MINUTES OF THE JOINT MEETING OF THE CITY COUNCIL AND THE BOARD OF DIRECTORS OF REINVESTMENT ZONE NUMBER TWO, CITY OF FRIENDSWOOD SEPTEMBER 23, 2024

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD AND THE BOARD OF DIRECTORS OF REINVESTMENT ZONE NUMBER TWO, CITY OF FRIENDSWOOD MET IN A JOINT MEETING ON MONDAY, SEPTEMBER 23, 2024, AT 5:00 P.M. IN THE COUNCIL CHAMBERS, FRIENDSWOOD CITY HALL, LOCATED AT 910 S. FRIENDSWOOD DRIVE, FRIENDSWOOD, TEXAS, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

John Ellisor	Councilmember
Sally Branson	Councilmember
Trish Hanks	Councilmember
Robert J. Griffon	Councilmember
Joe Matranga	Mayor Pro Tem
Brent Erenwert	Councilmember
Morad Kabiri	City Manager
Karen Horner	City Attorney
Leticia Brysch	City Secretary

AND

John Ellisor	Director
Sally Branson	Director
Trish Hanks	Director
Robert J. Griffon	Director
Joe Matranga	Vice Chair
Brent Erenwert	Secretary
Morad Kabiri	City Manager
Karen Horner	City Attorney
Leticia Brysch	City Secretary

1. CALL TO ORDER

Mayor Pro Tem Matranga called the joint meeting to order with a quorum present at 5:00 P.M.; all members were present with the exception Mayor Mike Foreman.

2. INVOCATION

The invocation was led by Councilmember John Ellisor.

3. PLEDGE OF ALLEGIANCE - United States and State of Texas

Mayor Pro Tem Matranga led the Pledge of Allegiance of the United States and the Pledge to the State of Texas.

4. COUNCIL COMMENTS AND REPORTS

Councilmember Hanks stated that she attended the Taylor Swift cover band concert over the weekend with her granddaughter and it was wonderful. She commended the Parks and Recreation staff for doing such an amazing job with the event.

5. PUBLIC COMMENT

Ms. Janice Schrager, Pine Needle Dr., requested to speak to the Council regarding her opposition to the TIRZ#2 and TIRZ#1. She stated that she believed that while the TIRZs would help reduce the developer's costs, it would also result in inferior public services and reduce the value of the homes on Wilderness Tails. She stated that she felt that Castlewood should remain closed and not be tied into the proposed parkway.

Ms. Isabel Nilsen, 910 Applewood Dr., requested to speak to the Council regarding the construction of the roadway that is going to be built behind their homes. She noted that this roadway running parallel to FM 518, will be detrimental to the City's small local businesses as it would redirect the traffic off of FM 518 and onto the parkway, thus resulting in less consumers and less revenues for both the businesses and the City's sales tax revenues.

Ms. Deborah Winters Chaney, 1008 Applewood Dr., requested to speak to the Council and stated that she did not support the expansion of the roadway behind their homes and to date had collected 248 signatures requesting that Castlewood Dr. remain closed off from the proposed parkway. She further noted that to connect Castlewood to the proposed roadway would have a negative impact on their neighborhood, their safety and their quality of life.

Mr. Chris Johnson, 36 Wilderness Trails, requested to speak to the Council and stated that he had sought to find an amicable resolution to his differences with the City, and appreciated the Council's efforts in finding a resolution, He noted that all those involved in this process had difficult discussions and had to make difficult decisions that he felt would do the most amount of good with the least amount of harm. He vowed to continue his involvement with the community. Mr. Johnson also complimented the Parks and Recreation Department for the wonderful Taylor Swift cover band concert and stated that these are the kind of quality events that make this community so special.

Mr. Cameron Laird, 1201 Bayou Oaks Drive, requested to speak to the Council to voice his opposition to the proposed TIRZ proposal and Friendswood Parkway, specifically any connections to Applewood and Castlewood. He further noted that the proposed parkway would degrade their neighborhood's social character, further burden the Police Department and its environmental impact would increase the potential for flooding in this area due to the additional strain on drainage and capacity.

Mr. Sel Thint, 907 S. Friendswood Dr., requested to speak to the Council and noted the importance of mobility and the need for the proposed parkway as the traffic congestion was already here. He stated that he supported the proposition to create another roadway that would travel from the North to the South of the city and move traffic off of FM 518. He noted that the connections to other roads could be discussed later but the creation of the thoroughfare was important now.

