ECONOMIC DEVELOPMENT AGREEMENT
BETWEEN THE CITY OF NEW BRAUNFELS AND THE NEW BRAUNFELS HOTEL COMPANY/DAS FAUSTIAN BARGAIN, LLC

This Economic Development Agreement (this "***Agreement***") is entered into as of the Effective Date (defined below) by and among the City of New Braunfels, Texas, a home rule municipality (the ***"City"***) and The New Braunfels Hotel Company/Das Faustian Bargain, LLC (the ***"Company"***). The City and Company are individually sometimes called a ***"Party"*** and are together called the ***"Parties."***

Recitals

A. The Company has invested or plans to invest approximately $10 million cumulatively toward a renovation, improvements, and expansion of the Faust Hotel located at 240 S. Seguin Ave. (the "***Property***" or "***Faust Hotel***") and furniture and fixtures (collectively, the ***"Project"***), all to be located within the city limits of New Braunfels;

B. Development of the Project is estimated to result in a significant increase in ad valorem tax base for the City, as described in Section 1(a) of this Agreement;

D. The City is authorized by Chapter 380 of the Texas Local Government Code to make grants of public money, which are measured by a percentage of the property tax paid to the City by the entity receiving such grant;

E. The Faust Hotel opened in 1929 and is within walking distance of the New Braunfels Civic/Convention Center;

F. The Faust Hotel is within the Downtown Historic District of the City of New Braunfels, is designated a local historic landmark, a Recorded Texas Historic Landmark, and is on the National Register of Historic Places;

G. The City has determined that by making such grants to the Company, the City is promoting state and local economic development and stimulating business and commercial activity to the City;

H. This Agreement has been submitted to the Parties for consideration and approval, and the Parties have taken all actions required to be taken prior to the execution of this Agreement to make the same binding upon the Parties according to the terms hereof; and

I. The Parties wish to set forth their respective rights and obligations with respect to the Project;

J. This Agreement is in accord with the City's adopted Chapter 380 Economic Development Program as the City Council of the City of New Braunfels has specifically determined by resolution that this Project will bring benefit to the City consistent with the General Statement of Purpose and Policy of the City's adopted Chapter 380 Economic Development Program.;

NOW, THEREFORE, in consideration of the promises and agreements herein set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties contract and agree as follows:

1. **Performance Condition**.

   a. In order to qualify for the Tax Rebates under this Agreement, Company shall: (1) obtain a certificate of occupancy from the City of New Braunfels at the Property; (2) maintain a minimum Taxable Value of $5 million dollars for the Project on the tax rolls of the Comal County Appraisal District for a period of 5 years beginning with the first tax year the Property is on the tax rolls of the Comal County Appraisal District following execution of this Agreement; and (3) make improvements to the Property as described in Exhibit A (collectively, the ***Investment Condition***). Company understands and agrees that meeting all of the requirements of the Investment Condition is necessary for any Tax Rebate under this Agreement.

   The term "***Taxable Value***" for a particular tax year means the assessed value for property tax purposes of the land and improvements included in the Project for such tax year under Texas Tax Code Chapter 26.

   b. If Company in a given year fails to comply with the Investment Condition, then Company will receive no Tax Rebate for the year in which Company failed to meet the Investment Condition.

   c. Company shall remain current and paid on all property taxes for portions of the Project owned by Company subject to rights of appeal in accordance with law and subject to a right to cure any tax payment delinquency. If Company becomes delinquent with the Comal County Appraisal District, then the City's obligation to make Grant Payments is suspended until Company cures the delinquency. The City's obligation to make a Grant Payment will be cancelled if the delinquency is not cured within sixty (60) days following receipt of notice of default.

   d. In no event should the City's agreement to make a Grant Payment under this Agreement be construed as a tax abatement by the City under Chapter 312 of the Tax Code.

