



November 4, 2022
Austin Bless, MPA, ICMA-CM
CITY OF JERSEY VILLAGE
16327 Lakeview Drive
Jersey Village, TX 77040

Re: Proposed Jersey Village Town Center

Dear Mr. Bless:

Please allow this correspondence to serve as our Letter of Intent (“LOI”) regarding the above referenced proposed project (Exhibit A) located in the City of Jersey Village (the “Project,” the “Property” or “JVTC”).

KHJR Real Estate Advisory Services LLC (“KHJR”) is a Nevada Limited Liability Corporation that, among other things, develops, owns, and operates planned multi-use communities consisting of residential, retail, senior assisted living, memory care and medical facilities. We are aware that you have a need for our services with respect to the Project including, but not limited to, obtaining and completing whatever plans and drawings that have been started, coordinating with the City of Jersey Village (the “City” or “JV”) planners, obtaining permits, securing construction financing, and efficiently and economically planning, designing and constructing the Project.

We propose the following with respect to the Project:

1) **Concept.** KHJR will master plan the development and become the master developer. It will own the land and sell the land to future developers. KHJR will be responsible to invest approx. \$5.2M in infrastructure (See Exhibit C) to allow the project to proceed. KHJR will be responsible for master planning which includes the entire 200+ acre site, grading, demo, signage, bridge over the drainage area, etc. At the City’s option, KHJR will be develop a new city hall, a multi-purpose stadium and parking which it will lease-back to JV. KHJR will pay for all plans prior to funding of the construction/permanent loan (See Site Plan Exhibit B)

2) **Letter of Intent.** This LOI shall constitute our mutual intentions regarding the Project and is a non-binding agreement between KHJR and JV. Time is of the essence for this project and both sides agree to begin negotiating the agreements discussed in this LOI.

3) **Master Plan.** JV agrees that KHJR shall master plan the JVTC which presently contemplates the following:

a) KHJR will provide all predevelopment including A&E, organization, development oversight, etc. JV will provide all approvals, plan checks, etc.

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1203 Villamont
Suite 100
Houston, TX 77077

- b) KHJR will work with JV to master plan the site, develop uses, design criteria, etc.
- c) JV agrees to sell the land, as described in Exhibit I, to KHJR or its assignee for a purchase price of \$8.3M. If the land for the stadium and/or city hall is retained by the city the purchase price shall be adjusted on a per square foot basis.
- d) KHJR anticipates spending approximately \$5.2M in infrastructure improvements to the Project, raising the improved cost basis of the land to approximately \$13.4M.
- e) KHJR will close this purchase escrow 120-days after completion and signatures of the following Agreements: Development Agreement, Chapter 380 Agreement, City Hall Lease Back Agreement (if chosen by JV), and proposed stadium agreement.

4) **Development Agreement.** Based upon the Master Plan developed by KHJR, JV and KHJR will negotiate, draft, and execute a Development Agreement which will be used to approve all uses, design criteria's, etc. in the JVTC.

5) **Chapter 380 Agreement ("380").** It is anticipated that KHJR and JV will negotiate, draft, and execute a 380 containing terms and conditions consistent with the terms and conditions set forth in Exhibit D.

6) **City Hall Build-to-Suit, Lease Back and Buy Back.** KHJR will design and build a new City Hall which will be leased back to the City or Village Center Local Government Corporation (VCLGC). JV will work together with KHJR to approve all designs, size, elevations, floor plans, etc. Estimated Cost of this project is shown in Exhibit E.

- a) KHJR will provide all predevelopment expenses including A&E, organization, development oversight, etc. JV will be involved with all architectural and building design decisions and will provide all city approvals, plan checks, etc. at no cost.
- b) Lease formula will be based on the following:
 - i) Costs, including:
 - (1) Land at cost plus allocated cost of infrastructure (Exhibit C)
 - (2) Actual Hard Construction Costs
 - (3) Actual Soft Costs including a 5% development fee to KHJR
 - (4) Actual Financing Costs
 - ii) Less:
 - (1) Land if donated by JV
 - (2) P&I costs plus a \$168k annual "fee" by KHJR or its assignee (contemplated to be a not-for-profit)
 - (3) Annual escalator of 2% only on the fee portion
- c) JV or VCLGC "buy back" alternatives:
 - i) In the first 10 years, \$500,000 fee and JV or VCLGC pays off or assumes debt