Ms. Katherin Soraiz, 1201 Bayou Oak Dr., requested to speak to the Council and stated that she was very upset and emotional about the proposed parkway and what it could do to their fabulous neighborhood, community and families along Wilderness Trails. She stated that the proposed parkway will negatively impact their neighborhood, particularly if they are opened up to the parkway. She further noted that she has serious concerns about covering up the open ditches, which would more than likely cause drainage issues and more flooding.

6. CITY COUNCIL – EXECUTIVE SESSION

A. Recess into and conduct an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City's attorneys regarding *Johnson, et ux. v. Foreman, et al.*; Cause No. 24-CV-1392 in the 10th Judicial District Court, Galveston County, Texas.

At 5:22 P.M., Mayor Pro Tem Matranga recessed and convened into an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City's attorneys regarding *Johnson, et ux. v. Foreman, et al.*; Cause No. 24-CV-1392 in the 10th Judicial District Court, Galveston County, Texas.

At 6:07 P.M., Mayor Pro Tem Matranga reconvened the meeting of the Friendswood City Council and the Board of Directors of TIRZ #2 and announced that, in accordance with Section 551.102 of the Texas Government Code, no action was taken in the executive session.

7. CITY COUNCIL – DISCUSSION AND POSSIBLE ACTION

A. Consider approving a settlement agreement in *Johnson, et ux. V. Foreman*, et al.; Cause No. 24-CV-1392 in the 10th Judicial District Court, Galveston County, Texas.

City Manager Morad Kabiri stated that the City and Mr. Johnson had come an amicable resolution to aforementioned lawsuit, which is the settlement before Council. He also noted that the City and Mr. Johnson had agreed to disclose that the agreement in question included language giving the Wilderness Trail Homeowners Association the right to request that W. Castlewood Drive be gated with an emergency access gate on the eastern side of the future intersection with Friendswood Parkway and the City would not oppose such request.

A motion was made by Councilmember Branson and seconded by Councilmember Hanks to approve the settlement agreement related to *Johnson, et ux. V. Foreman,* et al.; Cause No. 24-CV-1392 in the 10th Judicial District Court, Galveston County, Texas. The vote was the following:

Ayes: Councilmember John Ellisor, Councilmember Sally Branson, Councilmember Trish Hanks, Mayor Pro Tem Joe Matranga, Councilmember Robert J. Griffon and Councilmember Brent Erenwert

Nays: None.

Other: Mayor Mike Foreman (Absent)

The item passed unanimously.

Mayor Pro Tem Matranga stated that they would now, as the Board of Directors of Reinvestment Zone Number 2, City of Friendswood, consider items 8.A through 8.D.

8. TIRZ #2 BOARD – BUSINESS ITEMS

A. Consider the election of a Vice Chair and Secretary of the Board of Directors of Reinvestment Zone Number Two, City of Friendswood.

City Manager Morad Kabiri presented the item and stated that when the Reinvestment Zone Number Two was created, it outlined that the City Council would serve as its board of directors and that the item before them was a ministerial duty to select a Vice Chair and Secretary. The role of Chair will be filled by the mayor.

Acting Chair Matranga requested nominations for the position of Vice Chair.

A motion was made by Director Branson and seconded by Director Hanks that the sitting Mayor Pro Tem on the City Council serve as the Vice Chair for the Board of Directors of Reinvestment Zone Number Two, City of Friendswood. The vote was the following:

Ayes: Director John Ellisor, Director Sally Branson, Director Trish Hanks, Acting Chair Joe Matranga, Director Robert J. Griffon and Director Brent Erenwert

Nays: None.

Other: Chair Mike Foreman (Absent)

The item passed unanimously.

Vice Chair Matranga requested nominations for the position of Secretary.

A motion was made by Director Branson and seconded by Director Hanks that the previous Mayor Pro Tem still on the City Council serves as the Secretary for the Board of Directors of Reinvestment Zone Number Two, City of Friendswood. The vote was the following:

Ayes: Director John Ellisor, Director Sally Branson, Director Trish Hanks, Vice Chair Joe Matranga, Director Robert J. Griffon and Director Brent Erenwert

Nays: None.

Other: Chair Mike Foreman (Absent)

The item passed unanimously.

B. Consider approving Rules of Procedure for Reinvestment Zone Number Two, City of Friendswood.

City Manager Morad Kabiri presented the item and stated that much like the City Council and Planning and Zoning Commission, the rules of procedure being considered will be those for the Reinvestment Zone Number Two and will outline how the board is to conduct their meetings.

