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September 11, 2017

Mr. Bert Lumbreras
City Manager
City of San Marcos
630 E. Hopkins
San Marcos, Texas 78666

Re: Consent Agreements related to Consent to Creation of LaSalle Municipal Utility Districts
Nos. 1-5

Dear Mr. Lumbreras:

We represent the property owner, LaSalle Holdings, Ltd., who owns approximately 1,750 acres east of I-35 just off the Yarrington Road Exit. The property is entirely within the City of San Marcos' ETJ. By way of background, the owner and the City of San Marcos have worked closely on this matter since 2013. In essence, the Consent Agreements present the City's consent, and conditions to that consent, to the Texas Legislature to create five Municipal Utility Districts over the approximate 1,750 acres. The City of San Marcos approved two separate Consent Agreements, each with near identical wording. The first Consent Agreement relates to creation of Districts 2-5 and the second Consent Agreement relates to creation of District 1. The reason for two Consent Agreements was because at that time, it was unclear whether the property that comprises District 1 was in San Marcos' ETJ or City of Kyle's ETJ.

The two Consent Agreements allowed the Texas Legislature to create the five MUDs in 2013. However, there has been no development on the land and the MUDs have not been activated. We expect this to change shortly. However, the Consent Agreements contains timelines for conducting confirmation elections as well as commencing developing.

The City has previously extended the deadline for conducting the confirmation elections. Now, the deadline in Section 2.04 Expiration and Dissolution, related to commencing development, needs to be addressed. Both Consent Agreements hold that "substantial construction of improvements" must commence within 5 years of the Consent Agreement. The current deadline on the Consent Agreement for creation of MUDs 2-5 has an effective date of April 2013; thus we are facing an April 2018 deadline.

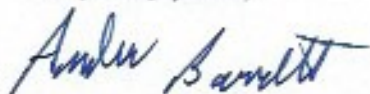
While the owner anticipates that development will start soon, the owner believes that it is prudent to amend the relevant provision that appears in Section 2.04 in both Consent Agreements. Owner's first choice is to omit that requirement from the Consent Agreement.

Given that there already exists a deadline to hold confirmation elections, it seems redundant to include a second requirement that puts a time deadline on construction. Moreover, the term "substantial construction" is subjective and could lead to later disputes. Owner believes that the timeline on confirmation election provides the City with adequate protection that development will either commence and move forward or the MUDs will dissolve.

On the other hand, should the City desire to maintain that extra requirement, Owner requests that amend change the timing of substantial commencement of construction to a time after the confirmation election and not be tied to the date of the Consent Agreements.

Of course, we are happy to meet with you and your staff at your convenience to discuss this matter further. Please contact me with any questions at 512-217-4956.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Andrew Barrett", with a stylized flourish at the end.

Andrew N. Barrett