

## **CHAPTER 380 ECONOMIC DEVELOPMENT INCENTIVE AGREEMENT**

As of October 16, 2018 (the “*Effective Date*”) this Chapter 380 Economic Development Incentive Agreement (the “*Agreement*”) is entered into between the City of San Marcos, Texas (the “*City*”), a Texas municipal corporation, and Katterra Construction LLC (“*Company*”). The City and Company may also be referred to collectively as the “*Parties*” or individually as a “*Party*”.

### **PART 1. RECITALS**

**Section 1.01.** The Company is a technology company redefining the construction industry. The Company is focused on optimizing the ways in which buildings are designed and built. Founded in 2015, the Company has more than 3,500 global employees with a growing number of domestic and international offices, factories and building projects. The Company consists of experts in design, material sourcing, manufacturing, logistics, technology, and construction to provide a single integrated offering.

**Section 1.02.** The Company proposes to construct an advanced manufacturing facility which will include a fully automated assembly line to manufacture building components in the City of San Marcos.

**Section 1.03.** The Company has requested financial incentives and waivers of certain development standards from the City to facilitate locating such Company facilities and business activities to the City of San Marcos.

**Section 1.04.** Locating such Company facilities and business activities to the City of San Marcos would benefit the City by creating new jobs and generating revenues for the City from the addition of personal property inventory and improvements to real property, each of which is subject to ad valorem tax assessment.

**Section 1.05.** The City is authorized under Chapter 380 of the Texas Local Government Code to offer certain economic development incentives for public purposes, including the promotion of local economic development and the stimulation of business and commercial activity in the City.

**Section 1.06.** The City has determined that providing economic development incentives, including waiving certain development standards, under this Agreement will promote local economic development and stimulate business and commercial activity in the City.

**Section 1.07.** For the reasons stated in these Recitals, which are incorporated into and made a part of this Agreement, and in consideration of the mutual benefits to and promises of the Parties set forth herein, the Parties enter into this Agreement and agree to the terms and conditions set forth in this Agreement.

## **ARTICLE II DEFINITIONS**

**Section 2.01.** “*Additional Property Taxes*” are the City’s share of the ad valorem taxes received from the Hays County Tax Assessor-Collector each tax year during the Term on the value of all Personal Property and Real Property Improvements on the Project Site (defined below) in excess of the Base Year Taxes.

**Section 2.02.** “*Base Year Taxes*” means the ad valorem tax real and personal property taxes due and payable on the value of the Real Property Improvements and Personal Property on the Project Site as of January 1, 2018, as established by the Hays County Appraisal District.

**Section 2.03.** “*Business*” means the business activities of Company conducted in the City of San Marcos, Texas on the Project Site, including, but not limited to continuously conducting the business activities described in Section 1.02, and including the creation and maintenance of the Minimum Jobs Requirement under Section 3.03.

**Section 2.04. “Grant Payments”** means the City’s payments to Company once per calendar year during the Term of an amount equal to a percentage of the Additional Property Taxes generated from the Project Site as outlined in the schedule in Exhibit “C,” attached hereto and made a part hereof for all purposes.

**Section 2.05. “Job(s)”** means a full-time employment position at the Project Site resulting from or provided in connection with the Project (defined below), which position provides 2,080 annual full-time hours of employment or equivalent, a wage of no less than \$15.00 per hour, employer sponsored group health insurance, paid sick days, and annual paid vacation based on length of service and paid holidays. Any position not meeting such criteria does not qualify as a “Job” for purposes of this Agreement.

**Section 2.06. “Personal Property”** means all materials, supplies, equipment, inventory or other personal property attributable to the Business on the Project Site subject to ad valorem taxes.

**Section 2.07. “Project”** means the operation of the Business on the Project Site and includes, without limitation, the addition of Real Property Improvements (as defined below), Personal Property, and the creation of Jobs.

**Section 2.08. “Project Site”** means the real property within the city limits of the City of San Marcos and Hays County, Texas upon which the Project shall be executed, the legal description of which is shown in Exhibit “A,” attached hereto and made a part of this Agreement for all purposes.

