



Control Number: 45266



Item Number: 14

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Via: Overnight Mail

Filing Clerk
Public Utility Commission of Texas
1701 N Congress PO Box 13326
Austin, Texas 78711-3326

Re: Docket Number 45266

Dear Sir or Madam:

This letter and attachments are in response to the Commission Staff's First Request For Information To House Hahl Commercial Owners Association Questions Nos. Staff 1-1 Through Staff 1-7 dated April 8, 2016. The questions and answers are as follows:

Staff 1-1 Within the service area boundary designated on Attachment B, how many active connections are there? Active connections are defined by 16 Tex. Admin Code § 24.3(2) (TAC) as "water or sewer connections currently being used to provide retail water or sewer service, or wholesale service." Please specify how many of these connections, if any, are water and how many are wastewater.

Answer: There is one active connection that is utilizing an existing water well and aerobic system. The property owner is Blackhorse Storage and they currently own the water well and aerobic system. Blackhorse Storage is a self-storage, boat & RV storage, retail center and office warehouse development.

Staff 1-2 Within the service area boundary designated on Attachment B, how many inactive connections are there? Inactive connections are defined by 16 TAC § 24.3(31) as "water or wastewater connections tapped to the applicant's utility and that are not currently receiving service from the utility." Please specify how many of these connections, if any, are water and how many are wastewater.

Answer: There are currently not any inactive connections. Many of the tracts are being developed at this time and will be connecting to the system when completed.

Staff 1-3 Staff has identified twenty-two existing buildings and five proposed buildings within the service area boundary.

- a) For any of the existing buildings that do not currently have inactive or active water connections – will connections be installed at those building in the future?

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Answer: *Most of the existing buildings are built out and will not have any water or wastewater connections as they are self-storage, boat and RV storage buildings. The building uses are summarized below:*

Building 1A – retail center building with tenants and communal restrooms.

Building 1B – retail center building with tenants and communal restrooms.

Buildings 1C through 1M, 1O – self-storage or boat & RV storage with no water or wastewater facilities.

Building 1N – office warehouse with restroom facilities.

Buildings 1P through 1U – office warehouse buildings with tenants that utilize limited water and wastewater and there are communal restrooms.

- b) For any of the proposed buildings – will water connections be installed at those buildings when they are constructed?

Answer: Yes. Building 2 has been completed and recently opened but has not yet been charged for water or wastewater services.

- c) What is the actual and/or intended use for each building identified in Attachment B?

Answer: The Blackhorse Storage building uses are outline above in Staff 1-3 (a); Building 2 – Louetta Automotive service facility and offices; Building 3 – proposed retail building with a swim academy and sports medicine tenants. Building 4 – Cypress Academy (gymnastics); Building 5; MM Realty for a light manufacturing including clothing embroidery; Building 6 – planned as a retail center for unknown tenants; Building 7 – an old farm house and shed being utilized as the Skips Farm restaurant which is not currently hooked up to the system but will be sometime in the future; and, Building 8 – this land has not been sold and there are no current plans as the end users have not been identified.

- Staff 1-4 For the two strip centers on or near 16633 House Hahl Road, how is each unit within the strip center billed for water and wastewater usage?

Answer: The tenants are not charged for water and wastewater services, it is part of the services provided to the tenants in their base lease.

- Staff 1-5 How many connection is House Hahl currently billing per month for water service and how many for sewer service?

Answer: None

- Staff 1-6 Is House Hahl currently charging the rates proposed in its tariff? If so, please provide a copy of a water and sewer bill.

Answer: House Hahl is not currently charging any water or wastewater fees.

- Staff 1-7 Does House Hahl have a standard lease form? If so, please provide a copy.

Answer: House Hahl is a property owners association and does not lease any property or buildings. Blackhorse Storage is currently the only owner who is actively leasing with existing tenants. A sample of their standard lease is attached.

I have enclosed the following documents for Docket Number 45266.

Four sketches outlining the ownerships and building tract owners, 11" x 17"
Four sample lease for Blackhorse Storage

Thank you for your consideration.

Respectfully,
BD Realty Advisors, LLC



Brad Dill, President

These answers are provided by Linda Bybee, as the managing member of M & D Development, LLC, and are factually correct as of the date of this letter.



Linda Bybee

Texas Commercial Lease Agreement

This Commercial Lease Agreement ("Lease") is made and effective April 1, 2016, by and between Blackhorse Storage LLC ("Landlord") and Backyard Luxuries / Zach Powell ("Tenant").

