

MASTER DEVELOPMENT SERVICES AGREEMENT

THIS Master Development Services Agreement (“**Agreement**”) is entered into as of August 11, 2011 between **THE HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS d/b/a GALVESTON HOUSING AUTHORITY**, a public body organized and existing by virtue of the laws of the State of Texas (“**Authority**”) and **MCCORMACK BARON SALAZAR, INC.**, a Missouri corporation (“**Developer**”).

BACKGROUND

A. In September 2008, Hurricane Ike struck Galveston Island and substantially damaged the majority of the Authority’s public housing portfolio. The 569 units located at Magnolia Homes, Oleander Homes, Palm Terrace and Cedar Terrace (the “Units”) were deemed unfit for human occupancy and the Authority subsequently moved to demolish the units in 2009. The Authority is seeking to redevelop the Units and potentially expand its portfolio, through the development of up to 479 public housing units in multifamily projects that provide a mix of public housing, low-income and market rate units (the “Initiative”). The mixed-income Initiative represents one component of the Authority’s implementation of its rebuilding efforts.

B. The Initiative will consist of a multiple number of projects. Each project will consist of new construction multifamily rental housing, adaptive reuse and/or homeownership and may include use of the original site and potential acquisition of surrounding sites. It is the intention of the Authority that the Initiative, along with the other initiatives adopted in the GHA Rebuilding Plan, adopted and approved on June 21, 2011 (the “Rebuilding Plan”), will replace the Units. In addition to the Units, other units will be constructed and/or redeveloped, a number as agreed upon between the Developer and the Authority pursuant to Subsection 1.1.1 of this Agreement, which will be eligible for FHA mortgages, low income housing tax credits (the “LIHTC”) and/or other financing, as determined on a project-by-project basis.

C. The Authority has conducted a competitive selection procedure and selected Developer to assist it to redevelop a minimum of 282 of the Units with a maximum of up to 479, develop the master plan for the Initiative and provide a human capital plan for the overall redevelopment efforts.

D. The Authority and Developer contemplate a series of phases for the planning and development of the Initiative. The purpose of this Agreement is to set out the terms for an initial scope of activities intended to implement master development activities in order to allow for the Initiative to move forward and in order to allow for the human capital plan to move forward.

E. The Authority and Developer agree that all Human Capital Planning services shall be conducted by Urban Strategies, Inc. in conjunction with Authority consultants.

F. The Authority and Developer shall enter into a mutually acceptable master development agreement subsequent to this Agreement after the development of the full master plan for the Initiative. The master plan for the Initiative must include a detailed physical plan,

development program, financial proformas, and schedule for 282 Units, the minimum number of public housing units identified in the RFQ, in mixed-income communities. Specific sites for the delivery of these minimum 282 Units in mixed-income developments, must be identified and can include sites owned by GHA and other sites to be acquired in the surrounding neighborhoods or large parcels of land in non-impacted census tracts. For the remaining public housing units, which is up to an additional 197 units, the master plan should include a development strategy for acquisition, financing, schedule and challenges associated with delivery of these units in mixed income communities.

G. Time is of the essence for the Authority to rebuild the replacement public housing units so careful attention should be paid to upcoming funding opportunities and structuring the development of the Initiative in a manner that will allow the Authority to access all available local, state and federal disaster recovery funds.

In consideration of the foregoing Recitals and the mutual covenants and agreements set forth herein, which both parties agree to be good and valuable consideration, the parties agree as follows:

Section 1. Master Development Services.

1.1 Master Development. The Developer agrees to perform certain master development services relating to the Initiative (the “Master Development Work”). The Master Development Work shall include but not be limited to the following: (a) preparing site plans, topographical and boundary surveys, architectural guidelines and preliminary utility and street plans for the Initiative; (b) identifying potential off-site acquisition scenarios for the Initiative working with Authority residents, community stakeholders, elected officials and others to seek input regarding the rebuilding of the Units, and (c) preparing a development program and phasing and financing scenarios to delivery the full scope of the Initiative. The Master Development Work shall be completed and delivered, on or before October 31, 2011, as described below.

1.1.1 Delivery Scenarios. The Developer shall deliver, at a minimum, three (3) scenarios for GHA, key stakeholders and community review: (i) a scenario assuming 282 PH units in mixed-income developments on the three existing GHA sites (Magnolia, Cedar Terrace, and Oleander) ; and (ii) two scenarios assuming 282 PH units in mixed income developments on the three existing GHA sites plus additional land to be identified in the acquisition strategy. Scenarios will include various density options. Based on input received on these scenarios, the Developer will refine the scenarios into a preferred development plan for the three existing GHA sites. Such preferred development plan may include an acquisition strategy pursuant to 1.1.2 below if necessary to achieve minimum unit delivery. The Developer also agrees to deliver a development strategy for the additional 197 PH units that will be contingent upon additional sites identified for the development in the acquisition strategy. The acquisition strategy will also identify potential locations for the additional sites needed to deliver the maximum of 479 PH units.