**Section 2.09. “Real Property Improvements”** means the real property constituting the Project Site, together with all improvements to real property on the Project Site, other than Personal Property, subject to ad valorem tax assessment.

**Section 2.10.** The “*Term*” of this Agreement shall commence on the Effective Date and continue until December 31, 2031 (unless terminated sooner as provided in this Agreement), except that Company’s obligation to submit a Compliance Certificate (as defined below) for the year 2031, together with any other information as may requested by the City under this Agreement, and the City’s obligation, if any, to complete the Grant Payments due under this Agreement for the year 2031 shall continue until satisfied.

### **ARTICLE III COMPANY’S PRIMARY OBLIGATIONS**

**Section 3.01. Addition of Improvements and Personal Property.** Company shall cause construction of the Real Property Improvements to be commenced on or before June 1, 2019 and to be completed on or before March 31, 2020. Completion of the Real Property Improvements shall be evidenced by a certificate of occupancy issued by the City in accordance with applicable ordinances. As of March 31, 2020, Company shall have made a minimum cumulative capital investment in Real Property Improvements and Personal Property of at least \$109,000,000.00.

**Section 3.02. Operation of Business.** Company shall begin operation of the Business on the Project Site on or before March 31, 2020, and shall continuously operate, maintain and manage the Business for the duration of the Term.

**Section 3.03. Job Creation.** On or before March 31, 2021, Company shall employ at least 542 persons in Jobs (the “**Minimum Jobs Requirement**”) and keep such Jobs filled during the Term. While the titles, personnel, or the classification of such Jobs may change, the Minimum Jobs Requirement shall be continuously maintained through the end of the Term.

**Section 3.04. Non-Discrimination.** Company agrees that it will maintain, and shall use its best efforts to enforce, employment policies that prohibit discrimination from occurring in the hiring and employment of persons in Jobs on the basis of race, creed, color, national origin, sex or

disability or other characteristics for which protection is available under applicable local, state and federal anti-discrimination laws. Company shall report to the City in its annual Compliance Certificate any judicial or administrative agency determinations that Company has violated any such anti-discrimination laws in relation to persons applying for or employed in Jobs for the applicable reporting period.

**Section 3.05. Compliance with Laws.** In performing its obligations under this Agreement, Company shall comply with all applicable laws, regulations and ordinances.

#### **ARTICLE IV GRANT PAYMENTS FROM THE CITY**

**Section 4.01. Grant Payments.** Subject to other terms and conditions of this Agreement and Company's compliance with this Agreement, the City will make Grant Payments to Company in the manner set forth in this Article.

**Section 4.02. Ten-Year Payment Period.** The City shall make up to 10 annual Grant Payments to Company, as outlined in Exhibit "C." The year 2021 will be the first year in which the full value of all completed Real Property improvements will be reflected on the tax rolls (as of January 1) and the requisite 542 Jobs must be created and maintained (as of December 31). Accordingly, the first year in which an application for a Grant Payment may be submitted to and paid by the City is 2022.

**Section 4.03. Prerequisites to Payment.** The City shall not be required to make a Grant Payment during any applicable calendar year unless and until:

(a) Company has submitted a compliance certificate in the form attached as Exhibit "B" hereto (the "Compliance Certificate"), together with any other information required to be submitted to the City under this Agreement necessary to verify Company's compliance with the terms of this Agreement on or before April 1 of such calendar year;

(b) Additional Property Taxes for the prior tax year are received by the City from the Hays County Tax Assessor-Collector; and

(c) funds are appropriated by the San Marcos City Council for the specific purpose of making a Grant Payment under this Agreement as part of the City's ordinary budget and appropriations approval process.

Provided the foregoing conditions have been satisfied and Company is otherwise in compliance with this Agreement, the City shall pay to Company any Grant Payments due within thirty (30) days after the last to occur of the events in subsections (a)-(c) of this Section.

