

**FIRST AMENDMENT TO THE INTERLOCAL AGREEMENT
BETWEEN THE CITY OF EDINBURG, TEXAS AND HIDALGO
COUNTY, TEXAS RELATING TO REINVESTMENT ZONE NUMBER
ONE, CITY OF EDINBURG, TEXAS**

**THE STATE OF TEXAS
COUNTY OF HIDALGO**

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THIS FIRST AMENDMENT TO THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF EDINBURG, TEXAS AND HIDALGO COUNTY, TEXAS RELATING TO REINVESTMENT ZONE NUMBER ONE, CITY OF EDINBURG, TEXAS (this "***First Amendment***"), dated as of January 27, 2015, is made by and between the **CITY OF EDINBURG, TEXAS** (the "***City***"), a municipal corporation of the State of Texas, acting by and through its governing body, the City Council, and **HIDALGO COUNTY, TEXAS** (the "***County***"), acting by and through its governing body, the Commissioners Court.

RECITALS

WHEREAS, pursuant to Ordinance No. 07-3211 adopted by the City Council of the City on September 4, 2007, the City approved the creation of **REINVESTMENT ZONE NUMBER ONE, CITY OF EDINBURG, TEXAS** (the "***Reinvestment Zone***") in accordance with the provisions of Chapter 311, Texas Tax Code, as amended (the "***Act***"); and

WHEREAS, the Reinvestment Zone originally was created by the City, and the County agreed to participate in the Reinvestment Zone, to provide funds to reimburse a private developer for costs incurred to construct certain public infrastructure improvements related to the development and construction of a new major shopping center complex located generally near the intersection of East Trenton Road and South U.S. Highway 281 in the City, which is now known as "***The Shoppes at Rio Grande Valley***" (the "***Shoppes Project***"); and

WHEREAS, the City and the County entered into that certain *Interlocal Agreement*, dated as of November 8, 2011 (the "***Interlocal Agreement***"), which provides, among other things, that by no later than May 1 of each year (i) the City is obligated to contribute and transfer annually into the "Tax Increment Fund" established and maintained by the City relating to the Reinvestment Zone (the "***Tax Increment Fund***") an amount equal to 100% of the City's "Tax Increment" generated within the Reinvestment Zone until the expiration of the Reinvestment Zone, and (ii) the County is obligated to contribute and transfer annually to the City, for deposit in the Tax Increment Fund, 88% of the County's Tax Increment generated within the Reinvestment Zone, all of which are based on the Tax Increments generated within the Reinvestment Zone that are received by the City and the County up to January 31st following the end of the tax year, but which have not been previously deposited in the Tax Increment Fund, during annual periods preceding each deposit date; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Interlocal Agreement; and

WHEREAS, the obligations of the City and the County to reimburse the developer of the Shoppes Project were set forth in the Development Agreement; and

WHEREAS, all public infrastructure improvements related to the Shoppes Project have been completed; and

WHEREAS, the parties had previously considered certain amendments to the Interlocal Agreement to correct scrivener's errors and otherwise clarify certain of the Interlocal Agreement so as to avoid confusion in the implementation of the Interlocal Agreement, which the City was unable to agree to due to while certain bonds related to the Shoppes Project were outstanding, which bonds are being paid and redeemed pursuant to the Termination Agreement (as defined below); and

WHEREAS, the City Council desires to bring to the City a new first-class, indoor multipurpose event center, to be located on approximately 49.57 acres of land at the corner of Alberta Road and State Highway 281 in the City, which is expected to include approximately 8,500 fixed seats, 10 luxury suites, 1,200 club seats, a restaurant/club area, locker rooms, offices for sports team personnel, offices for facility management, and a marquee, and will be designed to host a variety of entertainment events, including sporting events such as basketball and ice hockey, concerts, family shows and trade shows, which, together with related parking and infrastructure, is herein referred to as the "**Entertainment Center Project**"; and