1.1.2 Land Acquisition. All efforts should be made by Developer to identify any potential sites for acquisition during this phase of the Master Developer Work so that conceptual discussions can be had with the appropriate stakeholders. The Developer has suggested that as much as 12 acres could be identified for the various scenarios set forth above as well as additional sites/strategies for development of the maximum number of PH units. The Parties agree that the Developer shall utilize the existing sites, a proxy of any of the existing sites or any other land as identified by the Developer to accomplish the goals of the Initiative. The multiple sites necessary for completion of the Initiative shall be located by the Developer with the approval of the Authority and others designated by the Authority, and subject to the approval and consent of Authority.

The full Master Development Work scope as approved by the Authority is attached to this Agreement as Exhibit "A."

1.2 Human Capital Planning. The Developer agrees to perform certain services relating to the human capital planning of the Initiative (the "Human Capital Planning Work," and together with the Master Development Work, the "Work"). The Authority and Developer each agree that all Human Capital Planning Work shall be conducted by Urban Strategies, Inc. (or coordinated by Urban Strategies, Inc. through subcontracts with parties approved by Authority) in conjunction with Authority consultants. The full Human Capital Planning Work scope as approved by the Authority is attached to this Agreement as Exhibit "B".

1.3 Schedule. The schedule for performance of the Work as approved by the Authority is attached to this Agreement as Exhibit "C."

1.4 Budget. The budget for the Work approved by the Authority (the "Budget") is attached to this Agreement as Exhibit "D."

Section 2. Fees and Payments.

2.1. Fees Generally. The Developer shall receive no compensation for performing or overseeing the Work unless the Authority terminates this Agreement for convenience or the parties do not execute a Master Development Agreement (as described more particularly in Section 12). The Developer shall be entitled to reimbursement for its travel-related expenses incurred in performing the Work, subject to the limitation reflected in the approved Budget.

2.2. Third-Party Expenses. The Authority shall fund third-party costs incurred by Developer in performing the Work on a monthly basis. The Authority's obligation to fund such Developer third-party costs is conditioned upon such third-party costs being expressly included in the line item Budget. For purposes of this Agreement, the term "**third-party costs**" or "**third-party expenses**" shall be all costs incurred by the Developer relating to outside (*i.e.*, non-staff or other personnel employed as such by the Developer) professionals excluding legal counsel (e.g., architects, engineers, etc.) and other contractors or vendors engaged to perform services or work directly relating to the Work. The Authority approves those third-party contractors and subcontractors identified in Developer's response to the Authority's Request for Qualifications dated March 4, 2011, and further approves those identified in the Scope as performing elements of the Work.

2.3. Payment Schedule. Developer shall provide Authority on a monthly basis with a detailed written disclosure of all costs and expenses incurred by Developer or its affiliates with contractors, subcontractors and other third-parties which would qualify for third-party cost allowances together with associated deliverables required by the Budget and/or by the applicable scope of services (Exhibit A or Exhibit B). The Authority shall fund Developer within thirty (30) days of receipt of any properly documented request from Developer consistent with the Budget. The Developer shall promptly apply funds received from the Authority to pay third parties. The Authority agrees to consider in good faith any request by Developer to amend the Budget.

2.4 Authority Reimbursement. The parties intend for funds advanced pursuant to this Agreement to be proportionately reimbursed to the Authority at the financial closing for each phase of the Initiative. Alternately, such funds may be credited as a first advance on loans made by the Authority for such phase. Work product attributable to each phase may also be allocated and assigned to that phase.

Section 3. Program Management and Coordination.

3.1. The Authority has retained EJP Consulting (the “Program Manager”) to assist with the implementation of the Initiative and Rebuilding Plan. Developer shall be responsible for coordinating with the Program Manager to help the Program Manager ensure that: (a) all goals identified in the Initiative are to be accomplished through specific activities and programs; (b) all such activities and programs are assigned to specific individuals and/or teams, whether on the Authority staff (as directed by the Authority), Developer staff, or through a contract or subgrant; (c) adequate funding sources are identified and funds are budgeted to accomplish all development activities where McCormack Baron Salazar, Inc. serves as the Developer; and (d) for each such substantial activity or program there are appropriate performance measures and deadlines; provided, however, that Developer shall have no responsibility for obligations which are within the sole control of the Authority or the Program Manager to meet or which are expressly reserved exclusively to the Authority by the terms of this Agreement.

