separate agreement (as it exists or may be amended, the “Tax Participation Agreement”) with the County. The Tax Participation Agreement obligates the County to timely deposit its respective “increment” into the Tax Increment Fund as required by the TIRZ Act. The above-described Tax Participation Agreement shall not be amended as to the County Increment without the written consent of the District. In consideration of the TIRZ Improvements to be constructed by the District, or Developer on behalf of the District, the City and the Zone covenant and agree that they will, as authorized under the TIRZ Act and other applicable laws, continuously collect the Tax Increments from the City and County (hereinafter the “Taxing Units” collectively or a “Taxing Unit” separately) pursuant to the Tax Participation Agreement during the term of this Agreement in the manner and to the maximum extent permitted by applicable law. To the extent the City and the Zone may legally do so, the City and the Zone also covenant and agree that they will not permit a reduction in the Tax Increments paid by the Taxing Units except to the extent provided in the agreement with the Taxing Unit executed at the time the Taxing Unit agreed to participate in the Zone. Notwithstanding any statement to the contrary in this Agreement, the District acknowledges and agrees that neither the City nor the Zone have any control over the County’s participation in the TIRZ, that the County’s participation in the TIRZ may vary, and the City and the Zone have not provided and will not provide any assurance that the County will continue participating in the TIRZ at all or that the County will participate at the level of the County Increment.

5.03 Payment of Net TIRZ Revenues to District.

(a) Pursuant to Sections 311.010(b) and 311.013 of the TIRZ Act, and in consideration for

the District's services in causing the TIRZ Improvements to be designed and constructed in accordance with this Agreement and the Development Agreement, the City hereby grants, dedicates, pledges, and shall pay to the District that portion of the Net TIRZ Revenue necessary and required to pay the actual debt service required for debt issued by the District to reimburse Developer for the funding, development and construction of the TIRZ Improvements pursuant to the terms of the Project and Financing Plan, this Agreement, and the Development Agreement, including but not limited to the priority of funding provision set forth in Section 4.2 of the Development Agreement. Subject to the foregoing, the City will pay annually the required portion of the Net TIRZ Revenue to the District, not later than the first business day of April during the term of this Agreement (commencing on April 1, 2024); provided that the District has demonstrated to the City that the District actually has incurred such debt service obligations by this date. The District shall deposit the payments received pursuant to this Section into a separate District account and use the monies solely in such account for payment of the Project Costs or its obligations to the holders of its TIRZ Bonds (hereinafter defined). Notwithstanding any statement to the contrary in this Agreement, in no event shall the City have any obligation to pay to the District any portion of the Net TIRZ Revenue unless and until construction of the TIRZ Improvements is complete and the City has finally accepted the same.

(b) Upon completion of construction of the TIRZ Improvements and verification thereof by the City, the District shall submit documentation to the City and the Zone evidencing the expenditure of funds for the TIRZ Improvements qualifying as Project Costs and that all such costs have been fully paid. Such documentation shall be in a form acceptable to the City and Zone and shall be certified by the District. City shall reimburse the District within thirty (30) days after District has obtained final acceptance of the TIRZ Improvements and submitted the documentation described in this subsection, subject to subsection (d) below. Disbursements of Net TIRZ Revenues shall be subject to the reimbursement to the City, the Zone and the County for Administrative Costs before any funds are available for reimbursement to the District for Project Costs.

(c) The City's grant, dedication, pledge, and payment of such money from the Tax Increment Revenue Fund to the District (as provided in Section 5.03(a) above) shall continue until the earlier of the date all TIRZ Bonds issued to pay the Project Costs have been paid in full, the date Project Costs have otherwise been paid in full, or the termination date of the TIRZ, the earlier of which dates is referred to as the "Pledge Termination Date".

(d) Under no circumstance shall the City or the Zone be obligated to reimburse the District unless there are sufficient funds, net of the Administrative Costs, in the Tax Increment Revenue Fund to reimburse the District for Project Costs.

5.04 Reserved.

5.05 Limitation of Source of Payment. The City and the Zone shall have no financial obligation to the District other than as provided in this Agreement or in other agreements among the City, the Zone and the District. The obligation of the City and the Zone to the District under this Agreement is limited to the Tax Increments that are collected by the City and County in the

District Tract. This Agreement shall create no obligation on the City, the Zone or the County that is payable from taxes or other moneys of the City, the Zone or the County other than the Tax Increments.