2. **Payments to Company**. Subject to Company meeting the terms of this Agreement, the City agrees to take the following actions:

   a. City will issue a tax rebate to Company of one-hundred percent (100%) of the total municipal hotel occupancy taxes paid by the Company on its New Braunfels property for up to five (5) years or until $1,000,000.00 in tax rebates has been issued pursuant to this Agreement so long as Company receives the Certificate of Occupancy at Property, satisfies the Investment Condition, and remains compliant with the terms of this Agreement.

   b. All hotel occupancy taxes rebated pursuant to this Agreement shall be used only in accordance with such uses permitted under Texas Tax Code §351.101. Company

agrees to provide financial information required by City to verify Company's compliance with the terms of this Agreement.

c. Subject to Company satisfying the Investment Condition, Tax Rebates will be issued by the City to Company for each relevant tax year beginning on the year in which the Property is on the tax rolls but no later than the tax year beginning January 1, 2026. Each Tax Rebate will be issued to Company on or before the 30th day following the day the City receives written notice from Company that such property taxes have been paid in full. The written notice from Company to the City that the relevant property taxes have been paid in full shall include a copy of the paid tax receipt or other proof such taxes have been paid. In no way shall this Agreement be construed to permit Company to receive Tax Rebates from the City for more than 5 years or exceeding $1,000,000 cumulatively.

d. Nothing in this Agreement affects the property taxes the Company owes with respect to property at the Project for purposes of any other taxing jurisdiction.

3. **Term.** This Agreement shall be effective as of the Effective Date, and shall continue until the date (the "***Term***") that the last Tax Rebate is made under the last Tax Rebate to which Company is entitled. However, and notwithstanding any provision in this Agreement to the contrary, no Tax Rebates will be owed for any period of operation after five (5) years from October 31, 2026.

4. **Representations and Covenants**

Company hereby represents and covenants as follows:

a. Company is a duly authorized and existing for-profit corporation in good standing under the laws of the State of Texas; and is authorized and in good standing to transact business in the State of Texas during the Term of this Agreement.

b. Company has taken all necessary corporate action to authorize its execution and delivery of this Agreement and its performance of its obligations hereunder.

c. Company will use its reasonable efforts to complete all of its obligations under this Agreement when and as set forth herein.

d. Company has not entered into, and will not enter into, any agreement (written or otherwise) with any person or entity that would prohibit or limit Company from performing all of its obligations under this Agreement.

e. As of the date of this Agreement, there is no material litigation, claim, or proceeding pending of which Company has received written notice, nor to the actual knowledge of Company is there any material litigation, claim or proceeding threatened that would prohibit or limit Company from performing all of its obligations under this Agreement.

f. No bankruptcy proceedings or other proceedings are currently pending or contemplated, and Company has not been informed of any potential involuntary bankruptcy proceedings.

g. Company will not dissolve or take any action in furtherance thereof so long as it has not performed all of its obligations under this Agreement.

5. Events of Default, Delay and Termination.

a. Any Party's failure to comply with and adhere to their respective performance conditions or obligations hereunder, or under the terms of the Agreement, shall constitute an event of default under this Agreement.

b. Before any failure of any Party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement such that another Party's remedies are available, the Party claiming such failure shall notify, in writing, the Party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if such breach has been cured within sixty (60) days following the receipt of such notice; provided, however, if such breach is not reasonably curable within such 60-day period, and Company has commenced and is pursuing such remedies as shall be reasonably necessary to cure such breach, then Company shall have an additional ninety (90) days to cure such breach (the "***Cure Period***").

c. In the event of a breach of this Agreement by Company beyond the applicable notice and Cure Period, the City may (i) terminate this Agreement by the delivery of written notice to Company; or (ii) suspend payment of the Grant Payment otherwise due to Company following the date of termination; and (iii) seek to recover from Company any legal expenses incurred by City to enforce Company's compliance with its obligations under the terms of this Agreement. Notwithstanding the foregoing, in no event may the City terminate this Agreement solely for Company's failure to satisfy one or more of the Investment Conditions.

d. In the event of a breach of this Agreement by the City beyond the applicable notice and Cure Period, Company, as its sole and exclusive remedies, may (i) seek to exercise its rights to enforce City's obligations hereunder in order to receive Grant Payments due to Company; (ii) seek to recover from City any legal expenses incurred by Company to enforce City's payment of monetary obligations under this Agreement; and/or (iii) terminate this Agreement by the delivery of written notice to the City.

e. Time is of the essence in this Agreement. Notwithstanding the foregoing, any deadlines provided in this Agreement shall be subject to any event of Force Majeure. For purposes of this Agreement, "Force Majeure" shall mean any contingency or cause beyond the reasonable control of any Company, including without limitation, acts of God or the public enemy, war, riot, terrorism, civil commotion, insurrection, governmental or de facto governmental action or inaction

including, but not limited to, government actions pertaining to the determination of flood zones or FEMA actions, fire, earthquake, tornado, hurricane, explosions, floods, epidemics, strikes, slowdowns, work stoppages, unusually severe weather or global recessions; provided, however, that in no event shall any event of Force Majeure extend any deadline in this Agreement by more than twelve months. In addition, if the Company notifies the City that it is unable to satisfy any deadline provided in this Agreement due to adverse economic conditions, the City agrees to meet with the Company to better understand the impact of those adverse economic conditions on the Company and consider making good faith adjustments to the terms of this Agreement to address the impacts of such adverse economic conditions upon the Company

