

City of Houston, Texas, Ordinance No. 97-594

**AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER FIVE, CITY OF HOUSTON, TEXAS (MEMORIAL-HEIGHTS); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.**

\* \* \* \* \*

**WHEREAS**, by City of Houston Ordinance No. 96-1337, adopted December 18, 1996, the City created Reinvestment Zone Number Five, City of Houston, Texas (the "Memorial-Heights Zone") for the purposes of redevelopment in the area of the City generally bounded by Washington Avenue on the north, Washington Cemetery on the east, Memorial Drive on the south and Waugh Drive on the west, which is also known as the Memorial-Heights area; and

**WHEREAS**, the Board of Directors of the Memorial-Heights Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development and redevelopment of the Memorial-Heights Zone; and

**WHEREAS**, the City Council must approve the Project Plan and Reinvestment Zone Financing Plan; **NOW, THEREFORE**,

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

**Section 1.** That the findings contained in the preamble of this Ordinance are declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the Project Plan and Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Five, City of Houston, Texas, are hereby determined to be feasible and are approved.

Section 3. That the City Secretary is directed to provide copies of the Project Plan and Reinvestment Zone Financing Plan to each taxing unit levying ad valorem taxes in the Zone.

Section 4. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 5. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after

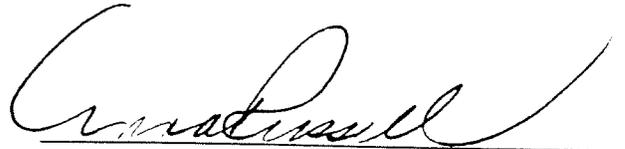
its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 21<sup>st</sup> day of May, 1997.

APPROVED this \_\_\_\_\_ day of May, 1997.

\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is MAY 27 1997.

  
\_\_\_\_\_  
City Secretary

*BM*  
(Prepared by Legal Dept. ~~ROBERT F. LITKE~~)  
(DFM/dfm May 13, 1997) Senior Assistant City Attorney  
(Requested by Robert M. Litke, Director, Planning and Development)  
(L.D. File No. 34-96378-06)

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**REINVESTMENT ZONE NUMBER FIVE  
CITY OF HOUSTON, TEXAS**

**PROJECT PLAN AND REINVESTMENT ZONE  
FINANCING PLAN**

**MAY 9, 1997**

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## I. Executive Summary/Facts

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1. Reinvestment Zone Number Five, City of Houston, Texas "TIRZ" is a tool to facilitate the master-planned, mixed-use, residential redevelopment of approximately 112 acres generally bounded by Washington Avenue, Washington Cemetery, Memorial Drive and Heights Boulevard.
2. The TIRZ is located in the heart of the City's redevelopment initiatives, Enhanced Enterprise Community, Parks to Standards area, Washington Avenue Corridor, Community Development Block Grant Target Area
3. "But for" City creation of and participation in the TIRZ, this type of desirable redevelopment could not occur solely from private investment. Blighted/unsightly property exists in the general area with fragmented ownership.
  - Railroad spur would prevent tracts from being optimally developable.
  - Extensive environmental remediation required.
  - Existing aged/undersized/insufficient utility infrastructure in poor condition.
4. During its 20-year life, it is projected that the TIRZ will require the expenditure of \$13.8 million for needed public improvements and services. Most of these expenditures will be advanced by the developer who will be reimbursed by the tax increment funds generated from the proposed development. Major improvements to be financed by the TIRZ Project Plan and Financing Plan ("Project Plan") include:
  - Real property assemblage and associated costs
  - Environmental remediation to residential standards of Texas Natural Resource Conservation Commission
  - Public utilities including water, sewer and drainage facilities
  - Utility Impact Fees
  - Paving
  - Landscaping and perimeter fencing
  - Improvements to Spotts Park
  - Intersection improvements: Washington/Studemont
  - Pedestrian Bridge and improvements to tie into Houston bikeways/Memorial trail system
5. Development buildout will add an estimated \$100,000,000 of assessed valuation. The Project Plan is for development of approximately the following:
  - 72 for sale detached single family units
  - 222 for sale attached townhome units
  - 569 rental multi-family units\*
  - 75 rental townhome units
  - 110,000-150,000 square feet retail-center (including supermarket)
  - 96 senior housing units

\* Preliminary Plan called for 711 apartment units. The final plan will be 569 apartment units and 75 rental townhomes.
6. Development is estimated to be completed by 2006.

7. Harris County and Houston Independent School District have indicated a commitment to participate in the TIRZ.
8. Developer financed. The developer will provide financing for most of the Project Plan. Bonds will be sold only at the City's option.
9. The project plan is not requesting the use of TIRZ land use controls. Developer will impose private deed restrictions and performance schedules for development of vacant land.
10. TIRZ land use controls would not be available to this zone.

## **II. Project Plan**

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### **A. Summary**

The TIRZ is intended to provide the financing and management tool needed to help alleviate blight, deteriorated site conditions, and relieve obsolete platting; and to encourage sound growth of residential development and supporting uses for approximately 112 acres within the Federal Enhanced Enterprise Community Zone. Plan A of the Project Plan includes the development product mix of approximately the following:

72	For sale detached single family units
222	For sale attached townhome units
569	Rental multi-family units
75	Rental townhome units
96	Senior housing units
1	110,000-150,000 square foot retail center and supermarket

Exhibit H on page 22 illustrates the preferred land use plan (Plan A). Plan A of the Project Plan includes beautification of adjacent public street rights-of-way and esplanades. Park improvements would be made to the existing Spotts Park, a Parks to Standard designated City park. Plan A includes extending the City of Houston's Hike and Bike Trail System with a linkage to the proposed development and Spotts Park. In Plan A, the Southern Pacific Railroad Bridge would be acquired and improved for pedestrian use and the existing railroad spur east of Studemont would be abandoned.

The Project Plan will be optimally implemented if the railroad spur is removed (Plan A). The railroad spur serves one user, Sacks Wastepaper Company ("Sacks"), which currently loads approximately 44 cars per year.

If the railroad spur east of Studemont is not removed, the Project Plan would be modified according to Plan B, as shown in Exhibit I on page 23. Plan B would have a north/south loop street through the site. Plan B would require a railroad crossing at Butler Street. In addition, the development mix would change. The remnant tracts with the railroad spur in-place are long and narrow and would not facilitate the highest and best use of the property. The rail spur can be screened with landscaping. However, significant noise problems, at-grade crossing safety problems and marketing perception problems are not conducive to single family development. Therefore, while single family development would still be part of the land use plan, in Plan B it would be limited to the west side of Studemont. However, the tract east of Studemont affected by the railroad spur would be developed in a different land use configuration due to the minimal depth and incompatible land uses.

In Plan B, the Project Plan budget for capital costs and paving costs would increase approximately 11% or \$545,000 to accommodate the modification for the development of Plan B versus Plan A. This is partially offset by a \$500,000 decrease in real property assembly costs. Plan B requires additional buffering, paving, and public street right-of-way. Further, the railroad track, road, and landscape buffer reduce available land for development. The projected value of the improvements with the development of Plan A is \$102 million. The projected value of the improvements with the development of Plan B is \$76 million. This difference in value is mainly due to approximately 15% less developable land area, 124 fewer single family dwelling units, and a lower per square foot value of the product type (multi-family versus for sale residential).

## **B. Boundaries**

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The TIRZ is located north of Buffalo Bayou, approximately one mile west of the Central Business District. It is generally bounded by Washington Avenue on the north, the Washington Cemetery on the east, Memorial Drive on the south and Heights Boulevard on the west. The TIRZ excludes the Sacks property. The primary developer Security Capital Pacific Trust ("Security Capital") and its affiliated companies currently own land within the TIRZ which represents approximately 94% of the total 1996 assessed value. Exhibits A and B on pages 7 and 8 illustrate the TIRZ area and boundaries. The legal description is described in Exhibit N on page 36.

Exhibit A: Vicinity Map - Reinvestment Zone Number Five, City of Houston, Texas

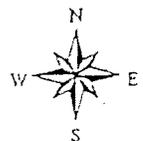
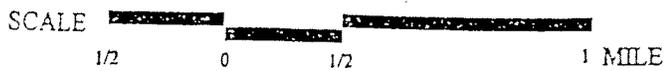
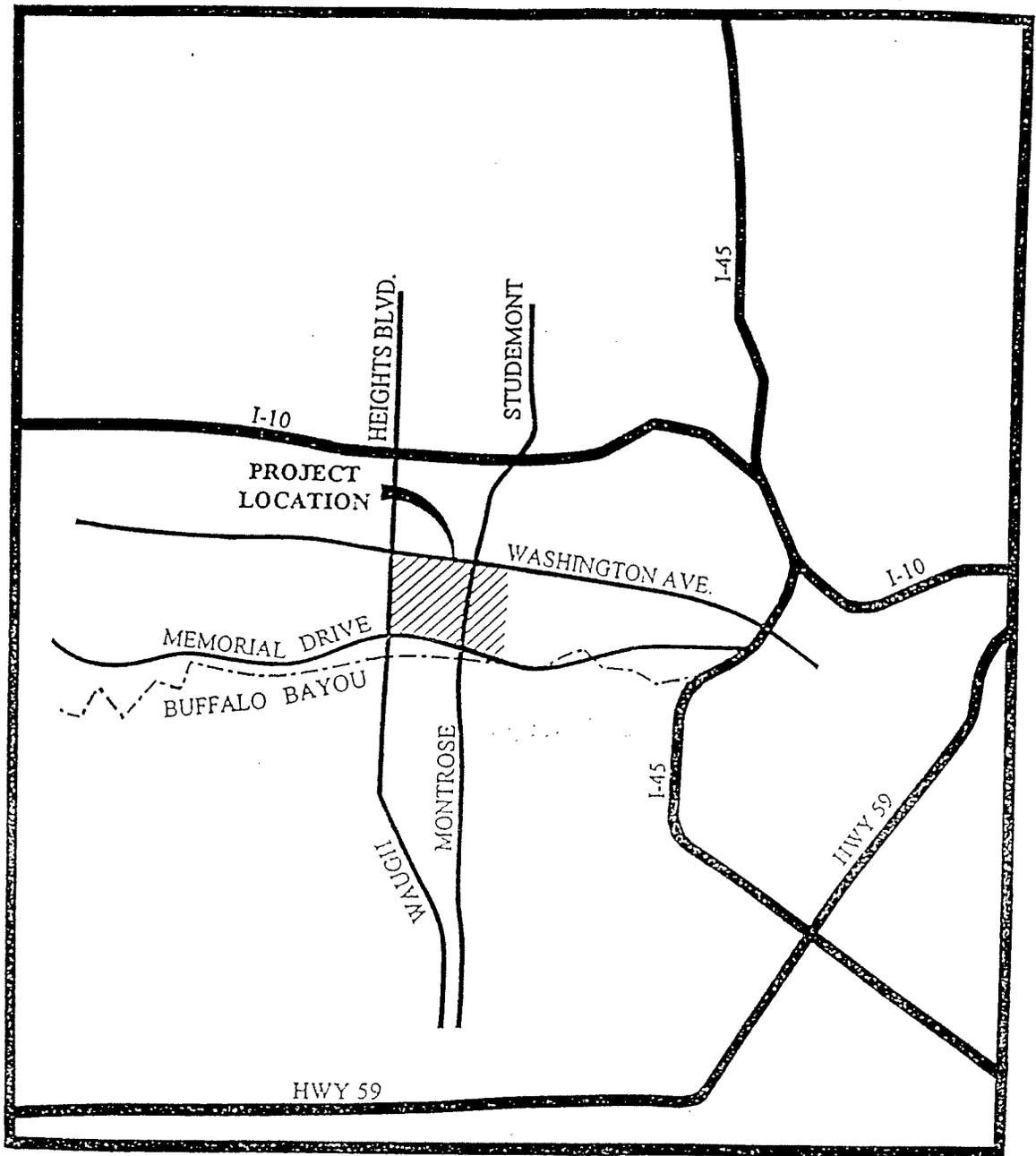
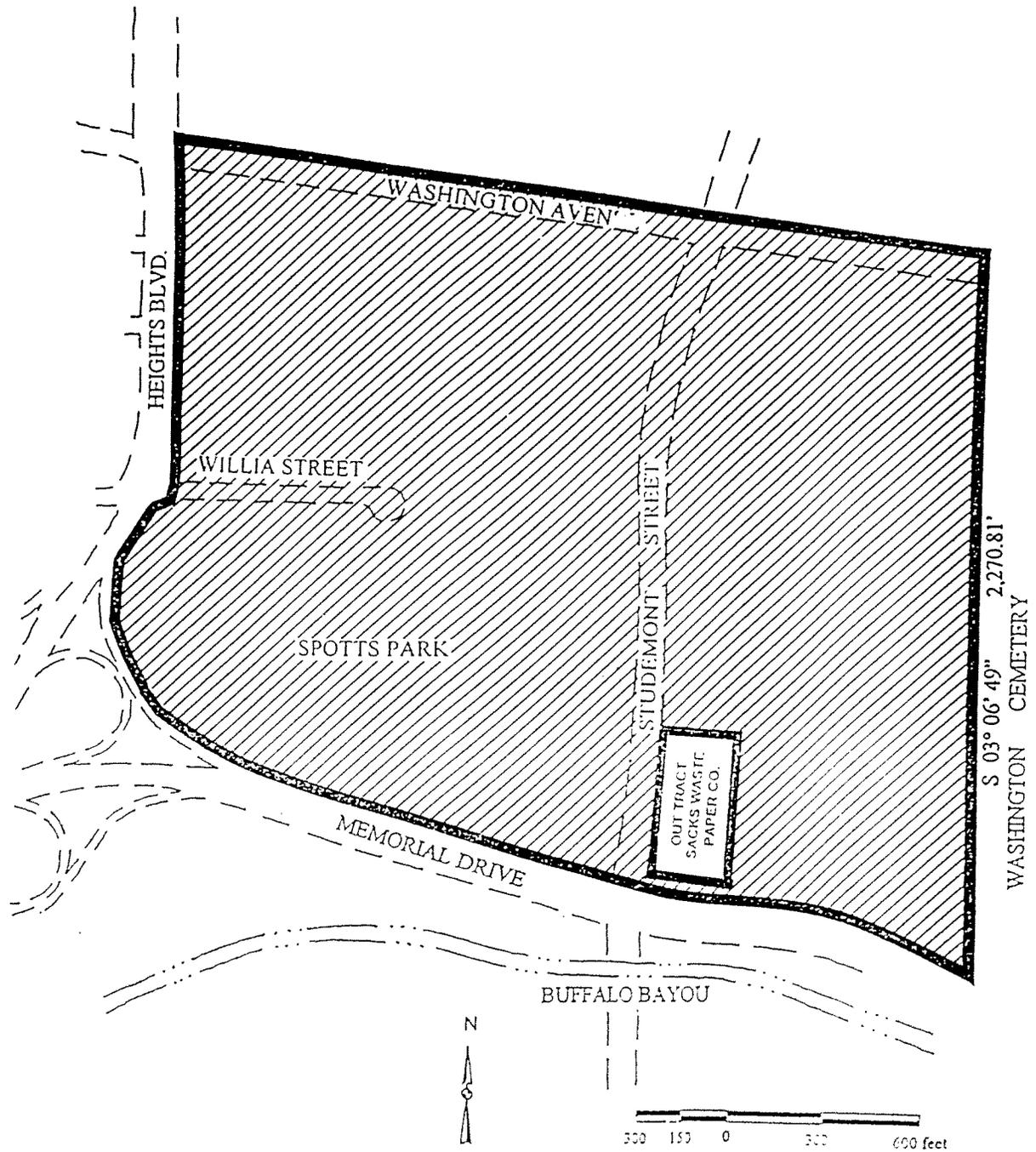


Exhibit B: Boundary Map - Reinvestment Zone Number Five, City of Houston, Texas



## C. Land Use and Existing Conditions

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### *Area Land Use*

The area surrounding the TIRZ is generally composed of residential, commercial and industrial properties. Property values within the TIRZ declined from approximately \$28 million in 1986 to less than \$18 million in 1995, a decrease of more than 36%, and a strong indicator of urban flight. Phase One of the Memorial Heights apartment community, which was completed in 1996, represents a \$12 million increase in property values, an increase of over 50% of the 1995 assessed value in the TIRZ. Existing land uses along the north side of Washington Avenue include car lots, manufacturing, industrial and distribution facilities, pawn shops, nightclubs, a City of Houston Fire Station, and several small commercial enterprises. Area land uses along the south side of Washington Avenue include a cemetery, a post office, used car lots, manufacturing and industrial facilities. However, the TIRZ is partially surrounded by unattractive, incompatible land uses, some ringed by razor ribbon, barbed-wire fences. Some businesses in the area have commenced cleanup and upgrades.

### *Current Site Conditions*

The TIRZ consists primarily of vacant land. The TIRZ includes the former American Rice dryer (ARI) facility (razed in 1996), a Union Pacific (formerly Southern Pacific) railroad spur, the former SPCA site (acquired by the developer), a small office building, Spotts Park and the YWCA. Phase I of the Memorial Heights apartment community exists at the corner of Washington Avenue and Heights Boulevard. Phase II of Memorial Heights apartments are currently under construction. Sacks is located at the northeast corner of the intersection of Memorial Drive and Studemont, but it is not included in the TIRZ. Past land uses on much of the vacant property within the TIRZ have resulted in environmental conditions that must be remediated.