WHEREAS, pursuant to Section 5 of Ordinance No. 07-3211, the termination date of Reinvestment Zone was established as September 6, 2037, unless otherwise terminated earlier as provided therein; however, the City deems it necessary to extend the termination date of the Reinvestment Zone by approximately eight years to December 31, 2045, in order to permit Tax Increment payments generated within the Reinvestment Zone by the City and the County to be available to pay a portion of the debt service on certain "Contract Revenue Bonds" which are in the process of being issued by the *City of Edinburg, Texas Local Government Finance Corporation*, at the request of the City, in connection with providing a portion of the funds to construct and equip the Entertainment Center Project), which Contract Revenue Bonds are expected to have a final maturity date of March 1, 2045; and

WHEREAS, the Entertainment Center Project will not be located within the boundaries of the Reinvestment Zone; however, in accordance with Section 311.010(b) of the Act, the Reinvestment Zone is authorized to use tax increment revenues generated within the Reinvestment Zone to pay the costs of providing "areas of public assembly," such as the Entertainment Center Project, in or out of the Reinvestment Zone; and

WHEREAS, pursuant to authority granted in Section 311.011(e) of the Act, on January 20, 2015, the City Council of the City (after giving published notice and holding a public hearing in the same manner as required for the original designation of the Reinvestment Zone, which provisions are set forth in Section 311.003(c) of the Act) approved Ordinance No. 2015-_____ for the purpose of amending the final project and reinvestment zone financing plan related to the Reinvestment Zone to incorporate being able to use Tax Increment payments generated within the Reinvestment Zone to support the financing related to the Entertainment Center Project (a copy of which Ordinance, including the amended plan, is attached hereto as Exhibit "I"); and

WHEREAS, pursuant to authority granted in Section 311.007(c) of the Act, on January 20, 2015, the City Council of the City (after giving published notice and holding a public hearing in the same manner as required for the original designation of the Reinvestment Zone, which provisions are set forth in Section 311.003(c) of the Act) approved Ordinance No. 2015-_____ for the purpose of extending the termination date of the Reinvestment Zone from September 6, 2037 to December 31, 2045; and

WHEREAS, the extension of the termination date for the Reinvestment Zone will enable Tax Increment payments generated within the Reinvestment Zone to be able to be used to support debt service on the Contract Revenue Bonds issued to finance a portion of the costs to construct and equip the Entertainment Center Project until the final maturity of such Contract Revenue Bonds; however, in accordance with Section 311.007(c) of the Act, the County is not obligated to continue participating in the Reinvestment Zone beyond the original termination date unless it enters into a written agreement to do so; and

WHEREAS, the County policy is to participate in a tax increment reinvestment zones for no more than thirty years; and

WHEREAS, the City and the County now deem it necessary and appropriate to amend the Interlocal Agreement primarily for the purposes of extending certain of their obligations set forth in the Interlocal Agreement to the new termination date of December 31, 2045, to acknowledge that Tax Increment payments will be used to support the Contract Revenue Bonds being issued to finance a portion of the costs to construct and equip and Entertainment Center Project and to correct and clarify the Interlocal Agreement;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the County hereby agree as follows:

SECTION 1. AMENDMENTS TO SECTION 1 OF INTERLOCAL AGREEMENT RELATING TO DEFINITIONS.

(a) Amendment of Certain Defined Terms. The following capitalized terms set forth in Section 1 of the Interlocal Agreement are hereby amended to read in their entirety as follows:

"City's Tax Increment Participation" shall mean an amount of the City's ad valorem tax levy on the Captured Appraised Value, which the City originally agreed to contribute to the Reinvestment Zone pursuant to Section 4.1 of the Development Agreement and confirms its agreement to continue to make such contribution pursuant to Sections 3 and 4 of this Agreement.

"County's Tax Increment Participation" means the amount of the County's ad valorem tax levy on the Captured Appraised Value, which the County originally agreed to contribute to the Reinvestment Zone pursuant to Section 4.1 of the Development Agreement and confirms its agreement to continue to make such contribution pursuant to Sections 3 and 4 of this Agreement.

"Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone attached hereto as Exhibit "B", which was originally adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City on August 19, 2008, in connection with the Project, and which was amended by the board of directors of the Reinvestment Zone and approved by the City Council of the City on January 20, 2015, in connection with the Entertainment Center Project.

"Project" means the shopping center complex located near the intersection of East Trenton Road and South U.S. Highway 281 in the City known as "*The Shoppes at Rio Grande Valley*," which was the original economic development project for which the Reinvestment Zone was initially created by the City.

"Tax Increment Base" means the total appraised value of all real property taxable by the City or the County, as the case may be, and located in the Reinvestment Zone as of January 1, 2007, the year in which the Reinvestment Zone was designated.

"Tax Increment Participation" means the amount the City and the County, respectively, have agreed to contribute to the Tax Increment Fund pursuant to Section 3 of this Agreement.

(b) Additional Defined Terms. The following capitalized terms are hereby added to Section 1 of the Interlocal Agreement and shall in their entirety as follows:

"Contract Revenue Bonds" means the contract revenue bonds expected to be issued by the City of Edinburg, Texas Local Government Finance Corporation to finance a portion of the costs to construct and equip the Entertainment Center Project, including any refunding bonds issued to refund such contract revenue bonds.

"County M&O Tax Rate" means that portion of the ad valorem tax rate used by the County for Maintenance and Operation. The County M&O Tax Rate may change from time to time. The County M&O Tax Rate for 2008 was \$0.5191 per \$100 dollars of valuation on the Captured Appraised Value and may be changed by the County during the term of the Reinvestment Zone.

"Entertainment Center Project" means the indoor multipurpose event center, to be located on approximately 49.57 acres of land at the corner of Alberta Road and State Highway 281 in the City, which is expected to include approximately 8,500 fixed seats, 10 luxury suites, 1,200 club seats, a restaurant/club area, locker rooms, offices for sports team personnel, offices for facility management, and a marquee, and will be designed to host a variety of entertainment events, including sporting events such as basketball and ice hockey, concerts, family shows and trade shows, which, together with related parking and infrastructure.

SECTION 2. AMENDMENT TO SECTION 2 OF INTERLOCAL AGREEMENT.

Section 2 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

SECTION 2. PURPOSE FOR PARTICIPATING IN THE ZONE. The City and the County originally agreed to participate in the Reinvestment Zone for the purposes set forth in the Development Agreement, including for development of the Project in the Reinvestment Zone Area in accordance with the Plan, for their mutual benefit and the benefit of their citizens. The City and the County hereby agree to continue to participate in the Reinvestment Zone for the purpose of assisting with providing a portion of the funds necessary to pay debt service related to Contract Revenue Bonds issued to finance the Entertainment Center Project.

SECTION 3. AMENDMENT TO SECTION 3(a) OF INTERLOCAL AGREEMENT. For the purpose of clarifying the Interlocal Agreement, Section 3(a) of the Interlocal Agreement is amended by renumbering Section 3(a) as Section 3(a)(i) and by adding the following new Section 3(a)(ii) immediately following Section 3(a)(i):

(ii) Notwithstanding any references to 88% in the Development Agreement or in Section 3(a)(i) above, or any other provisions to the contrary, in order to effectuate the intention of the parties that the County's Tax Increment Participation excludes the amount required for County debt service, the County's Tax Increment Participation shall not exceed 100% of the County M&O Tax Rate as assessed and collected on the tax increment for the respective tax year.

SECTION 4. AMENDMENT TO SECTION 3(b) OF INTERLOCAL AGREEMENT. For the purpose of agreeing to the extension of the termination date of the Reinvestment Zone from September 6, 2037 to December 31, 2045, the last sentence of Section 3(b) of the Interlocal Agreement is hereby amended in its entirety to read as follows:

Under no circumstances shall the County be required to participate in the Zone with taxes attributable to periods after September 4, 2037, or, in the event on such date the County's policy allows the County to participate in tax increment reinvestment zones for terms of 37 years or longer, December 31, 2045. Regardless of whether the County's participation extends until December 31, 2045, in no event shall the County contribution to the Tax Increment Fund be greater than _____ dollars (\$_____), over the life of the Zone.

