



# ***URD Subdivision 50% Agreement***

*Release of Slab requirement*

3Q 2020

- The 50% Agreement requirement was implemented in 2008 due to several economic factors.
  - Imbalance between subdivision lot development relative to single family home starts
  - Oversupply of both “developed” subdivision lots and single family housing units
    - Sales decreased 31.7% December 2008 vs. December 2007
  - Extension of underutilized utility infrastructure
  - Subprime Mortgage Crisis
  - Increase in the mortgage delinquency rate and the number of home foreclosures

# Current URD Requirements: Single Loop Joint Installation



1. Lots and easements cleared and at Final Grade, pinned and lathed
2. Completed Streets, curbed and guttered (if applicable)
3. All necessary CNP required documents executed and returned
  - a) Contribution in Aid of Construction received for street bores, nonstandard construction, 50% contracts, etc.
4. Land Rights fully secured by Plat and/or Separate Instrument
5. Home Start
  - A. In Lieu of Slab, execution of 50% Contract for Initial Loop

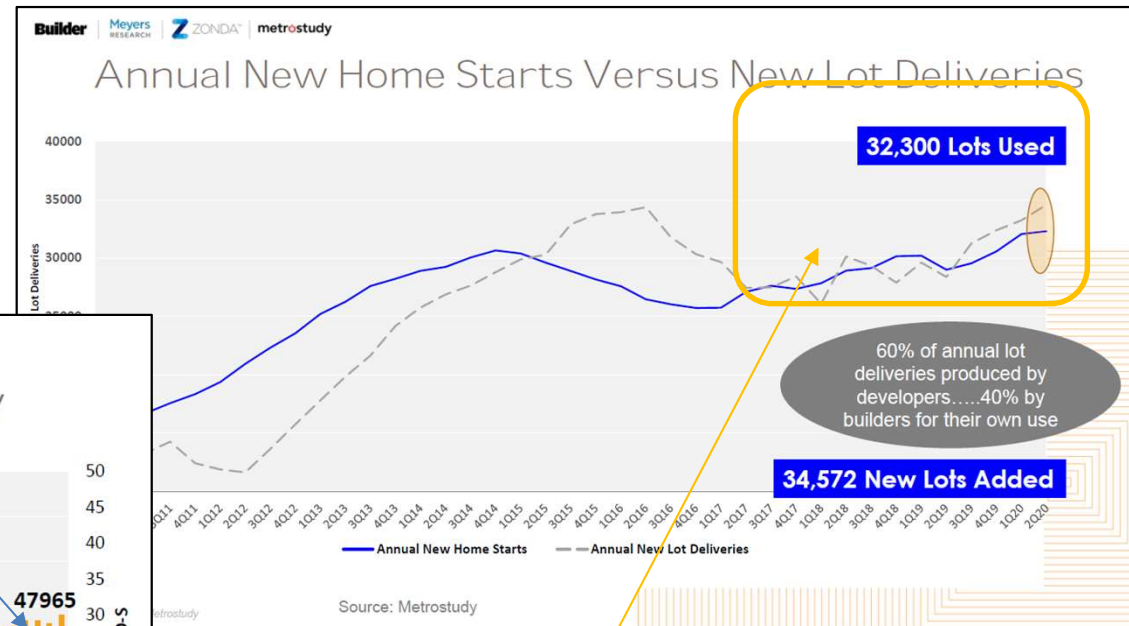
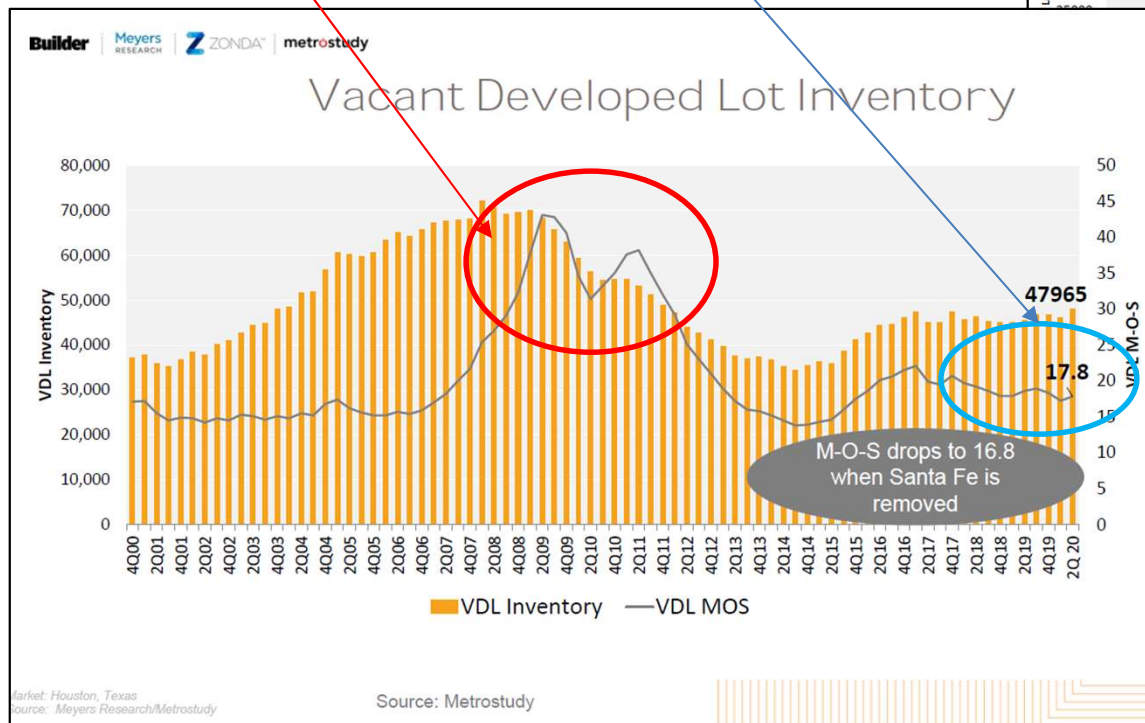
***\*50% agreement required for all additional loops attributable to load exceeding capacity of a single loop, or geographical impediments to service by a single loop.***