There are properties in the area surrounding the TIRZ which impact the success of the Project Plan. These properties, by virtue of their location, type of use and unsightliness, pose handicaps to the proposed development. The infrequently used railroad spur which bisects the acreage in the TIRZ south of Washington and east of Studemont, serves only Sacks. It also has

created remnant tracts which are not as optimal to develop because of their size, location and configuration. In 1996, Sacks used the rail service to ship less than four rail cars per month, or a total of 44 rail boxcars for the year. Alternative methods for transporting materials are available. The presence of the rail service, remnant tracts, and the associated at-grade crossings present severe safety, noise and marketing problems for residential development.

The existing utility infrastructure is generally in poor condition and must be replaced. Due to age and the materials used, lines have collapsed and are undersized to serve the proposed development in the TIRZ. These factors cause the developer's infrastructure costs for inner-city redevelopment higher than west Houston area development costs.

#### ***Current Economic Conditions***

Property values in the immediate area are depressed, given the age, condition, and nature of existing land uses. The total appraised value within the TIRZ is currently \$25,951,340, which includes \$12,000,000 of assessed valuation attributable to the Memorial Heights Phase I apartment development constructed in 1996. The other properties in the TIRZ are on the tax rolls with an average value of less than \$4.50 per square foot.

#### **D. Project Plan Objective**

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The TIRZ lies at the heart of the City's targeted redevelopment area. The City has developed an aggressive, nationally recognized redevelopment program, initiated by programs such as Imagine Houston and Neighborhood Goals, which stress neighborhood protection and revitalization of the inner city. The City of Houston administration is committed to protecting, redeveloping and enhancing inner-city areas. Houston's Washington Avenue area exhibits typical inner-city decline as a result of older, incompatible and fragmented land uses and the need for environmental remediation. The TIRZ will provide a precedent-setting opportunity for the City to implement its stated redevelopment goals creating new residential housing near downtown in this blighted inner-city neighborhood.

The Project Plan's objectives are to create a master planned community with a blend of single-family attached or detached, multi-family and senior housing which will create a synergy

that will support new neighborhood retail and commercial land uses. The proposed influx of an estimated 2,400 new residents and approximately 1,000 dwelling units is expected to provide the impetus for additional development and redevelopment on nearby tracts.

#### **E. Relocation**

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This plan does not contemplate relocation or displacement of residents.

#### **F. Municipal Ordinances**

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In addition to compliance with ordinances directly associated with the formation of the reinvestment zone, the proposed development will comply with local codes and ordinances. This Plan does not propose changes in any City ordinances, plans or codes.

#### **G. Non-Project Costs**

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The proposed mixed use development will include approximately \$70 million in private sector investment for non-project cost improvements, such as the neighborhood retail center, senior housing, multi-family rental and single family homes.

### **III. TIRZ Financing Plan**

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The purpose of the TIRZ is to provide financing for the necessary public improvements to support the redevelopment of the TIRZ into a mixed use master planned community. The improvements made by the TIRZ will stimulate residential growth in this area. Land and improvements within the TIRZ boundaries are currently valued at approximately \$26 million. This includes the value of Phase I of the new Memorial Heights apartment community, developed by Security Capital, completed in 1996, valued on the 1996 tax rolls at \$12 million. The proposed redevelopment is expected to be completed in eight to nine years. Projected taxable property values in the TIRZ, including granting homestead exemptions, are expected to increase to approximately \$130 million by the year 2007 under Plan A, with Security Capital advancing and financing most of these development costs. Bonds will only be sold at the City's option. Developer reimbursement will only occur as property tax income for the TIRZ becomes

sufficient to support repayment and will begin at such time as funds are available. The City will retain the authority to issue bonds pledged by tax increments. Based on the financial projections and the currently estimated tax increments generated by the redevelopment, full reimbursement would be complete in approximately 2008.

#### ***A. TIRZ Duration***

The TIRZ was created for a duration of 20 years and will terminate on 2017 (or an earlier date adopted by subsequent City ordinance) or when all project costs, tax increment bonds, and bond interest have been paid, and all contractual obligations completed.

#### ***B. Economic Feasibility Study***

Exhibits C and D on pages 14 and 15 illustrate the proposed increment that would be generated as the Project Plan (Plan A or Plan B) is implemented. Exhibits E and F on pages 16 and 17 illustrate the proposed build out schedules and support the reasonableness of the feasibility of this project.

A CDS Market Research report prepared for the TIRZ, dated December 23, 1996, delineated a study area called the Inner Loop West. The report describes the general Inner Loop West area as one undergoing revitalization with "demonstrated capacity to attract multiple real estate markets."

With specific regard to the housing market, the report characterizes the current apartment demand in the Inner Loop West area as strong, with a fourth quarter 1996 occupancy rate of 97%. The CDS report anticipates an annual, new apartment absorption rate of 600 units in the delineated area, and possibly greater, if more units were available.

CDS cites a total of 450 single family dwelling units were constructed in 1996 inside Loop 610, which represents 20.6% of the City's total single family construction activity. The proposed projections for single family sales averages 39 dwelling units per year within the TIRZ. If this trend continues, single family production will approximate 500 units in year 2000 and 530

units in 2001. Projected annual sales of 39 dwelling units per year is estimated to be 1% - 8% of the total share. CDS opines that the absorption rate forecast is "reasonable, attainable and likely conservative."

Further, CDS quotes its "Market Analysis of Housing Potential in Downtown Houston" as concluding that approximately 39% of its survey respondents prefer to lease and that townhomes are the "most desirable product with demand potential in all price ranges." CDS projects a gross market potential for townhomes to accommodate downtown workers at over 2,000 units. CDS predicts that the proposed townhome rental units can be leased in advance of construction with a strong marketing program. CDS estimates that the senior housing units will lease in approximately 12 months, even taking into account the protracted decision-making time frame often involved.

In summary, the CDS report validates the market justification of the major land use components included within the TIRZ and views the absorption projections as viable.

EXHIBIT C: Financing Analysis - Estimate of Cash Flows From Reinvestment Zone - Plan A

Plan A

ESTIMATE OF CASH FLOWS FROM TAX INCREMENT REINVESTMENT ZONE  
Participation: City/County/HISD

TAX YEAR	TOTAL TAXABLE VALUE	CUMULATIVE TAX INCREMENT	100%		65%		(PROJECT) HISD TAX INCREMENT REV.	INCREMENT REVENUE	CUMULATIVE INCREMENT	(EDUC. FAC.) HISD TAX INCREMENT REV.	CUMULATIVE HISD INCREMENT
			\$ CITY TAX INCREMENT REV.	\$ COUNTY TAX INCREMENT REV.	\$ CITY TAX INCREMENT REV.	\$ COUNTY TAX INCREMENT REV.					
1997	25,951,340	BASE									
1998	44,724,630	18,773,290	121,007	76,482	115,179	312,758	794,600	312,758	57,589	57,589	
1999	73,002,981	47,651,641	307,377	194,133	293,090	794,600	1,411,793	1,107,358	146,545	204,134	
2000	94,471,356	68,520,016	441,988	279,151	420,654	1,141,793	1,346,287	2,249,151	210,327	414,461	
2001	106,029,971	80,070,631	521,708	329,500	495,079	1,346,287	1,447,051	3,595,438	247,540	662,001	
2002	112,907,691	86,956,351	560,912	354,260	531,079	1,447,051	1,549,717	5,042,489	265,939	927,941	
2003	119,099,065	93,147,725	600,849	379,484	569,384	1,549,717	1,616,162	6,592,205	284,692	1,212,632	
2004	123,094,218	97,142,878	626,620	395,760	593,782	1,616,162	1,649,295	8,208,368	296,891	1,509,523	
2005	125,396,079	99,444,739	641,468	405,138	602,689	1,649,295	1,683,014	9,857,663	301,344	1,810,868	
2006	127,740,986	101,780,646	656,594	414,691	611,729	1,683,014	1,717,331	11,540,677	305,865	2,116,732	
2007	130,129,743	104,178,403	672,003	424,423	620,905	1,717,331	1,752,255	13,258,007	310,453	2,427,185	
2008 **	132,563,169	106,611,829	687,700	434,337	630,219	1,752,255	1,787,798	15,016,262	315,109	2,742,294	
2009	135,042,100	109,090,760	703,690	444,436	639,672	1,787,798	1,823,970	16,798,060	319,836	3,062,130	
2010	137,567,387	111,616,047	719,979	454,724	649,267	1,823,970	1,860,783	18,622,033	324,633	3,386,764	
2011	140,139,897	114,188,557	736,573	465,204	659,006	1,860,783	1,898,249	20,482,813	329,503	3,716,267	
2012	142,760,513	116,809,173	753,478	475,881	668,891	1,898,249	1,936,379	22,381,062	334,446	4,050,712	
2013	145,430,135	119,478,795	770,698	486,757	678,924	1,936,379	1,975,185	24,317,441	339,462	4,390,174	
2014	148,149,679	122,198,339	788,240	497,836	689,108	1,975,185	2,014,678	26,292,626	344,554	4,734,728	
2015	150,920,078	124,968,738	806,111	509,123	699,445	2,014,678	2,054,872	28,307,304	349,722	5,084,451	
2016	153,742,283	127,790,943	824,315	520,620	709,937	2,054,872	2,095,779	30,362,177	354,968	5,439,419	
2017	156,617,264	130,665,924	842,861	532,333	720,586	2,095,779	32,457,956	32,457,956	360,293	5,799,712	
			12,784,262	8,074,270	11,599,424				5,799,712		

\*\* NOTE: Year of Security Capital Payoff

ASSUMPTIONS:

1. Build-out Schedule based on attached Development Assumptions Spreadsheet.
2. Appraised Value appreciation of 1.87%.
3. Assumes 97% Collection.
4. Assumes 20% Homestead Exemption. Also Assumes additional \$5,000 exemption for HISD.

HISDCHEXLS\HISDCCHANGE  
5/10/97

# EXHIBIT D: Financing Analysis - Estimate of Cash Flows From Reinvestment Zone - Plan B

TAX YEAR	TOTAL TAXABLE VALUE	CUMULATIVE TAX INCREMENT	100%		65%		(PROJECT) HSD TAX INCREMENT	INCREMENT REVENUE	CUMULATIVE INCREMENT	Plan B	
			\$ CITY TAX INCREMENT REV.	\$ COUNTY TAX INCREMENT REV.	\$ (EDUC. FAC.) HSD TAX INCREMENT REV.	CUMULATIVE HSD INCREMENT					
1997	25,951,340	BASE									
1998	42,004,630	16,853,290	109,712	68,600	103,032	281,004	52,313	281,004	52,313		
1999	48,517,077	22,565,737	145,560	91,933	138,035	375,533	70,044	656,537	122,357		
2000	68,436,346	42,485,006	274,050	173,084	260,395	707,528	131,873	1,364,065	254,230		
2001	82,276,106	56,324,766	363,323	229,467	344,700	937,550	174,832	2,301,615	429,062		
2002	94,406,669	68,455,329	441,571	278,887	419,539	1,139,997	212,485	3,441,612	641,548		
2003	96,172,074	70,320,734	452,959	286,079	430,498	1,169,536	217,965	4,611,148	859,513		
2004	97,970,491	72,019,151	464,500	293,400	441,663	1,199,028	223,547	5,810,778	1,083,060		
2005	99,802,539	73,851,190	476,377	300,870	448,786	1,225,535	229,234	7,036,311	1,312,294		
2006	101,668,847	75,717,507	488,416	308,473	455,012	1,251,901	235,027	8,288,212	1,547,321		
2007	103,570,054	77,618,714	500,680	316,219	461,837	1,278,735	240,928	9,566,948	1,788,250		
2008	105,506,814	79,555,474	513,173	324,109	468,765	1,306,046	246,940	10,872,994	2,035,190		
2009	107,479,792	81,528,452	525,899	332,147	475,796	1,333,843	253,064	12,206,837	2,288,254		
2010	109,489,064	83,538,324	538,864	340,335	482,933	1,362,132	259,303	13,568,969	2,547,557		
2011	111,537,121	85,585,701	552,071	348,076	490,177	1,390,925	265,658	14,959,894	2,813,216		
2012	113,622,865	87,671,525	565,525	357,174	497,530	1,420,229	272,132	16,380,123	3,085,348		
2013	115,747,612	89,796,272	579,231	365,830	504,993	1,450,054	278,728	17,830,177	3,364,076		
2014	117,912,093	91,960,753	593,193	374,648	512,568	1,480,409	285,448	19,310,566	3,649,522		
2015	120,117,049	94,165,709	607,416	383,631	520,256	1,511,303	292,290	20,821,869	3,941,812		
2016	122,363,238	96,411,898	621,905	392,782	528,060	1,542,747	299,263	22,364,636	4,241,075		
2017	124,651,430	98,700,090	636,665	402,104	535,981	1,574,750	306,365	23,939,386	4,547,440		
			9,450,148	5,968,515	8,520,723	23,939,386	4,547,440				

\*\* NOTE: Year of Security Capital Payoff  
 ASSUMPTIONS:  
 1. Build-out Schedule based on attached Development Assumptions Spreadsheet.  
 2. Appraised Value appreciation of 1.87%.  
 3. Assumes 97% Collection.  
 4. Assumes 20% Homestead Exemption. Also Assumes additional \$5,000 exemption for HSD.

HISDC\HCB.XLS\HISDC\HCB  
5/10/97

*Exhibit E: Financing Analysis - Development Assumptions - Plan A*

DEVELOPMENT ASSUMPTIONS

Plan A

	Total Units	1998	1999	2000	2001	2002	2003	2004
SF	88	22	22	22	22			
MF	636	256	380	-	-	-	-	-
MF-TH	75	-	75	-	-	-	-	-
Retail	115,000	-	-	115,000	-	-	-	-
TH	211	22	22	42	52	30	30	13
Sr.Hous	96	-	-	96	-	-	-	-
HV	-	-	-	-	-	-	-	-
	<b>Total Value</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
SF	17,600,000	4,400,000	4,400,000	4,400,000	4,400,000	-	-	-
MF	29,256,000	11,776,000	17,480,000	-	-	-	-	-
MF-TH	4,050,000	-	4,050,000	-	-	-	-	-
Retail	6,900,000	-	-	6,900,000	-	-	-	-
TH	35,870,000	3,740,000	3,740,000	7,140,000	8,840,000	5,100,000	5,100,000	2,210,000
Sr.Hous	3,360,000	-	-	3,360,000	-	-	-	-
HV	-	-	-	-	-	-	-	-
TOTAL:	97,036,000	19,916,000	29,670,000	21,800,000	13,240,000	5,100,000	5,100,000	2,210,000
Infl. (1.87%)	10,800,878	485,290	836,351	1,376,376	1,768,614	1,997,720	2,111,374	2,227,153
Total w/ Infl	107,836,878	20,401,290	30,506,351	23,176,376	15,008,614	7,097,720	7,211,374	4,437,153

TAX INCREMENT

	Taxable Value*	1998	1999	2000	2001	2002	2003	2004
SF	14,080,000	3,520,000	3,520,000	3,520,000	3,520,000	-	-	-
MF	29,256,000	11,776,000	17,480,000	-	-	-	-	-
MF-TH	4,050,000	-	4,050,000	-	-	-	-	-
Retail	6,900,000	-	-	6,900,000	-	-	-	-
TH	28,696,000	2,992,000	2,992,000	5,712,000	7,072,000	4,080,000	4,080,000	1,768,000
Sr.Hous	3,360,000	-	-	3,360,000	-	-	-	-
HV	-	-	-	-	-	-	-	-
TOTAL:	86,342,000	18,288,000	28,042,000	19,492,000	10,592,000	4,080,000	4,080,000	1,768,000
Inflation	10,800,878	435,290	836,351	1,376,376	1,768,614	1,997,720	2,111,374	2,227,153
TOTAL	97,142,878	18,723,290	28,878,351	20,868,376	12,360,614	6,077,720	6,191,374	3,995,153
Cumulative Increment:		18,723,290	47,651,641	68,520,016	80,878,631	86,956,351	93,147,725	97,142,878
Cumulative Assessed Value:		44,724,630	73,602,981	94,471,356	106,839,971	112,907,691	119,099,065	123,024,218

\*Note: Taxable value includes 20% homestead exemption on single family and townhome units.

