

City of Houston, Texas, Ordinance No. 1999- 721

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER NINE, CITY OF HOUSTON, TEXAS (SOUTH POST OAK AREA); 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. 97-1570, adopted on December 17, 1997, the City created Reinvestment Zone Number Nine, City of Houston, Texas (the "South Post Oak Zone") for the purposes of development within the area of the City generally bounded by U.S. Highway 90 on the north, South Post Oak Road on the east, Sims Bayou on the south and Blue Ridge Road on the west (the "South Post Oak area"); and

WHEREAS, the Board of Directors of the South Post Oak Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the South Post Oak 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 the Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Nine, 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 South Post Oak 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. That 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 14th day of July, 1999.

APPROVED this _____ day of _____, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JUL 20 1999.

Cynthia Russell
City Secretary

^{DFM}
(Prepared by Legal Dept *Michael Anthony Moore Jr*
(MAM\mam 7/12/99) Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L. D. File No.34-97601-03)

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REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA # *u*
7111

SUBJECT: An Ordinance Approving the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Nine, City of Houston, Texas (South Post Oak TIRZ)

Category #

Page 1 of 1

Agenda Item#

17

FROM: (Department or other point of origin):

Planning & Development Department

Origination Date

7/1/99

99-721

Agenda Date

JUL 14 1999

DIRECTOR'S SIGNATURE:

[Handwritten Signature]

Council Districts affected:

District D- Jew Don Boney, Jr.

For additional information contact:

Robert M. Litke

Phone: 837-7708

Bill Calderon

Phone: 837-7787

Date and identification of prior authorizing Council Action:

97-1570 12/17/97

RECOMMENDATION: (Summary)

That City Council adopt an ordinance approving the project plan and reinvestment zone financing plan for Reinvestment Zone Number Nine, City of Houston, Texas, also known as the South Post Oak tax increment reinvestment zone (TIRZ).

Amount of Funding:

Not Applicable

F & A Budget:

SOURCE OF FUNDING: General Fund Grant Fund Enterprise Fund

Other (Specify)

SPECIFIC EXPLANATION:

On July 7, 1999, the South Post Oak TIRZ Board of Directors is expected to approve the attached Project Plan and Reinvestment Zone Financing Plan. The plan projects development of an estimated \$60.5 million in residential and commercial/retail uses generating a cumulative tax increment of \$18 million.

The project plan forecasts the expenditure of \$6 million in eligible project costs, including the following public improvements: streets, water lines, sanitary sewer lines, storm water drainage, on-site & regional detention, noise barrier fencing, overhead pedestrian walkway, landscaping, streetscape, neighborhood park, and financing, professional & legal fees and costs associated with the project.

The zone was created for a duration of 25-years, effective January 1, 1998.

Attachment: Project plan and reinvestment zone financing plan.

cc: Agenda Director
 Anthony Hall, City Attorney
 Anna Russell, City Secretary

REQUIRED AUTHORIZATION

F&A Director:

F&A 011.A Rev. 5/11/98

✓

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

**PROJECT PLAN AND REINVESTMENT ZONE
FINANCING PLAN**

July 9, 1999

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INTRODUCTION

Reinvestment Zone Number Nine, City of Houston, Texas (the "Zone"), was created on December 17, 1997 by City Council pursuant to Ordinance 97-1570 and Chapter 311 of the Texas Tax Code. The Zone consists of 247 acres located in southwest Houston, just outside of Loop 610, at the intersection of South Post Oak and West Orem Drive. This Project Plan and Reinvestment Zone Financing Plan (the "Project Plan") has been prepared in compliance with the requirements of the Tax Increment Financing Act (the "Act"), Section 311.011 of the Texas Tax Code. The Project Plan describes the development and financial projections necessary to develop within the Zone the Corinthian Pointe master-planned community ("Corinthian Pointe"). The development of Corinthian Pointe will be accomplished in phases, consisting of the following:

Phase I

Residential Development

- A 105-acre residential community (the "Residential Community"), providing 452 lots, and a one-acre neighborhood park. Approximately 80 percent of the lots will be used to provide "affordable housing" (as defined below).
- Initial construction of the Residential Community will begin the fourth quarter of 1999, with the second phase of construction of the Residential Community beginning in the third quarter of 2000. Interim financing for construction of the Residential Community will be provided by Chase Bank of Texas and private contributions.