3.2. The Authority has entered into a Memorandum of Understanding for strategic planning services with Purpose Built Communities (the “Strategic Advisor”) to assist with the implementation of the Initiative. Developer shall be responsible for coordinating with the Strategic Advisor to help the Strategic Advisor ensure: (a) the implementation of a holistic community; (b) a reduction of crime in the redevelopment areas; (c) increasing employment rates of public housing residents; (d) increasing income levels of public housing residents; (e) increasing educational outcomes for children in the newly revitalized communities; and (f) spurring new economic investment and activity in the neighborhoods surrounding the redevelopments.

Section 4. Availability of Funding and Notice to Proceed.

4.1 The Developer acknowledges that the Authority does not presently have access to funding to meet its obligations pursuant to this Agreement. The Authority acknowledge that the

Developer is not obligated to perform the Work and incur obligations to third parties unless and until such funds are available.

4.2 At such time as the Authority has, or has formal approval to draw upon, funds to meet its obligations under this Agreement it will issue a notice to proceed to Developer that specifies the source(s) of such funds. Developer's schedule for performance will be adjusted to reflect delays in issuance of a notice to proceed. Work performed, and costs incurred, by Developer or by third parties prior to issuance of a notice to proceed (and, as applicable, prior to the execution of this Agreement) shall be at the sole risk of the Developer or such third parties, but will be eligible for funding or reimbursement in accordance with the terms of this Agreement once a notice to proceed is issued.

Section 5. MBE/WBE, Section 3 and Local Participation. In accomplishing its development activities as provided herein, Developer will comply with Section 3 of the Act, and implementing regulations thereunder by training and hiring public housing residents and lower-income community residents to the greatest extent feasible. The Developer shall also use good faith efforts to utilize MBE/WBE businesses. The Developer agrees to hire, to the greatest extent feasible, thirty percent (30%) of new hires generated by this Agreement or ten percent (10%) of subcontracted opportunities for building trades/construction work (or three percent (3%) for other work) to Section 3 Businesses. In the event the Developer is unable to meet the hiring goals, it agrees to contribute to the GHA Bright Futures Education Fund pursuant to the GHA Section 3 Policy for Mixed Income Communities Initiative. Section 3 Businesses shall mean those businesses owned in the substantial part (at least 51%) by persons residing in the Section 3 covered area. The Developer shall use best efforts to achieve these goals in the development activities.

Section 6. Written Materials and Public Statements. The Parties agree to cooperate and consult with each other regarding any public statements or publications made regarding the Initiative and Rebuilding Plan. Either Party shall provide the other with drafts of any material (a) correspondence or (b) other written material prepared in connection with the Initiative and Rebuilding Plan for a government agency, neighborhood or resident group, or other public party prior to submission, and shall revise such drafts in accordance with reasonable requests of the other Party. The submitting Party shall provide the other with final versions of all material written submissions. The term "material correspondence" includes without limitation correspondence addressing matters of public policy or actual or potential controversy, or requests for non-routine assistance, but shall not be deemed to include routine or technical correspondence.

Section 7. HUD Provisions.

7.1. **HUD Review.** The parties hereto acknowledge that this Agreement and the consummation of the transactions contemplated by this Agreement are subject to review by the U.S. Department of Housing and Urban Development ("HUD"). Developer and Authority agree to cooperate in good faith to obtain all necessary HUD approvals. To the extent HUD requires that a reasonable modification, amendment or supplement to this Agreement be entered into by the parties, the Authority and the Developer hereby agree to enter into such amendment,

modification or supplement, in a form acceptable to HUD. The foregoing provisions shall not relieve Authority from its obligation to make payments in accordance with this Agreement. The Developer shall provide the Authority on a timely basis with any information which the Authority reasonably requires to prepare the filings and reports required by HUD as they relate to the Work.

7.2. Transfer Not An Assignment. The Authority acknowledges that any transfer of HUD Funds by Authority to Developer shall not be or be deemed to be an assignment of grant funds, and Developer shall succeed to any rights or benefits of Authority under the Annual Contributions Contract ("ACC"), or attain any privileges, authorities, interests or rights in or under the ACC.

Section 8. No Relationship Created. Nothing contained in the ACC or this Agreement nor any act of HUD or Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and Authority as provided under the terms of the ACC.

Section 9. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law now or hereinafter in effect which renders any provision hereof prohibited or unenforceable in any respect.

Section 10. Applicable Law. This Agreement, and the application or interpretation hereof, shall be governed by the laws of the State of Texas applicable to agreements made and to be performed entirely therein.

Section 11. Indemnification. The Developer hereby agrees to indemnify, defend, protect and hold harmless the Authority from and against any loss, cost, liability, action, cause of action, suit, penalty, fine, damage or expense, including, without limitation, attorneys' fees and court costs, incurred by the indemnified party by reason of the gross negligence, fraud, breach of fiduciary duty or willful misconduct by the indemnifying party related to the performance of the Work.