*Exhibit F: Financing Analysis - Development Assumptions - Plan B*

DEVELOPMENT ASSUMPTIONS

Plan B

	Total Units	1998	1999	2000	2001	2002	2003	2004
SF	42	10	12	10	10			
MF	636	258	-	200	-	180	-	-
MF-TH	100	-	-	-	100	-	-	-
Retail	8,000	-	-	6,000	2,000	-	-	-
TH	133	22	22	32	40	17	-	-
Sr.Hous	100	-	-	100				
	<b>Total Value</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
SF	8,400,000	2,000,000	2,400,000	2,000,000	2,000,000	-	-	-
MF	29,256,000	11,776,000	-	9,200,000	-	8,280,000	-	-
MF-TH	5,400,000	-	-	-	5,400,000	-	-	-
Retail	480,000	-	-	360,000	120,000	-	-	-
TH	22,610,000	3,740,000	3,740,000	5,440,000	6,800,000	2,890,000	-	-
Sr.Hous	3,500,000	-	-	3,500,000	-	-	-	-
TOTAL:	69,646,000	17,516,000	6,140,000	20,500,000	14,320,000	11,170,000	-	-
Infl.(1.87%)	8,575,151	485,290	800,447	907,269	1,279,760	1,538,553	1,765,405	1,798,413
Total w/ Infl	78,221,151	18,001,290	6,940,447	21,407,269	15,599,760	12,708,553	1,765,405	1,798,413

TAX INCREMENT

	Taxable Value*	1998	1999	2000	2001	2002	2003	2004
SF	6,720,000	1,600,000	1,920,000	1,600,000	1,600,000	-	-	-
MF	29,256,000	11,776,000	-	9,200,000	-	8,280,000	-	-
MF-TH	5,400,000	-	-	-	5,400,000	-	-	-
Retail	480,000	-	-	360,000	120,000	-	-	-
TH	18,088,000	2,992,000	2,992,000	4,352,000	5,440,000	2,312,000	-	-
Sr.Hous	3,500,000	-	-	3,500,000	-	-	-	-
TOTAL:	63,444,000	15,368,000	4,912,000	19,012,000	12,560,000	10,592,000	-	-
Inflation	8,575,151	485,290	800,447	907,269	1,279,760	1,538,553	1,765,405	1,798,413
TOTAL	72,019,151	15,853,290	5,712,447	19,919,269	13,839,760	12,130,553	1,765,405	1,798,413
Cumulative Increment:		15,853,290	22,565,737	42,485,006	55,324,755	63,455,329	70,220,734	72,019,151
Cumulative Assesed Value:		42,804,630	43,517,077	68,436,346	82,276,105	94,425,659	96,172,074	97,970,491

\*Note: Taxable value includes 20% homestead exemption on single family and townhome units.

### ***C. Impact of City of Houston Participation***

By 2008, the incremental value resulting from the development of Plan A funded by the TIRZ should generate total *City* tax revenues of \$687,700, based on current tax rates. If Plan B is implemented, by 2013 the incremental value resulting from the development funded by the TIRZ should generate total *City* tax revenues of \$579,231, based on current tax rates. These revenue estimates are based on a twenty percent (20%) homestead exemption and a ninety-seven percent (97%) tax collection rate. The annual TIRZ increment will be available to the TIRZ for reimbursement to the developer for funds it advanced on behalf of the TIRZ and other budgeted expenses.

### ***D. Impact of HISD and Harris County Participation***

Harris County and HISD have indicated to the City that they plan to participate in the TIRZ. Harris County will participate at 65% of its tax rate, which currently equates to a participation of \$0.42 per \$100 value. HISD participation will be limited to \$0.96 per \$100 value. Two-thirds of HISD participation, or \$0.64, will go to the TIRZ and one-third, or \$0.32, will go toward educational facilities. Under current law, with the participation of the City, Harris County and HISD, an average annual revenue of approximately \$1.6 million is expected to be generated for Plan A or \$1.2 million for Plan B to finance TIRZ public improvements, repay Security Capital for funds it advanced on behalf of the TIRZ, and fund the TIRZ's budgeted expenses. The obligation to repay Security Capital is limited to the tax increments and any investment income or profit derived thereon; no other funds, revenues or taxes of the City, Harris County, HISD or any other governmental entities will be pledged to repay Security Capital.

The development assumptions and resulting property value estimates for Plan A and Plan B are detailed in Exhibits E and F on pages 16 and 17. The City, County and HISD property tax revenue generated from the value of the incremental development for Plan A and Plan B are detailed in Exhibits C and D on pages 14 and 15.

The Project Plan and Reinvestment Zone Financing Plan A estimates a total project cost of \$13,787,026. Participation from the following jurisdictions towards these improvements are:

City of Houston = 100% of tax levy on incremental value

Harris County = 65% of tax levy on incremental value

HISD = \$0.96 per \$100 incremental assessed value with 2/3 (\$0.64/\$100) of the increment toward Plan A, and 1/3 (\$0.32/\$100) toward Educational Facilities

#### **IV. Tax Rates**

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The Project Plan does not and cannot call for increases in tax rates by any governmental unit above those levied on all properties based on property value.

#### **V. Project Plan Description**

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Security Capital proposes to develop the largest master planned community within the 610 Loop. The development will be a mixed use, residential and retail community. The developer proposes to develop 1,000 dwelling units, including a 96 unit senior citizen housing complex. In addition, Security Capital proposes to sell a portion of land within the TIRZ to developers who would build an approximate 110,000 to 150,000 square feet retail center with a full service supermarket.

The Project Plan includes private and public sector infrastructure improvements and area improvements to encourage development of mixed-use residential redevelopment (See Section XII - TIRZ Improvements - Project Plan). The TIRZ Project Costs (See Projected Budget for Plan A and Plan B, pages 27 and 29) for these improvements, including administrative and financing costs, total \$13,787,026 for Plan A and \$17,771,921 for Plan B. The projected taxable value of improvements within the TIRZ resulting from the development of Project Plan A are estimated to be \$102 million, and in Plan B are estimated to be \$76 million. The main difference in Plan B and Plan A costs is a \$3.9 million higher financing expense. The lower tax value of Plan B results in a lower increment revenue available to pay down the loan. However, it is

estimated that prior to final development build-out the Plan B taxable value in place would permit the City to exercise its option to refinance the loan. In the event that the debt is refinanced at the end of the year 2000, the Plan B budget costs would only be \$1.0 million higher than Plan A.

Existing land uses and conditions are illustrated in Exhibit G on page 21. Exhibit H on page 22 illustrates the Project Plan A land uses based on the abandonment of the railroad spur. The design envisions a master planned community with complementary land uses. The proposed retail center will have access to both Washington Avenue and Studemont Drive and will be large enough to accommodate a neighborhood supermarket and other shops. If the spur is not removed, Plan B will be implemented. See Plan B in Exhibit I on page 23.

The proposed improvements to be funded by the TIRZ include construction of approximately 2.1 miles of public streets and paved permanent access easements with public utilities including water, sewer and drainage system lines, environmental remediation of approximately 50 acres, landscaping and perimeter fencing, improvements to Spotts Park and acquisition and renovation of the old railroad bridge to be incorporated into the City's Hike and Bike trails. Exhibits J and K on pages 24 and 25 identify the general location of the proposed improvements. The development is projected to be completed in 2006. This completion date is contingent upon resolution of the problems caused by the existing incompatible land uses and market conditions.

The budget for the Houston Independent School District ("HISD") does not currently include funding for the acquisition or construction of an educational facility within the TIRZ. HISD representatives have indicated that their existing elementary schools are facing overcrowding. The Project Plan recognizes the need for the development of an educational facility in the area with the resulting increased population. While the educational facility will not be financed by Security Capital, increment funds can be used. The \$0.32/\$100 value dedicated to HISD plus the \$0.64/\$100 HISD increment generated after developer reimbursement will produce an estimated \$11,914,548 under Plan A and \$6,644,305 under Plan B.

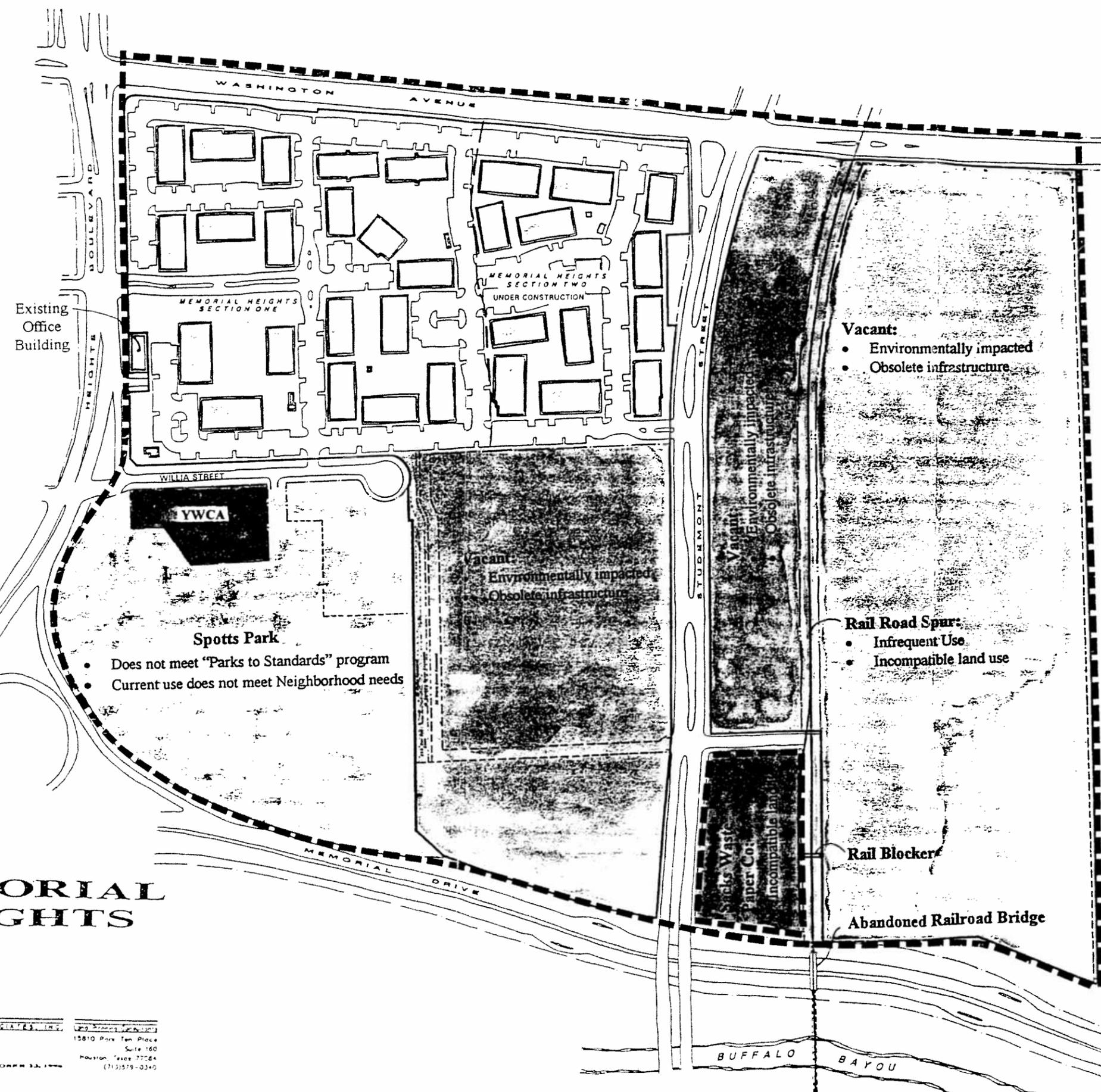


Exhibit G  
**EXISTING  
 CONDITIONS  
 & LAND USE**

- LEGEND
- EXISTING MULTI-FAMILY
  - COMMERCIAL
  - COMMUNITY SERVICE
  - INDUSTRIAL
  - PARKS
  - RAILROAD SPUR
  - UNDEVELOPED
  - REINVESTMENT ZONE NUMBER 5 BOUNDARY

**Vacant:**

- Environmentally impacted
- Obsolete infrastructure

**Rail Road Spur:**

- Infrequent Use
- Incompatible land use

**Spotts Park**

- Does not meet "Parks to Standards" program
- Current use does not meet Neighborhood needs

**MEMORIAL  
 HEIGHTS**

KERRY R. GILBERT & ASSOCIATES, INC.  
 15810 Park Ten Place  
 Suite 160  
 Houston, Texas 77064  
 (713) 579-0340



EXISTING OFFICE BUILDING

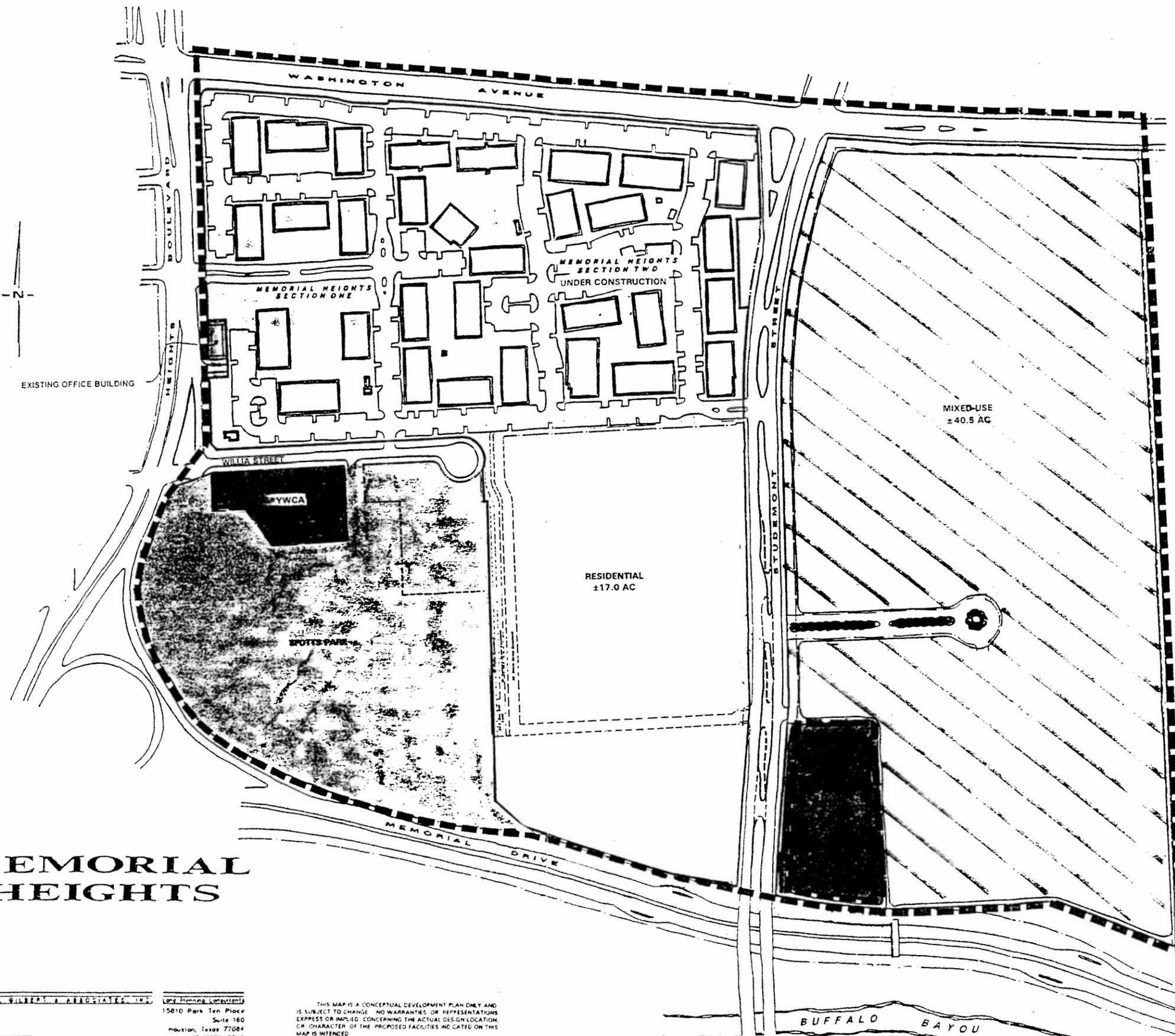


Exhibit H  
**LAND USE  
 PLAN "A"**

- LEGEND**
- EXISTING MULTI-FAMILY
  - RESIDENTIAL
  - MIXED-USE (Commercial / Residential)
  - COMMERCIAL
  - COMMUNITY SERVICE
  - INDUSTRIAL
  - PARKS
  - REINVESTMENT ZONE NUMBER 5 BOUNDARY

**MEMORIAL  
 HEIGHTS**

KERRY R. GILBERT & ASSOCIATES, INC.  
 15610 Park Ten Place  
 Suite 160  
 Houston, Texas 77084  
 (713)578-0340