6. **Authority.**

a. The City hereby represents and warrants that the City has full constitutional and lawful right, power and authority, under currently applicable law, to execute and deliver and perform the terms and obligations of this Agreement, and all of the foregoing have been or will be duly and validly authorized and approved by all necessary City proceedings, findings and actions. Accordingly, this Agreement constitutes the legal, valid and binding obligation of the City, is enforceable in accordance with its terms and provisions and does not require the consent of any other governmental authority.

b. Company hereby represents and warrants that it has full lawful right, power, and authority to execute and deliver and perform the terms and obligations of this Agreement and all of the foregoing have been or will be duly and validly authorized and approved by all necessary actions.

7. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Agreement:

a. Amendments. This Agreement constitutes the entire understanding and agreement of the Parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by all of the Parties hereto.

b. Assignment. This Agreement cannot be assigned by Company without the prior written consent of the City, which consent may not be unreasonably denied, delayed, conditioned or withheld (it being understood that reasonable reasons for the City to deny such consent include, without limitation, the lack of financial viability of the assignee, the business reputation of the assignee, the assignee's engaging in a type of business that would reflect poorly on the City, the assignee's lack of compliance with City ordinances and laws, etc.). Notwithstanding the foregoing, Company may assign this Agreement (in whole or in part), without the prior written consent of the City to any affiliate of Company (currently existing or later formed), provided that such assignee assumes the obligations and liabilities of Company in writing in a form reasonably approved by the City.

c. Applicable Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, and all obligations of the Parties created hereunder are performable in Comal County, Texas. Venue for any action arising under this Agreement shall lie in the state district courts of Comal County, Texas.

d. Compliance with Applicable Law. Company agrees to comply with all applicable federal, state and local laws throughout the term of this Agreement.

e. Binding Obligation. This Agreement shall become a binding obligation on the signatories upon execution by all signatories hereto. Each Party warrants and represents that the individual executing this Agreement on behalf of that individual's represented Party has full authority to execute this Agreement and bind the represented Party to the same.

f. Severability. In the event any provision in this Agreement shall be determined by any court of competent jurisdiction to be invalid or unenforceable, the Agreement shall, to the extent reasonably possible, remain in force as to the balance of its provisions as if such invalid provision were not a part hereof.

g. Notices. All notices required to be given under this Agreement shall be given in writing and shall be effective when actually delivered or when deposited in the United States mail, first class, postage prepaid, addressed to the Party to whom the notice is to be given at the addresses shown below. Any Party changing its address for notices under this Agreement shall do so by giving formal written notice to the other Party no later than the same day that such change is made. For notice purposes, each Party agrees to keep the other informed at all times of its current address. The addresses of the Parties are:

If to City:

City of New Braunfels
550 Landa St.
New Braunfels, Texas 78130
Attn: City Manager

with copy to:

City Attorney
550 Landa St.
New Braunfels, Texas 78130

If to Company:

Mr. Andrew Duettra
3805 Wentwood Drive
Dallas, TX 75225

Notices, approvals and other communications provided for herein shall be deemed delivered upon actual delivery.

h. Effective Date. The Effective Date of this Agreement shall be October 31, 2026.

i. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document. Company shall execute this Agreement prior to the City of New Braunfels.

j. Personal liability of Public Officials. To the extent permitted by State law, no public official or employee shall be personally responsible for any liability arising under or growing out of this Agreement.

k. No Joint Venture; No Third Party Beneficiaries. It is acknowledged and agreed to by the parties to this Agreement that the terms hereof are not intended to, and shall not constitute a partnership or joint venture between the parties. Further, this Agreement does not establish rights in any third parties. The City, and its respective officials, officers and agents, do not assume any responsibility or liability to any third parties in connection with the development of the Project.

l. If any date or any period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the notice shall be extended to the first business day following such Saturday, Sunday, or legal holiday.

m. Indemnity. Company agrees to indemnify the City, and its officials and officers (in their capacities as officials and officers), from and against any third party claims, losses, damages, causes of action, suits and liabilities arising out of any negligence of Company in its operation of the Property; provided that Company shall not be obligated to indemnify the City for claims arising out of the willful misconduct or gross negligence of the City or its agents.

n. No waiver of immunity. No provision of this Agreement shall affect or waive any sovereign or governmental immunity available to the City and/or its elected officials, officers, employees and agents under Federal or Texas law nor waive any defenses or remedies at law available to the City and/or its elected officials, officers, employees and agents under Federal or Texas law.