Section 12. Termination for Convenience; Failure to Execute Master Development Agreement

12.1. The Authority may terminate this Agreement in whole, or in part, whenever Authority determines that such action is in the best interest of the Authority. Any such termination shall be effected by delivery to Developer of a notice of termination specifying the extent to which the performance of the work under this Agreement is terminated, and the date upon which such termination becomes effective.

12.2. If the performance of the work is terminated, either in whole or in part, Authority shall be liable to Developer for reasonable and proper costs resulting from such termination which costs shall be paid to Developer within sixty (60) days of receipt by Authority of a properly presented claim from Developer setting out in detail: (1) the total cost of all the reimbursable third-party costs incurred by Developer as of the date of termination less the total amount of reimbursements made to Developer; (2) the cost (including reasonable profit) of settling and paying claims under subcontracts and material orders for work performed and materials and supplies delivered to the site, payment for which has not been made by Authority to Developer; (3) the cost of preserving and protecting the work already performed until Authority or assignee takes possession thereof or assumes responsibility therefor; (4) the actual or estimated cost of legal and accounting services reasonably necessary to prepare and present the termination claim to Authority; and (5) an amount of fair compensation to Developer for all tasks performed to date of termination. "Fair compensation" shall be defined as: \$30,000 if the Agreement is terminated on or before August 1, 2011; \$60,000 if the Agreement is terminated on or before September 1, 2011, and \$90,000 if the Agreement is terminated after September 1, 2011. Subject to the foregoing provisions of this Section, under no circumstances shall Authority be liable under this Agreement, by reason of a default or otherwise, to Developer for consequential damages, lost profits, or other special damages.

12.3 If the parties do not exercise a comprehensive Master Development Agreement relating to the Initiative on or before December 31, 2011 either party may terminate this Agreement by written notice to the other, at which time the Developer's sole remaining obligation will be to deliver work product to the Authority in accordance with Section 13 and the Authority's sole remaining obligation will be to pay the Developer the amount described as "Fair compensation" in Section 12.2 above.

Section 13. Ownership of Work Product.

13.1. The parties agree that all drawings, tracings, specifications and other documents prepared by or on behalf of Developer or otherwise furnished by Developer in connection with the performance of the Work shall be assignable to the by the Authority. Developer shall include a provision to such effect in all documents prepared by a third party.

13.2. In the event a termination of this Agreement occurs for any reason, Developer will deliver its work product related to the Work promptly to Authority. The Authority will pay to Developer any outstanding third-party cost related to such work product and any amounts owed and payable to Developer which otherwise would have been reimbursed to Developer. Developer will have no further liability to Authority following delivery of such work product.

Section 14. Force Majeure. To the extent Developer is unable to comply with its obligations under this Agreement (a "Force Majeure Event") by reason of (a) any wrongful act, negligence or unreasonable delay of the Authority, HUD or other governmental agency, or (b) any default hereunder by the Authority in regard to an obligation which is a necessary condition precedent to Developer's ability to perform such obligations, or (c) labor disputes, fires, acts of God or a public enemy, war, floods, unusually severe weather, freight embargoes, litigation other than between Developer and Authority, or other unavoidable casualties, or (d) changes in law or

economic circumstances outside of the control of Developer that make the services contemplated by this Agreement temporarily infeasible despite diligent efforts and reasonable modifications by the parties, and (e) any other such cause beyond the reasonable control of Developer, then Developer's non-performance of such obligation during any such period of time shall not be deemed a default by Developer of its obligations under this Agreement.

Section 15. Parties' Disputes. Should the parties be unable to resolve any dispute between themselves, the parties agree that all disputes, controversies or claims arising out of or relating to this Agreement, or any breach of this Agreement, or questions as to its interpretation (herein referred to collectively as a "Dispute") will be submitted to non-binding mediation where the parties will endeavor to settle the Dispute in an amicable manner. Each party agrees that judicial resolution will only be sought in the event the parties are unwilling or unable to resolve the Dispute by mediation.

Section 16. Non-Discrimination and Other Federal Requirements

16.1. Certain Federal Requirements. Developer will comply with all applicable requirements of the following, as the same may be amended from time to time:

16.1.1. The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; the fair housing poster regulations, 24 CFR Part 110, and advertising guidelines, 24 CFR Part 109.

16.1.2. Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, and regulations issued thereunder relating to nondiscrimination in housing, 24 CFR Part 1.

16.1.3. Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations issued thereunder, 24 CFR Part 146.

16.1.4. Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, and regulations issued thereunder, 24 CFR Part 8; the Americans with Disabilities Act, 42 U.S.C. 12181-89, and regulations issued thereunder, 28 CFR Part 36.

16.1.5. Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and its implementing regulations at 24 CFR Part 135.

16.2. Access to Records.

16.2.1. The Authority, HUD, or the Comptroller General of the United States, or any of their duly authorized representatives, shall, until 3 years after final payment under this Agreement, have access to and the right to examine any of Developer's books, documents, papers, or other records involving transactions related to this Agreement for the purpose of making audit, examination, excerpts, and transcriptions.