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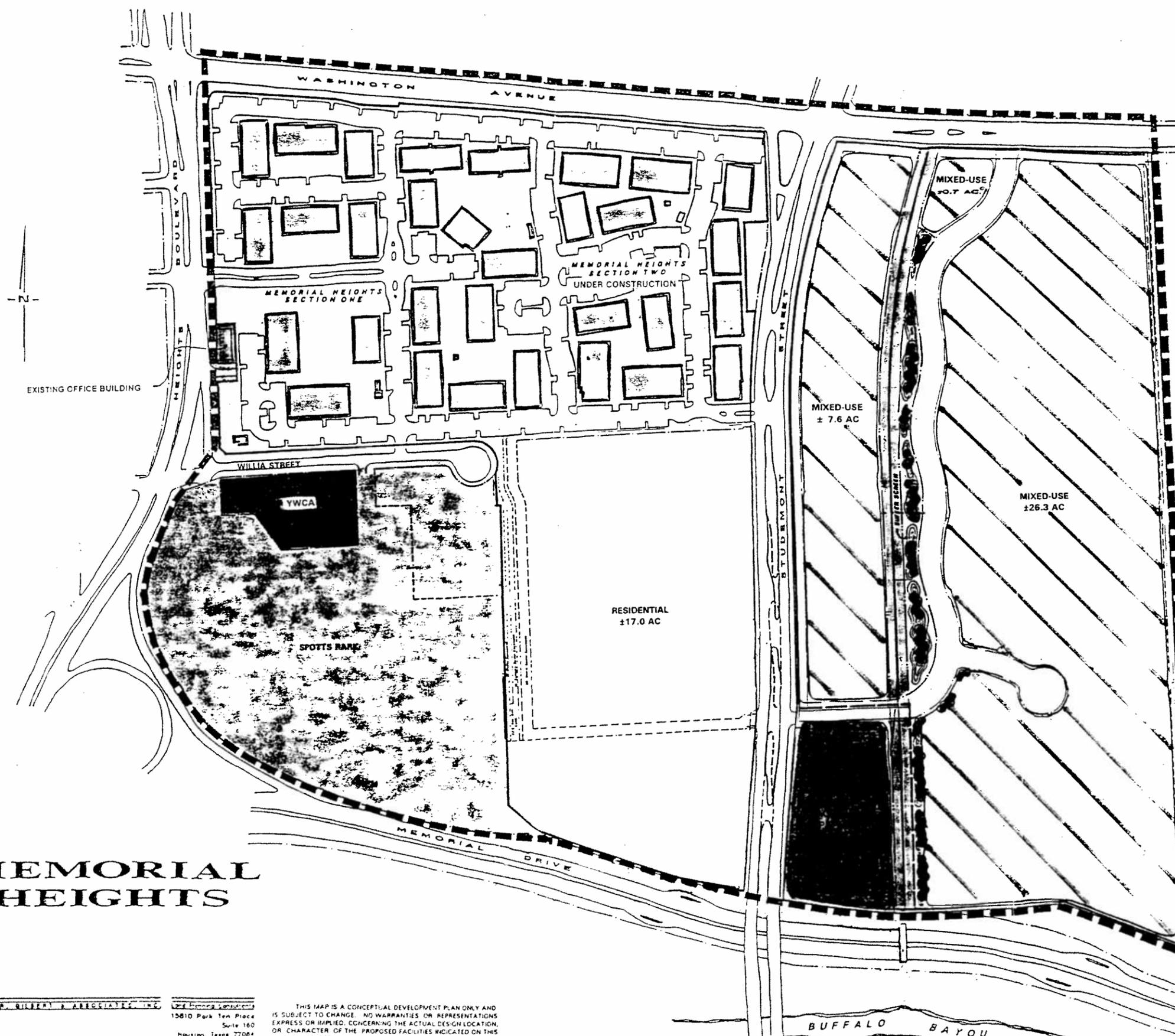


Exhibit I  
**LAND USE PLAN "B"**

- LEGEND**
- EXISTING MULTI-FAMILY
  - RESIDENTIAL
  - MIXED-USE (Commercial / Residential)
  - COMMERCIAL
  - COMMUNITY SERVICE
  - INDUSTRIAL
  - PARKS
  - RAILROAD SPUR
  - REINVESTMENT ZONE NUMBER 5 BOUNDARY

**MEMORIAL HEIGHTS**

KERRY R. GILBERT & ASSOCIATES, INC.  
 15810 Park Ten Place  
 Suite 160  
 Houston, Texas 77064  
 (713)579-0340

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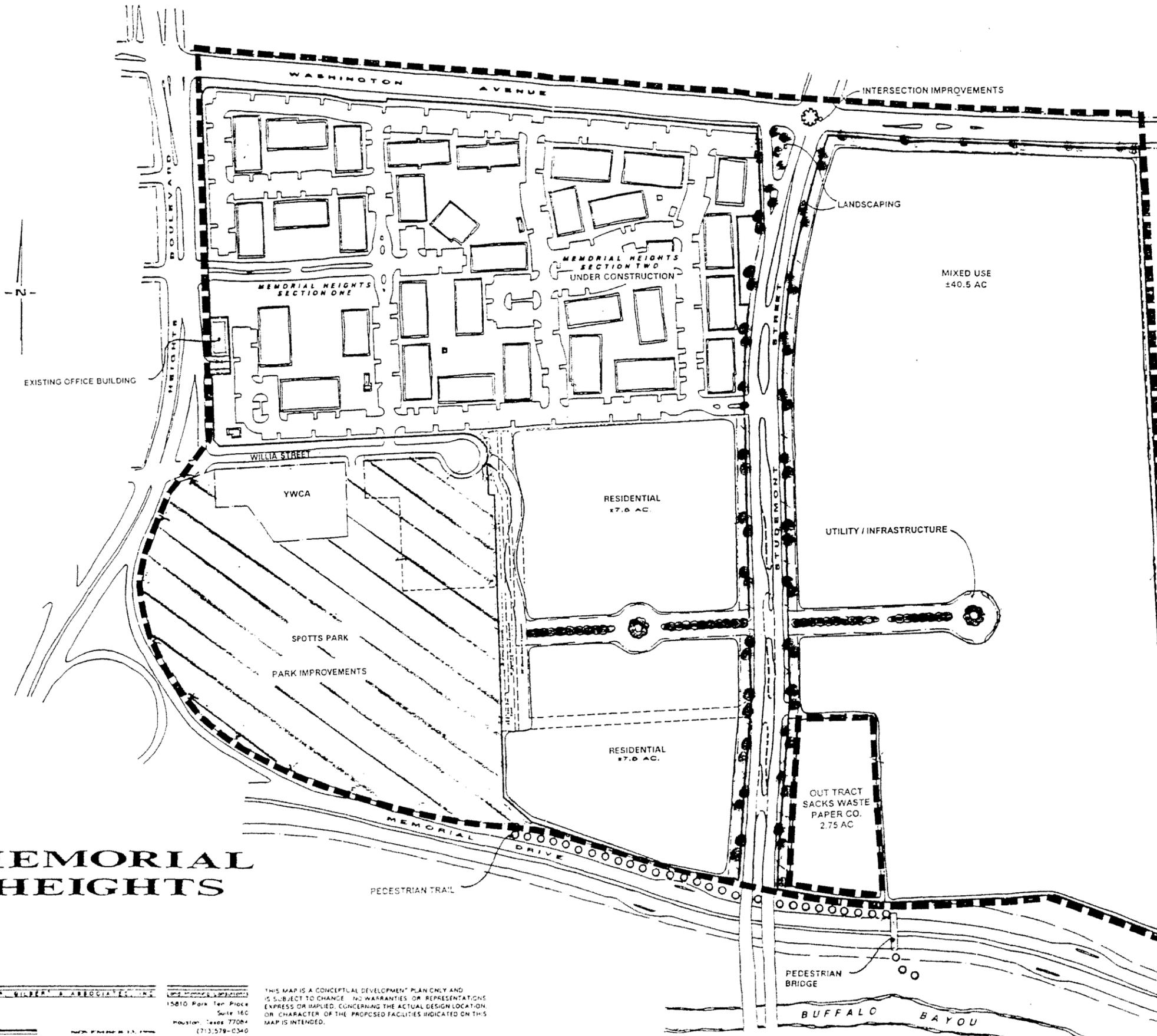


Exhibit J  
**IMPROVEMENTS  
 MAP  
 PLAN "A"**

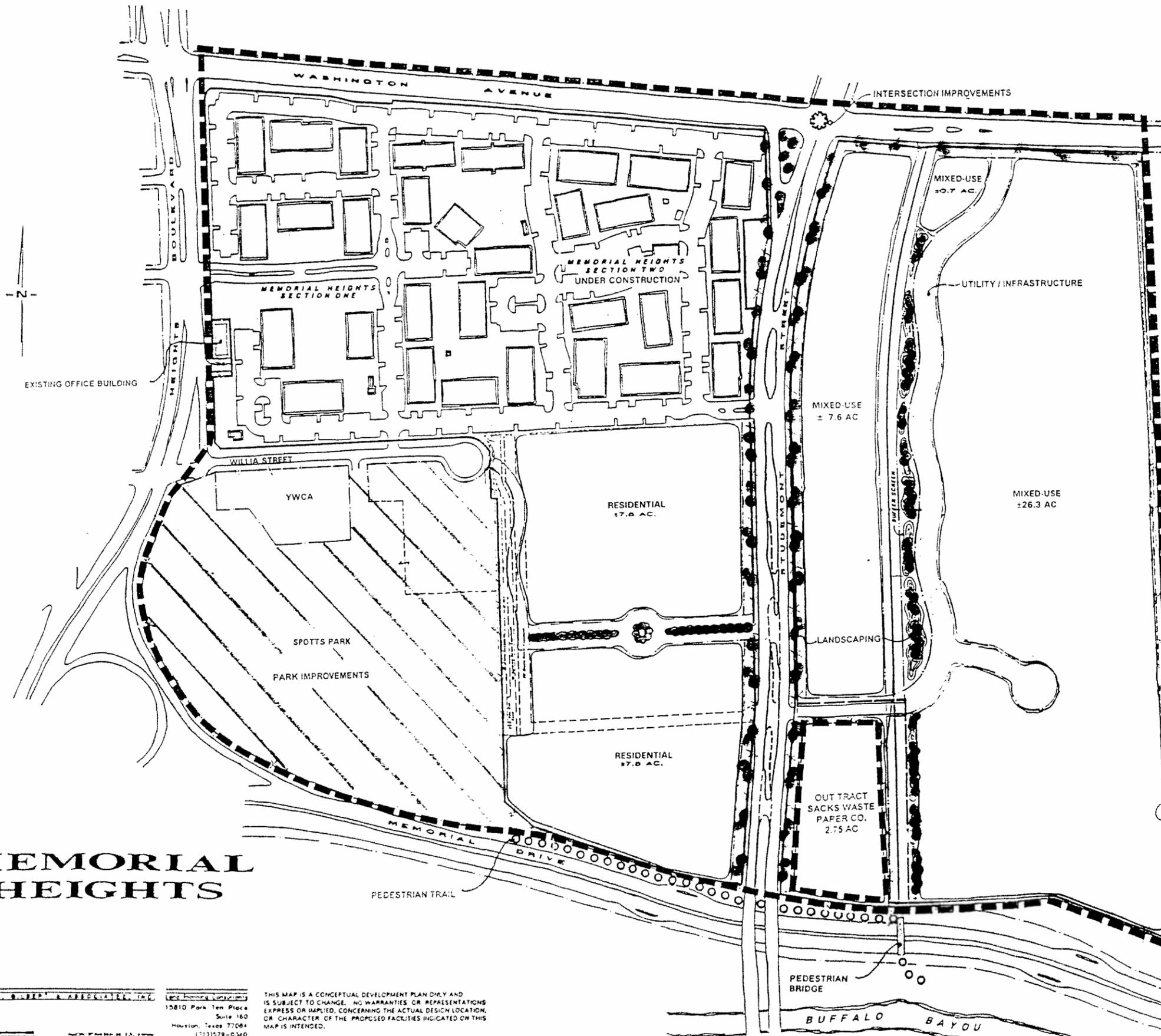
- LEGEND
- FENCE
  - LANDSCAPING
  - MEDIAN IMPROVEMENTS
  - UTILITY / INFRASTRUCTURE
  - PARK IMPROVEMENTS
  - INTERSECTION IMPROVEMENTS
  - PEDESTRIAN BRIDGE
  - PEDESTRIAN TRAIL
  - REINVESTMENT ZONE NUMBER 5 BOUNDARY

Note: All utilities and pavements will be provided as required for the T.I.R.Z.

**MEMORIAL  
 HEIGHTS**

KERRY R. GILBERT & ASSOCIATES, INC.  
 15810 Park Ten Place  
 Suite 160  
 Houston, Texas 77064  
 (713) 579-0340

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EXISTING OFFICE BUILDING

# MEMORIAL HEIGHTS

## Exhibit K IMPROVEMENTS MAP PLAN "B"

- LEGEND**
- FENCE
  - LANDSCAPING
  - MEDIAN IMPROVEMENTS
  - UTILITY / INFRASTRUCTURE
  - PARK IMPROVEMENTS
  - INTERSECTION IMPROVEMENTS
  - PEDESTRIAN BRIDGE
  - PEDESTRIAN TRAIL
  - REINVESTMENT ZONE NUMBER 5 BOUNDARY

Note: All utilities and pavements will be provided as required for the T.I.R.Z.

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PEDESTRIAN BRIDGE

BUFFALO BAYOU

## **VI. Budget - Project Costs**

A breakdown of the estimated budget for the TIRZ is detailed on the following pages. The developer will advance funds for the improvements and will be reimbursed as provided in separate agreements and other documentation between Security Capital, the City and the TIRZ. Line item amounts may be adjusted with approval of the TIRZ Board of Directors, as long as the total reimbursement does not exceed the Financing Plan budget. Any increases over the Financing Plan budget amount must be approved by Security Capital, the City, and the City Council as an amendment to the Project Plan.

The proposed budget provides that \$0.32/\$100 of the HISD increment will be available for the use of educational facilities to be developed as needed by HISD.

PLAN A

**TIRZ IMPROVEMENTS**

**Capital Costs**

**Public Improvements**

		Total Cost
Utility Lines		
Water		
Single Family/Townhome	262,000	
Multi Family	123,000	
Sanitary Sewer	327,375	
Stormwater	436,500	
<b>Total Utility Lines</b>		1,148,875
Water Impact Fees		158,800
Wastewater Impact Fees		555,800
Paving Plan A		
Public/41' Paving Sect.		
Private/U.E./28' Paving Sect.	62,500	
<b>Total Paving</b>	781,850	844,350
Landscape/Irrigation		
Perimeter Fencing	870,000	870,000
Park Improvements	284,375	284,375
Pedestrian Bridge		500,000
Intersection Improvements		300,000
(Studamont)		150,000

**Subtotal:** 4,812,200

**Financing Costs (1)** (See interest calculations page 22)

5,019,426

**Subtotal:** 5,019,426

**Real Property Assembly / Associated Costs**

(2) Land Acquisition/Relocation	2,647,320
(3) Land Sale Recovery	(2,047,320)
Environmental Cleanup	2,000,000

**Subtotal:** 2,600,000

**Professional Services (4)**

1,185,000

**Subtotal:** 1,185,000

**Relocation**

(See Real Property Assembly Above)

**Organizational**

165,000

**Operating**

\$0

**Interest (1)**

(See Financing Costs Above)

**General Revenue Contributions by Municipality**

\$0

**Municipality Payments Required**

\$0

**TOTAL - TIRZ Number Five** 13,781,626

**City Cost Reimbursement**

Police	-
Fire	-
Street Lights*	5,400
Solid Waste	-

**Subtotal:** 5,400

**TOTAL REIMBURSEMENT:** 13,787,026

**OTHER TIRZ IMPROVEMENTS (5)**

Below is the estimated revenue available to HISD for educational facilities generated by the \$0.32 per \$100 contribution from 1998-2017 plus the \$0.64 per \$100 contribution from 2008-2017 which will be available to HISD after the developer is reimbursed for the initial project costs. HISD facilities will not be developer financed and financing must be obtained by HISD.

11,914,548

**Notes:**

- (1) Interest at 9.5%. (See interest calculations page 28)
- (2) Cost for additional land required by development
- (3) Proceeds of sale of property to adjacent owners
- (4) Includes Engineering, Planning, Creation, Administration and Legal Fees
- (5) If required TIRZ increment can fund acquisition of school site under separate Financing between City and HISD.

*Interest Calculations - Plan A*

	ESTIMATED ANNUAL CONSTRUCTION ADVANCES	INTEREST (1) AT 9.50%	UNREIMBURSED CONSTRUCTION ADVANCES WITH INTEREST	ANNUAL REIMBURSEMENT	CUMULATIVE REIMBURSEMENT
1997	2,500,000		2,500,000		
1998	2,500,000	237,500	5,237,500		
1999	2,500,000	497,563	7,127,705	(1,107,358)	(1,107,358)
2000	1,267,600	677,132	7,930,643	(1,141,793)	(2,249,151)
2001		753,411	7,337,768	(1,346,287)	(3,595,438)
2002		697,088	6,587,805	(1,447,051)	(5,042,489)
2003		625,841	5,663,930	(1,549,717)	(6,592,205)
2004		538,073	4,585,841	(1,616,162)	(8,208,368)
2005		435,655	3,372,201	(1,649,295)	(9,857,663)
2006		320,359	2,009,545	(1,683,014)	(11,540,677)
2007		190,907	483,122	(1,717,331)	(13,258,007)
2008		45,897	-	(529,018)	(13,787,026)
	8,767,600	5,019,426			

(1) Estimated average interest rate at Prime + 1%.