- ii) In the second 10 years, \$250,000 fee and JV or VCLGC pays off or assumes debt
- iii) At Year 29, JV or VCLGC buys property for \$1.00

7) Proposed Stadium and Parking Lot. KHJR will design and build the Proposed Stadium which will be leased back to the City or VCLGC (see projected costs in Exhibit F).

a) KHJR will provide all predevelopment expenses including A&E, organization, development oversight, etc. JV will be involved with all architectural and stadium design decisions and will provide all city approvals, plan checks, etc. at no cost.

b) Lease formula will be based on the following:

i) Costs, including:

- (1) Land
- (2) Actual Hard Construction Costs
- (3) Actual Soft Costs including a 5% development fee to KHJR
- (4) Actual Financing Costs

ii) Less:

- (1) Land if donated by JV
- (2) P&I costs plus a \$300k annual “fee” by KHJR or its assignee
- (3) Annual escalator of 2% only on the fee portion

c) JV or VCLGC “buy back” alternatives:

- i) In the first 10 years, \$500,000 fee and JV or VCLGC pays off or assumes debt
- ii) In the second 10 years, \$250,000 fee and JV or VCLGC pays off or assumes debt
- iii) At Year 29, JV or VCLGC buys property for \$1.00

8) Incentives

a) The City has designated this project in the redevelopment zone for JV. The following incentives (Exhibit G) will be set aside for the project.

- i) Hotel Occupancy Tax: 50% of the received Occupancy Taxes from the land described in Exhibit I will be reserved for KHJR to use to incentivize a user
- ii) Property Tax: The city will retain 100% of the incremental property taxes and 50% of the incremental property taxes will be reserved by the City to potentially offset lease or debt payments for the proposed Stadium
- iii) Sales Tax: 50% of the Sales Tax generated on the land described in Exhibit I will be given to KHJR to incentivize the project development



iv) The incentive period for these incentives will run 20 years from the date of the agreement or a maximum of \$7,000,000 whichever is first.

9) Investment by KHJR and Projected Return

a) KHJR is responsible for all predevelopment, master planning, land acquisition, land sales, etc.

10) Site Plan Options

a) KHJR has identified two “anchor” users.

i) The Proposed Stadium – See Exhibit B for preliminary site plan

ii) The Entertainment Anchor – See Exhibit G for preliminary site plan

(1) 80,000 SF

(2) Developers are planning to open 20 stores in the next 4-5 years

(3) Concept is a “family fun center” that will house bowling alleys, sport swing suites, virtual reality studios, rock climbing walls, mini-golf courses, go-cart tracks, arcades and hospitality facilities.

If that the City is amenable to the foregoing terms, please have an authorized representative of the City execute this LOI and arrange for its return. We look forward to working with you on this most special and exciting project.

Best regards,

On behalf of KHJR Real Estate Advisory Services LLC:

A handwritten signature in blue ink that reads "Craig Johnson". The signature is written over a horizontal line.

Craig Johnson 11/4/2022

On Behalf of the City of Jersey Village:

A handwritten signature in black ink that reads "Austin Bless". The signature is written in a cursive style.

Austin Bless, City Manager Date: November 22, 2022

By:



Exhibit I

TRACT 1:

All of Restricted "F" of JONES RD. 290 COMMERCIAL RESERVES, a subdivision in Harris County, Texas according to the map or plat thereof recorded in/under Film Code No. 631037 of the Map Records of Harris

County, Texas and being the same 10.89 acre tract of land described as Tract I in Special Warranty Deed filed for record under Harris County Clerk's File No. 20080357006.

TRACT 2:

All of Restricted Reserve "B" of JONES RD. 290 COMMERCIAL RESERVES, a subdivision in Harris County, Texas according to the map or plat thereof recorded in/under Film Code No. 631037 of the Map Records of Harris County, Texas and being the same 2.593 acre tract of land described as Tract II and the same 6.543 acre tract of land described as Tract IV in Special Warranty Deed filed for record under Harris County Clerk's File No. 20080357006.