Landlord is the owner of land and improvements commonly known and numbered as Blackhorse Storage Car Storage Building located at 16690 House & Hahl Rd. Cypress TX 77433. Landlord makes available for lease a portion of the Building designated as CC8-CC11 (the "Leased Premises"). Upon entering the property, CC8-CC11 which is located on the south west side of the property. The Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. Term.

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" April 1 2016 – March 31, 2017. Landlord shall use its best efforts to give Tenant possession as nearly as possible at the beginning of the Lease term. If Landlord is unable to timely provide the Leased Premises, rent shall abate for the period of delay, and at the option of Tenant the term shall be extended for the length of such delay. Tenant shall make no other claim against Landlord for any such delay.

2. Rental.

A. Tenant shall pay monthly rent at the rate of \$885 a month for the CC8-CC11. Landlord agrees to accept Pro-rated rent for 1st month rent if specified lease space is not available at time of execution of this agreement. Rent for CC8-CC11 is due on the 1st of each month, with rent paid in full no later than the 5th of each month. Each payment shall be made at 16518 House & Hahl Rd Suite A, Cypress, TX 77433 or at such other place designated by written notice from Landlord or Tenant. The rental payment amount for any partial calendar month included in the lease term shall be prorated on a daily basis. If Tenant has not paid monthly rent by 5 days after Tenant's receipt of written notice from Landlord stating that such payment is past due. Tenant will be charged a late fee of 5% of monthly lease rate and a \$10.00 per day fee. If tenant has not paid rent with five (5) after receiving written noticed from Landlord that rent is thirty (30) days past due. Tenant will be charged a late fee of 5% of monthly lease rate and a \$10.00 per day fee. If tenant has not paid rent by 30 days after which rent is due, Tenant will be charged a late fee of 10% of monthly lease rate and a \$10.00 per day fee.

B. Should the Tenant wish to terminate the lease, a buy-out option may be available; at the discretion of the Landlord. Should Tenant and Landlord agree to exercise this buyout option, Tenant must give Landlord (60) sixty days written notice and make payment **2 months of rent** for the buyout option on the same day.

C. The rental for any renewal lease term is to be re-negotiated and executed no later than (60) sixty days before the end of the current lease agreement.

3. Use

Tenant may use the Leased Premises for any lawful purpose. Notwithstanding the forgoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

4. Sublease and Assignment.

Tenant shall be permitted to assign this Lease or sublet all or any part of the Leased Premises without the consent of Landlord to a parent, subsidiary, or affiliated corporation, partnership or other business entity (which shall be an entity which controls or is controlled by Tenant and /or under common control with Tenant) or to a purchaser of all or substantially all of the assets of Tenant (herein a "Permitted Transfer") A sale of any or all of the shares of Tenant (or its parent, if applicable) or exchange of such shares for publicly traded shares shall also be considered a Permitted Transfer and shall not be considered an assignment of this Lease and shall not require the consent of tan Except as set forth above,

Tenant shall not sublease all or any part of the Leased Premises, or assign this Lease in whole or in part without Landlord's consent, such consent not to be unreasonably withheld or delayed.

5. Repairs.

During the Lease term, Tenant shall not make repairs to the Leased Premises. Repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the Leased Premises damaged or worn through normal occupancy except to the obligations of the parties otherwise set forth in this Lease. During the Term, Landlord shall at its sole expense perform diligently, promptly, and in a good and workmanlike manner all maintenance repairs and replacements to the Leased Premises and the Building.

6. Alterations and Improvements.

Tenant, at Tenant's expense, shall have the right following Landlord's consent to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Leased Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises without Landlord's prior consent. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Lease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Lease provided that all damage to the Leased Premises caused by such removal shall be repaired by Tenant at Tenant's expense.

7. Property Taxes.

Landlord shall pay, prior to delinquency, all general real estate taxes and installments of special assessments coming due during the Lease term on the Leased Premises, and all personal property taxes with respect to Landlord's personal property, if any, on the Leased Premises. Tenant shall be responsible for paying all personal property taxes with respect to Tenant's personal property at the Leased Premises.

8. Insurance.

A. If the Leased Premises or any other part of the Building is damaged by fire or other casualty resulting from any act or negligence of Tenant or any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be responsible for the costs of repair not covered by insurance.