# What has changed since 2008?

- Slab Requirement placed in effect in 2008

Vacant Developed Lot Inventory over 30 Months of Supply, 2009 thru 2012

Vacant Developed Lot Inventory, 20 months or less



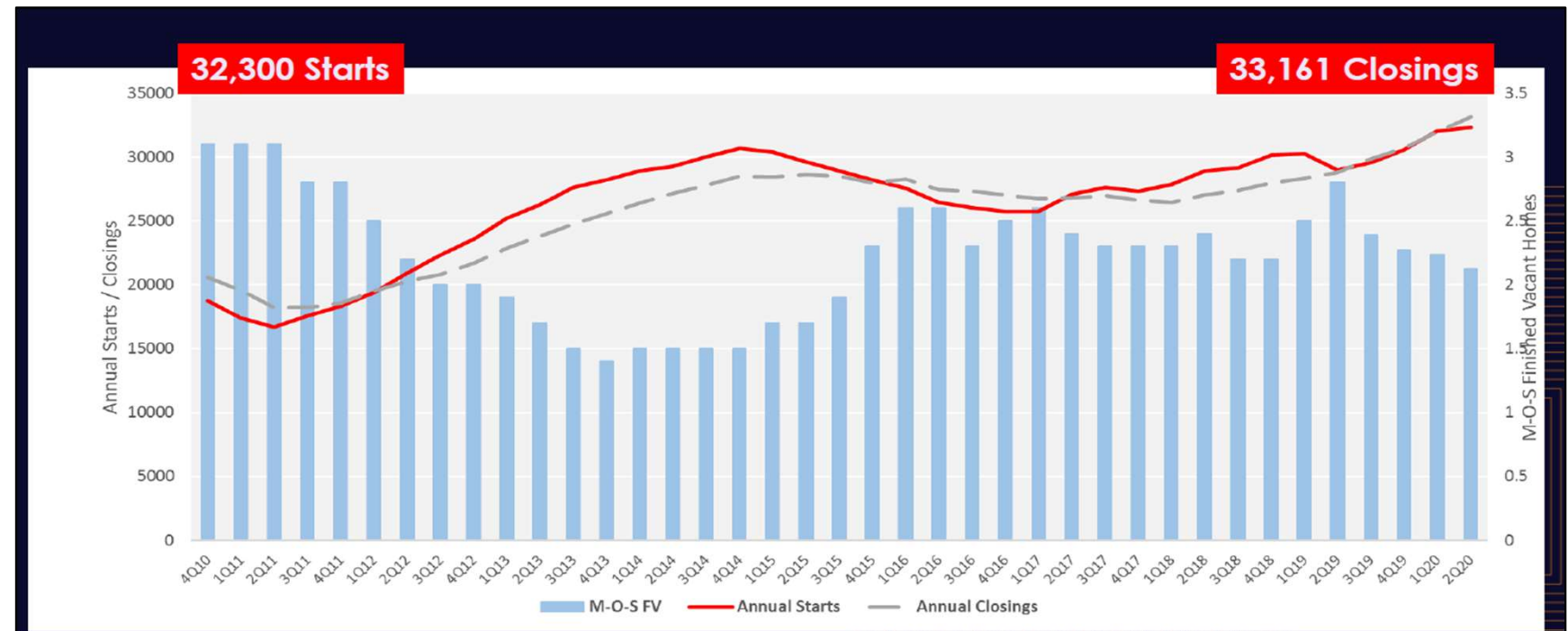
Close Alignment of Lots Used vs New Lots Added