16.2.2. The Developer agrees to include in first-tier subcontracts under this contract a clause substantially the same as paragraph 16.2.1. The term “**subcontract**” as used in this clause excludes purchase orders, labor or services not exceeding \$10,000.

16.2.3. The period of access and examination under paragraphs 16.2.1 and 16.2.2 for records relating to (1) litigation or settlements of disputes arising from the performance of this Agreement, or (2) costs and expenses of this Agreement to which Authority, HUD or Comptroller General or any of their duly authorized representatives has taken exception shall continue until disposition of such appeals, litigation, claims, or exceptions.

16.3. Interest of Members of Congress. No member of or delegate to the Congress of the United States or Commissioner of the Authority shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

16.4. Interest of Member, Officer, or Employee and Former Member, Officer, or Employee of Authority. No member, officer, or employee of Authority, no member of the governing body of the locality in which the Development is situated, no member of the governing body by which Authority was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the Development, shall, during his or her tenure, or for one year thereafter or such longer time as Authority’s Code of Ethics may require, have any interest, direct or indirect, in this Agreement or the proceeds thereof, unless the conflict of interest is waived by Authority and by HUD.

Section 17. Lobbying Activities. The Developer shall each comply with 31 USC 1352 which prohibits the use of Federal appropriated funds to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract; the making of any Federal grant; the making of any Federal loan; the entering into of any cooperative agreement; or the modification of any Federal contract, loan, or cooperative agreement. The Developer further agrees to comply with the requirement of such legislation to furnish a disclosure (OMB Standard Form LLL) if any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress, in connection with a Federal contract, grant, loan, or cooperative agreement, which payment would be prohibited if made from Federal appropriated funds.

Section 18. Miscellaneous.

18.1. Term. This Agreement shall commence with the execution hereof and shall terminate upon completion of the services contemplated by this Agreement, unless sooner terminated in accordance with provisions herein.

18.2. Notices. Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be (i) delivered personally or by courier, (ii) telecopied,

(iii) sent by overnight express delivery, or (iv) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party):

If to Authority: The Housing Authority of the City of Galveston
4700 Broadway
Galveston, Texas 77551
Attn: Deyna Sims-Hobdy
Director, Real Estate Services

with a copy to: Coats Rose Yale Ryman & Lee, P.C.
3 Greenway Plaza
Suite 2000
Houston, TX 77046
Attn: Antoinette M. Jackson, Esq.

If to Developer: McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101
Attn: Hillary Zimmerman
General Counsel

with a copy to: Klein Horning
145 Tremont Street
Suite 400
Boston, Massachusetts 02111
Attn: Dan Rosen, Esq.

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, telecopy transmission, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iii) in the case of mailing, on the date specified in the return receipt therefor.

18.3. Representatives. To facilitate communication, the parties to this Agreement shall designate a representative with responsibility for the routine administration of each party's obligations under this Agreement. The parties initially appoint the following as representatives:

Authority: Deyna Sims-Hobdy
Developer: Julie DeGraaf Velazquez

The parties further agree that the Authority's representative shall serve as the liaison for any communication and scheduling with third party stakeholders unless otherwise agreed upon by the parties.

18.4. Further Assurances. Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

18.5. Assignment. This Agreement shall not be assignable by Developer, except upon written consent of Authority.

18.6. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed original, but all of which, together, shall constitute one instrument.

18.7. Interpretation and Governing Law. This Agreement shall not be construed against the party who prepared it but shall be construed as though prepared by all parties. This Agreement shall be construed, interpreted, and governed by the laws of the State of Texas. Any action or proceeding arising hereunder shall be brought in the courts of the State of Texas; provided, that if any such action or proceeding arises under the Constitution, laws or treaties or the United State of America, or if there is a diversity of citizenship between the parties thereto, so that it is to or may be brought in a United State District Court, it shall be brought in a United States District Court for the Southern District of Texas.

18.8. Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable such portion shall be deemed severed from this Agreement and the remaining parts shall continue in full force as though such invalid or unenforceable provision had not been part of this Agreement.

18.9. Final Agreement. Unless otherwise expressly provided herein, this Agreement constitutes the final understanding and agreement among the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements among the parties, whether written or oral. This Agreement may be amended, supplemented or changed only by a writing signed or authorized by or on behalf of the party to be bound thereby.

18.10. Developer Employees and Liabilities. It is understood that persons engaged or employed by Developer as employees, agents, or independent contractors shall be engaged or employed by Developer and not by Authority. Developer alone is responsible for their work, direction, compensation and personal conduct. Nothing included in any provision of this Agreement shall impose any liability or duty upon Authority to persons, firms, or corporations employed or engaged by Developer in any capacity whatsoever, or make Authority liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Developer or of its employees, agents, or independent contractors. Developer shall resist and defend all suits by attorneys reasonably satisfactory to Authority and shall pay all judgments, costs, expenses, and fees related thereto. Developer's obligations under this Section shall survive any termination of this Agreement.