ARTICLE 6 BOND ISSUANCE PLAN

6.01 District Bond Authority for TIRZ Improvement Costs. The District may issue bonds secured by Net TIRZ Revenue and other District taxes or revenue authorized by the District Act, to pay TIRZ Improvement Costs (“TIRZ Bonds”).

6.02 Approval of TIRZ Bonds. All TIRZ Bonds shall be issued on commercially reasonable terms determined by the District and shall be subject to the limitations set forth in Section 5.03 herein. Any TIRZ Bonds secured in whole or in part by ad valorem taxes imposed by the District may also be subject to additional commercially reasonable terms approved by the Board of Directors of the District. The District’s ability to pledge Net TIRZ Revenue is specifically limited by Article IV, paragraph 4.1 of the Development Agreement. TIRZ Bonds shall be limited to the financing of the TIRZ Improvements. Unless approved by the City, the aggregate amount of TIRZ Bonds issued by the District to finance TIRZ Improvements (excluding refunding Bonds) shall not exceed an amount that will yield, after deducting costs of issuance, capitalized interest and any other reserve amounts funded at closing, net Bond proceeds equal to the Project Costs.

ARTICLE 7 DEFAULT AND REMEDIES; WAIVER OF IMMUNITIES; TERM AND TERMINATION

7.01 Defaults and Remedies. Each of City, Zone and District shall have committed a default under this Agreement if any of them fails to perform any of their respective duties or obligations under this Agreement and such failure is not cured within thirty (30) days after written notice from any non-defaulting Party specifying the nature and the period of existence thereof and what action, if any, the non-defaulting Party requires or proposes to require with respect to curing the default (or if the failure is not reasonably capable of being cured within thirty (30) days, the non-performing Party does not begin to cure within such 30-day period and thereafter continuously and diligently complete a cure at the earliest possible time). In enforcing the performance of the provisions of this Agreement, each Party shall have the right to the exercise of all procedures available under the law including, but without limiting the generality thereof, a Party’s right to obtain a writ of mandamus to command performance of any of the other Parties’ respective non-discretionary obligations. No waiver of any breach or default of any provision of this Agreement shall be deemed a waiver of any subsequent waiver or default.

7.02 Governmental Powers: Non-Waiver of Immunities. By its execution of this Agreement, no Party waives or surrenders any of its governmental powers, immunities, or rights, except as provided by applicable law.

7.03 Term. Unless otherwise terminated as provided herein, this Agreement shall be in force and effect from the referenced effective date for a term expiring on the earlier of (i) the date that the debt service payments for bonds issued to achieve full repayment of the Project Costs have been repaid in full, (ii) the date that the Development Agreement expires or terminates, or (iii) the date TIRZ#8 terminates its existence, after which time the District shall not be entitled to any further payments. In the event of expiration or any early termination hereof by either Party, except for amounts due and owing hereunder up to and including the date of any such expiration and termination, this Agreement will be null, void and of no further binding effect on either Party; neither Party will have any further obligations or liabilities under this Agreement; and, all liens on Tax Increment Funds described herein shall become null and void.

7.04 Force Majeure. In the event any Party hereto is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Agreement, other than the payment of money, then the obligations of such Party, to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. As soon as reasonably possible after the occurrence of the force majeure relied upon, the Party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other Parties. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term “force majeure,” as used herein, shall mean acts of God, strikes, lockouts; insurrections, riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; civil disturbances; explosions; breakage or accidents to pipelines, or canals; partial or entire failure of water supply; and any other inability of any Party, similar to those enumerated, which are not within the control of the Party claiming such inability and which such Party could not have avoided by the exercise of due diligence and care.

ARTICLE 8 GENERAL

8.01 Inspections, Audits. The District agrees to keep such operating records relating to the TIRZ Improvements, the Project Costs and the District TIRZ Bonds for four (4) years after receiving the first reimbursement from the Tax Increment Revenue Fund for any Project Costs, or as may be reasonably required by the City, or by state and/or federal law or regulation. The District shall allow the City and Zone reasonable access to documents and records in the District’s possession, custody or control that the City or Zone deem necessary to assist the City or Zone in determining the District’s compliance with this Agreement. The City and Zone shall allow the District reasonable access to documents and records in the City and Zone’s possession, custody or control that the District deems necessary to assist the District in determining the City’s or Zone’s compliance with this Agreement.