Community Facilities

- A 28-acre community park, including four outdoor basketball courts, four tennis courts, two junior soccer fields, two softball fields, one baseball diamond, six catfish ponds, a picnic area, a botanical garden, and a jogging track;
- A 20,000 square-foot Prayer Center, including a chapel, computer room, classrooms for teaching and small prayer rooms;
- A comprehensive wellness center, including a health fitness center, food court, community clinic, and private physicians' offices; and
- Two five-acre commercial retail development sites at the northwest and southwest corners of South Post Oak Road and West Orem Drive.

Phase II – Additional Community Facilities

- A 90,000 square-foot family life center, including a counseling center, life skills training center, classrooms, community meeting space, and a library;
- A children's center which will include comprehensive programming designed to develop children (toddlers to age 11) spiritually, socially, emotionally, mentally, and physically;
- A youth center which will include comprehensive programming designed to develop youth (ages 12 to 17) spiritually, personally, professionally, academically, socially, emotionally, and physically;
- A music and drama center which will include a recording studio and a 350-seat arena for performing arts; and
- A retirement community providing three levels of care.

EXECUTIVE SUMMARY

The Zone consists of 247 acres of unimproved land of which 237 acres are owned by Kingdom Builders' Prayer Institute, a Texas non-profit corporation, and developed by the Pyramid Residential Community Corporation (the "Developer"), also a Texas non-profit corporation. The principle purpose of the Zone is to develop a master-planned community of residential, commercial, recreational and charitable improvements to be known as Corinthian Pointe. A unique and important feature of Corinthian Pointe is that eighty percent of the homes in the Residential Community will constitute "affordable housing" (as defined in Part II, Section A below). The reimbursement of the costs of certain public improvements described below are necessary to permit the Developer to provide housing that is affordable for low-income families.

During the life of the Zone, \$5,974,028 of tax increment revenues will be invested in public improvements related solely to the Residential Community located in the Zone. The public improvements will be constructed by the Developer which will be reimbursed from the tax increments generated by the Project's residential and retail/commercial development. The Zone's financial advisor, First Southwest Company, has recommended that the Zone issue one or more series of bonds prior to the year 2006, the proceeds of which will be used to reimburse the Developer for these costs. The public improvements for the Residential Community are described in detail in Part II, Section B below, and include generally:

1. streets;
2. water lines;
3. sanitary sewer lines;
4. storm water drainage;
5. on-site and regional detention facilities;
6. noise barrier fencing on public rights-of-way adjacent to major thoroughfares;
7. an overhead pedestrian walkway;
8. landscaping on public rights-of-way;
9. streetscape and neighborhood entrances; and
10. community park facilities.

The Developer is committed to constructing eighty percent of the homes in the Residential Community as affordable housing. Further, the Developer will reserve one-third of the homes for homebuyers with an income of eighty percent or below the median income (as defined and supplemented by the United States Department of Housing and Urban Development ("HUD")). Accordingly, the Zone will expend tax increment revenues, including the one-third tax increment dedicated to affordable housing, to induce and allow the Developer to provide housing at prices affordable to homebuyers with incomes at or below eighty percent of median income. To reimburse the Developer for certain public infrastructure improvements for the Zone, the Zone will utilize the tax increments generated in the Zone to issue debt obligations to reimburse the Developer for Project Costs. See Section II., F. below.

An estimated \$500,000 of public infrastructure improvements will be required to develop the property located in the Zone other than the Residential Community. The Developer will fund these public infrastructure costs itself and will not request reimbursement from the Zone for these expenditures. See Part I, Section C.

The governing bodies of both Harris County and Houston Independent School District have approved participation in the Zone.

It is requested that the City create the South Post Oak Redevelopment Authority (the "Authority") pursuant to Section 431 of the Texas Transportation Code to act on behalf of the City to implement the Project Plan.