[*Signatures on Following Page*]

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[*Signatures on Following Page*]

This Agreement is effective October 31, 2026.

COMPANY:

By: The New Braunfels Hotel Company/
Das Faustian Bargain, LLC

Andrew W. Duettra, Managing Member

Date: March 23, 2026

CITY OF NEW BRAUNFELS

By:

Robert Camareno, City Manager

Date:

This Agreement is effective October 31, 2026.

COMPANY:

By: The New Braunfels Hotel Company/
Das Faustian Bargain, LLC

SEE PRIOR PAGE

Andrew W. Duettra, Managing Member

Date: _____

CITY OF NEW BRAUNFELS

By: _____

Robert Camareno, City Manager

Date: 4/2/2026

ATTEST:

_____

Gayle Wilkinson, City Secretary

APPROVED AS TO FORM:

_____

Valeria Acevedo, City Attorney

Exhibit A

The Faust Hotel and CONB Incentives

The Faust Hotel, nestled in the heart of New Braunfels, serves as a vital historic landmark in central Texas. One of the few buildings in the area that is on the National Register of Historic Places, its exterior remains largely unchanged and a striking example of period architecture. Built in 1929 as the Travelers Hotel, it served to attract tourists, conventions, and railroad traffic as part of an attempt to lessen the overwhelming dependence on agriculture as an economic engine. It was renamed The Faust Hotel in 1936, reflecting the Faust family who funded the project. Notably, it served as a favorite spot in the 1940's for servicemen stationed in San Antonio, and was colloquially known as the "Honeymoon Hotel" at that time. Post World War II, it was consistently utilized not only as a hotel, but an important event space beloved by the community. Since its construction, it has boldly stood as a representation of unique architecture, successful commerce, and civic pride for the City of New Braunfels.

Currently, the Faust is undergoing significant renovations, with the aim of preserving its historic importance and appearance while also ensuring a modern standard of safety, accessibility, and comfort. Lodging, event spaces, and the restaurant, bar and kitchen areas are all undergoing significant improvements, with the final goal being a wonderfully preserved historic gem of the downtown area providing modern and upscale offerings for locals and tourists alike.

The items below reflect changes to the original project plan as the Faust Hotel underwent demolition and construction. Some of these items grew in scope from the original plans, while others were organic as the project proceeded. The list reflects work decided upon from the latter half of 2024, up to current day:

- A complete restoration of the historic exterior windows was necessary after an enquiry about the feasibility of replacement was not supported by the New Braunfels Historic Committee. This required full asbestos abatement, custom glass, and lengthy refinishing work.

Aside from returning to a historical style of glass, the glass was upgraded to double layers of insulated glass to promote energy efficiency and lessen sound transmission. This process increased the original budget item by roughly $250,000.

- A portion of the public walkway transiting in front of the property on Seguin Street underwent reconstruction. The walkway was widened to reflect modern code requirements and serves as a necessary upgrade for a public-use throughway. This effort was a part of the Magnolia Patio addition and Faust facade beautification, totalling approximately $245,000.
- Asbestos: This issue quickly grew in scope, and a much larger abatement process was required than initially expected. Asbestos affected all lodging, event space, exterior windows, and the Restaurant/Bar. Outside the original scope of work, abatement was also required on the original exterior windows when it was decided to fully restore the windows. These factors contributed to an additional $150,000 of work.
- The Faust underwent a substantial fire safety investment, including the installation of a fire suppression system throughout the entire property, including all new construction, to bring the building up to current fire code requirements. Much of this was not technically required, but ownership decided to make the investment. This included extended sitework, concrete coring, and significant plumbing expenditure, leading to an estimated $105,000 increase over the initial budget.
- Old, but non-historic, wood framed additions to the kitchen area were ultimately demolished and replaced, being found moldy and unsafe due to structural instability concerns. This area was re-built from the ground up and now features modern metal framing for fire resistance and safety. Due to the complete demolition and replacement of this area, the cost was roughly $600,000.
- An electrical transformer on the west side of the building was deemed a safety concern, and was removed and replaced. The old transformer was well below code height, and leaning over our neighbor's property, posing significant safety and longevity concerns.