8.02 District Operations and Employees. All personnel supplied or used by the District in the performance of this Agreement shall be deemed employees or subcontractors of the District and will not be considered employees, agents or subcontractors of the Zone, or the City for any purpose whatsoever. The District shall be solely responsible for the compensation of all such personnel, for withholding of income, social security and other payroll taxes and for the

coverage of all workers compensation benefits.

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

City of Sherman, Texas
Attn: City Manager
220 W. Mulberry Street
Sherman, Texas 75090

Sherman Tax Increment Reinvestment Zone #8
Attn: Mary Lawrence
220 W. Mulberry Street
Sherman, Texas 75090

Heritage Ranch Municipal Utility District No. 1 of Grayson County
c/o Coats Rose, P.C.
Attn: Mindy L. Koehne
14755 Preston Road, Suite 600
Dallas, Texas 75254

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

8.04 Amendments and Waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is signed by the Zone, City and the District. No course of dealing on the part of any party, nor any failure or delay by any party with respect to exercising any right, power or privilege of such party under this Agreement shall operate as a waiver thereof, except as otherwise provided in this Section.

8.05 Invalidity. In the event that any of the provisions contained in this Agreement shall be held unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement.

8.06 Successors and Assigns. This Agreement shall not be assignable by any Party without the express written consent of the other Parties.

8.07 Titles of Articles, Sections and Subsections. All titles or headings are only for the

convenience of the parties and shall not be construed to have any effect or meaning as to the agreement between the parties hereto. Any reference herein to a Section or Subsection shall be considered a reference to such Section or Subsection of this Agreement unless otherwise stated. Any reference herein to an exhibit shall be considered a reference to the applicable exhibit attached hereto unless otherwise stated.

8.08 Construction and Venue. This Agreement is a contract made under and shall be construed in accordance with and governed by the laws of the United States of America and the State of Texas, as such laws are now in effect. Venue shall be proper in the District Court of Grayson County, Texas.

8.09 Entire Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

8.10 Additional Actions. The Parties agree to take such actions, including the execution and delivery of such documents, instruments, petitions and certifications as may be necessary or appropriate, from time to time, to carry out the terms, provisions and intent of this Agreement and to aid and assist each other in carrying out said terms, provisions and intent.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be duly executed.

**TAX INCREMENT REINVESTMENT ZONE
#8**

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be duly executed.

CITY OF SHERMAN, TEXAS

By: _____
Robby Hefton, City Manager

ATTEST:

Linda Ashby, City Secretary

APPROVED AS TO FORM:

Abernathy, Roeder, Boyd & Hullett, P.C.
Ryan D. Pittman, City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be duly executed.

**HERITAGE RANCH MUNICIPAL UTILITY
DISTRICT NO. 1 OF GRAYSON COUNTY**

By: _____
Name: _____
Its: _____

ATTEST:

Secretary, Board of Directors

EXHIBIT "A"

LEGAL DESCRIPTION OF THE DISTRICT TRACT

METES AND BOUNDS DESCRIPTION

BEING a tract of land situated in the J. Jennings Survey, Abstract No. 657, and the U. Burns Survey, Abstract No. 121, City of Sherman, Grayson County, Texas, being all of Tract 1, conveyed to TPJ Properties, Ltd., by deed recorded in Volume 3203, Page 464 of the Deed Records, Grayson County, Texas (DRGCT), with the subject tract being more particularly described as follows:

BEGINNING at a concrete nail found in Canyon Grove Road, a public road, for the southwest corner of a tract conveyed to Zoe Life Outreach, Inc., recorded in Volume 5581, Page 396 DRGCT, for the southeast corner of Tract 1;

THENCE S 74°34'26" W, 1286.18 feet along said road to a MAG nail with a flasher found for the intersection of said road with the north line of U.S. Highway 82, a variable width public right-of-way;

THENCE along the north line thereof, the following:

N 03°25'22" W, 17.20 feet;

S 75°01'01" W, 778.89 feet to a concrete monument found;