TRACT 3:

All of Restricted Reserve "G" of JONES RD. 290 COMMERCIAL RESERVES, a subdivision in Harris County, Texas according to the map or plat thereof recorded in/under Film Code No. 631037 of the Map Records of Harris County, Texas and being the same 3.321 acre tract of land described as Tract III in Special Warranty Deed filed for record under Harris County Clerk's File No. 20080357006.

Tract 4:

All of Restricted Reserve "D" of JONES RD. 290 COMMERCIAL RESERVES, a subdivision in Harris County, Texas according to the map or plat recorded in/under Volume 631037 of the Map Records of Harris County, Texas and being the same 5.58 acre tract of land described therein.

Tract 5:

All of Restricted Reserve "E" of JONES RD. 290 COMMERCIAL RESERVES, a subdivision in Harris County, Texas according to the map or plat recorded in/under Volume 631037 of the Map Records of Harris County, Texas and being the same 4.98 acre tract of land described therein.

Less any land that may be retained by the City for the stadium and/or city hall buildings.

T 949.966.0412

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151 Shipyard Way
Suite B
Newport Beach, CA 92663

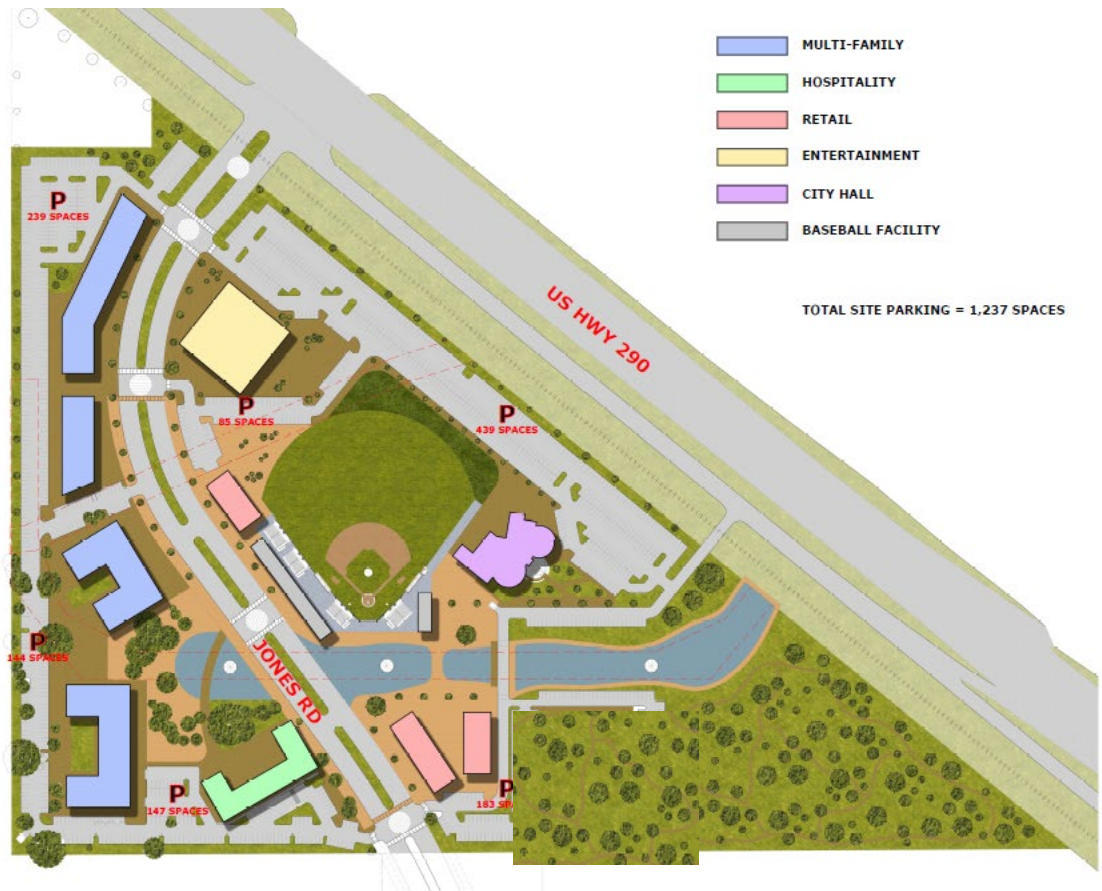
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170 S. Green Valley Parkway
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Henderson, NV 89012