SECTION 5. AMENDMENT TO SECTION 3 OF INTERLOCAL AGREEMENT.

For the purpose of clarifying the Interlocal Agreement, Section 3 of the Interlocal Agreement is amended by renumbering the second Section 3(c), which appears on page 5 of the Interlocal Agreement, as Section 3(e), and inserting the following new Section 3(d) immediately following Section 3(c) of the Interlocal Agreement (appearing on page 4 of the Interlocal Agreement):

(d) County Tax Increment Payment.

(i) In order to enable to County to make payments hereunder, the City shall request collection reports from the Hidalgo County Tax Assessor Collector and provide a copy of these reports along with a payment request detailing the payment calculation as illustrated in the chart in Section 3(d)(iii) below to the County at least one month prior to a payment required to be made under this Agreement. In addition, at least one month prior to a payment required under Section 3(b) of this Agreement, the City shall provide to the County (A) the annual report required under Tax Code Section 311.016, which shall include: (1) the amount and source of revenue in the Tax Increment Fund established for the Reinvestment Zone; (2) the amount and purpose of expenditures from the Tax Increment Fund; (3) the amount of principal and interest due on outstanding bonded indebtedness; (4) the Tax Increment Base and current Captured Appraised Value retained by the Reinvestment Zone; and (5) the Captured Appraised Value shared by the City and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the Plan and (B) an updated fact sheet that includes (1) detail as to what portion of the Project has been completed to date, (2) a schedule of what portion of the Project is to be completed in the following year and (3) a current roster of the Reinvestment Zone's board members, including the term of each board member, the entity that appointed the board member, the date for the next annual meeting.

(ii) The parties expressly agree that the County shall not owe any penalty or interest on Tax Increments attributable to taxes that have been levied, but not received by the County. Further, the County shall not be liable for the payment of any penalties or interest if the fact sheet and payment request required under Section 3(d)(i) above and the report required under such Section 3(d)(i) and under Section 311.016 of the Texas Tax Code are not timely submitted to the County or in any situation in which the City is not obligated to pay penalties and interest.

(iii) The chart below is an example of the calculation of the County's Tax Increment Reinvestment Zone payment amount.

Tax Increment Reinvestment Zone (TIRZ) Payment Calculation	EXAMPLE
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Multiplied by)</i> Hidalgo County Current (GHD) Tax Rate (.59/100)	0.0059
GHD Actual Tax Levy for all real property tax accounts located within the TIRZ	\$ 590.00
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Less)</i> Base Year Real Property Certified Appraised Value for Tax Accounts	\$ 10,000.00

located within the TIRZ (Provided by HCAD)	
Captured Appraised Value	\$ 90,000.00
Captured Appraised Value	\$ 90,000.00
<i>(multiplied by)</i> Contribution Rate (The lesser of actual tax year M&O rate or rate specified on agreement) (.51/100)	0.0051
Tax Levy Due to TIRZ	\$ 459.00
TIRZ Collections (for February 1 through January 31) as per Collections Reports provided by Hidalgo County Tax Office	\$ 300.00
<i>(divided)</i> GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ	\$ 590.00
Percent Collected of Actual Levy	50.85%
Tax Levy Due to TIRZ	\$ 459.00
<i>(Multiplied by)</i> Percent Collected of Actual Levy	50.85%
TIRZ PAYMENT AMOUNT	\$ 233.39

SECTION 6. AMENDMENT TO NEWLY RENUMBERED SECTION 3(e) OF INTERLOCAL AGREEMENT. Newly renumbered Section 3(e)(ii) of the Agreement is hereby amended in its entirety to read as follows:

(ii) Except for contributing its respective Tax Increment payments to the Tax Increment Fund as set out herein, the County shall not have any obligation or responsibility for any costs or expenses associated with the development of the Reinvestment Zone or the implementation of the Plan, including without limitation any obligation to pay or repay any bond or other debt issued by the City, the Reinvestment Zone or another entity, or relating to the Reinvestment Zone, the Project or the Entertainment Center Project or any costs associated with the operation of the Reinvestment Zone, the Project, the Entertainment Center Project or any other projects related thereto.