PART I. PROJECT PLAN

A. Existing Uses and Conditions of Real Property / Boundaries (311.011(b)(1))

The general area surrounding the Zone has experienced little new development in the last decade. Of the 247 acres located within the Zone, 237 acres of the property (the "Property") are owned currently by the Kingdom Builders' Prayer Institute (the "Owner") and are being used for agricultural purposes (grazing) and are not served by utilities. The remaining 10 acres are owned by the City as a site for a City-owned water plant.

The Zone is bounded by the 13600 Block of South Post Oak Road on the east and is bisected by the 5600 to 6300 blocks of West Orem Drive. Sims Bayou flows through the southwest portion of the Property and south of the proposed community park. The existing conditions, land uses and boundaries of the Zone are shown on the Vicinity/Boundary Map, which follows as Exhibit A. A legal description for the Property is included as Appendix I hereto. The Proposed Land Use and Site Plan follows as Exhibit B.

B. Municipal Ordinances (311.011(b)(2))

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

C. Estimated Non-Project Costs (311.011(b)(3))

To complement and support the Residential Community, the Developer intends to incorporate various facilities and other improvements to create a stable and secure atmosphere. The preliminary estimated costs of the non-project improvements, including public infrastructure for the Zone other than the Residential Community is \$71,040,000. No public funds are being requested to reimburse the Developer for these non-project improvements, including the costs of public infrastructure for development in the Zone other than the Residential Community. Specifically, the proposed mixed-use development will include private sector investment for non-project improvements, which will include (1) two commercial retail sites, (2) a prayer center

which will house a chapel, computer room, classrooms and small prayer rooms, (3) a 80,000 square-foot comprehensive wellness center, including a health fitness center, food court, community clinic and private physician's offices, (4) a community educational and recreational facility for adolescents, (5) a retirement community consisting of a 150-unit independent retirement project, a 120-bed skilled nursing facility, and a 60-unit assisted living project, (6) a 28-acre community park, (7) a music and drama center and (8) a 90,000 square-foot family life center. The retail/commercial development in the Zone is expected to consist initially of a carwash, an auto repair shop, a fast food restaurant, a gas station/food mart and a three-story comprehensive wellness center. Costs related to the construction of these facilities are estimated to be \$8,300,000. The community and commercial/retail development described above is critical to the Developer's effort to provide a long-term sustainable housing community attractive to a diverse group of individuals and families.

The residential non-project costs of \$38,420,000 are calculated based on 452 homes at an average home price of \$85,000. The balance of the non-project costs, related to community, educational, recreational and charitable purposes, as described above in this paragraph, are estimated to be \$32,620,000. The total of all non-project costs is \$71,040,000. These non-project costs are separately shown on Exhibit C.

As stated above, the Developer has projected residential non-project costs of \$38,420,000, based on 452 homes (\$85,000/home) being built in the Residential Community. A distinguishing characteristic of the Residential Community is that eighty percent of the homes (362 homes) will be marketed with prices ranging from \$69,900 to \$103,000 ("affordable housing"), which prices qualify as affordable housing within the guidelines of the City of Houston Buyers Down Payment and Closing Cost Assistance Programs. Of these 362 homes, 150 homes will be reserved for families with incomes at or below eighty percent of the median income. The remaining homes will be sold without restriction to the market. The tax increment revenues generated from development in the Zone will be used to provide public improvements for this residential development, eighty percent of the homes of which will constitute affordable housing.

Thus, the Project Plan will meet the requirements of Chapter 311, Texas Tax Code, that one-third of the tax increment to be dedicated to the provision of low-income housing during the life of the Zone. Accordingly, the Zone requests that the one-third tax increment dedicated to

low-income housing remain with the Zone to be available to the extent required to secure the debt obligations issued by the Zone to reimburse the Developer.

D. Method Of Relocating Persons To Be Displaced (311.011(b)(4))

No persons or commercial enterprises will be relocated or displaced in order to implement this Project Plan.