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1203 Villamont
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Houston, TX 77077

Exhibit B – Preliminary Site Plan



KHJR DEVELOPMENT @ JERSEY VILLAGE

MASTER PLAN 

Exhibit C

Utilities		\$100,000
Riverwalk Improvements		\$1,000,000
Grading/Demo		\$250,000
Bridges		\$424,272
Master Plan		\$620,000
Digital Freeway Sign		\$1,443,063
Civil Eng. - Design & Permits		\$325,000
Civil Eng. - final construction		\$325,000
Contingency	10%	\$448,734
Sub-Total		\$4,936,069
OH	5%	\$246,803
Total		\$5,182,872

Exhibit D

Chapter 380 Agreement

Project Matrices

Project	Acres	Units	Construction Cost	Taxable Projects
Stadium	8.32	n/a	\$42,633,500	\$0
Entertainment	5.90	1 Units	\$35,933,500	\$35,933,500
Retail 2	1.34	5 Units	\$11,415,000	\$11,415,000
Retail 1	1.34	5 Units	\$12,198,950	\$12,198,950
City Hall	2.31	n/a	\$14,139,700	\$0
Hotel	2.69	100 Units	\$24,000,000	\$24,000,000
Apartments	12.01	300 Units	\$77,206,407	\$77,206,407
Total	33.90	411 Units	\$217,527,057	\$160,753,857

Projected Income

Incentive	Build out	Sales Tax	Hotel Occupancy Tax	Property Tax (100%)	Total
Rate		1.00%	7.00%	\$0.7425/\$100.00	
Term		2042	2042	2047	
Annual Event Revenue		\$7,500,000			
Total SF		27,000 SF	100 rooms		
Total Value				\$160,753,857	
Annual Income / SF		\$340.00/SF	\$175.00 /room	-	
Occupancy		90.00%	80.00%	100.00%	
Retail Revenue		\$8,262,000			
Total Revenue		\$15,762,000			
Annual CPI		3.00%	3.00%	3.00%	
2022	0.0%	\$0	\$0	\$0	\$0
2023	0.0%	\$0	\$0	\$0	\$0
2024	50.0%	\$75,185	\$189,581	\$632,607	\$897,372
2025	75.0%	\$115,969	\$292,420	\$975,766	\$1,384,155
2026	100.0%	\$158,881	\$400,624	\$1,336,829	\$1,896,334
2027	100.0%	\$163,137	\$411,355	\$1,372,637	\$1,947,129
2028	100.0%	\$167,392	\$422,086	\$1,408,445	\$1,997,923
2029	100.0%	\$171,648	\$432,817	\$1,444,253	\$2,048,718
2030	100.0%	\$175,904	\$443,548	\$1,480,061	\$2,099,513
2031	100.0%	\$180,160	\$454,279	\$1,515,869	\$2,150,307
2032	100.0%	\$184,415	\$465,010	\$1,551,677	\$2,201,102
2033	100.0%	\$188,671	\$475,741	\$1,587,485	\$2,251,897
2034	100.0%	\$192,927	\$486,472	\$1,623,292	\$2,302,691
2035	100.0%	\$197,183	\$497,203	\$1,659,100	\$2,353,486
2036	100.0%	\$201,438	\$507,934	\$1,694,908	\$2,404,281
2037	100.0%	\$205,694	\$518,665	\$1,730,716	\$2,455,075
2038	100.0%	\$209,950	\$529,396	\$1,766,524	\$2,505,870
2039	100.0%	\$214,206	\$540,127	\$1,802,332	\$2,556,665
2040	100.0%	\$218,461	\$550,858	\$1,838,140	\$2,607,459
2041	100.0%	\$222,717	\$561,589	\$1,873,948	\$2,658,254
2042	100.0%	\$226,973	\$572,320	\$1,909,756	\$2,709,049
2043	100.0%			\$1,945,564	\$1,945,564
2044	100.0%			\$1,981,372	\$1,981,372
2045	100.0%			\$2,017,180	\$2,017,180
2046	100.0%			\$2,052,988	\$2,052,988
2047	100.0%			\$2,088,795	\$2,088,795
Total		\$3,470,911	\$8,752,025	\$39,290,242	\$51,513,177
NPV @ 6%		\$1.71m NPV	\$4.31m NPV	\$16.86m NPV	\$22.87m NPV
To City		50.0%	50.0%	100.0%	
To City \$'s		\$1,735,455	\$4,376,012	\$39,290,242	\$39,290,242
To City NPV		\$1.00m NPV	\$2.52m NPV	\$16.82m NPV	\$16.82m NPV