PLAN B

**TIRZ IMPROVEMENTS**

**Capital Costs**

**Public Improvements**

		Total Cost
Utility Lines		
Water		
Single Family/Townhome		
Multi Family	262,000	
Sanitary Sewer	123,000	
Stormwater	383,825	
Total Utility Lines	511,500	
		1,280,125
Water Impact Fees		
Wastewater Impact Fees		158,800
Paving Plan B		555,800
Public/41' Paving Sect.		
Private/U.E./28' Paving Sect.	281,250	
Total Paving	781,850	
		1,063,100
Landscape/Irrigation		
Perimeter Fencing	1,065,000	1,065,000
Park Improvements	284,375	284,375
Pedestrian Bridge		500,000
Intersection Improvements		300,000
(Studemont @ Washington)		150,000

Subtotal: 5,357,200

**Financing Costs (1) (See interest calculations page 22)**

Subtotal: 8,959,321

Subtotal: 8,959,321

**Real Property Assembly / Associated Costs**

(2) Land Acquisition/Relocation	100,000
(3) Land Sale Recovery	0
Environmental Cleanup	2,000,000

Subtotal: 2,100,000

**Professional Services (4)**

Subtotal: 1,185,000

Subtotal: 1,185,000

**Relocation**

(See Real Property Assembly Above)

Organizational 165,000

Operating \$0

Interest (1) (See Financing Costs Above)

General Revenue Contributions by Municipality \$0

Municipality Payments Required \$0

**TOTAL - TIRZ Number Five** 17,766,521

**City Cost Reimbursement**

Police	
Fire	-
Street Lights*	-
Solid Waste	5,400

Subtotal: 5,400

Subtotal: 5,400

**TOTAL REIMBURSEMENT:** 17,771,921

**OTHER TIRZ IMPROVEMENTS (5)**

Below is the estimated revenue available to HISD for educational facilities generated by the \$0.32 per \$100 contribution from 1998-2017 plus the \$0.64 per \$100 contribution from 2014-2017 which will be available to HISD after the developer is reimbursed for the initial project costs. HISD facilities will not be developer financed and financing must be obtained by HISD.

8,644,305

**Notes:**

- (1) Interest at 9.5% (See interest calculations page 30)
- (2) Cost for additional land required by development
- (3) Proceeds of sale of property to adjacent owners
- (4) Includes Engineering, Planning, Creation, Administration and Legal Fees
- (5) If required TIRZ increment can fund acquisition of school site under separate financing between City and HISD.

*Interest Calculations - Plan B*

	ANNUAL CONSTRUCTION ADVANCES	INTEREST(1) at 9.50%	UNREIMBURSED	ANNUAL	CUMULATIVE
			CONSTRUCTION ADVANCES WITH INTEREST		
1997	2,500,000		2,500,000		
1998	2,500,000	237,500	5,237,500		
1999	2,500,000	497,563	7,578,526	(556,537)	(656,537)
2000	1,312,600	719,960	8,903,557	(707,528)	(1,364,065)
2001		845,838	8,811,846	(937,550)	(2,301,615)
2002		837,125	8,508,974	(1,139,997)	(3,441,612)
2003		808,353	8,147,790	(1,169,536)	(4,611,148)
2004		774,040	7,722,202	(1,199,628)	(5,810,776)
2005		733,609	7,230,276	(1,225,535)	(7,036,311)
2006		686,876	6,665,251	(1,251,901)	(8,288,212)
2007		633,199	6,019,715	(1,278,735)	(9,566,948)
2008		571,873	5,285,541	(1,306,046)	(10,872,994)
2009		502,126	4,453,825	(1,333,843)	(12,206,837)
2010		423,113	3,514,806	(1,362,132)	(13,568,969)
2011		333,907	2,457,788	(1,390,925)	(14,959,894)
2012		233,490	1,271,049	(1,420,229)	(16,380,123)
2013		120,750	-	(1,391,798)	(17,771,921)
	8,812,600	8,959,321			

(1) Estimated Average Interest Rate at Prime + 1%.

## VII. TIRZ Improvements - Plan A

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### 1. Capital Costs

- a. Preparation of Residential Development Sites \$ 1,863,475

Provide public water, sewer and drainage utility lines to support all proposed land uses. Pay City of Houston water and wastewater impact fees associated with all proposed land uses.

- b. Spotts Park Improvements and Common Area Improvements \$1,654,375

Public improvements to Spotts Park including, but not limited to, infrastructure improvements, play/recreation areas, tennis courts, nature trails, Houston Police Department patrol kiosk, and interior landscaping, lighting, irrigation, signage, fencing, and Studemont median improvements.

- c. Pedestrian Bridge \$300,000

Convert existing, abandoned railroad bridge over Buffalo Bayou and Memorial Drive for pedestrian/bike use to extend trail system to Spotts Park and provide an additional crossing over Allen Parkway.

- d. Intersection Improvements \$150,000

Improvements to the intersection of Washington Avenue and Studemont in keeping with the Washington Avenue Coalition concepts.

- e. City Cost Reimbursement

Reimbursement to the City of Houston for additional service provision requirements resulting from the proposed mixed-use residential community.

#### 1) Police Services

The proposed TIRZ is located in police beats 2A40 and 2A50. According to the Planning Division of the Houston Police Department, the addition of an estimated 2,400

new residents and new commercial enterprises will not impact the area nor require additional officers or capital expenses.

2) *Fire Services*

The closest fire station, Fire Station Number 6, is located at 3402 Washington, just north of the TIRZ. The Houston Fire Department Planning Division's current facilities are adequate to serve the proposed development. Therefore, no additional expenses are projected to result from the proposed development.

3) *Street Lights*

\$5,400

Annual operating expense for street lights on newly constructed streets will be paid for by the TIRZ for the life of the Zone. The City will not incur additional expense for the street lights within the Zone.

4) *Solid Waste Collection*

The City currently provides solid waste service to all single family homes on public streets. It does not provide service to multi-family and commercial properties nor to single family homes on private streets. The proposed development includes only commercial, multi-family and private street, single family detached subdivisions. Therefore, there will be no additional expense to the City resulting from the proposed development.

f. Environmental Cleanup

\$2,000,000

Costs associated with eliminating environmental problems and site restoration resulting from prior land uses, and obtaining TNRCC certification for residential land use.

g. Street Paving

\$844,350

Street paving for approximately 2.10 miles of streets.

2. Financing Costs

Interest on the funds loaned by the developer to the zone.

\$5,019,426

- |    |   |       |           |
|----|---|-------|-----------|
| 3. | Land Acquisition/Easement Vacation/Relocation | (net) | \$600,000 |
|----|---|-------|-----------|

Costs associated with acquiring land, easements and relocations necessary for implementation of the Project Plan.

- |    |   |           |
|----|---|-----------|
| 4. | Professional Services - TIRZ Creation and Operation | \$850,000 |
|----|---|-----------|

Services such as planning, legal, engineering, and other related services associated with the creation and operation of the zone.

- |    |                                      |           |
|----|--------------------------------------|-----------|
| 5. | TIRZ Administration Costs (20 Years) | \$500,000 |
|----|--------------------------------------|-----------|

Consulting services related to the long-term administration of the District.

<b>TOTAL PLAN A</b>	<b><u>\$13,787,026</u></b>
---------------------	----------------------------

- |    |   |              |
|----|---|--------------|
| 6. | Educational Facilities (not included in developer financing). | \$11,914,548 |
|----|---|--------------|

### **VIII. Proposed Schedule for Development of Public Improvements**

Below is an outline of the projected schedule for construction and installation of improvements:

1. Year One to Year Five - May 1, 1997 to December 31, 2001

Activities shall include: remediation, construction, related professional activities, and business relocation and condemnation if necessary, as outlined in the Project Plan.

The services and improvements of the TIRZ are as follows:

- a. Acquisition and condemnation, as a last resort if required, of appropriate property. If any relocation occurs as a result of this activity, it will be done pursuant to City policy.
- b. Environmental remediation of land within the TIRZ east of Studemont, railroad ROW and certain tracts located west of Studemont.
- c. Construction of public water, sewer, drainage, restricted access ways for the completion of Phase II of the Memorial Heights apartment family community and Phase I of the planned single

family detached residential development, including common area landscaping and perimeter fencing.

- d. Spotts Park and public street intersection improvements.
  - e. In addition, the administration of the Zone shall be directed by the Board of Directors of the TIRZ and funded through the Zone under the provisions of Chapter 311, Tax Code.
  - f. Development of commercial land uses.
2. Year Six to Year Ten - January 1, 2002 to December 31, 2006
- Years six through ten of this Plan will commence on January 1 of each year in the years 2002 through 2006, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan. Projections include construction being complete by approximately 2007.
- a. Any necessary construction requirements of the project.
3. Year Eleven to Year Twenty - January 1, 2007 - December 31, 2017
- Years eleven through twenty of this Plan will commence on January 1 of each year in the years 2007 through 2017, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan.
- a. Any necessary construction requirements of the project.
  - b. The administration of the TIRZ.
  - c. Educational facilities.
  - d. Remaining contractual obligations.

## **IX. Public Improvement District**

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In conjunction with the TIRZ, a Public Improvement District ("PID") has been approved to assess property owners within the PID for supplemental services related to the development. These include common area irrigation and maintenance, street lighting, security and constable patrol, maintenance of Spotts Park, other related services, and administration of the PID.

## **X. Addendum**

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The exhibit in the addendum section provides additional information regarding the proposed development and is incorporated as part of this Project Plan and Financing Plan.

Exhibit: CDS Market Research Report

## *Exhibit N*

### **Legal Description for Reinvestment Zone Number Five, City of Houston, Texas**

A tract of land ("Tract") being approximately 120 acres starting at the intersection of the east R.O.W. line of Heights Boulevard, a 130' R.O.W. and the north R.O.W. line of Washington Avenue (80' R.O.W.) said intersection being the Point Of Beginning,

Thence, in an easterly direction along the northern R.O.W. line of Washington Avenue (also being the northern boundary line of the said Tract) to the point of intersection with the east R.O.W. line of Studemont Street, thence continuing in a easterly direction along the northern line of Washington Avenue a distance of approximately 785' to its intersection with the northerly extension of the east line of that certain 31.17 acres of land out of the John Austin Two League Grant, Abstract No. 1, described in general warranty deed from American Rice Inc., to Successor in Title American Rice, Inc., a Texas Corporation as recorded in Harris County Clerk's File No. L647116, located in the City of Houston, Harris County, Texas.

Thence, South 03° 06' 49" East, along the eastern boundary line of the above referenced 31.17 acres, a distance of approximately 2,270.81 feet to a point of intersection with the northern R.O.W. Line of Memorial Drive (120' R.O.W.)

Thence, in a westerly direction along the northern R.O.W. line of Memorial Drive (also being the southern boundary line of the said Tract) to the point of intersection with the east R.O.W. line of Heights Boulevard,

Thence, in a northerly direction along the eastern R.O.W. line of Heights Boulevard (also being the western boundary line of the said tract) to the Point Of Beginning.

SAVE AND EXCEPT, all that certain tract of land ("Exception Tract") containing 2.7515 Acres (119,855.3 Square Feet) out of Lots 6,7 and 8, Block 3, Hollingsworth of the John Austin Survey, A-1, Houston, Harris County, Texas, being more particularly described by metes and bounds as follows:

Beginning at an "X" in concrete (set) at the S.E. corner of Butler Street (40' R.O.W.) and Studemont (100' R.O.W.) for the N.W. corner;

Thence, North 89°42'00" East along the south line of Butler Street, 241.74 feet to and I.R. (set) in the west line of a 50 ft. R.O.W. T. & N.O. RR (GH&S.A. RR) for the N.E. corner;

Thence, South 0°18'00" East along the west line of said T. & N.O. RR R.O.W. 466.20 feet to an I.R. (set) in the north line of a City of Houston Parks Department Tract for the S.E. corner;

Thence, North 85°18'00" West along the north line of the City of Houston Parks Department Tract, 284.53 feet to an I.R. (set) in the east line of Studemont for the S.W. corner;

Thence, in a northeasterly direction, along the east line of Studemont, a 2242.01 foot radius curve to the right (1=2 40'00") 104.34 feet to an I.R. (set) for the P.T. of a curve;

Thence, North 5°25'30" East along the east line of Studemont, 316.54 feet to an "X" in concrete (set) at the P.C. of a curve to the left;

Thence, in a northeasterly direction along the east line of Studemont, a 2392.01 feet (1=0 32'21") 22.51 feet to the Place Of Beginning.

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**ADDENDUM**

**CDS RESEARCH REPORT**

**DEVELOPMENT TRENDS AND MARKET SUPPORT ANALYSIS**

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**Development Trends**  
**and Market Support Analysis**  
**Memorial Heights**  
**Tax Increment Reinvestment Zone**

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*Prepared for:*

**Mr. Peter Grimm  
SECURITY CAPITAL GROUP  
8801 Wall Street, Suite 800  
Austin, Texas 78754**

*Prepared by:*

**CDS RESEARCH  
9225 Katy Freeway  
Suite 322  
Houston, Texas 77024**

**December, 1996**

December 23, 1996



Mr. Peter Grimm  
SECURITY CAPITAL GROUP  
8801 Wall Street, Suite 800  
Austin, TX 78754

Dear Mr. Grimm:

We have completed our analysis of market support levels available to Memorial Heights and the proposed Tax Increment Reinvestment Zone (T.I.R.Z.). Although some elements of our report are not finalized, we do not foresee any significant revisions in our findings and conclusions. However, it must be noted some of the data may be subject to modification.

The Study Area delineated for this analysis is called Inner Loop West. This is the area south of Katy Freeway, west of Interstate 45, north of Southwest Freeway, and east of Loop 610.

Major findings relative to land uses included in the proposed Memorial Heights/T.I.R.Z. No. 5 are:

- The proposed T.I.R.Z. is located north of Memorial Drive and is between the "Heights" and "Montrose" areas.
- Both the Heights and Montrose areas have had substantial gentrification and have demonstrated the capacity to attract multiple real estate markets.
- The Memorial Drive-Buffalo Bayou corridor includes Houston's most prestigious residential areas and affords excellent access to the Houston freeway system and major employment centers.
- Since 1990, the Inner Loop West has reversed the trend of negative population growth. Between 1980 and 1990, the area lost an estimated 15,800 residents. Since 1990, the resident population has increased by 8,700.
- Since 1990, 3,700 new apartment units have been built in the Inner Loop West.
- As of mid-year 1996, the apartment occupancy rate in the Inner Loop West was 97%.
- This indicates an annual new apartment absorption rate of 600 units.
- In our opinion, the rate of multi-family unit absorption in the Inner Loop West would have been greater but was restricted by the volume of production.

- Phase I of the 360 unit Memorial Heights apartment complex leased between 55 and 60 units a month.
- Memorial Heights Apartments are currently 99% occupied and a reservation list for Phase II units is being maintained (20-25 units).
- The success of Phase I of Memorial Heights establishes the viability of apartment development at the proposed T.I.R.Z. No. 5.

### Single Family and Townhomes

- According to the Department of Planning and Development, a total 1,442 new single family homes, duplex and triplex (townhomes) have been permitted in the Inner Loop West since 1992. This indicates an oversize annual construction rate of 304 new owner occupied dwelling units.
- Multiple Listing Service reports that over the past twelve months, a total 998 dwelling units priced between \$150,000 and \$300,000 were sold in the Inner Loop West.
- Of the 998 sales reported by M.L.S., 742 (74%) were single family homes and 256 (26%) were townhomes and/or condominiums.
- Hallmark Residential, single family, patio and townhome builders, has examined the property and analyzed the market. It is their opinion they will achieve annual sales of 40 to 50 units.
- The land use absorption schedule employed for financial forecasts of T.I.R.Z. No. 5 assumes townhome sales of 13 to 30 units per year. This is a 5% to 12% share of townhome sales in the I.L.W. market over the past year. It is 3% or less of total home sales.
- Financial forecasts assume net single family sales of 20 units per year. This is a 2.7% share of single family home sales reported by M.L.S. (Dec. 1995 - Dec. 1996).
- The absorption schedule indicates an average 39 units sold in 2000 and 2001; the highest volume years. Production in the I.L.W. has risen from 216 units in 1992 to 378 units in 1996. If this trend continues, production in 2000 will approximate 500 units and 530 units in 2001. Annual sales of 39 units will be 1% to 8% share.
- Based on the foregoing it is our conclusion the absorption rate for single family and townhomes in the financial forecast is reasonable, attainable and likely conservative.

## Rental Townhomes

- a) In October 1993, CDS Research conducted a study for the Houston Downtown Management Corporation. This report, "Market Analysis of Housing Potential in Downtown Houston", concluded
  - b) "61% of respondents prefer to own and 39% to lease".
  - c) "Townhomes are the most desirable product with demand potential in all price ranges (12,200 units)".
  - d) "Strongest demand is for units priced at \$900 per month and above (5,300 units) with good potential for units priced between \$300 and \$600 per month (3,200 units).
- With demand for \$900 plus units at 5,300 units and 39% preferring to lease, the gross market potential for rental townhomes by Downtown workers approximates over 2,000 units.
  - The leasing experience of Phase I of Memorial Heights found a strong demand for larger rental units. With 70% to 75% of residents working in the C.B.D., it is our opinion the proposed 75 townhome rental units will lease in advance of construction, assuming a strong marketing and merchandising program.

## Retail Sales Potential

- CDS Research has developed estimates of gross market potential for supermarket, drug, restaurants, and miscellaneous retail outlets located in the proposed T.I.R.Z. No. 5.
- These forecasts indicate 1997 neighborhood potential (one mile radius) of \$26.9 million for food stores and \$4.0 million for drug.
- The secondary area (1-2 mile radius) represents \$81.3 million food store market potential and \$12.0 million in potential drug store sales.
- Assuming typical market share, a supermarket located in the T.I.R.Z. would have annual sales of \$15.0 to \$20.0 million.
- Discussions with retail brokers who are familiar with the neighborhood and the property have led us to conclude annual supermarket sales volume of \$15.0 to \$20 million may be adequate but is not sufficient to establish a successful retail center at the property.
- It is the opinion of the commercial real estate brokers the creation of the T.I.R.Z. substantially improves the demographics, provides economies of operation and

establishes the site. Thus, it is unlikely a neighborhood center can be developed in the foreseeable future, without creation of T.I.R.Z. No. 5.

