

10. CREATION OF TAX DISTRICTS

10.1 Parking District. Before the date set forth in the Project Development Schedule, the City shall establish a special taxing district for the purpose of facilitating the among other things, the operation and maintenance of the Public Parking Facilities. In the exercise of the City's sole and absolute subjective discretion, the City will determine the area to be included in the special taxing district, and the rate of the ad valorem tax to be levied on all real and personal property located within the district; *provided, however*, that the tax shall be limited to non-residential property owners within such area. Taken together with other City revenues, the rate of the ad valorem tax shall be sufficient to provide adequate annual revenues to pay the principal and interest on any bonds or other obligations of the City issued for the purposes of the special taxing district, as the principal and interest become due, and to pay the cost of operating and maintaining the Public Parking Facilities. Notwithstanding anything to the contrary set forth in this Section 10.1, for so long as FRIT is the sole member of the Parking District, the Parking District tax levied on FRIT shall not exceed Thirty (.30) Cents per One Hundred Dollars (\$100) of assessed value of real and personal property owned by FRIT within the Parking District, provided the assessed value of real and personal property owned by FRIT within the Parking District in a given year is at least Thirty Million Dollars (\$30,000,000). If the assessed value is less than Thirty Million Dollars (\$30,000,000), and FRIT is the sole member of the Parking District, the tax levied on FRIT will be adjusted to achieve a special parking district tax of Ninety Thousand Dollars (\$90,000) per year. For example, if the assessed value of real and personal property owned by FRIT within the Parking District in a given year is Twenty Million Dollars (\$20,000,000), then the tax levied on FRIT may not exceed Forty-five (.45) Cents per One Hundred Dollars (\$100) of assessed value.

10.2 Commercial Management District Authority and Special Taxing District. Before the date set forth in the Detailed Development Schedule, the City shall establish the Commercial Management District. The Commercial Management District shall encompass the area bounded by Beall Avenue, Hungerford Drive, East Middle Lane, and North Washington Street. The Project will be included in this special taxing district and the rates of the ad valorem tax to be levied on all residential and commercial real and personal property located within the Commercial Management District shall be determined by the City in its sole and absolute subjective discretion; provided, however, that the initial annual tax that will be levied on the residential property will be an amount equal to One Hundred Twenty-Eight Thousand Five Hundred Dollars (\$128,500). For the second (2nd) year only, the annual tax shall increase by the percentage increase in the Montgomery County Residential Rental CPI (or such successor index). The City shall establish a Commercial Management District authority for the Commercial Management District and shall specify the membership, organization, jurisdiction, and geographical limits of the authority, provide such financing as it deems appropriate for the authority through fees that may be charged to, or taxes that may be levied against, businesses subject to the Commercial Management District authority's jurisdiction. FRIT shall be the initial manager for the Commercial Management District on terms and conditions mutually acceptable to the City and FRIT.

11. INDEMNIFICATION.

In addition to all other indemnity obligations specified in this Agreement, each party hereto agrees, covenants, and warrants to protect, indemnify, and hold the other parties and their

9. **DEVELOPMENT APPROVALS.**

The Block 4 Developer shall be responsible, at its sole cost and expense, for obtaining Development Approvals necessary for development and construction through Completion of the Private Improvements. Any Development Approvals for the Block 4 Public Parking Garage shall be sought by the Garage Developer on behalf of the City as part of the Cost Plus Garage Construction Contract. The City will be responsible for obtaining the Development Approvals for the remainder of the Public Improvements. The foregoing notwithstanding, as may be necessary, the City shall join in with Block 4 Developer or Garage Developer as co-applicant under any required application for Development Approvals and the parties shall cooperate in good faith to process the Development Approvals in the manner best utilized to realize the timely Completion of the Block 4 Project. Block 4 Developer shall diligently prepare and file applications for, and diligently pursue, all Development Approvals necessary for development and construction of the Private Improvements and, if applicable, the Garage Developer shall diligently prepare and file applications for, and diligently pursue, all Development Approvals necessary for development and construction of the Block 4 Public Parking Garage, all in accordance with the Project Development Schedule and the Detailed Development Schedule. Once the Block 4 Developer and the Garage Developer have filed applications for the Development Approvals that are consistent with the terms and conditions of this Agreement, the Block 4 Developer and the Garage Developer shall not be required to agree to any Material Burdensome Requirements as reasonably determined by the Block 4 Developer and the Garage Developer. The City shall diligently prepare and file applications for, and diligently pursue, all Development Approvals necessary for development and construction of the Public Improvements. Nothing provided herein is intended to adversely affect, limit, restrict or diminish the right of the City as a governmental body to exercise its governmental powers and authority to act in regulatory matters in accordance with Applicable Law. Likewise, nothing herein is intended to limit the right of the Block 4 Developer or the Garage Developer to contest in good faith any Development Approval limitation or condition that the Block 4 Developer or the Garage Developer reasonably believes is materially inconsistent with the Design Development Plans.

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provided the assessed value of real and personal property owned by FRIT within the Parking District in a given year is at least Thirty Million Dollars (\$30,000,000). If the assessed value is less than Thirty Million Dollars (\$30,000,000), and FRIT is the sole member of the Parking District, the tax levied on FRIT will be adjusted to achieve a special parking district tax of Ninety Thousand Dollars (\$90,000) per year. For example, if the assessed value of real and personal property owned by FRIT within the Parking District in a given year is Twenty Million Dollars (\$20,000,000), then the tax levied on FRIT may not exceed Forty-five (.45) Cents per One Hundred Dollars (\$100) of assessed value.

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In addition to all other indemnity obligations specified in this Agreement, each party hereto agrees, covenants, and warrants to protect, indemnify, and hold the other parties and their respective officers, trustees, managers, affiliates, members, employees, and agents (the "**Indemnified Parties**") harmless from and against all liabilities, actions, damages, claims (including, without limitation, third party claims for death, personal injury, wrongful eviction, trespass, abuse of process, malicious prosecution, or real or personal property damage), demands, judgments, losses, costs, expenses, liens, encumbrances, suits or actions and reasonable attorneys' fees, and the cost of the defense of the Indemnified Parties in any suit, including appeals, arising out of, or relating in any manner to injury or death to individuals or damage to property sustained in or about the Block 4 Project, any work undertaken by the indemnifying party pursuant hereto, activities resulting therefrom and/or as a result of the indemnifying party, or its contractors, subcontractors, agents, employees or invitees presence on, access to, or activities on or about the Block 4 Project and excepting only claims for damages arising from breach of contract, the negligence and intentional misconduct of the Indemnified Party to the extent of such breach of contract, negligence, or intentional misconduct on a comparative negligence basis. The foregoing provisions shall not be deemed to impose any