## **ARTICLE V WAIVER OF DEVELOPMENT STANDARDS**

**Section 5.01 Waiver of Development Standards.** Pursuant to the City's authority under section 2.4.5.1 of the City's Development Code, the City hereby waives the following requirements of such Development Code:

(a) The requirements of Section 3.6.2.1, Table 3.1 regarding block perimeters and dead end street lengths in EC, HC, HI and LI zoning districts are waived.

(b) The requirements of Section 4.3.5.3 regarding blank wall area are waived to allow typical industrial construction, using concrete tilt wall as primary building material, as provided in Section 4.3.5.17 (d)(1)(a).

## **ARTICLE VI REPRESENTATIONS AND WARRANTIES OF COMPANY**

As of the Effective Date, Company represents and warrants to the City, as follows:

**Section 6.01. Organization.** Company is duly organized, validly existing and in good standing under the laws of the State of Delaware and is authorized to conduct business or own real property in the State of Texas. The activities that Company proposes to carry on at the Project Site

may lawfully be conducted by Company.

**Section 6.02. Authority.** The execution, delivery and performance by Company of this Agreement are within Company's powers and have been duly authorized.

**Section 6.03. Valid and Binding Obligation.** This Agreement is the legal, valid and binding obligation of Company, enforceable against Company in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

**Section 6.04. No Defaults.** Company is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which they are parties or by which they or any of their property is bound that would have any material adverse effect on Company's ability to perform under this Agreement.

**Section 6.05. Full Disclosure.** Neither this Agreement nor any schedule or Exhibit attached hereto in connection with the negotiation of this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, in the light of the circumstances in which they were made, from being misleading.

## **ARTICLE VII PERSONAL LIABILITY OF PUBLIC OFFICIALS AND LIMITATIONS ON CITY OBLIGATIONS**

**Section 7.01. Personal Liability of Public Officials.** No employee or elected official of the City shall be personally responsible for any liability arising under or growing out of this Agreement.

**Section 7.02. Limitations on City Obligations.** The Grant Payments made and any other financial obligation of the City hereunder shall be paid solely from lawfully available funds that have been budgeted and appropriated by the City each applicable fiscal year during the Term as provided in this Agreement. Under no circumstances shall the City's obligations hereunder be deemed to create any debt within the meaning of any constitutional or statutory provision. Consequently, notwithstanding any other provision of this Agreement, the City shall have no obligation or liability to pay any Grant Payments or other payments unless the City budgets and appropriates funds to make such payments during the City's fiscal year in which such Grant Payment(s) or other payments are payable under this Agreement. If the City fails to appropriate funds for a Grant Payment during any fiscal year, Company may at its option terminate this Agreement effective upon written notice to the City, subject to any unpaid Grant Payment properly due to Company for which a lawful appropriation of funds has occurred.

**Section 7.03. No Recourse.** Company shall have no recourse against the City for the City's failure to budget and appropriate funds during any fiscal year to meet the purposes of and satisfy its obligations under this Agreement and such failure shall not constitute a breach of this Agreement.

## **ARTICLE VIII INFORMATION**

**Section 8.01. Information.** Company shall, at such times and in such form as the City may reasonably request from Company, provide information concerning the performance of Company's obligations under this Agreement.

**Section 8.02. Annual Certification Related to Minimum Jobs Requirement and Compliance With Agreement.** Beginning in calendar year 2020 and continuing each calendar year thereafter during the Term, Company shall submit to the City, on or before January 30 of each



such year, a certified Compliance Certificate, acceptable to the city manager of the City and signed by an authorized officer or employee of Company, that Company is in full compliance with its obligations under this Agreement or, if not in full compliance, a statement disclosing the nature of any non-compliance and any reasons therefor. Beginning in calendar year 2022, each Compliance Certificate shall also include information regarding Company's satisfaction of the Minimum Jobs Requirement as of the end of the preceding calendar year, as determined in accordance with Section 3.03. After receiving a timely submitted Compliance Certificate, the City shall have thirty (30) days to notify Company in writing of any questions that the City may have concerning any of the information provided by Company in its Compliance Certificate, and Company shall diligently work in good faith to respond to such questions to the City's reasonable satisfaction.