### Senior Housing

- The development plan for the proposed T.I.R.Z. included 96 dwelling units for senior citizens.
- Based on market surveys and development trends for housing oriented to residents 75 years and up, Harris County has the need for over 11,000 units for income qualified residents (\$15,000 a year and up).
- The total unit inventory of the 25 largest retirement communities in Harris County is less than 5,000 units and none are located in the I.L.W.
- We estimate there is latent demand for about 6,000 units and the 96 units located at T.I.R.Z. No. 5 will be leased in twelve months. It must be noted that the decision by prospects to move to facilities of this type is a prolonged one and this extends the leases up period.

### Corporate Housing

- The proposed development plan provides a 3.4 acre site for 122 units of corporate housing.
- This site is set aside for Homestead Village, a corporate sibling of the applicant.
- Homestead Village has a marketing concept oriented to business travelers. Since 1994, they have opened 8 facilities comprising over 1,000 rooms in the Houston Market.
- They are familiar with the proposed development and believe this location and its proximity to the Houston C.B.D. will result in above average occupancy rates which are typically in the 80% to 85% range.

### Conclusion

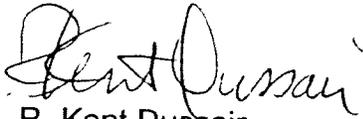
CDS Research solicited the opinion of Mr. John E. Walsh, former president of Friendswood Development and Chairman of the Urban Land Institute Houston District Council's panel on City Center Development in Houston. Mr. Walsh expressed the opinion that a good diversity of land uses, products and price points is required. He also stated the proposed development will work conceptually but the economics of development don't work without help.

Based on our analysis of development trends inside the Loop and our analysis of market support factors, we strongly recommend the creation and development of

neighborhood that will be maintained over time. Additionally, T.I.R.Z. No. 5 will stimulate and up-grade development in this sector of the City; specifically the Washington Avenue business community.

We believe sufficient levels of market support exists to justify all major land use components and that absorption projections presented by the developer are reasonable and obtainable. Realization of the Memorial Heights development will be a major step forward in revitalization of the inner city.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Kent Dussair".

R. Kent Dussair  
President

RKD/kdd

**DEVELOPMENT TRENDS**  
**AND MARKET SUPPORT ANALYSIS**  
**MEMORIAL HEIGHTS**  
**TAX INCREMENT REINVESTMENT ZONE**

**Introduction**

Security Capital Pacific Trust and P.T.R. Development Services, Inc. control approximately 90 acres of land located immediately west of the Central Business District of the City of Houston, Texas. Security Capital began assemblage of the 90 acres in 1994 and initiated development activity in 1995. Prior to that time, the Subject Properties of the surrounding neighborhood could best be described as dormant and/or deteriorating.

Security Capital has prepared a preliminary master plan for development of the 90 acres. Land use elements of the preliminary plan include: owner and renter occupied dwelling units, retail facilities, extended-stay hotel/motel facilities, and residences oriented to senior citizens. To execute the plan and develop the property as a multi-use planned unit development inside Loop 610 and near Downtown, issues of constraints impeding redevelopment of the Subject Properties must be resolved. To resolve these issues, the owners are requesting the City of Houston create a Tax Increment Reinvestment Zone (T.I.R.Z.). The proposed T.I.R.Z. No. 5 will be comprised of the area bounded by: Washington Avenue (north), Washington Cemetery (east), Memorial Drive (south), and Heights Boulevard (west).

**Inner Loop West - Study Area**

An area called the Inner Loop West has been delineated and employed as the Study Area for this report. The Area is bounded on the :

North by Loop 610

East by U.S. I-45 and South Main Street

South by U.S. 59

West by Loop 610

NOTE: Study Area excludes C.B.D., unless noted.

**Inner Loop West Development Activity**

Prior to the economic decline of the mid-eighties, the Houston C.B.D. was a center of employment activity. This was due to employment growth in energy industries and their related services. However, other sectors of the C.B.D. employment base were in decline. The Houston economy has improved and real estate markets have come into balance, there have been successful programs to attract, employment and development activity to the C.B.D. These efforts are now coming into focus and, unlike the past, the focus has been to expand all sectors of the C.B.D. employment and activity.

Over the past six months, several companies have been attracted to C.B.D.:

- Houston-based N.G.C. Corporation will relocate 550 employees from the suburbs and 150 from Tulsa, Oklahoma to the C.B.D. (First Interstate Bank Plaza - 230,000 square feet).
- U.S.A. Waste is moving its corporate headquarters from Dallas to the C.B.D. This involves over 100 employees (85,770 square feet - First City Tower).
- Esso Exploration and Production Natuna Inc. (Exxon Corp.) moved 100 employees from the suburbs to downtown (31,000 square feet - Wedge Tower).
- King Ranch Oil and Gas, Inc. and King Ranch Power Company moved from the Woodlands to the C.B.D. (18,000 square feet - Wedge Tower).

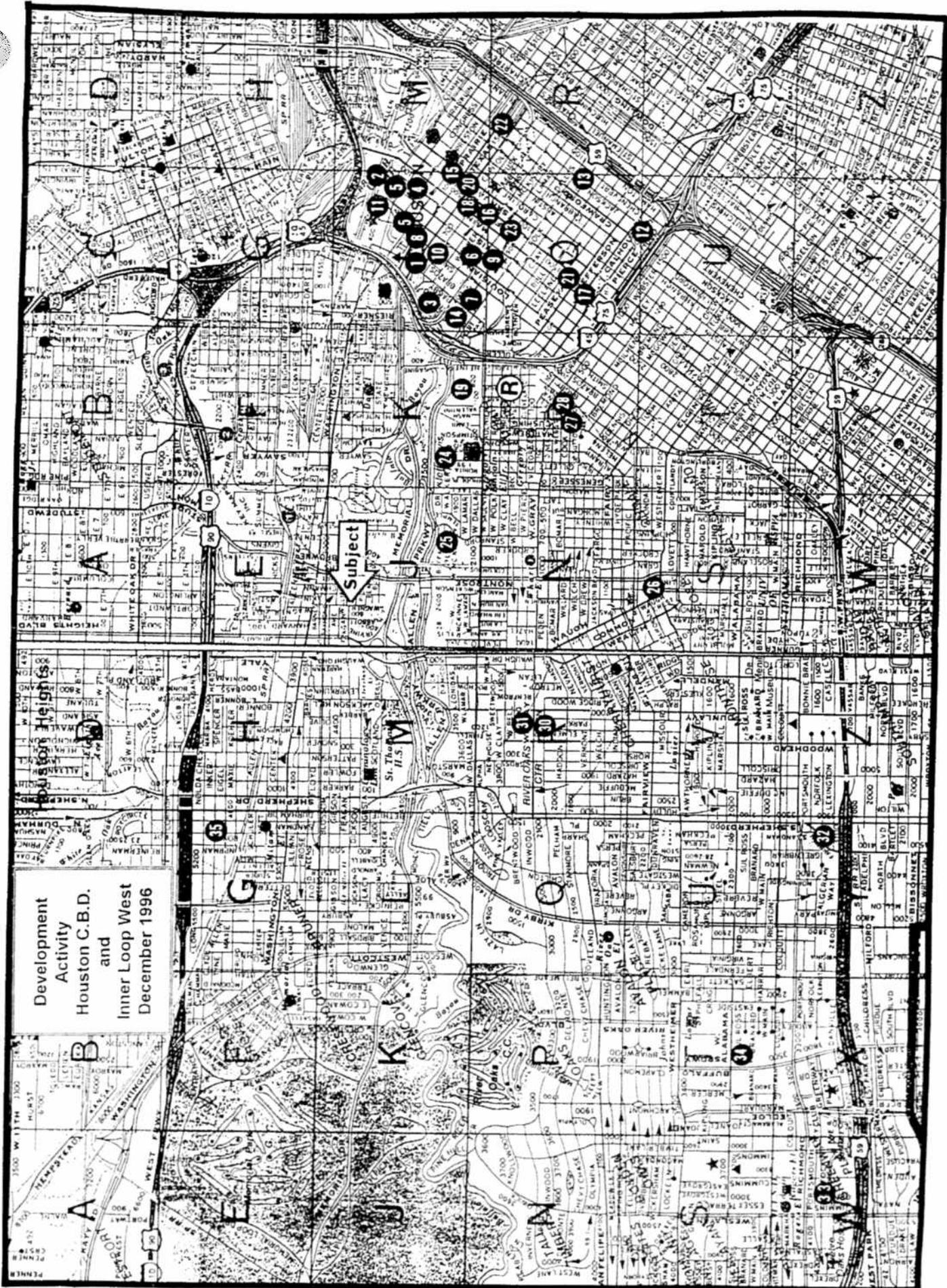
The following lists significant development and redevelopment activity in Inner Loop West and the Houston C.B.D. The list includes recently completed projects, under construction and announced. The locations of the projects are illustrated on the map (following page).

### Significant Development/Redevelopment Activity, Inner Loop West and C.B.D.

#### Under Construction/Recently Completed/Announced

1. Albert Thomas Redevelopment - \$23 million project; Cordish's entertainment, club, and restaurant complex opens early summer, 1997.
2. University of Houston Downtown - \$26.9 million of revenue bonds approved for two new buildings; construction underway on student activities building and academic support building.
3. Buffalo Bayou Waterfront - \$20+ million in phases. \$5 million project at White Oak mouth completed. \$5.6 million Phase II Sesquicentennial Park channel improvement near completion, and \$3.8 million of park features being readied for construction by year's end. \$2.9 million of ISTEPA enhancement funds for hike & bike trails awarded and in design phase.
4. Rice Hotel - \$32 million renovation of historic structure into 320 to 350 loft and apartment units. Environmental and demolition work in progress. Opens in December, 1997.
5. Hogg Palace/Foley Building/220 Main - Hogg Palace, 79 units, \$5 million, now being occupied by residents; Foley Building, 2 units, completed; 220 Main, 30 unit condominium, pre-construction environmental work in progress.

Development  
Activity  
Houston C.B.D.  
and  
Inner Loop West  
December 1996



6. Office Projects - HL&P headquarters project at 1111 Louisiana valued at over \$100 million completed. Reconstruction near completion at 1201 Louisiana. \$12 million. Four new restaurants: Tortellos (open), Cobo (under construction), Palace Cafe (under construction), Kim Son (announced).
7. City Hall - \$13 million renovation and restoration of historic edifice and adjacent plazas; under construction.
8. Market Square Clock Tower - Restoration of old city hall clock tower at Congress and Travis; \$300,000 project, completed.
9. City of Houston Police Administration Building - \$27 million; HNG building purchased by City and renovations started. Completion fall 1997.
10. Public Works Building - City of Houston has acquired HL&P light tower at 611 Walker for offices of Public Works and Engineering Department, Planning Department, and other functions. Includes new tunnel links, \$43 million. Abatement work started. Completion early 1998.
11. Replacement of Bridges - Capitol Avenue, Preston Avenue, Franklin Avenue, and San Jacinto Street bridges over Buffalo Bayou are being replaced by TxDOT and City. Capitol completed. Preston under construction in coordination with Sesquicentennial Park; completion February, 1997. San Jacinto under construction. Franklin construction to commence February, 1997. Approximately \$10 million.
12. St. Joseph Hospital - Multi-stage construction of garage and ambulatory care facility; garage construction nearing completion; \$50 million.
13. Convention Center Headquarters Hotel - \$155 million; Duddlesten/Hilton team advancing deal; construction start late spring, 1997.
14. Music Hall Redevelopment - \$60 million; Theater Under The Stars has agreement to do redevelopment. Music Hall Foundation conducting fundraising for this new home of TUTS and Pace Theatrical; design consultants selected.
15. Criminal Justice Center - \$88 million of bonds approved and construction scheduled to start late 1996. Facility will be heart of Harris County Courts Complex.
16. South Texas College of Law - High-technology addition to law library and renovations, planning and fundraising in progress. \$12.5 million.
17. Downtown Transit Center - \$17 million; transfer/terminal facility in south end of downtown; negotiating on 1900 Main block site.

18. Residential Projects - Four properties recently purchased or under contract. Texaco Building, 300 loft units; South Houston Hotel, 40 condo units; Union Bank Bldg., 18 condo units; Hermann Estates Bldg., 30 condo units.
19. Allen Parkway Village Redevelopment - \$36 million rehabilitation and new construction of low and low-mod income housing. In design and demolition/site clearance. Sale of Jefferson Davis Hospital completed also.
20. Metropolitan Detention Center - \$50 million; site acquired at Texas and San Jacinto by U.S. Bureau of Prisons. Design and urban archeology under way.
21. METRO Headquarters Building - Metro has requested federal grant for permanent headquarters. Purchase of 1801 Main found to be infeasible; other buildings being considered.
22. Downtown Baseball Stadium - Letter of intent between County, City, Houston Astros, and Houston Sports Facilities Partnership (private sector business), signed; referendum providing authorization to County November 5. \$265 million project.
23. Sakowitz Building Redevelopment - Property in 1100 block of Main Street being sold to Spire Realty for redevelopment in to first floor retail with parking above and facade restoration.
24. Jefferson Davis Hospital Redevelopment - Dallas based J.P.I. Texas Development Corp. \$5.8 million bid was accepted by the Harris County Hospital District. J.P.I. has announced plans to construct 550 multi-family units on the 11 acre site. 70% of units will be for low income. The existing 11 story tower and administration building will be converted to rental units.
25. The Tower of Buffalo Bayou - 11 townhomes, 2,500 square feet, \$295,000 and up, under construction.
26. Montrose Townhome Lofts - 11 new townhomes lofts, \$180,000+, 2,150/3,050 square feet, under construction.
27. Jennard M. Gross - acquired a five acre parcel and has announced plans to build a \$15.0 million 190 unit project. The plan includes 171 apartment, 20 rental townhomes and a three story parking garage. Apartment units start at \$650, townhomes \$1,500 to \$1,800 per month.
28. J.P.I. Texas Development Corp. - is negotiating purchase of the 7.8 acre "Blaffer Tract". Plans to develop "vertical rather than horizontal" apartment complex.

29. Bakery Square Shopping Center - under construction. 3.3 acres formerly occupied by Mrs. Baird's bread plant. 15,120 square feet, freestanding Walgreens - open, Blockbuster Video - open.
30. The Metropolis - Mid-rise 32 unit "condo-loft" development. Development will feature 19 foot ceilings with prior ranging from \$180,000 to \$300,000. Pre-sales in progress, 10 pre-sales prior to construction.
31. Shepherd Plaza - renovated 125,000 square foot shopping center has attracted fourteen new clubs and restaurants. Three more are negotiating leases.
32. Inova Buildings - T.P.M.C. of Dallas has acquired this building and announced a \$70 million redevelopment plan including an additional parking garage, 32 screen "mega-megaplex movie theatre," and fitness center.
33. Great Southern Life Insurance Building - This ten story building is scheduled to be demolished and replaced by a 300 unit luxury apartment development. Ron and Marv Finger are the developers.
34. City Park Townhouse - is a twenty unit townhome development with "key park" under construction. Prices start at \$187,500, six reported sold.

R. Houston Renaissance, a non-profit corporation is developing a land bank in the blighted Fourth Ward. The City has a \$3.4 million grant and applied for an additional \$14.8 million from H.U.D. The plan provides for new streets, sewers, and other infrastructure improvements. Renaissance has contracted to purchase thirty-two acres. The land bank will sell improved lots to builders. Homes will be targeted to low and middle income householders with prices from \$65,000 to \$150,000.

### Inner Loop West Population Growth Trends

Estimates and projections of population growth trends for Harris County and the delineated Inner Loop West (I.L.W.) are presented on the following page.

National Decision Systems estimates the 1995 population of the I.L.W. to approximate 143,900 increasing to 151,970 in 2000. This is a net gain of 8,070 persons or about 1,600 per year. This is 36.7% higher than 1,170 persons per year; the estimated increase between 1990 and 1995.

An estimated January 1997 population developed by CDS Research is based on the net increase in the dwelling unit inventory.

Between 1992 and December 11, 1996, 1,412 single family, duplex and triplex dwelling units (includes townhomes) were permitted in the Inner Loop West (Appendix Table B). During this same period, 1,030 units were demolished. (Appendix Table C). The net

gain for the period was 382 units or 76 units per year, on average. Assuming 1990 and 1991 were "average" years, the net gain approximates 532 dwelling units.

As shown (Appendix Table A), between 1990 and mid-year 1996, multi-family unit production in the I.L.W. was 3,701 units. Multi-family demolitions between 1992 and 1996 (year-to-date: Dec. 11, 1996) were 177 units or 35 per year, on average. Thus an estimated 247 multi-family units were removed from inventory. An estimated 3,454 multi-family units were constructed in the I.L.W. between 1990 and December 1996. The current multi-family occupancy rate is 3% indicating about 3,350 of the new multi-family units are occupied.