A motion was made by Director Griffon and seconded by Director Branson to approve Rules of Procedure for Reinvestment Zone Number Two, City of Friendswood. The vote was the following:

Ayes: Director John Ellisor, Director Sally Branson, Director Trish Hanks, Vice Chair Joe Matranga, Director Robert J. Griffon and Secretary Brent Erenwert

Nays: None.

Other: Chair Mike Foreman (Absent)

The item passed unanimously.

C. Consider adopting the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Two, City of Friendswood.

City Manager Kabiri stated that this item is a continuation of the creation of the Reinvestment Zone Number Two, which is roughly 326 acres that was agreed to earlier this summer. He noted that the purpose of this tax increment reinvestment zone is to establish a pathway to get public infrastructure funded in an area that is currently lacking public infrastructure. For the last twenty-plus years, there have been a number of developers that have looked at developing various properties within the boundaries of this TIRZ and have been unable to do so because of obstacles related to the lack of infrastructure needed to adequately allow for their developments. As such, the City worked on a solution to this problem and identified partners who could development these properties. Not only to benefit the properties within the boundaries of the TIRZ, but also to benefit those outside of the TIRZ, an example being the infrastructure enhancements that will help improve the water distribution and pressure to the southern end of the city. The proposed financing plan outlines the public improvements that will take place within the boundaries of the TIRZ and identifies how those public infrastructure improvements will be built based upon the incremental revenue created through the establishment of the TIRZ.

Director Erenwert stated that there are still a lot of contingencies on this road, and while he is not completely happy with the process being used to get it, after speaking with many people and listening to everything that staff had to say, he understands that the road is needed. He stated that he is happy that the city was able to work with others to come to an agreement that could possibly meet everybody's needs, even though not everyone is going to be pleased. Director Erenwert felt that the Council had done its due diligence on this item and hoped that twenty to thirty years from now, they could look back on this item and know that they did the right thing.

Director Griffon asked that City Manager Kabiri give him an overview of the project costs and their related timeline as noted in Exhibit C of the proposed plan. He noted that the chart showed the total estimated costs for the TIRZ projects to be around $97 million, with $20 million being listed in the current annual year; however, as the City does not currently have $20 million, how will that work.

Mr. Kabiri stated that the tax reinvestment zone is reimbursement based on the capital outlay made by the developer. For example, Castle Bioscience who is ready to move forward with their part of the project within the boundaries of the TIRZ and based on their schedule, the City anticipates that they will begin expending funds to install the necessary public infrastructure for their portion of Friendswood Parkway and waterline improvements in order to get started on their public project and the public detention pond.

So, ultimately, the timeline and costs for the TIRZ are based on the estimates from the developers' engineers and what they believe it will cost to put in that infrastructure, and they are the ones that are going to be making those investments on the ground. Once the revenue within the tax increment zone comes in sufficient enough to pay the developers back for their upfront costs then they will be reimbursed only for the costs related to the development of the public infrastructure components.

Mr. Kabiri again pointed to Castle Bioscience who are going to pay the City, based on their plan and development agreement, $21 million for the life of the TIRZ, and in return the City is going to reimburse them $5 million, leaving $16 million of additional revenue that can then be used elsewhere within the community to benefit the City. This all being separate and apart from the benefits of the jobs that they will be creating and the buying power of those 600 employees that could choose to live and shop in Friendswood.

Director Griffon stated that there are expenditures that are occurring now, that the City will not be able to incrementally refund at a later time. So, in essence the developer is going to fund the $21 million up front and when the City receives the incremental value from their development, it will then turnaround and pay the developer back.

Mr. Kabiri responded that his assessment was is correct; and further noted that if the development does not generate sufficient value and resulting revenue, then they will be sitting on their $21 million investment and will carry those costs until such time as there is enough revenue collected for reimbursement.

Director Griffon thanked City Attorney Karen Horner and all of the staff that worked with him and Council to put these agreements together and stated that he was going to support this item. He also noted that he was happy with the final agreement and hoped that the residents found some relief with the placement of the emergency gate.