**Section 8.03. Review of Company Records.** Company agrees that the City will have the right to review the business records of Company that relate to the Project and this Agreement in order to determine Company's compliance with the terms of this Agreement. Such review shall occur at any reasonable time during regular daytime business hours and upon at least seven days' prior notice to Company. To the extent reasonably possible, Company shall make all such records available in electronic form or otherwise available to be accessed through the internet.

**Section 8.04. Confidentiality.** Subject to the requirements of the Texas Public Information Act, or order of a court of competent jurisdiction, nothing contained herein shall require Company to disclose or make available to the City any information relating to its employees that would violate the privacy rights of its employees or would violate applicable law, or to disclose or make available proprietary or other confidential information of Company. The City's obligations under this paragraph do not impose a duty upon the City to challenge any ruling

or opinion of the Texas Attorney General to release information in response to a specific request for information under the Texas Public Information Act.

## **ARTICLE IX DEFAULT, TERMINATION AND REMEDIES**

**Section 9.01. Default and Termination.** Except as otherwise provided herein, at any time during the Term of this Agreement that Company is not in material compliance with its obligations under this Agreement, the City may send written notice of such non-compliance to Company. If such non-compliance is not cured within thirty (30) days after Company's receipt of such notice or, if non-compliance is not reasonably susceptible to cure within thirty (30) days and a cure is not begun within such 30-day period and thereafter continuously and diligently pursued to completion on a schedule approved by the City (in either event, a "Cure"), then the City may, at its sole discretion, terminate this Agreement or withhold Grant Payments otherwise due for the calendar year or years in which the non-compliance occurs. If the City elects to withhold Grant Payments under this Section rather than to terminate the Agreement, then, upon a Cure by Company, Company will be eligible to receive Grant Payments in future years (provided it is otherwise in compliance and subject to other limitations of this Agreement) for the remainder of the Term. However, the Grant Payment withheld by the City for any year during which Company was not in compliance, shall be deemed forfeited by Company and the City shall not be liable for later payment of such forfeited Grant Payments. Except as to circumstances arising from an event of *force majeure*, the Term shall not be extended as a result of any cure period agreed to by the City under this Section.

**Section 9.02. Termination for Misrepresentation.** Notwithstanding any provision for notice of default and any opportunity to cure under Section 8.01, the City may terminate the Agreement immediately by providing written notice to Company if Company, its officers or

signatories to this Agreement misrepresented or misrepresents any material fact or information: (i) upon which the City relied in entering into this Agreement; (ii) upon which the City relies in making a Grant Payment to Company; or (iii) as an inducement for the City to make a Grant Payment to Company.

**Section 9.03. Other Remedies.** Upon breach of any obligation under this Agreement, in addition to any other remedies expressly set forth in this Agreement with respect to such breach, either Party may pursue such remedies as are available at law or in equity for breach of contract. Notwithstanding the foregoing, the City shall not in any case be liable for special, incidental, consequential, indirect, or other similar damages, even if City or its agent(s) have been advised of the possibility of such damages. In no event shall the City's liability for damages under this Agreement exceed the amount of the Grant Payment due and owing to Company for the Company's proper performance in the year immediately preceding the year in which the breach by the City Occurred.

**Section 9.04. Offset.** The City may deduct from any Grant Payments, as an offset, any delinquent and unpaid fees, sums of money or other fees, charges or taxes assessed and owed to or for the benefit of the City by Company.

**Section 9.05. Force Majeure.** An event of *force majeure* means an event beyond the reasonable control of a Party obligated to perform an act or take some action under this Agreement including, but not limited to, acts of God, earthquake, fire, explosion, war, civil insurrection, acts of the public enemy, act of civil or military authority, sabotage, terrorism, floods, lightning, hurricanes, tornadoes, severe snow storms or utility disruption, strikes, lockouts, major equipment failure or the failure of any major supplier to perform its obligations. If a *force majeure* event occurs and such event prevents a Party from fulfilling its obligations hereunder, the applicable

time period for performing such obligations shall be extended by the period of delay resulting from the *force majeure*.