EXHIBIT A
VICINITY/BOUNDARY MAP

EXHIBIT A
VICINITY/BOUNDARY MAP

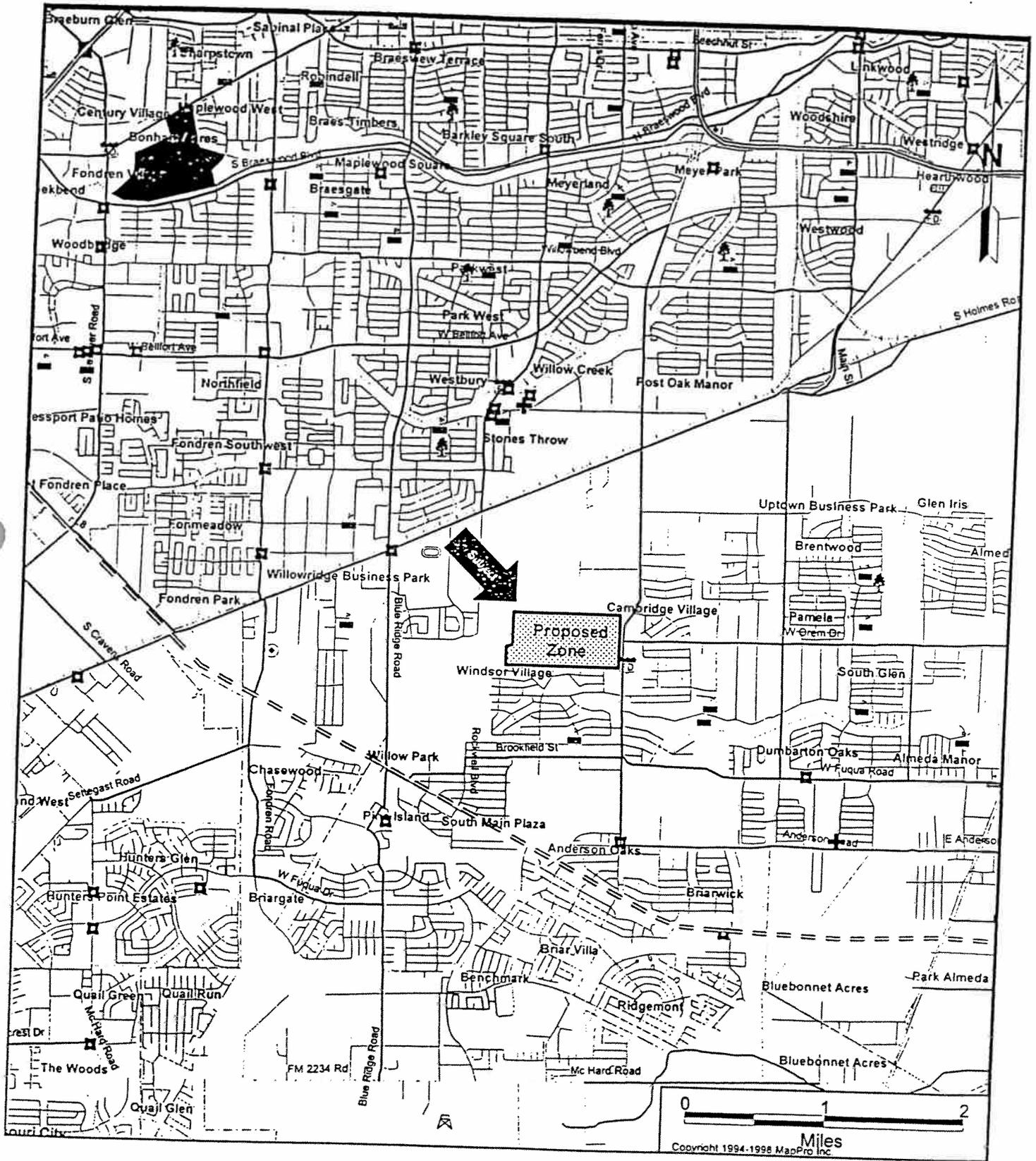
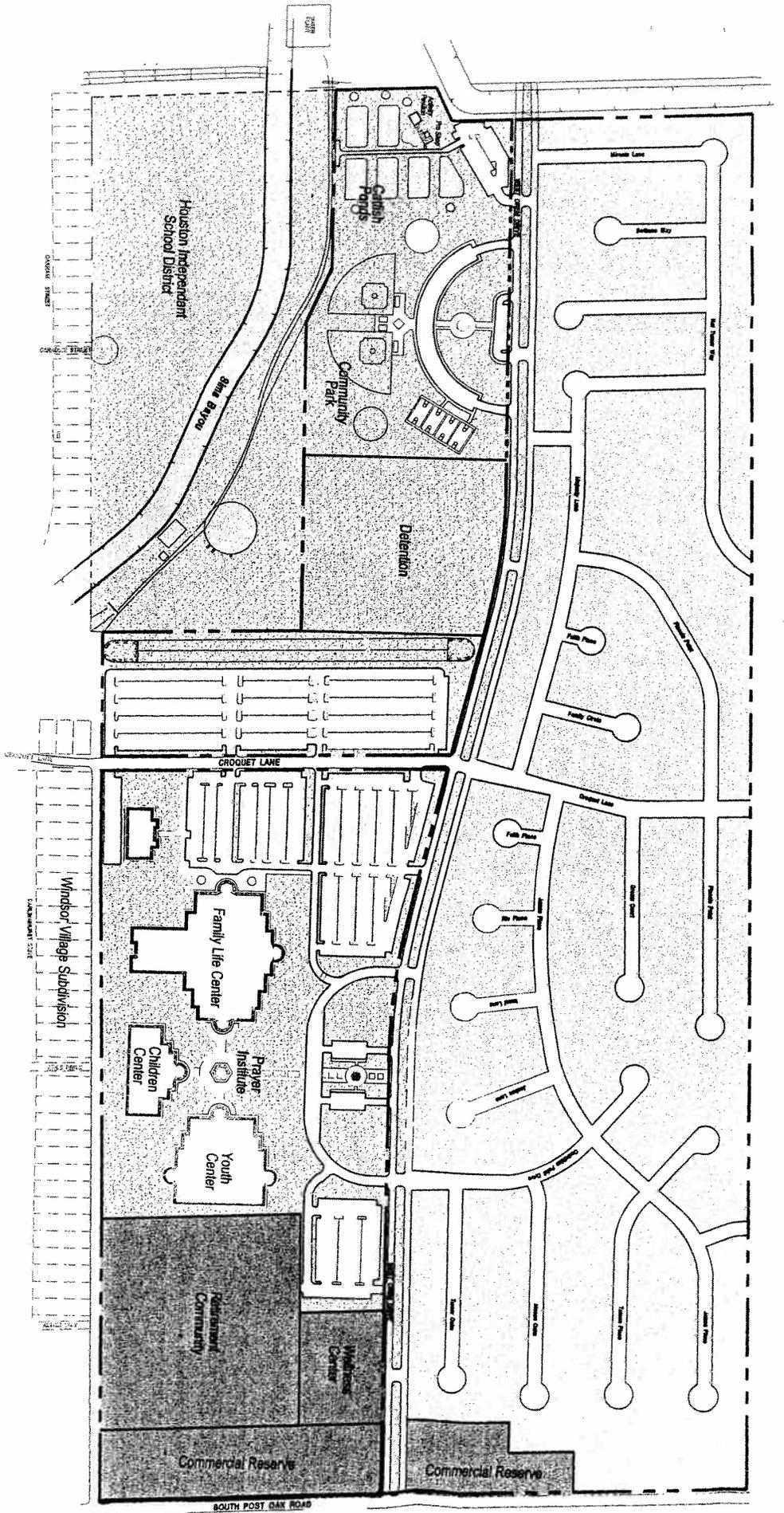