B. Landlord shall maintain at Landlord's own expense fire and extended coverage insurance on the Building and the Leased Premises in such amounts as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

C. Tenant and Landlord shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the respective activities of each in the Building with the premiums thereon fully paid on or before due date, issued by and binding upon some insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$500,000 combined single limit coverage of bodily injury, property damage or combination thereof. Landlord shall be listed as an additional insured on Tenant's policy or policies of comprehensive general liability insurance, and Tenant shall provide Landlord with current Certificates of Insurance evidencing Tenant's compliance with this Paragraph. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord that a policy is due to expire at least (10) days prior to such expiration. Landlord shall not be required to maintain insurance against thefts within the Leased Premises or the Building.

D. Tenant shall, at its own expense maintain a policy or policies of comprehensive general liability insurance with respect to the property and the business operated by Tenant on the property. The limits of general liability shall be in the amount of \$500,000 dollars.

E. Tenant must provide Landlord with current Certificates of Insurance evidencing Tenants compliance with this Paragraph.

9. Utilities.

Landlord shall pay all charges for water, sewer, and gas, used by Tenant on the Leased Premises during the term of this Lease unless otherwise expressly agreed in writing by Landlord. Tenant is responsible for any phone or faxes lines and internet into their lease space. Tenant acknowledges that the Leased Premises are designed to provide standard office use electrical facilities and standard office lighting. Tenant shall not use any equipment or devices that utilize excessive electrical energy or which may, in Landlord's reasonable opinion, overload the wiring or interfere with electrical services to other tenants.

Landlord strongly suggests that each tenant establishes their own Internet services to operate according to their business needs.

10. Signs.

Following Landlord's consent, Tenant shall have the right to place signs on the Leased Premises, at locations designated by Landlord which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's reasonable opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises or use of any other tenant. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage, subject to reasonable wear and tear to the Leased Premises resulting from the removal of signs installed by Tenant to the reasonable satisfaction of the Landlord. Tenant is permitted to have channel letter sign professionally installed upon approval of design specifications by Landlord.

11. Entry.

Landlord shall have the right to enter upon the Leased Premises upon forty-eight (48) hours prior notice at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

12. Parking.

During the term of this Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways, and footways, subject to rules and regulations for the use thereof as prescribed from time to time by Landlord. Landlord reserves the right to designate parking areas within the Building or in reasonable proximity thereto, for Tenant and Tenant's agents and employees. Generally, employee parking for all Tenants of the Retail Building is to be in back of the building or in front of the buildings facing the street. Overnight parking in back of Retail Building will be permitted but Tenant will be charged \$5.00 a night or \$100 for the Month and must notify Landlord that the vehicle is being left. Landlord is not liable for damage or loss of vehicle. Tenant agrees to carry insurance on vehicle. Landlord reserves the right to tow any vehicle which is in violation of this Section 12. Tenant hereby agrees to park no more than three to vehicles behind building at any given time. Tenant agrees to reserve parking in front of Retail building for retail patrons. Tenant agrees to not park vehicles with exterior advertising on them in front retail parking lot for periods longer than one hour at a time. Landlord reserves the right to rent parking spaces directly in front of building retail space not to exceed 3 spaces. These rentable parking spaces will be directly in front of their respective lease space.

13. Building Rules.

Tenant will comply with the rules of the Building adopted and altered by Landlord from time to time and will cause all of its agents, employees, invitees and visitors to do so; all changes to such rules will be sent by Landlord to Tenant in writing. The initial rules for the Building are attached hereto as Exhibit "A" and incorporated herein for all purposes.

14. Damage and Destruction.

Subject to Section 8 A. above, if the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects that the same cannot be used for Tenant's purposes, as determined in Tenant's reasonable opinion then Tenant shall have the right within ninety (90) days following the date of the casualty to elect by notice to Landlord to terminate this Lease as of the date of such damage. In the event of minor damage to any part of the Leased Premises, and if such damage does not render the Leased Premises unusable for Tenant's purposes, and can be repaired within thirty (30) days after the expiration or termination of this Lease. Landlord shall promptly repair such damage at the cost of the Landlord. In making the repairs called for in this paragraph, Landlord shall not be liable for any

delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labor or other matters which are beyond the reasonable control of Landlord. Tenant shall be relieved from paying rent and other charges during any portion of the Lease term that the Leased Premises are inoperable or unfit for occupancy, or use, in whole or in part, for Tenant's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payments, if any, but if no further payments are to be made, any such advance payments shall be refunded to Tenant no later than thirty (30) days after the expiration or termination of this Lease. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond Tenant's reasonable control and which renders the Leased Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for Tenant's purposes.