Around a non-tangent curve to the right having a central angle of 04°45'50", a radius of 5579.68 feet, a chord of N 87°05'05" W - 463.79 feet, an arc length of 463.93 feet to a 1/2" iron rod with plastic cap stamped "SPIARSEN" set;

And N 84°42'10" W, 916.60 feet to a 1/2" iron rod with plastic cap stamped "SPIARSEN" set;

THENCE departing said right-of-way, the following:

N 06°19'24" W, 542.26 feet;

A tangent curve to the left having a central angle of 24°29'33", a radius of 790.00 feet, a chord of N 18°34'10" W - 335.14 feet, an arc length of 337.70 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set;

N 30°48'56" W, 654.89 feet;

And a tangent curve to the right having a central angle of 12°30'21", a radius of 851.00 feet, a chord of N 24°33'46" W - 185.38 feet, an arc length of 185.75 feet to a point in Plainview Road, a public road;

THENCE N 00°01'05" W, 1664.00 feet along Plainview Road to a 60d nail found for the southwest corner of a tract conveyed to Astoria Homes, LLC, recorded in Document No. 2020-30762, Official Public Records, Grayson County, Texas (OPRGCT);

THENCE S 89°06'19" E, 1495.28 feet along the south line thereof to a point for the northwest corner of a tract conveyed to BMT Global, LLC, recorded in Document No. 2018-12534 OPRGCT, from which a 60d nail found bears S 10°07'33" E, 3.63 feet;

THENCE S 00°19'22" W, 1688.82 feet along the west line thereof, and of a tract conveyed to Melissa Smith Murray, recorded in Volume 4413, Page 186 DRGCT, to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set for the southwest corner thereof;

THENCE S 89°27'10" E, 1908.49 feet along the south line of said Murray tract to a 60d nail found for the northwest corner of said Zoe Life Outreach tract;

THENCE S 26°41'36" E, 1234.81 feet along the west line thereof to the POINT OF BEGINNING with the subject tract containing 7,471,223 square feet or 171.516 acres of land.

EXHIBIT "B"

TIRZ IMPROVEMENTS DESCRIPTION AND BUDGET

City of Sherman
Tax Increment Reinvestment Zone #8
CONSTRUCTION COSTS

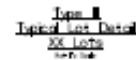
Description			
	Phase I	Subsequent Phases	Total
Project Costs			
Public Infrastructure			
Erosion control	\$ 117,000	\$ 233,041	\$ 350,041
Excavation	2,500,000	888,450	3,388,450
Paving	2,785,886	5,655,314	8,441,200
Water line and fittings	1,275,499	3,020,594	4,296,093
Sanitary Sewer and manholes	1,260,480	3,098,720	4,359,200
Storm Sewer	1,830,322	5,591,142	7,421,464
Street Signs	-	32,500	32,500
Stop Signs	-	60,450	60,450
Landscape/Hardscape/Amenity Center	300,000	1,448,500	1,748,500
Detention Ponds	-	390,000	390,000
Retaining Walls	-	864,500	864,500
Engineering/Administrative/Review Costs	-	3,457,872	3,457,872
Performance and Payment Bonds	94,903	-	94,903
Inspection Fees	286,087	-	286,087
Total Project Costs	\$10,450,177	\$24,741,083	\$35,191,260
Non-project Costs			
Erosion Control	\$ 117,000	\$ 233,041	\$ 350,041
Excavation	2,500,000	888,450	3,388,450
Franchise Utility (Gas/Electric/Fiber) Service	-	2,173,600	2,173,600
Streetlights	-	512,200	512,200
Mailboxes	-	266,760	266,760
Amenity Center	-	3,497,000	3,497,000
Retaining Walls	-	2,593,500	2,593,500
Relocation of Gatherlines/Wells	-	1,750,000	1,750,000
Engineering/Administrative/Review Costs	-	3,838,862	3,838,862
Financing Costs	-	4,031,522	4,031,522
Total Non-project Costs	2,617,000	19,784,935	22,401,935
Total Costs	\$13,067,177	\$44,526,018	\$57,593,195

EXHIBIT “C”

CURRENT GENERAL LAND PLAN OF DISTRICT TRACT



7/16/2000 10:00 AM

Analyst 3rd & 2002 January, 2002 444 Job No. 21-110