Exhibit E

City Hall Proforma

Jersey Village City Hall

Executive Summary

Land Requirements

Building

Building	2 Floors	34,000 SF
Common Area	2 Floors	-
Total SF	2 Floors	34,000 SF
Floor Plate		17,000 SF

Finance Cost - Start Up Reserves

Interest Reserve - Construction 18 Mo's		\$562,500
Interest Reserve- Year 2		\$0
Start Up Exp		\$0
Working Capital		\$0
Bond Cost	4.0%	\$600,000
1 Year Bond Reserve		\$694,000
Other Contingency		\$0
Finance Costs		\$1,856,500

Cost Summary

Land	2.41 Acres	\$0
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Hard Costs

Shell Cost	\$350.00 /SF	\$11,900,000
Parking	\$0 /Stall	\$0
Offsites/Onsites	\$10.00 /SF	\$0
Contingency	1.0%	\$120,000
Total Hard Costs		\$12,020,000
Cost Per SF		\$353.53 /SF

Soft Costs

TI Allowance Office	\$0.00 /SF	\$0
Development Fee	5.0%	\$601,000
Project Mgmt Fee	0.0%	\$0
Plans/Engineering	5.0%	\$601,000
Asset Management Fee		\$150,000
Legal Org and Audit		\$50,000
Impact Fees/ Building Permit		\$400,000
Title and Recording		\$15,000
Utilities/Temp Control		\$50,000
Mail Boxes/IT/Directory/Signage		\$10,000
Architectural Supervision - Owner		\$25,000
Architectural Supervision - Lender		\$25,000
Contingency	10.0%	\$192,700
Total Cost	\$62.34 /SF	\$2,119,700

Financing

Total Cost		\$15,996,200
Debt	100.0%	\$15,996,200
From City	0.0%	\$0
KHJR Equity	0.0%	\$0
Partner Equity	0.0%	\$0
Interest Rate-Debt	3.0%	\$479,886
Term		360 Mo's
Mo Pmts		\$67,441
Annual Pmts		\$809,287

Rents

Annual Pmts	\$809,287
Asset Development Fee	\$168,000
Total	\$977,287

Exhibit F

Stadium and Parking Lot Proforma

Jersey Village Stadium

Executive Summary

Land Requirements

Building

Building	2 Floors	50,000 SF
Common Area	2 Floors	-
Total SF	2 Floors	50,000 SF
Floor Plate		25,000 SF

Finance Cost - Start Up Reserves

Interest Reserve - Construction 18 Mo's		\$2,550,000
Interest Reserve- Year 2		\$0
Start Up Exp		\$0
Working Capital		\$0
Bond Cost	4.0%	\$1,700,000
1 Year Bond Reserve		\$2,450,000
Finance Costs		\$6,700,000

Cost Summary

Land	7.28 Acres	\$0
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Hard Costs

Shell Cost		\$27,000,000
Parking	\$0 /Stall	\$3,750,000
Offsites/Onsites	\$10.00 /SF	\$0
Contingency	5.0%	\$1,350,000
Total Hard Costs		\$32,100,000
Cost Per SF		\$642.00 /SF

Soft Costs

TI Allowance Office	\$0.00 /SF	\$0
Development Fee	5.0%	\$1,605,000
Project Mgmt Fee	0.0%	\$0
Plans/Engineering	5.0%	\$1,605,000
Asset Management Fee		\$100,000
Legal Org and Audit		\$50,000
Impact Fees/ Building Permit		\$0
Title and Recording		\$15,000
Utilities/Temp Control		\$50,000
Mail Boxes/IT/Directory/Signage		\$10,000
Architectural Supervision - Owner		\$25,000
Architectural Supervision - Lender		\$25,000
Contingency	10.0%	\$348,500
Total Cost	\$76.67 /SF	\$3,833,500