18.11. Developer Not an Agent. Nothing in this Agreement shall be deemed to appoint Developer as an agent for or representative of Authority and Developer is not authorized to act on behalf of Authority with respect to any matters. The Authority shall not have any liability or duty to any person, firm, corporation, or governmental body for any act of omission or

commission, liability, or obligation of Developer, whether arising from actions under this Agreement or otherwise.

18.12. Conflict of Interest. Developer covenants that neither it or any of its directors, officers, partners or employees nor any Affiliates has any interest, nor shall acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of the services hereunder, and their obligations, responsibilities and liabilities to the Authority hereunder. Developer further covenants that in the performance of this Agreement, no person having such interest shall be employed by it. Notwithstanding the foregoing, nothing herein shall prevent Developer or any of its members or Affiliates from engaging in other development projects in the City of Galveston area.

18.13. Waivers. The failure of either party to insist in any one or more cases upon the strict performance of any of the other party's obligations under this Agreement or to exercise any right or remedy herein contained shall not be construed as a waiver or a relinquishment for the future of such obligation, right or remedy. No waiver by any party of any provision of this Agreement shall be deemed to have been made unless set forth in writing and signed by that party.

18.14. Headings. The headings in this Agreement are inserted for convenience only and shall not be used to define, limit or describe the scope of this Agreement or any of the obligations herein.

18.15. Construction. Whenever in this Agreement a pronoun is used, it shall be construed to represent either the singular or the plural, either the masculine or the feminine, as the case shall demand.

18.16. Certain Approvals. Unless otherwise expressly stated, all approvals or consents required of any party hereunder shall not be unreasonably withheld, conditioned or delayed, and in regard to Authority, all such approvals or consents must be in writing.

18.17. Binding Effect. This Agreement will inure to the benefit of, and will be binding upon, Authority's successors and assigns except as otherwise provided in this Agreement. This Agreement will inure to the benefit of, and will be binding upon, Developer's heirs, personal representatives and assigns so long as the succession or assignment is permitted pursuant to the terms of this Agreement. This Agreement will inure to the benefit of, and will be binding upon, Authority's successors and assigns so long as the succession or assignment is permitted pursuant to the terms of this Agreement.

18.18. Cumulative Rights. Except as expressly limited by the terms of this Agreement, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the date first written above.

AUTHORITY:

**HOUSING AUTHORITY OF THE CITY
OF GALVESTON, TEXAS**

By: Mona Purgason
Mona Purgason
Interim Executive Director

DEVELOPER:

**MCCORMACK BARON SALAZAR,
INC., a Missouri corporation**

By: V.R.B.

Name: VINCENT R. BENNETT

Title: E.U.P. / COO

EXHIBIT "A"

**Master Development Work
Scope of Services**

Exhibit A: Master Development Work Scope

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8.5.2011

Master Development Work Deliverables Coordinated by MBS:	Third Party Consultants Involved	Projected Timeframe	Budget
Master Plan	Urban Design Associates	August – October 2011	\$225,000
<i>Density studies of Magnolia, Cedar Terrace and Oleandar to determine appropriate density per acre, per site</i>	Urban Design Associates	July - August 2011	
<i>Contextual analyses of sites in relationship to surrounding areas, amenities, transportation corridors, historic district, and employment and education centers; zoning analysis for compliance with current and new zoning regulations</i>	Urban Design Associates	August – September 2011	
<i>Site plans for the Magnolia, Cedar Terrace and Oleandar sites, including location of roads and alleys (as applicable) and proposed infrastructure and neighborhood amenities</i>	Urban Design Associates	September – October 2011	
<i>Architectural concepts and guidelines including elevations and perspective renderings</i>	Urban Design Associates	September – October 2011	
Engineering			\$65,000
<i>Topographical and boundary surveys</i>	Civil Engineer	September 2011	\$35,000
<i>Phase I Environmental Site Assessments by site</i>	Environmental Engineer	August –September 2011	\$15,000
<i>Preliminary utility plans and street plans</i>	Civil Engineer	September- October 2011	\$15,000
Architectural/Preliminary Schematics	KAI Texas	Oct-11	\$50,000
<i>Zoning and Historic District Analysis</i>	KAI Texas	Aug-11	\$15,000
<i>Preliminary Schematics</i>	KAI Texas	Oct-11	\$35,000
Market Analysis	Affordable Housing Analysts	Aug-11	\$10,000
Communications/Web-site Development & Management	V-Fluence	July – August 2011	\$35,000
Contingency (As Needed)			\$50,000
TOTAL			\$435,000