**Section 9.06. Indemnification.** The City shall not be obligated to pay any indebtedness or obligations of Company. Company hereby agrees to indemnify and hold the City, and the City's elected officials and employees, harmless from and against (i) any indebtedness or obligations of Company; (ii) any other loss, claim, demand, lawsuit, liability or damages arising from the negligence or intentional misconduct of Company in the performance of its obligations under this Agreement, or (iii) breach of any representation, warranty, covenant or agreement of Company contained in this Agreement, without regard to any notice or cure provisions. Company's indemnification obligation hereunder shall include payment of the City's reasonable attorneys' fees, costs and expenses with respect thereto.

## **ARTICLE X MISCELLANEOUS**

**Section 10.01. Entire Agreement.** This Agreement, including the Recitals and the Exhibits hereto, contains the entire agreement between the Parties with respect to the transactions contemplated herein.

**Section 10.02. Amendments.** This Agreement may only be amended, altered, or terminated by written instrument signed by all Parties.

**Section 10.03. Assignment; Successors.** Company may not assign any of its rights, or delegate or subcontract any of its duties under this Agreement, in whole or in part, without the prior written consent of the City.

**Section 10.04. Waiver.** No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel.

**Section 10.05. Notices.** Any notice, statement and/or communication required and/or permitted to be delivered hereunder shall be in writing and shall be mailed by first-class mail, postage prepaid, or delivered by hand, messenger, telecopy, or reputable overnight carrier, and shall be deemed delivered when received at the respective address of the recipient Party set forth below, or at such other address furnished in writing to the other Party hereto:

**Company:** Katerra Inc.  
2494 Sand Hill Rd #100  
Menlo Park, CA 94025  
Attn: John Somerville  
Telephone: 469-831-4219

**City:** City of San Marcos  
630 E. Hopkins  
San Marcos, Texas 78666  
Attn: City Manager  
Telephone: (512) 393-8101

**Section 10.06. Applicable Law and Venue.** This Agreement is made, and shall be construed and interpreted under the laws of the State of Texas. Venue for any legal proceedings shall lie in State courts located in Hays County, Texas. Venue for any matters in federal court will be in the United States District Court for the Western District of Texas.

**Section 10.07. Severability.** In the event any provision of this Agreement is illegal, invalid, or unenforceability under the applicable present or future laws, then, and in that event, it is the intention of the Parties that the remainder of this Agreement shall not be affected thereby, and it is also the intention of the Parties to this Agreement that in lieu of each clause or provision that is found to be illegal, invalid, or unenforceable a provision be added to this Agreement which

is legal, valid and enforceability and is a similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

**Section 10.08. Third Parties.** The City and Company intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any third-party beneficiary, or any individual or entity other than the City and Company or permitted assignees or successors of the City and Company, except that the indemnification and hold harmless obligations by Company provided for in this Agreement shall inure to the benefit of the indemnitees named therein.

**Section 10.09. No Joint Venture.** Nothing contained in this Agreement is intended by the Parties to create a partnership or joint venture between the Parties, and any implication to the contrary is hereby expressly disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint either Party as an agent of the other for any purpose whatsoever. Except as otherwise specifically provided herein, neither party shall in any way assume any of the liability of the other for acts of the other or obligations of the other.

**Section 10.10. Immunity.** The City, in entering this Agreement does not waive its immunity from suit or any other limitations on its liability, contractual or otherwise, as granted by the Texas Constitution or applicable laws of the State of Texas.

**Section 10.11. Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which constitute one instrument, and facsimile or electronic (in PDF) copies of this Agreement and facsimile or electronic (in PDF) signatures to this Agreement shall be authorized and deemed effective.