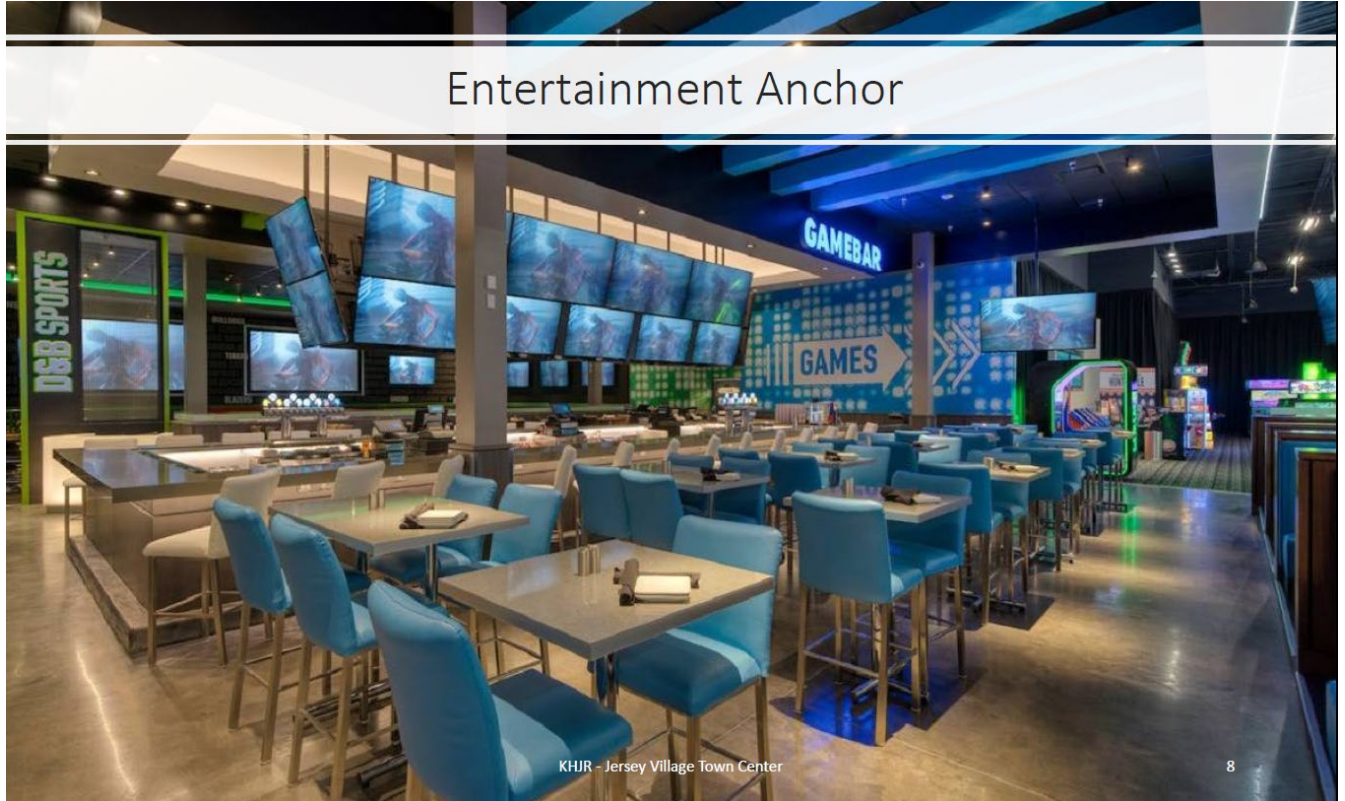
Financing

Total Cost		\$42,633,500
Debt	100.0%	\$42,633,500
From City	0.0%	\$0
KHJR Equity	0.0%	\$0
Partner Equity	0.0%	\$0
Interest Rate-Debt	4.0%	\$1,705,340
Term		360 Mo's
Mo Pmts		\$203,539
Annual Pmts		\$2,442,466

Rents

Annual Pmts	\$2,442,466
Asset Development Fee	\$300,000
Total	\$2,742,466
Annual Up	

Exhibit G



Note: Entertainment Anchor is a Dave & Busters “like” store