Reinvestment Zone Number Two, City of Friendswood, Texas
Project Costs

Item		Cost
City Public Improvements[a]		
Baker Road 12" Water Line	$	2,744,712
Friendswood Parkway 16" Water Line	$	10,836,619
Friendswood Parkway	$	7,074,373
North Eagle Creek 12" Water Line	$	1,372,356
Site Mitigation Plan	$	75,000
Subtotal	**$**	**22,103,060**
The Estates at Wilderness Trails[a]		
Site Preparation	$	660,615
Friendswood Parkway	$	1,904,897
Clearing, Grubbing & Demolition	$	100,496
Earthwork, Paving & Grading	$	1,917,508
Water Distribution System	$	1,268,400
Storm Drainage	$	570,000
Detention	$	439,669
Sanitary Sewer System	$	2,736,810
Sanitary Lift Station	$	1,600,000
Striping & Signage	$	100,000
Street Lights	$	50,000
Contingency	$	2,252,241
Soft Costs	$	2,765,499
Subtotal	**$**	**16,366,135**
Falling Leaf Ranch[a]		
Site Preparation	$	777,194
Friendswood Parkway	$	3,081,466
Clearing, Grubbing & Demolition	$	150,744
Earthwork, Paving & Grading	$	2,739,298
Water Distribution System	$	2,265,000
Storm Drainage	$	883,500
Detention	$	681,488
Sanitary Sewer System	$	4,045,719
Striping & Signage	$	100,000
Street Lights	$	50,000
Contingency	$	2,943,724
Soft Costs	$	3,626,684
Subtotal	**$**	**21,344,817**
Future Bofysil Property[a]		
Site Preparation	$	738,334
Clearing, Grubbing & Demolition	$	50,248
Earthwork, Paving & Grading	$	913,099
Water Distribution System	$	453,000
Storm Drainage	$	313,500
Detention	$	241,818
Sanitary Sewer System	$	1,665,884
Contingency	$	881,458
Soft Costs	$	1,089,154
Subtotal	**$**	**6,346,495**

Reinvestment Zone Number Two, City of Friendswood, Texas
Project Costs

Item		Cost
Future Wischnewsky Property[a]		
Site Preparation	$	777,194
Friendswood Parkway	$	7,493,597
Clearing, Grubbing & Demolition	$	125,620
Earthwork, Paving & Grading	$	2,374,058
Water Distribution System	$	1,812,000
Storm Drainage	$	741,000
Detention	$	571,570
Sanitary Sewer System	$	3,450,760
Sanitary Lift Station	$	1,600,000
Striping & Signage	$	100,000
Street Lights	$	50,000
Contingency	$	3,804,862
Soft Costs	$	4,644,347
Subtotal	**$**	**27,545,008**
Castle Biosciences Projects[b]		
Clearing, Grubbing & Site Preparation	$	216,040
Land	$	1,702,216
Landscaping	$	44,804
Public Fire Loop	$	258,500
Public Storm Water Collection System	$	657,800
Detention Basin	$	627,520
Friendswood Parkway Road Extension	$	1,148,222
Financing Costs	$	609,501
Soft Costs	$	762,694
Subtotal	**$**	**6,027,298**
Subtotal Public Improvements[a]	**$**	**99,732,813**
Administrative Costs	**$**	**4,711,815**
Total Project Costs	**$**	**104,444,628**

Footnotes:

[a] As identified by the City, based on the City Engineer's Opinion of Probable Cost in May 2024.

[b] As provided by the Developer on August 8, 2024.

Vice Chair Matranga stated that in the plan, 23 Wilderness Trails, which was purchased by the City earlier in the year is now a part of the Estates of Wilderness Trails development and asked Mr. Kabiri explain. Mr. Kabiri responded that when 23 Wilderness Trail was purchased, it was for the development of Friendswood Parkway over Chigger Creek as well as for the extension of utility lines to serve both sides of the creek, both within the TIRZ and throughout the City of Friendswood. As the totality of the property is not needed for the roadway and in order work with and make the adjoining developments viable, the City was able to identify a location within the property for the placement of a portion of their detention pond. Mr. Kabiri stated that this practice is not uncommon as the City has worked with developers in the past to assist in their developments; such as the Sterling Creek development back in 2013 or 2014. Mr. Kabiri noted that in that instance, the City allowed the developer to use City land to locate their detention pond to maximize their development and build three more homes. Vice Chair Matranga noted that what the City is essentially doing in these instances is licensing the use of City property by a developer. Mr. Kabiri agreed with the statement and noted that the City enters into separate licensing agreements for these types of arrangements.