- **Source**  
**Summer 2020 Houston Frame Update**  
**Metrostudy Zonda Meyer's research**

# Current Market Conditions



- For the last 4 years Finished Lot Delivery and Home Starts are in close alignment
- Despite the presence of COVID 19 home demand remains high with closing outpacing starts
- Finished Vacant Lot supply at 20 months or less



- Source

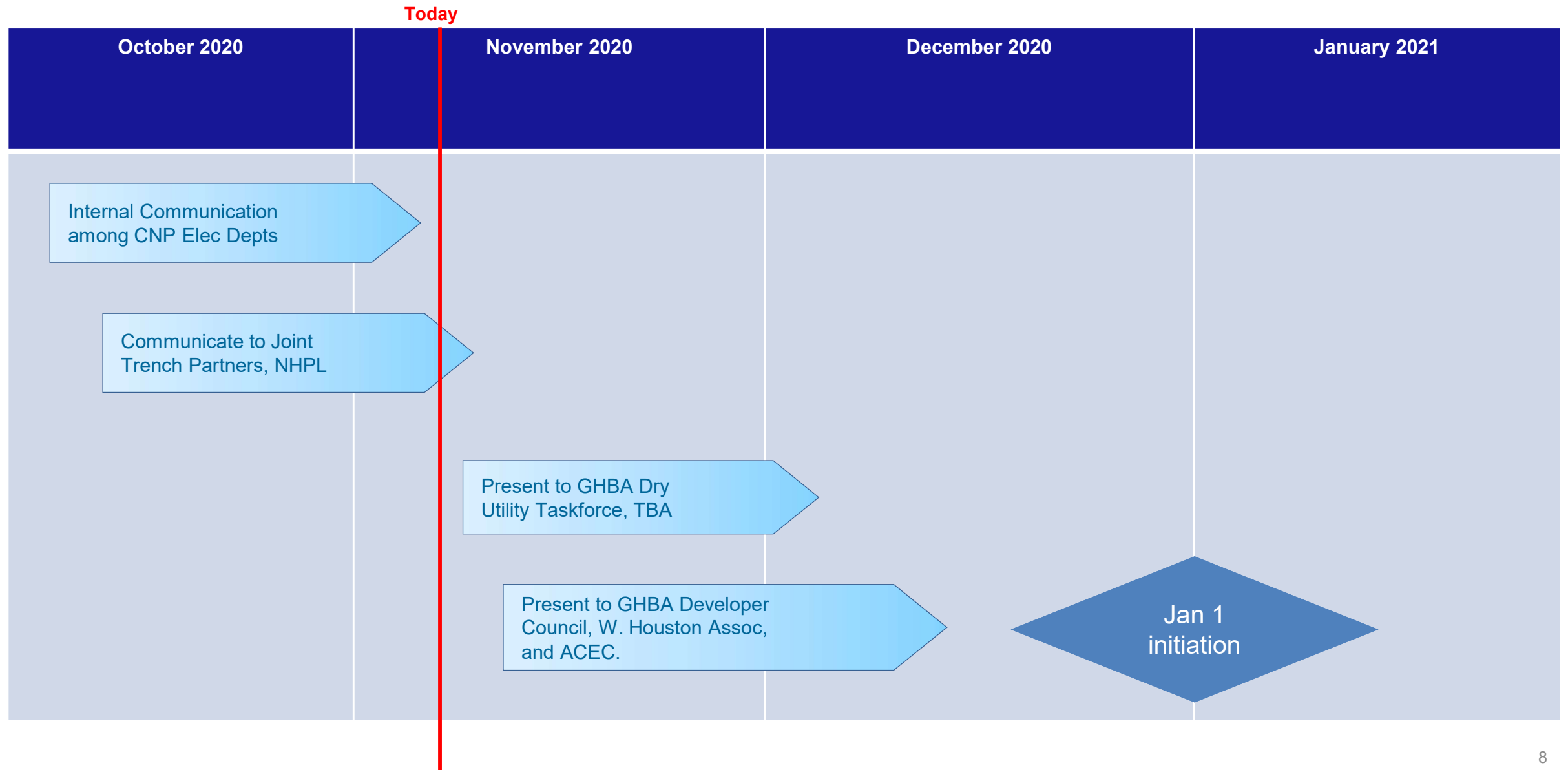
Summer 2020 Houston Frame Update

Metrostudy Zonda Meyer's research

- **Single URD Loop Project**
  - Eliminate the pre-construction walk one slab requirement and no longer require the 50% contribution.
- **Multiple URD Loop Project**
  - Eliminate the pre-construction walk one slab requirement and no longer require the 50% contribution for the first URD loop.
  - Continue with the 50% contribution requirement on URD loops two, three, etc.
  - Refund the developers 50% contribution once homes are constructed on 50% of the lots served by the URD loop within two years of the installation completion date of the URD loop.

- **Developer Community Support**
  - Eases concerns over delays in joint trench utility installations
    - Reduces interference with home builder construction activities
    - Avoids potential for delays in home builder closings
- **Improved Efficiency in Joint Trench Utility Installations**
  - Less interference with builder materials and construction activities
    - Cleaner and less encumbered easements
    - Reduction in sidelot boring
      - Boring slows down NHPL Crew
      - Home starts interfere with standard equipment position on street bores

# Timeline





- Release of the slab requirement is based on current market conditions.
- Changes in market conditions could trigger reevaluation of slab requirement
- Examples of potential triggers / market data to be monitored:
  - Metrostudy Data:
    - Vacant Developed lot greater than 30 months of supply
    - Substantial Disparity between New Lots Added and New Lots used (i.e. vacant lots)
    - Houston Metro area unemployment rate greater than 10%
  - Internal Tools:
    - Subdivision Occupancy Report