Exhibit A: Master Development Work Scope

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Master Development Work Deliverables Provided by MBS:	Projected Timeframe	Budget*
Resident and Stakeholder Engagement	July – October 2011	
<i>Stakeholder Meetings to Review Density Analyses</i>	<i>Week of August 29th</i>	
<i>Community Charette</i>	<i>Week of September 12th</i>	
Master Development Work/Report Components	By October 31, 2011	
<i>Development program including unit mix (public housing, affordable, market rate), bedroom size and typology (walk-ups, townhomes, elevator, etc.)</i>	<i>September 2011</i>	
<i>Off-Site Acquisition Analysis of additional potential development parcels</i>	<i>October 2011</i>	
<i>Phasing and financing scenarios with the order of development for all on-site residential and non-residential uses, taking into account infrastructure construction or modifications and funding considerations</i>	<i>October 2011</i>	
<i>Initial LEED-ND checklist</i>	<i>October 2011</i>	

*The master development work provided directly by MBS shall be contributed by MBS at no cost to the Galveston Housing Authority, with compensation due to MBS only pursuant to conditions described in the Master Development Services Agreement Section 12; budget includes MBS reimbursable expenses up to \$30,000.

EXHIBIT "B"

**Human Capital Plan
Scope of Services**

Exhibit B: Human Capital Plan Scope

Urban Strategies will work with community stakeholders, resident leaders, service providers and development team members to lead the community engagement and planning processes related to the redevelopment of former public housing sites in Galveston, TX. Below, please find a detailed scope of work and pre-development budget for professional services focused on the development and integration of human capital plans with physical revitalization plans. Recognizing the wealth of information that already exists, Urban Strategies will research available public information, and carefully assess existing formal and informal data sets around general demographics, education, crime, homeownership, service provision and programming.

Scope of Work		Timeline
1. Key Stakeholder Engagement and Analysis		Jul 2011
	Preliminary meetings with Housing Authority and community leadership to set project vision and goals	
	Understand strengths, assets and challenges involved in the revitalization effort from the perspective of major community leaders and stakeholders	
	Engagement with key public and private sector partners to understand how to adapt local practice and requirements	
2. Service Provider and Stakeholder Interactions		Jul-Aug 2011
	Engagement with leading service providers and institutional partners to assess strengths, assets and challenges from their perspective	
	Coordinate issue-focused meetings to increase inter-agency communication and commitment	
3. Community Leadership Interactions		Aug-Oct 2011
	Engagement with key stakeholders and community leaders to build support and commitment to project vision and goals	
	Establishment and launch of an executive level local governance team	
4. Charrette Process		Aug-Sep-Oct 2011
	With team member input and support, design and implement a participatory planning process that ensures meaningful opportunities for resident and stakeholder participation	
	Facilitate open dialogue and communication among stakeholders; work to build trust among residents and community members	
	With team member support, use specific tools and techniques that will improve residents' understanding and evaluation of complex data and information	
	Work in good faith to offer realistic expectations of opportunities, risks and trade-offs in the revitalization plan	
	Involve residents in an appreciative inquiry process and to participate in shaping the vision for the physical development, economic development and human capital development components	

5. Resident Outreach and Engagement, Data Collection		Jul-Oct 2011
	Energize the community through clear, open communication and outreach methods that ensure that residents feel vested in the planning process	
	Thoroughly assess and clearly present the facts, assumptions, interests, principles and objections associated with the proposed revitalization effort	
	Conduct focus groups to identify priorities for human capital development	
	Gather, and update and analyze data and qualitative info needed to shape the revitalization vision using intense but respectful information and data gathering strategies.	
	Conduct small neighborhood workshops or "kitchen table meetings" to help reach consensus on specific success measures	
6. Development of Human Capital Plan		Sep-Oct 2011
	Develop and ratify recommendations for addressing human capital priorities: <ul style="list-style-type: none"> ▪ Program strategies and evidence-based practice models ▪ Resource development strategy 	
	Document and finalize recommendations	

Human Capital Planning – Proposed Budget (July-October 31, 2011)