Vice Chair Matranga inquired about the difference between the preliminary plan and the final plan that is before them, specifically in relation to the issuance of TIRZ bonds. Mr. Kabiri stated that as they move through this process, the preliminary plan continues to be refined as more concrete numbers are received, thus making the plan's focus, much narrower. He noted that in this instance, there are no plans to issue TIRZ bonds; however, should one of the future developers ask for a Public Improvement District (PID), similar to what was done with TIRZ #1, a PID and the issuance of PID bonds could be considered, but it wouldn't be through the TIRZ and that would have to be approved by the City Council.

Vice Chair Matranga further stated that he noticed an increase in administration cost from the preliminary plan to the final plan and inquired as to the reason for the change. Mr. Kabiri responded that those administrative costs are related to the costs of the consultants for the life of the TIRZ, so the total for the thirty-year time span of the TIRZ for both legal and administrative services.

Vice Chair Matranga stated that he noticed in the project costs for Castle Bioscience that there is an estimated $1.7 million listed for land purchases and wanted to understand why this was being included in the public infrastructure chart. Mr. Kabiri stated that the purchase of property on which future public infrastructure will ultimately reside is a component that is considered a reimbursable cost under the TIRZ.

Vice Chair Matranga asked what reasons the City would decide to essentially foregoing tax payments from the developments in the TIRZ, aside from incentivizing them to build some infrastructure. Mr. Kabiri responded that there were a few additional benefits, and noted them as follows:

- Mobility, through the building of a much-needed roadway through the community it will offload the congestion that is currently on FM 518 and Sunset. Should the congestion not be relieved, FM 518 would have to be expanded, thus eliminated many, if not all of the businesses along this roadway.
- Utilities, the building of water and sewer infrastructure will help not only the properties within the TIRZ, but also assist services throughout the community; such as maintaining water pressure in the southern part of the city, which is a problem particularly during the summer months.
- Ancillary benefits; such as Castle Bioscience bringing in at the completion of their development, over 600 good high paying bio medical jobs into Friendswood, many employees that could decide

to reside in Friendswood and/or use their purchasing power to shop and dine in Friendswood shops and restaurants.

A motion was made by Director Branson and seconded by Director Hanks to approve the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Two, City of Friendswood. The vote was the following:

Ayes: Director John Ellisor, Director Sally Branson, Director Trish Hanks, Vice Chair Joe Matranga, Director Robert J. Griffon and Secretary Brent Erenwert

Nays: None.

Other: Chair Mike Foreman (Absent)

The item passed unanimously.

D. Consider approving the Development Agreement by and between Castle Biosciences Inc., the City of Friendswood, and Reinvestment Zone Number Two, City of Friendswood.

A motion was made by Director Branson and seconded by Director Griffon to approve a Development Agreement by and between Castle Biosciences Inc., the City of Friendswood, and Reinvestment Zone Number Two, City of Friendswood and to submit said the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Two, City of Friendswood, adopted by the Board of Directors to the City Council. The vote was the following:

Ayes: Director John Ellisor, Director Sally Branson, Director Trish Hanks, Vice Chair Joe Matranga, Director Robert J. Griffon and Secretary Brent Erenwert

Nays: None.

Other: Chair Mike Foreman (Absent)

The item passed unanimously.

Mayor Pro Tem Matranga then noted that, they, as the City Council, had received the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Two, City of Friendswood that had just been /adopted by the Board of Directors.

9. CITY COUNCIL - CONSENT

A motion was made by Councilmember Hanks and seconded by Councilmember Ellisor to the vote the City Council Consent Agenda, Items 9.A., and 9.B. The vote was as follows:

Ayes: Councilmember John Ellisor, Councilmember Sally Branson, Councilmember Trish Hanks, Mayor Pro Tem Joe Matranga, Councilmember Robert J. Griffon and Councilmember Brent Erenwert

Nays: None.

Other: Mayor Mike Foreman (Absent)

A. Consider an ordinance approving the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Two, City of Friendswood.

B. Consider approving the Development Agreement by and between Castle Biosciences, Inc., Reinvestment Zone Number Two, City of Friendswood, and the City of Friendswood.

10. ADJOURNMENT

With there being no further business, Mayor Pro Tem Matranga adjourned the September 23, 2024, Joint Meeting of the City Council and the Reinvestment Zone Number Tow, City of Friendswood at 6:30 P.M.

Joe Matranga, Mayor Pro Tem

Attest:

Leticia Brysch, City Secretary

CITY OF FRIENDSWOOD
STATE OF TEXAS

Joe Matranga, Vice Chair

Attest:

Leticia Brysch, City Secretary