- All non-code electrical components were removed and replaced, being substantially the entire electrical service and wiring. Thousands of feet of cloth-insulated wiring, antiquated junctions, and deteriorating circuit breaker panels were replaced throughout the premises. This was a substantial addition to costs, not required, but again deemed desirable by ownership on safety and longevity concerns.
- Once uncovered, the decision was made to execute a sewer main replacement. This was due to the discovery of cracks in the old cast iron (and even clay) plumbing. Although technically functional and not requiring replacement by code, it was ultimately removed and replaced with new PVC pipe to ensure safety and a sanitary environment.
- Similarly, the old water main was replaced with code-compliant PVC after uncovering a concerning amount of degradation in the existing pipe.
- Modern ventilation systems were added for kitchen areas, again for safety and health reasons.
- All kitchen areas were brought up to sanitary and safety codes, as well as all new commercial kitchen equipment for safe and hygienic operations.
- Once uncovered,the historic courtyard basement stairs underwent revision to code, to serve as a secondary exit.
- The old, non-compliant grease trap in the kitchen was demolished, and a new, code-compliant trap installed.

With an initial budget of $7.0 Million at project start, the Faust already stood as a massive undertaking. During demolition in mid-to-late 2024, the project was reassessed, and the above changes were determined as the best course of action before reopening. Many of these changes were outside the initial scope of work, or not strictly required by code. However, either due to safety or efficiency, these changes were executed. These change orders contributed to roughly $1.5 million in additional work, and were an unfortunate surprise despite thorough pre-project planning. The increased time, effort, and scope of the project contributed to the current

estimate on the project through completion of $10 Million. This does not include all of the insurance, mortgage, and 'float' required to keep the project under construction.

After completion, the Faust Hotel will offer a myriad of benefits to its customers and the community. A summary of these benefits is listed below:

- The hotel exterior will revert to a more original, historic look (window frame color, glass style, no awnings nor window hvac units) while undergoing significant surface treatment to preserve historical windows and bricks. The front of the property underwent serious improvement efforts, including the Magnolia patio area. These changes upgraded the utility and aesthetics as a gathering area, further gentrifying the historic artery of New Braunfels that is Seguin Street.
- While the property was purchased with a functional elevator, the existing property did not have any ADA compliant lodging. The new floor plan provides ADA compliant lodging on all floors, as well as increased accessibility in event spaces and the restaurant/bar, and even avenues to the property from public spaces.
- Due to the multifaceted nature of the Faust, tax benefits will be experienced on several levels. Revenue streams from sales tax on lodging and Restaurant/Bar/Kitchen (RBK) will increase substantially from the prior incarnation, while the lodging and event space will act as a catalyst for increased traffic to other local area businesses. These lodging related taxes are roughly estimated at $430,000 per year, with tax revenue on the RBK side at another roughly $530,000 per year.
- The Faust hotel will provide important employment opportunities, with 75 employees expected, and an estimated $3.5M payroll. These employment opportunities will be in the heart of the downtown area in the spaces of hospitality management, RBK operation, housekeeping, and maintenance.
- The significant asbestos abatement process boosts customer and public safety.

- The property's location serves its visitors as convenient and high quality lodging for business or pleasure, being a short walk away from the New Braunfels Chamber of Commerce, Comal County courthouse, Comal River, Wurstfest, and a myriad of local businesses
- The Faust will serve to spearhead the gentrification and customer base of the Castell streetscape improvements, bringing a unique point of interest and consistent lodging opportunity for potential customers.

Due to the scale of the Faust project, and the lack of funds available in the TIRZ, we are open to any help and suggestions that might provide economic incentive and relief. This might come via a property tax exemption, or city-provided, Faust-allocated parking or similar vehicle, and could be spread over a period of time. This might provide an appropriate scale of incentive for the Faust project without exhausting TIRZ funding for other community improvements. The Faust is open to other incentive suggestions, and aims to be a team player with the community and the county.

While the Faust serves as a historic focal point of New Braunfels, we believe these efforts in construction will ensure it remains a functional and beautiful building for a long time to come. More than another 'band-aid' to limp an old building along, this construction effort serves to provide a more comprehensive solution to its future. We believe any incentive agreement reached with the City of New Braunfels or Comal County would not only benefit our efforts, but serve as a sign to others interested in preserving historically significant buildings that increased investment in safety or efficiency are likely to be rewarded; a better outcome for the community at-large and the longevity of historic structures.