**POPULATION GROWTH TRENDS INNER LOOP WEST AND HARRIS COUNTY  
1980-2005**

<b>Area</b>	<b>1980 (No.)</b>	<b>1990 (No.)</b>	<b>1995 (No.)</b>	<b>1997 (No.)</b>	<b>2000 (No.)</b>	<b>2005 (No.)</b>
Harris County (000's)	2,409.5	2,818.2	3,103.9	3,207.6	3,369.5	3,647.4
Inner Loop West	153,871	138,044	--	--	--	--
N.D.S.*	--	--	143,895	147,425	151,970	158,530
CDS Research	--	--	--	146,750**	150,680	157,420

NOTE: Inner Loop West includes Central Business District.  
Harris County 1995 and 2000 National Decision Systems (N.D.S.\*)  
\*\*Jan. 1997

Source: U.S. Department of Commerce, Bureau of the Census, National Decision Systems, Inc. (N.D.S.), and CDS Research, Houston, Texas

The I.L.W. is comprised of 35 1990 U.S. Census Tracts. The population per household for the individual Census Tracts ranged from 1.36 to 3.41. The median household size for the combined Census Tracts (I.L.W.) is 2.23 persons per household and the average is 2.34. Application of the median to the estimated net gain in occupied multi-family units (2.23 x 3,350) results in an estimated population increase of 7,470 persons. Application of the average household size to the added non-multi-family units results in an estimated population increase of about 1,240 persons (2.34 x 532). On this basis, CDS estimates a net population increase of about 8,700 persons in the I.L.W. between 1990 and December 1996. This indicates a current estimated resident population of 146,750 in the I.L.W.

Extension of the 1990 to 1996 rate of population increase in the I.L.W. indicates a population of 150,680 in 2000 and 157,420 by the year 2005.

## Multi-Family Development Trends

Appendix Table A sets forth multi-family unit production in the Inner Loop West, the balance of the Houston/Harris County Area and the total for Houston/Harris County. As shown, the number of units constructed in the Inner Loop West (I.L.W.) approximates 24,749 units. Since 1987, a total 1,406 units have been "removed" from inventory. Thus, the estimated standing multi-family unit inventory in the I.L.W. as of mid-1996, is 24,749 units.

Almost two-thirds (63.5%) of the I.L.W. apartment inventory was built prior to 1970 and is in excess of 26 years of age. By comparison, only 19.2% of the inventory outside the I.L.W. was built prior to 1970.

Prior to 1960, about two-fifths (39.7%) of the Houston/Harris County multi-family unit inventory was located in the I.L.W. However, over the next decade (1960-1969), over four-fifths (86.2%) of multi-family production occurred outside the I.L.W. This trend continued through the 70's and 80's.

Between 1980 and 1985, multi-family unit production records were set, over 22,600 units per year on average, and close to 100% of units added to the Houston/Harris County inventory occurred outside the I.L.W.

Although there were many reasons for the decline of multi-family construction inside the Loop, the major reasons were simply the availability of competitively priced land, the economics of development and the difficulty of assembling property inside the Loop.

It must be noted that none of the foregoing reasons were due to a shortage of market demand for multi-family development inside the Loop. In fact, employment in the C.B.D. was at record levels and demand for all types of housing inside the Loop was surging. However, the availability and price of land outside the Loop made development outside the Loop easier and more profitable.

When the economy slowed in the mid-eighties, vacancy rates rose, rental rates declined and there was a substantial surplus of multi-family units. The bulk of the surplus inventory was located outside the Loop. Because the I.L.W. has a lower surplus of units and lower operating it was the first apartment sub-market to recover. Between 1990 and 1996, 20% of multi-family unit production occurred inside the I.L.W.. It should be noted the I.L.W., as delineated for this report, excludes the Pin Oak, Plaza Del Oro and Medical Center areas; all of which are inside Loop 610 but outside the I.L.W.. Thus the Inner Loop Area has probably accounted for well over half of multi-family unit construction since 1990.

**Multi-Family Unit Development Trends, Selected Areas**

Period	Inner Loop West		Outside Inner Loop West		Houston/Harris County	
	(Units)	(%)	(Units)	(%)	(Units)	(%)
Pre-1960	6,156	39.7	9,349	60.3	15,505	100.0
1960-1969	10,475	13.8	65,180	86.2	75,658	100.0
1970-1979	4,824	2.6	17,183	97.4	184,007	100.0
1980-1985	991	.9	112,121	99.1	113,112	100.0
1986-1989	8	.2	4,109	99.8	4,117	100.0
1990-1996*	<u>3,701</u>	<u>19.6</u>	<u>18,915</u>	<u>80.4</u>	<u>22,616</u>	<u>100.0</u>
Total	26,155	6.3	388,860	93.7	415,015	100.00

\*Mid-Year 1996

Source: Apartment Occupancy and Rental Survey Mid-Year 1996, Houston Apartment Association and ReVac, Inc.

**Inner Loop West Multi-Family Unit Market Absorption**

For net absorption to occur, there must be units available for new residents. For example, an area with 100% occupancy and no new construction cannot have net market absorption. Absorption is a reliable indicator of market conditions and trends. It is not a reliable indicator of market demand.

Between mid-year 1991 and mid-year 1996 (five years), Houston/Harris County recorded net market multi-family unit absorption of 25,934 units. Market absorption within the Study Area (I.L.W.) was 2,624 units. This represented 10% of Houston/Harris County.

**Inner Loop West Multi-Family Unit Annual Market Absorption**

Year	Multi-Family Unit Market Absorption (Units)
1991*	397
1992	709
1993	82
1994	<48>
1995	809
1996*	<u>181</u>
TOTAL	2,624

\*6 Months.

Source: Apartment Occupancy and Rental Survey Mid-Year 1996, Houston Apartment Association and ReVac, Inc.

### Multi-Family Unit Occupancy Trends

As shown, the Inner Loop West has recorded occupancy rates higher than the Houston/Harris County Area as a whole. However, both areas have recorded occupancy rates in excess of 92% for the past six years, Houston/Harris County 1992 91.5%, notwithstanding, at the present time

Mid-year 1996, 97% of apartment units in the I.L.W. are occupied. This indicates about 24,865 occupied apartment units in the I.L.W. of which about 3,700 or 15% have been built and occupied since 1990.

### Inner Loop West Occupancy Trends

First Quarter	Inner Loop West	Houston/Harris County
1991	95.7%	92.3%
1992	95.6%	91.5%
1993	94.9%	92.5%
1994	94.4%	92.4%
1995	96.8%	93.7%
1996*	97.0%	95.1%

\*Mid-year 1996

Source: Apartment Occupancy and Rental Survey Mid-Year 1996,  
Houston Apartment Association and ReVac, Inc.

### Memorial Heights Apartments Market Experience

The first phase of redevelopment in the proposed T.I.R.Z. No. 5 is comprised of 360 multi-family rental units known as Memorial Heights Apartments. Memorial Heights opened in January 1996, and by July, occupancy was over 95%; indicating a monthly lease-up rate of 57 units. As of November 1996, only three units were reported as unoccupied; resulting in an occupancy of 99.2%. This is an exceptional rate of success and reflects excellent market demand for new apartment units located within the proposed T.I.R.Z.

Residents of Memorial Heights have been attracted from "all over Houston". Management estimates the property has attracted about 50% of residents from inside the Loop and 50% from outside. The major reason they were attracted to the property is convenience to their job location. About 70% to 75% work in the C.B.D. The remaining 25% to 30% typically have at least one household member employed inside the Loop; Galleria, Greenway Plaza, Medical Center.

### Memorial Heights Unit Sizes and Rental Rates

<u>Units (No.)</u>	<u>Type (BD/BA)</u>	<u>Size (Sq. Ft.)</u>	<u>Rental (Monthly)</u>	<u>Rate (Per Sq. Ft.)</u>
180	1/1	655	\$674	\$1.029
32	2/1	818	\$804	\$0.983
84	2/2	861	\$834	\$0.969
48	2/2	912	\$869	\$0.953
16	3/2	1,115	\$1,018	\$0.913

The Memorial Heights Apartments feature gated entry perimeter fencing, resident center with great room, business center, theatre, exercise facility, covered parking, and garages are available on an optional basis. Unit features include: clothes care centers, full size washer/dryer connections, optional intrusion alarms, atrium doors to private patios/balconies with storage.

### Single Family, Duplex and Triplex Development Trends

Residential development inside Loop 610 is fragmented and difficult to track. Several builders are purchasing vacant lots and/or homes that are either demolished or moved. This is being done by one of Houston's largest suburban builders, custom builders and low volume builders. Although Multiple listing Service reports sales, townhome sales are included with condominiums and new construction is included with pre-owned home sales.

Since 1992, the City of Houston Department of Planning and Development has developed a new construction database. The data is based on building permits issued and is sorted by zip code. Appendix Table B sets forth construction activity in the Inner Loop West, as determined by building permits. Appendix Table C presents demolition permit data. These data were employed to estimate the net gain in dwelling units and employed for estimating the current population of the Inner Loop West.

**Inner Loop West - New Residential Construction 1992 - 1996**

Year	Inner Loop West		Inside Loop*		Outside Loop		City of Houston**	
	(Units)	(%)	(Units)	(%)	(Units)	(%)	(Units)	(%)
1992	213	16.1	321	24.3	1,001	75.7	1,322	100.0
1993	280	18.7	422	28.1	1,078	71.9	1,500	100.0
1994	276	13.5	434	21.2	1,610	78.8	2,044	100.0
1995	295	11.9	473	19.1	1,999	80.9	2,472	100.0
1996	<u>378</u>	<u>17.3</u>	<u>450</u>	<u>20.6</u>	<u>1,739</u>	<u>79.4</u>	<u>2,189</u>	<u>100.0</u>
TOTAL	1442	14.9	2,100	22.0	7,427	88.0	9,527	100.0

\* Includes units built in Inner Loop West.

\*\* Total for "Inside" and "Outside" Loop.

1990 through December 11, 1996

Source: City of Houston, Department of Planning and Development.

During the five years shown, 9,527 units were permitted in the City of Houston. The Inner Loop West accounted for 15% of the City's residential construction activity between 1992 and 1996. This is an average 288 units per year.

With the exception of 1994 when production was four units less than 1993, production in the Inner Loop West has increased each year. Based on the trend of production between 1992 and through 1996, residential production in Inner Loop West would approximate the following:

- 1997 - 392 Units
- 1998 - 416 Units
- 1999 - 461 Units
- 2000 - 495 Units
- 2005 - 667 Units

Estimating future home sales in the Inner Loop West or the larger "Inside Loop" delineated by City Planning requires multiple assumptions that relate to supply rather than conventional demand forecasts which are generated by population growth, employment growth, and/or household formation. This is because Inner Loop West sales activity will be influenced, if not determined by, the availability of lots in desirable neighborhoods. Thus the volume of sales will be determined by the availability of lots in acceptable neighborhoods rather than economic growth. This involves City policy, budget and fiscal issues as they relate to infrastructure, services, security, etc.; none of which are typically included in forecasting levels of market demand methodology.

What is apparent is there is a substantial pool of qualified buyers now residing outside the Loop simply because they have been unable to locate a home that meets their criteria. Generally, these are individuals who work at employment centers inside the Loop. Estimates of employment in the C.B.D. are in the 132,000 range. The addition

of the Texas Medical Center, Greenway Plaza, Galleria, and Houston Ship Channel would easily increase this to over 200,000. To place this in perspective, consider The Woodlands which reported over 1,000 new home sales in 1996 with an employment base of less than 20% of inside the Loop.

Over the past twelve months, Multiple Listing reported total home sales (new, pre-owned, townhomes/condominiums) in the Inner Loop West at 998. Detached single family units accounted for about three-fourths (742 units) and townhome/condominium sales were reported to be 256 units (26%).

Based on the foregoing, it is reasonable to assume there is sufficient market to assume there is sufficient market support to warrant the development of 500 new dwelling units per year in the Inner Loop West market area.

Alternate D of the preliminary Memorial Heights planned unit development (T.I.R.Z. No. 5) provides for a fifteen to seventeen acre parcel sub-divided into 175 lots. This includes 72 "single family dwellings" and 103 townhome sites.

Several experienced and recognized builders have expressed interest in acquiring the 175 lots and marketing for-sale homes.

One builder, Hallmark Residential, reviewed home sales in 1994 and 1995. It must be noted the Market area examined is not co-extensive with Inner Loop West. Therefore, the sales totals are different than previously discussed.

#### Home Sales (New Construction and Resale)

Price Range	1994		1995		1996	
	(No.)	(%)	(No.)	(%)	(No.)	(%)
\$150,000-\$175,000	126	20	127	22	253	21
\$175,000-\$225,000	270	43	248	43	518	43
\$225,000-\$275,000	151	24	138	24	289	24
\$275,000-\$300,000	81	13	65	11	146	12
	628	100	578	100	1,203	100

Source: Hallmark Residential

Based on their analysis of the townhome and single family market, Hallmark Residential/Wilmax Development Company, L.L.C. concluded market absorption for owner occupied single family and townhome units will approximate fifty units per year.

#### Retail Sales Market Potential

At the time of the 1990 Census, the estimated resident population within a one mile radius of the proposed T.I.R.Z. No. 5 was 13,136. The population of the one to two

mile radius approximated 40,700. The total for the combined one and two mile radius was 53,836.

Between 1990 and 1996, the Inner Loop West experienced a 1.1% annual rate of population growth. In view of the successful development of Phase I of the Memorial Heights Apartment complex and other multi-family unit development along Allen Parkway, it is reasonable to assume the one and two mile zones have grown at this annual rate of growth (1.1%). Application of a 1.1% rate of growth since 1990 results in an estimated January 1997 population of 14,580 in the one mile zone and 43,940 in the two mile radial zone (58,520 total). Forecasts of the resident population for the areas under consideration are set forth below:

**Population Growth Trends One and Two Mile Radius**

<u>Area</u>	<u>1990</u>	<u>1997</u>	<u>2000</u>	<u>2005</u>
One Mile Radius	13,136	14,580	15,240	17,170
One to Two Mile Radius	40,700	43,940	45,400	47,960
Combined Areas	53,836	58,520	60,640	65,130

Source: U.S. Census, National Decision System, Inc. and CDS Research, Houston, Texas

**Per Capita Expenditures**

According to the Office of the State Comptroller of Public Account, "food stores" in the Houston C.M.S.A. reported 1995 sales of \$7.8 billion. This represents \$1,850 for each resident of the C.M.S.A. (4.2 million). CDS has also calculated per capita expenditures for drug stores (\$275), restaurants (\$955) and miscellaneous retail stores. Based on these calculations and the estimated population, CDS developed estimates of gross market potential available to retail outlets located at T.I.R.Z. No. 5, (Appendix Table D).

As shown (Appendix Table D), the One Mile Zone generates a gross market potential for about \$27.0 million in 1997, rising to \$28.2 million by 2000. Assuming market penetration of 40% to 50% in the neighborhood market (One Mile Radius), annual revenues of \$10.8 million to \$13.5 million is indicated. If the store attracts a 5% to 10% share of the Two Mile Radial Band, annual gross revenues are increased by \$4.0 to \$8.0 million. Thus, gross sales estimates of \$15.0 to \$20.0 million in 1997 are not unreasonable.

In addition to developing estimates of gross market potential represented by neighborhood residents (One Mile) and secondary market support (Two Mile), CDS Research discussed retail opportunities at the Subject Property with real estate brokers familiar with the property, the area and local operators.

Mr. Ed Wulff of Wulff & Company advises that they have been examining the opportunity for the development of retail facilities within the boundaries of the proposed T.I.R.Z. No. 5 for the past six to eight months.

They have conducted their preliminary analysis and generally concluded a super market anchored neighborhood retail center can be developed only if T.I.R.Z. No. 5 is created. It is their opinion the T.I.R.Z. is critical to the economics of a successful super market operation. They have generally concluded a super market located at the Subject Property would have gross annual sales in the \$15.0 to \$16.0 million range. For a super market to be profitable at this volume of business, the economies of operation made possible by T.I.R.Z. No. 5 would be required.

Mr. Wulff is also of the opinion a drug store can be located on the property, assuming the same economies of operation are in place. Other tenants would include personal care, business services and fast food operators. He also believes the center could be opened and operating within 12 to 18 months after creation of the T.I.R.Z., with the caveat operators at the center are comfortable with the capacity of the developer to execute the development plan as proposed.

Mr. George Weatherall of Cencor Realty Services is familiar with the location and has reviewed the preliminary land uses plan for the proposed T.I.R.Z. No. 5. In his opinion, the development potential for retail facilities located in the Memorial Heights T.I.R.Z. is contingent upon the execution of the development plan.

He views the plan as changing and substantially improving the demographics of the neighborhood trade area. The changed demographics will make the development of a grocery anchored neighborhood center feasible. In addition to a supermarket, Mr. Weatherall considers a freestanding Walgreens, cleaners, coffee store, fast food outlets, and a book store as likely tenants.

Mr. Weatherall believes prospective tenants would be very reluctant to initiate operations at the site until 50% to 75% of the proposed residential units are in place. It is his conclusion the creation and establishment of T.I.R.Z. No. 5 is critical to the development of retail facilities. "Without the T.I.R.Z., it is very unlikely retail facilities will be developed in the foreseeable future."

Appendix E illustrates the location of existing supermarket and drug stores serving residents of the T.I.R.Z. No. 5 neighborhood.