Workplan Component	Staff	Unit Rate	Total Units	Total
Key Stakeholder Engagement and Analysis				
	Associate(s)	\$150	16	\$2,400
	President	\$330	32	\$10,560
Subtotal				\$12,960
Service Provider and Stakeholder Interactions				
	Associate(s)	\$150	40	\$6,000
	President	\$330	32	\$10,560
Subtotal				\$16,560
Community Leadership Interactions				
	Associate(s)	\$150	40	\$6,000
	Senior VP	\$225	12	\$2,700
	President	\$330	24	\$7,920
Subtotal				\$16,620
Charrette Process				
	Associate(s)	\$150	70	\$10,500
	Senior VP	\$225	40	\$9,000
	President	\$330	24	\$7,920
	Incentives for Meetings			\$2,580
Subtotal				\$30,000
Resident Outreach and Engagement				
	Associate(s)	\$150	60	\$9,000
	Senior VP	\$225	24	\$5,400
	Incentives for Meetings			\$3,000
Subtotal				\$17,400
Data Collection and Analysis (Updating & Supplementing Existing Data)				
	Data Analyst(s)	\$50	120	\$6,000
	Associate(s)	\$150	60	\$9,000
	Senior VP	\$225	20	\$4,500
Subtotal				\$19,500
Develop Human Capital Plan (Includes Resource Strategy)				
	Associate(s)	\$150	60	\$9,000
	Senior VP	\$225	40	\$9,000
	President	\$330	20	\$6,600
Subtotal				\$24,600
Other				
	Travel and Incidentals			\$22,000
Subtotal				\$22,000
Total				\$159,640

EXHIBIT "C"

Schedule

Exhibit C: Schedule

**Master Development Services Schedule:
July - October 31, 2011**

Final for Predevelopment Agreement 8.5.2011

	Jul-11	Aug-11	Sep-11	Oct-11
Predevelopment Agreement Negotiations	■	■	■	■
MDA Negotiations	■	■	■	■
Master Development Work	■	■	■	■
<i>Initial Stakeholder Meetings</i>	■	■	■	■
<i>Due Diligence Gathering</i>	■	■	■	■
<i>Community Stakeholder Meetings</i>	■	■	■	■
<i>Community Design Charette</i>	■	■	■	■
<i>Master Development Work Report, Deliverables</i>	■	■	■	■
Human Capital Plan	■	■	■	■
<i>Initial Stakeholder Meetings</i>	■	■	■	■
<i>Community Leadership Engagement</i>	■	■	■	■
<i>Resident Engagement</i>	■	■	■	■
<i>Data Gathering and Analysis</i>	■	■	■	■
<i>Draft Human Capital Plan</i>	■	■	■	■
<i>Final Human Capital Plan</i>	■	■	■	■

EXHIBIT "D"

Budget

EXHIBIT D: BUDGET

INITIAL PREDEVELOPMENT PERIOD (July - October 31, 2011): Master Development Work and Human Capital Plan Budget
 McCormack Baron Salazar and Team
 8.5.2011

Scope	Consultant	Deliverables	Total
THIRD PARTY COSTS - MASTER DEVELOPMENT WORK			
Site & Housing Master Planning	Urban Design Associates	Density Studies, Site Plans, Elevations/Renderings	\$ 225,000
Civil and Environmental Engineering	KAI, Civil Engineer TBD, Environmental Eng TBD	Initial surveys, infrastructure analysis, coordination meetings with City and Utilities, preliminary environmental review, traffic studies, accessibility compliance.	\$ 65,000
Architectural	KAI	Building and unit - Prelim schematics	\$ 50,000
Zoning and Historic District Analysis	Consultant TBD	Research & integration of zoning and historic district requirements.	\$ 15,000
Market Analysis	Affordable Housing Analysts	Market study/analysis of existing conditions and proposed developments.	\$ 10,000
Communications/Web-site development and management	V-Fluence	Web-site development and management, press releases, event notifications and management.	\$ 35,000
Contingency	As needed		\$ 50,000
		Subtotal	\$ 450,000
DEVELOPER SERVICES			
Developer - Master Development Work	MBS	Reimbursables	\$ 30,000
		Subtotal	\$ 30,000
HUMAN CAPITAL PLANNING			
Human Capital Plan	Urban Strategies Inc.	Per attached Scope and Deliverables Travel and Incidentals	\$ 137,640
		Subtotal	\$ 159,640
		TOTAL	\$ 689,640

HOUSING AUTHORITY

OF THE CITY OF GALVESTON, TEXAS

409 / 765-1900

77551



Central Office 4700 Broadway

August 11, 2011

Vince Bennett
McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101

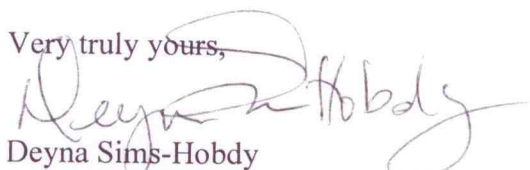
Re: **Notice to Proceed**
Master Development Work

Dear Mr. Bennett:

The Galveston Housing Authority ("GHA") confirms to McCormack Baron Salazar, Inc. ("Master Developer") that it now has the access to the funding necessary to meet its obligations under the Master Development Work Agreement ("Agreement"). Therefore, pursuant to Section 4 of the Agreement, GHA gives Master Developer the Notice to Proceed and commence as of August 11, 2011 with the master development services as set forth in the Agreement.

Please reference Agreement above for scope, deliverables and completion date.

Very truly yours,


Deyna Sims-Hobdy
Director, Real Estate & Development