**EXECUTED** in duplicate originals to be effective as of the Effective Date.

**CITY OF SAN MARCOS, TEXAS**

By: \_\_\_\_\_  
Bert Lumbreras, City Manager

**COMPANY**

By: \_\_\_\_\_  
[*Name and title*]

**EXHIBIT “A”**

**Legal Description of the Project Site**





## EXHIBIT "B"

### Form of Compliance Certificate

#### CHAPTER 380 ECONOMIC DEVELOPMENT INCENTIVE AGREEMENT ANNUAL COMPLIANCE CERTIFICATE

**From:**

[Name of Company]

[Name and Title of Responsible Party]

[Address 1]

[Address 2]

[Email address]

[Phone Number]

**To:**

City of San Marcos

Attn: City Manager

630 East Hopkins

Street

San Marcos, TX

78666

**Reporting Period:**          [MM/DD/YYYY]          

to

          [MM/DD/YYYY]          **"Jobs" at Beginning of Reporting Period:**          [Number of Jobs]          **"Jobs" at End of Reporting Period:**          [Number of Jobs]          

<b>Real Property</b> Quick Reference ID	Base Year Value Tax Year XX	Reporting Tax Year XX Value of Improvements	Change in Value
			\$ -
			\$ -
			\$ -
<b>Total</b>			\$ -

<b>Personal Property</b> Quick Reference ID	Base Year Value Tax Year XX	Reporting Tax Year XX Value of Improvements	Change in Value
			\$ -
			\$ -
			\$ -
<b>Total</b>			\$ -

Total Change in Value	\$ -
City Tax Rate (%)	0.6139
Total Taxes Paid (Change in Value/100*City Tax Rate)	\$ -
Incentive multiplier (%)	80%
<b>Total Incentive Payable to Company</b>	\$ -

**List all supporting documents attached to this Compliance Certificate:**

- 1)
- 2)
- 3)
- 4)
- 5)

The City Manager may agree to an amendment to this form from time to time, provided such amended form shall be substantially similar in reporting the information necessary to confirm compliance with the Chapter 380 Agreement and to calculate the Grant Payments.

Upon request of the City Manager, the Company shall supplement this form with such information as is reasonably necessary for the City to audit or verify the information reported by the Company, including such things as jobs reports submitted to state and federal agencies, tax forms and personnel records, subject to the protection of personal information of individual employees protected by applicable laws.

The Company acknowledges and agrees that it is a recipient of public funds. As such, the City has a special right of access to information related to the Company's performance under the Chapter 380 Agreement. Certain information of the Company may be subject to disclosure under the Texas Public Information Act. While the City may notify the Company of certain requests for information from third parties, the City shall have no obligation to assert exceptions to disclosure of such information to the Texas Attorney General or other authority having jurisdiction on behalf of the Company.

I, the undersigned, certify that I am a duly authorized representative of the Company, that the foregoing information is true and correct, and that the Company has complied with all terms and conditions of the Chapter 380 Agreement.

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**Print Name and Title**

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**Signature**

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**Date**

**EXHIBIT “C”**  
**Summary of Chapter 380 Payments**

<b>Year</b>	<b>Performance Required</b>	<b>Grant Payment for <i>Prior Year's</i> Performance</b>	<b>Percentage of Additional Property Taxes to be Rebated as a Grant Payment</b>
<b>2018</b>	Start Improvements	No	N/A
<b>2019</b>	Pursue completion of Improvements	No	N/A
<b>2020</b>	Improvements Completed, Initial Jobs and Begin to Operate Business	No	N/A
<b>2021</b>	Improvements on Tax Roll, Jobs and Operate Business	No	N/A
<b>2022</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes*	80%
<b>2023</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	80%
<b>2024</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	80%
<b>2025</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	70%
<b>2026</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	70%
<b>2027</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	70%
<b>2028</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	60%
<b>2029</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	60%
<b>2030</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	60%
<b>2031</b>	Improvements on Tax Roll, Jobs and Operate Business	Yes	60%

\* Although the improvements will be completed in 2020, the full value of the completed improvements for purposes of calculating any Grant Payments will not be reflected on the tax rolls until January 1, 2021. Similarly, the Jobs required will be based on the number of Jobs created as of December 31, 2021. Accordingly, the first Grant Payment application and payment cannot be made until 2022, when all information for the 2021 Reporting Period is available.