# Conclusion

- Communication to Internal and External Stakeholders in Q4/2020
- Implementation in Q1/2021
- Future state: Improvement for CNP install process and the customer experience
- Existing 50% agreements will remain in effect and become refund eligible as buildout requirements are achieved.





***Questions?***



# *Appendix*

- **Single URD Loop Project**
  - A minimum of one slab is required to schedule the pre-construction walk.
  - If a slab has not been constructed when the walk is requested, the developer is required to contribute 50% of the cost of the URD loop. (In addition to charges for non-standard construction, street / side lot bores, etc.)
  - If a slab has been constructed by the time the pre construction walk occurs, the developers 50% contribution is refunded (with interest).
  - If a slab has not been constructed when the pre construction walk occurs, the developers 50% contribution can be refunded if homes are constructed on 50% of the lots served by the URD loop within two years of the energized date of the URD loop.

***Slab Requirement references in place until December 31, 2020***

- **Multiple URD Loop Project**
  - A minimum of one slab is required on the first URD loop to schedule the pre-construction walk.
  - If a slab has not been constructed when the walk is requested, the developer is required to contribute 50% of the cost of the URD loop. (In addition to charges for non-standard construction, street / side lot bores, etc.)
  - Regardless of slab construction, the developer is also required to contribute 50% of the cost for each additional URD loop required to serve the subdivisions section
  - If a slab has been constructed on the first URD loop by the time the pre construction walk occurs, the developers 50% contribution for that URD loop is refunded (with interest).
  - If a slab has not been constructed when the pre construction walk occurs, the developers 50% contribution can be refunded if homes are constructed on 50% of the lots served by the URD loops within two years of the URD loops installation completion date.

***Slab requirement reference in place until December 31, 2020***