SECTION 7. AMENDMENT TO SECTION 4 OF INTERLOCAL AGREEMENT. For the purpose of agreeing to the extension of the termination date of the Reinvestment Zone from September 6, 2037 to December 31, 2045, Section 4 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

SECTION 4. TERM OF AGREEMENT. This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect through the earlier of (i) December 31, 2045, and (ii) the date on which all bonds payable in whole or in part from the City's Tax Increment Participation and the County's Tax Increment Participation collected on the Captured Appraised Value of the real property within the Reinvestment Zone (including but not limited to

any Contract Revenue Bonds issued to finance the Entertainment Center Project) have been paid in full or legally defeased.

SECTION 8. REFERENCES TO DEVELOPMENT AGREEMENT. The City and the County recognize and acknowledge that certain provisions in the Interlocal Agreement contain references to the Development Agreement related to the Shoppes Project, which was the original "Project" defined in the Interlocal Agreement. Concurrent with the issuance of the Contract Revenue Bonds related to the construction of the Entertainment Center Project, the Development Agreement is expected to be terminated, and neither the City nor the County thereafter shall have any further obligations to the developer named under the Development Agreement, all as further described in that certain *Agreement to Terminate Economic Development Agreement Relating to the Shoppes at Rio Grande Valley*, dated as of March 1, 2015, by and among such developer, the City, the County, the Edinburg Economic Development Corporation, and the City of Edinburg, Texas Local Government Finance Corporation (the "**Termination Agreement**"). All references to the Development Agreement which remain in the Interlocal Agreement have been retained for historical purposes only even though the Development Agreement is expected to be terminated.

SECTION 9. ADDITIONAL REPRESENTATIONS AND AGREEMENTS OF CITY AND ZONE. The City and the Zone represent and warrant to the County that the adoption and implementation of the Plan and all revisions thereto, including without limitation the use of the Tax Increment Fund for the payment of the Contract Revenue Bonds related to the construction of the Entertainment Center Project in a proposed new Reinvestment Zone Number Four, City of Edinburg, and all related ordinances and bond issuances, have been, or to the extent such actions are not yet complete, will be done in accordance with all applicable laws. The City and the Zone agree to implement Plan in accordance with the terms thereof.

SECTION 10. NO OTHER AMENDMENTS INTENDED. Except as specifically set forth in this First Amendment, the City and the County intend for all other provisions set forth in the Interlocal Agreement shall remain in full force and effect.

IN WITNESS HEREOF, the City and the County have made and executed this First Amendment in multiple copies, each of which is an original.

CITY OF EDINBURG, TEXAS

By: _____
Richard H. Garcia
Mayor

Attest:

By: _____
Myra L. Ayala Garza
City Secretary

APPROVED AS TO FORM:

Palacios, Garza & Thompson P.C.

By: _____
City Attorney

HIDALGO COUNTY, TEXAS

By: _____
Ramon Garcia
County Judge

Attest:

Arturo Guajardo, Jr.
Hidalgo County Clerk

APPROVED AS TO FORM:

Atlas, Hall & Rodriguez, L.L.P.

By: _____
Stephen L. Crain

ACKNOWLEDGED AND AGREED:
**REINVESTMENT ZONE NUMBER ONE,
CITY OF EDINBURG, TEXAS**

Presiding Officer

Exhibit I
to
First Amendment the Interlocal Agreement Between the City of Edinburg, Texas and
Hidalgo County, Texas Relating to Reinvestment Zone Number One, City of Edinburg,
Texas

Ordinance No. 2015-_____ of the City of Edinburg adopted January 20, 2015
(including the amended final project and reinvestment zone financing plan related to the
Reinvestment Zone)