15. Default.

If default shall at any time be made by Tenant in the payment of rent when due to Landlord as herein provided, and if said default shall continue for fifteen (15) days after written notice thereof shall have been received by Tenant from Landlord, or if default shall be made in any of the other covenants or conditions to be kept, observed and performed by Tenant, and such default shall continue for thirty (30) days after notice thereof in writing having been received by Tenant from Landlord without correction thereof then having been commenced and thereafter diligently prosecuted, Landlord may declare the term of this Lease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may reenter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages.

16. Quiet Possession.

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

17. Condemnation.

If any legally, constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for leasing, this Lease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. Subordination.

Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Leased Premises, or upon the Building and to any renewals, refinancing and extensions thereof, but Tenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust or other lien now existing or hereafter placed upon the Leased Premises of the Building, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the holder of any such liens as Landlord may request. In the event that Tenant should fail to execute any instrument of subordination herein required to be executed by Tenant promptly as requested, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is one coupled with an interest. Tenant agrees that it will from time to time upon request by Landlord execute and deliver to such persons as Landlord shall request a statement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating the dates to which rent and other charges payable under this Lease have been paid, stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

19. Security Deposit.

The Security Deposit shall be held by Landlord without liability for interest and as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that the Security Deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Unless otherwise provided, by mandatory nonwaivable law or regulation, Landlord may commingle the Security Deposit with Landlord's other funds. Landlord may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrearages of rent or to satisfy any other covenant or obligation of Tenant hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. If Tenant is not in default at the termination of this Lease, the balance of the Security Deposit remaining after any such application shall be returned by Landlord to Tenant. If Landlord transfers its interest in the Premises during the term of this Lease, Landlord may assign the Security Deposit to the transferee and thereafter shall have no further liability for the return of such Security Deposit. For purposes of this agreement the security deposit is in the amount of \$0.

20. Notice.

Any notice required or permitted under this Lease shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Landlord to:

Blackhorse Storage
16518 House & Hahl Rd, Suite A
Cypress, TX 77433
832-693-3600

If to Tenant to:

Backyard Luxuries / Zach Powell
7210 Gallant Glen
Houston, Texas 77095
Cell- 281-389-7608
Office- 281-256-2777
Zach@Backyard-Luxuries.com

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

21. Brokers.

Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in, any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in connection with this Lease.

22. Waiver.

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

23. Memorandum of Lease.

The parties hereto contemplate that this Lease should not and shall not be filed for record, but in lieu thereof, at the request of either party, Landlord and Tenant shall execute a Memorandum of Lease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

24. Headings.

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

25. Successors.

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

26. Consent.

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

27. Performance.

If there is a default with respect to any of Landlord's covenants, warranties or representations under this Lease, and if the default continues more than fifteen (15) days after notice in writing from Tenant to Landlord specifying the default, Tenant may, at its option and without affecting any other remedy hereunder, cure such default and deduct the cost thereof from the next accruing installment or installments of rent payable hereunder until Tenant shall have been fully reimbursed for such expenditures, together with interest thereon at a rate equal to the lesser of twelve percent (12%) per annum or the then highest lawful rate. If this Lease terminates prior to Tenant's receiving full reimbursement, Landlord shall pay the unreimbursed balance plus accrued interest to Tenant on demand.

28. Compliance with Law.

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

29. Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

30. Governing Law.

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of Texas.

31. Provisions.

Parking- All employees are to park in the front facing the street or in the back.

Smoking- there is no smoking in the front of the buildings. The designated smoking area is near the dumpster area.

*Tenant has agreed to fill the hole with concrete. X _____

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

Kara Roe
[Landlord] Signature Block

4/1/2016
Date

[Signature]
[Tenant] Signature Block

4-1-16
Date

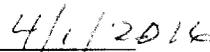
Exhibit A

Rules of the Building

1. Tenant is to lock all doors, turn off lights.
2. Door codes are to be held confidential and are not to be given to third parties
3. Dump own trash in dumpster behind building.
4. Vacuum own office as needed. (Vacuum available to Tenant in Management Office)
5. Space Heaters and power strips must have manufacture UL rating sticker on them and be used according to specifications.
6. No-Smoking in Building



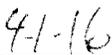
[Landlord] Signature Block



Date



[Tenant] Signature Block



Date