### Harris County Senior Housing

The Nation, State, County, and City are experiencing major shifts in the age characteristics of the population. The current growth of the over 65 population and the aging of the baby boom generation will generate market support for goods, services and housing products oriented to senior citizens and the elderly. Every seven seconds

a member of the baby boom generation turns 50 and that will continue for about fifteen years.

In 1980, the median age of Harris County residents was 27.45 years, by 1990 it was 30.18 and by 2005 it is forecast to be 32.59 years. The number of persons over 65 years rises from 149,380 in 1980 to 211,840 in 1990, and by 2000 it will be 270,120. Between 1990 and 2000, the over 65 population will increase by 2.5% compounded annually while the total population is projected to have a 1.8% annual rate of growth.

A recent survey of the oldest boomers (those now turning 50) found the boomer's retirement years will be much different than preceding generations.

- Two-thirds of the boomers plan to work after they are retired.
- Half (50.7%) will retire to a different state.
- One-fifth (21.4%) will retire in the same state.
- Just under one-fifth (17.9%) will retire in the same city or town.
- The balance 10% are undecided.
- They will be more financially secure, especially the widowed and divorced.
- Currently, only 5% of Sun City residents are unmarried but that is changing because of high divorce rates and male mortality rates.
- Single women will become an increasingly larger segment of the retirement market. Low crime rates, safety and personal security will have broad appeal to these prospects.
- Today's maturing adults are more physically active. Golf and tennis will remain popular. Ceramics, shuffleboard, etc. are being replaced by health and fitness activities.
- When 50 year old boomers were asked, "At what age is a person old?", the median response was 79. That gives them three decades of activity.

Although there is a tendency to lump the over 65 population into one category, housing market analysts tend to place them in three loosely defined groups. These are defined as the go-go, slow-go, and no-go. Each of these groups tend to have distinct housing wants and needs. Generally:

The go-go are attracted to retirement communities such as Sun City. These are essentially single family subdivisions with homes and amenities oriented to active retirees.

- The slow-go are typically 74 years and older. Low maintenance multi-family units and congregate-care facilities are popular with this age group. Congregate-care developments are typically multi-unit complexes with meals and other services. Residents at congregate-care developments have independent lifestyles.
- Personal and/or assisted care units are oriented to the slow-go or frail elderly. Residents may need some assistance on a daily basis. These facilities are also gaining popularity for convalescent uses.

In view of the different lifestyles and housing needs of the over 65 population, the age distribution of the over 65 population is essential to analysis of market demand.

### Harris County Over 65 Population

Age	1990		1997		2000		2005	
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
65-69	73,580	2.6	83,920	2.6	85,650	2.5	98,390	2.7
70-74	49,270	1.7	63,400	2.0	68,880	2.0	72,570	2.0
75-79	36,400	1.3	46,750	1.5	51,860	1.5	59,170	1.6
80-84	22,410	0.8	29,010	0.9	31,520	0.9	38,200	1.0
85 & Over	<u>30,180</u>	<u>1.1</u>	<u>31,930</u>	<u>1.0</u>	<u>32,210</u>	<u>1.0</u>	<u>35,880</u>	<u>1.0</u>
<b>TOTAL</b>	211,840	7.5	255,010	8.0	270,120	8.0	304,210	8.3

Source: Woods and Poole Economics, Inc.

### Senior Housing Proposed T.I.R.Z. No. 5

The specific type of senior housing constructed in the proposed T.I.R.Z. No. 5 will be determined by a market feasibility analysis by the developer. However, based on the size of the tract designated for this use and the economics of development, it will undoubtedly be some type of medium density development. This includes: low maintenance units designed for elderly residents, congregate-care, assisted living and/or personal care concepts. Typically, products of this type are oriented to residents 75 years of age and older.

About half (51%) of Houston Area householders 75 years of age have annual incomes of under \$15,000. Unless there are special incentives for the developer and/or renter, these households will not be "income qualified". Additionally, 12% of this group plan to move out of the city in which they currently reside. Just under one-third (32.5%) of the remainder plan to enter a partial or full service congregate-care residential complex.

Application of the foregoing to the Harris County resident population over 75 years of age follows:

**Harris County Senior Housing Market Potential**

Item	Harris County			
	1990	1997	2000	2005
Over 75 Years	88,990	107,690	115,590	133,250
Income Qualified	43,610	52,770	56,640	65,290
Remaining In Area	35,760	43,270	46,440	53,540
Senior Housing	11,620	14,060	15,090	17,400
Households @ 1.25pph	9,300	11,250	12,070	13,920

Source: Urban Land Institute and  
CDS Research, Houston, Texas

**T.I.R.Z. No. 5 Corporate Housing**

The Memorial Heights/T.I.R.Z. No. 5 plan provides 3.4 acres for a 122 unit corporate housing facility. Corporate housing can be further defined as an extended-stay motor hotel. The basic concept is to provide temporary affordable housing to the general public. Although the bulk of residents are business travelers, vacationers, transferees, persons between homes, etc., they also provide substantial market support.

The owner/operator of the proposed 122 unit facility is Homestead Village, a sibling company of the Memorial Heights developer.

Homestead Village offers units on a weekly basis. Weekly rates for their Houston Area facilities are \$199 to \$229 (\$28.43 - \$32.71 daily), plus the typical stay is 4.5 to five days. They have also, on occasion, offered three day specials. Occupancy rates are typically in the 80% to 85% range.

Homestead Village is active in four Texas cities; Austin, Dallas/Ft. Worth, Houston and San Antonio. They also operate in Arizona, California, Colorado, Florida, Georgia, New Mexico, and North Carolina.

Homestead Village entered the Houston market in 1994 and presently have eight facilities comprising over 1,000 rooms. A facility oriented to the C.B.D. has been a priority of the Company since their arrival. They are also seeking locations in two other sub-market areas.

The publication, City Trendlines, prepared by the City of Houston, reported hotel/motel occupancy rates in the "Spring" were 76.1% and the average room rate was \$102.60.

Overall, Houston Area occupancy rates were 68.4% and room rates were \$76.33 in the first quarter of 1996.

The Houston Area has attracted substantial hotel/motel development during the past several years. The most recently announced sales were near Highway 6 and U.S. Interstate Highway 10. This involved five hotels: Bradford Homesuites - 128 units, LaQuinta - 118 units, Marriott Fairfield Inn - 82 units, Marriott Towneplace Suites - 95 units, and Super 8 Motel - 60 units. A major factor in the attraction of the location was stated as: "It is within a three minute drive of the Energy Corridor." If the "Energy Corridor" can attract and support five new facilities with 483 rooms, the business travelers to the C.B.D. can support 122 units oriented to the economy traveler market.

# APPENDIX

**APPENDIX TABLE A**  
**HISTORICAL MULTI-FAMILY DEVELOPMENT**  
**WEST INNER LOOP AND SELECTED AREAS**  
**MID-YEAR 1996**

Period	Inner Loop West		Outside Inner Loop West		Houston/Harris County	
	(Units)	(%)	(No.)	(%)	(No.)	(%)
Pre-1960	6,156	23.5	9,349	2.4	15,505	3.7
1960-1996	10,475	40.0	65,180	16.8	75,658	18.2
1970-1979	4,824	18.4	179,183	46.1	184,007	44.3
1980-1985	991	3.8	112,121	28.8	113,112	27.3
1986	0	0	1,867	0.5	1,867	0.4
1987	8	0	76	0	84	0
1988	0	0	731	0.2	731	0.2
1989	0	0	1,435	0.4	1,435	0.3
1990	1,007	3.9	1,330	0.3	2,337	0.6
1991	300	1.1	1,780	0.5	2,080	0.5
1992	792	3.0	4,526	1.2	5,318	1.3
1993	300	1.1	1,472	0.4	1,773	0.4
1994	352	1.3	4,768	1.2	5,120	1.2
1995	302	1.2	4,456	1.1	4,758	1.1
1996*	<u>648</u>	<u>2.5</u>	<u>582</u>	<u>0.1</u>	<u>1,230</u>	<u>0.3</u>
<b>TOTAL</b>	26,155	100.0	388,860	100.0	415,015	100.0
Demolitions**	1,406		22,021		23,427	
Inventory	24,749		366,839		391,588	

Note: Includes C.B.D.

\*Mid-Year 1996.

\*\*Demolitions since 1987.

Columns may not total due to independent rounding.

Source: Apartment Occupancy and Rental Survey Mid-Year 1996,  
Houston Apartment Association, and ReVac, Inc.

APPENDIX TABLE B

CONSTRUCTION ACTIVITY  
SINGLE FAMILY, DUPLEX AND TRIPLEX DWELLING UNITS  
INNER LOOP WEST MARKET AREA  
1992-1996\*

S.F.D., Duplex, Triplex*	1992 (Units)	1993 (Units)	1994 (Units)	1995 (Units)	1996* (Units)	Total	Estimated Value (\$000's)	Average Value (\$000's)
Zip Code								
77006	15	23	40	29	71	178	25,400.6	142.7
77007	45	74	63	81	64	327	57,388.5	175.5
77008	28	26	29	20	36	139	15,957.2	114.8
77019	55	85	91	102	106	439	105,799.0	241.0
77027	30	40	32	44	36	182	45,445.4	249.7
77098	40	32	21	19	65	177	23,257.8	131.4
<b>TOTAL</b>	<b>213</b>	<b>280</b>	<b>276</b>	<b>295</b>	<b>378</b>	<b>1,442</b>	<b>276,575.6</b>	<b>191.8</b>

\*Duplex and Triplex includes townhome units.

\*Year-to-date Dec. 11, 1996.

NOTE: Estimated value is based on building permit value and excludes land.

Source: City of Houston, Department of Planning and Development

**APPENDIX TABLE C  
DEMOLITION ACTIVITY  
SINGLE FAMILY, DUPLEX AND TRIPLEX DWELLING UNITS  
INNER LOOP WEST MARKET AREA  
1992-1996\***

Dwelling Unit Type	1992 (Units)	1993 (Units)	1994 (Units)	1995 (Units)	1996* (Units)	Total (Units)
<u>Zip Code - S.F.D. (231)</u>						
77006	22	27	43	26	11	129
77007	55	105	49	67	51	327
77008	19	37	23	37	22	138
77019	55	78	85	55	35	308
77027	10	13	14	6	5	48
77098	<u>9</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>15</u>	<u>61</u>
<b>TOTAL</b>	170	272	226	204	139	1,011
<u>Zip Code - Duplex (232)</u>						
77006	0	0	0	2	0	2
77007	2	0	2	0	0	4
77008	0	0	0	0	0	0
77019	3	0	0	2	0	5
77027	0	0	0	0	0	0
77098	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	5	0	2	4	0	11
<u>Zip Code - Triplex (233)</u>						
77006	0	0	0	0	0	0
77007	0	0	4	0	0	4
77008	0	0	0	0	4	4
77019	0	0	0	0	0	0
77027	0	0	0	0	0	0
77098	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	0	0	4	0	4	8
<b>GRAND TOTAL</b>	175	272	232	208	143	1,030

\*Year-to-date Dec. 11, 1996.

NOTE: Estimated value is based on building permit value plus 20% for land.

Source: City of Houston, Department of Planning and Development

**APPENDIX TABLE D  
GROSS MARKET POTENTIAL  
SELECTED RETAIL OUTLETS  
ONE AND TWO MILE RADIUS  
1997 - 2005**

Retail Outlet	Per Capita*	1997	2000	2005
	1995	(\$000's)	(\$000's)	(\$000's)
<b>One Mile Radius</b>				
Food Store	\$1,850	26,973.0	28,194.0	31,764.0
Drug Store	275	4,009.5	4,191.0	4,721.8
Restaurants	955	13,923.9	14,554.2	16,397.4
Misc. Retail	<u>1,550</u>	<u>22,599.0</u>	<u>23,622.0</u>	<u>26,613.5</u>
<b>TOTAL</b>	<b>\$4,630</b>	<b>67,505.0</b>	<b>70,561.2</b>	<b>79,497.1</b>
<b>Two Mile Radius</b>				
Food Stores	\$1,850	81,289.0	83,990.0	88,726.0
Drug Stores	275	12,083.5	12,485.0	13,189.0
Restaurants	955	41,962.7	43,357.0	45,801.8
Misc. Retail	<u>1,550</u>	<u>68,107.0</u>	<u>73,206.5</u>	<u>74,338.0</u>
<b>TOTAL</b>	<b>\$4,630</b>	<b>203,442.2</b>	<b>210,202.0</b>	<b>222,054.0</b>

\*Expenditures

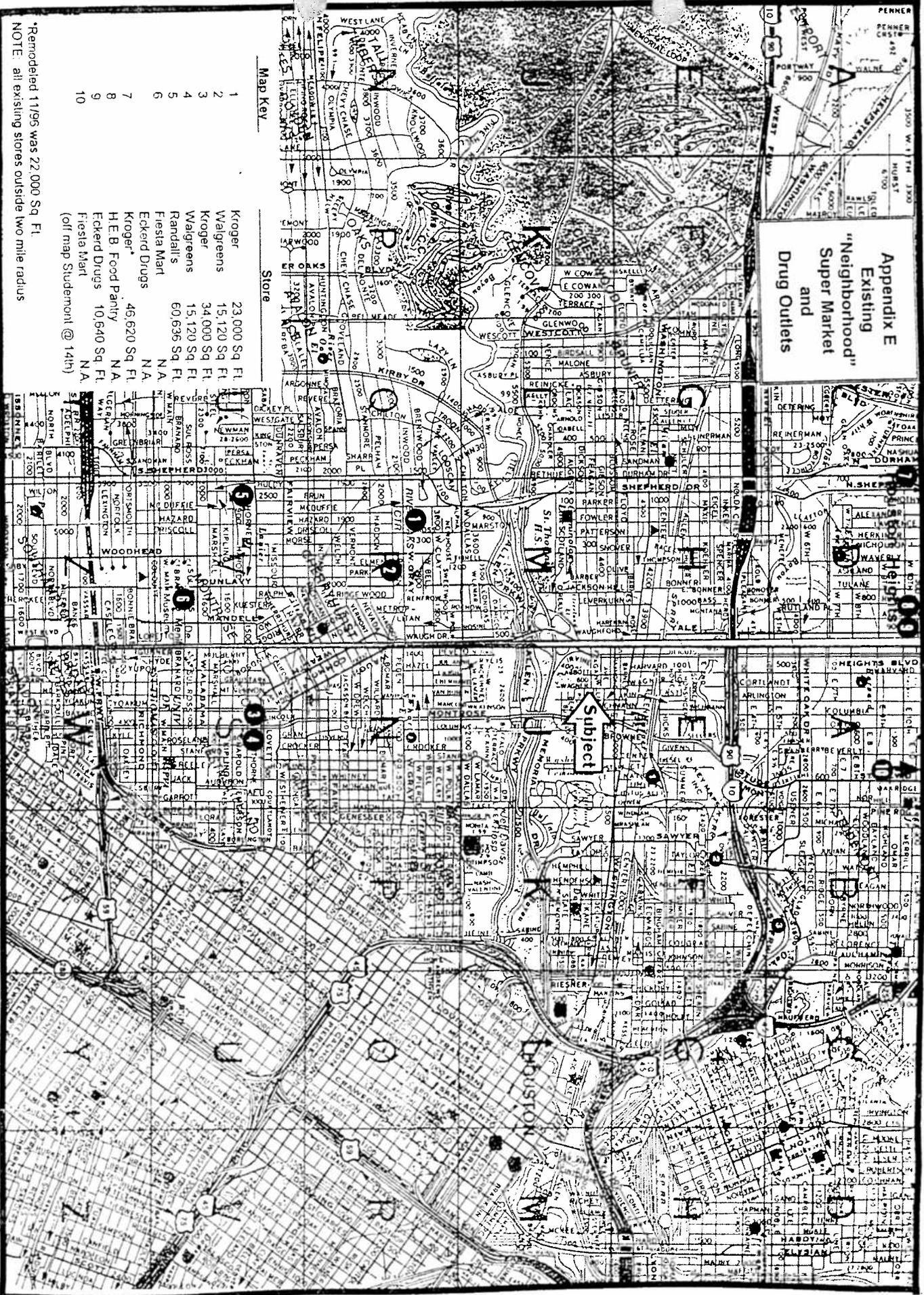
NOTE: Miscellaneous Retail excludes liquor.  
Constant 1995 Dollars.

Columns may not total due to independent rounding.

Source: State of Texas, Comptroller of Public Accounts, Strategic Mapping, Inc., and CDS Research, Houston, Texas

# Appendix E

## Existing "Neighborhood" Super Market and Drug Outlets



Map Key

Store	Size
Kroger	23,000 Sq. Ft.
Walgreens	15,120 Sq. Ft.
Kroger	34,000 Sq. Ft.
Walgreens	15,120 Sq. Ft.
Randalls	60,636 Sq. Ft.
Fiesta Mart	N.A.
Eckerd Drugs	N.A.
Kroger*	46,620 Sq. Ft.
H.E.B. Food Pantry	N.A.
Eckerd Drugs	10,640 Sq. Ft.
Fiesta Mart	N.A.
(off map Student @ 14th)	

\*Remodeled 11/95 was 22,000 Sq. Ft.  
 NOTE: all existing stores outside two mile radius