EXHIBIT B
PROPOSED LAND USE MAP/SITE PLAN




 North
 Scale: NTS
Corinthian Point
 Conceptual Site Plan

EXHIBIT C

NON-PROJECT COSTS

Residential Community¹	
452 Homes @ \$85,000 per Home	\$ 38,420,000
Commercial Development¹	
Comprehensive Wellness Center (80,000 s.f. @ \$75 per s.f.)	\$ 6,000,000
Fast Food Restaurant (4,600 s.f. @ \$108.70 per s.f.)	500,000
Express Lube/Carwash (12,800 s.f. @ \$62.50 per s.f.)	800,000
Gas Station/Food Mart (4,054 s.f. @ \$185 per s.f.)	750,000
Tire/Battery Service Center(6,580 s.f. @ \$38 s.f.)	<u>250,000</u>
Total	\$ 8,300,000
Continuum of Care Project¹	
Independent Retirement Units (150 units @ \$41,500 per unit)	\$ 6,225,000
Skilled Nursing Units (120 units @ \$42,500 per unit)	\$ 5,100,000
Assisted Living Units (60 units @ \$40,000 per unit)	<u>2,400,000</u>
Total	\$ 13,725,000
Community Park (28 acres)²	
Underground Drainage & Clearing	\$ 400,000
Basketball Courts	200,000
Paving	175,000
Tennis Courts	150,000
Softball Fields	100,000
Landscaping/Irrigation	100,000
Jogging Track	100,000
Concession Area & Courtyard	75,000
Sidewalks	<u>50,000</u>
Total	\$ 1,350,000
Catfish ponds (6 ponds)¹	\$ 95,000
Prayer Center (20,000 s.f. @ \$95 per s.f.)²	\$ 1,900,000
Family Life Center (90,000 s.f. @ \$75 per s.f.)²	\$ 6,750,000
Public Improvements – Non-residential Portion of the Zone	\$ 500,000
Water Service, Sanitary Sewer Service, Storm Sewer Service for Improvements Other Than The Residential Community	
TOTAL NON-PROJECT COSTS	\$ <u>71,040,000</u>

¹ Subject to ad valorem taxation.

² Exempt from ad valorem taxation.

PART II. REINVESTMENT ZONE FINANCING PLAN

A. Estimated Project Costs (311.011(c)(1))

The principle purpose of the Zone is to provide financing for the public improvements for a residential development which will encompass 105 acres of the 247 acres constituting the Zone. The Zone will reimburse the Developer for the costs of constructing water, sewer and drainage facilities, interior street paving, regional stormwater detention expansion, noise barriers and an overhead pedestrian walkway required for the Residential Community as well as related professional fees and administrative costs for the Zone (collectively, the "Project Costs").

The Project Costs for the proposed public improvements, including administrative and professional fees associated with the Zone, are estimated to be \$5,974,028. The Proposed Zone Budget, which lists the proposed improvements and estimated costs, is shown on Exhibit D.

1. *Residential Community.* The Owner, Kingdom Builders' Prayer Institute, a Texas non-profit corporation, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and owns 237 of the 247 acres located with the Zone. The Residential Community will be located on 105 acres located on the north side of West Orem, and will be developed by the Pyramid Residential Community Corporation (the "Developer"). The Developer is also a Texas non-profit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Developer was created for the charitable purpose of providing affordable, decent housing for families of low and moderate income, for elderly persons and for disabled persons. The Owner will develop the remaining 132 acres it owns in the Zone, as described herein.

The Owner will transfer approximately 105 acres of the property in the Zone (on which the Residential Community will be located) to the Developer in conjunction with the closing by the Developer on bank financing with Chase Bank of Texas to purchase and develop this portion of the Property. The Owner will develop its 132 acres located within the Zone for community, commercial, recreational and charitable purposes.

To facilitate the development of the Residential Community, the Zone will enter into a reimbursement agreement with the Developer to reimburse eligible development costs for public infrastructure for Corinthian Pointe. The reimbursement of these development costs allows the

Developer to sell lots to homebuilders at a lower price than in a conventional subdivision, thereby facilitating the construction of affordable housing within the City. In addition, lot purchase agreements to be entered into between the Developer and several homebuilders will provide for components to be included in these homes that are not normally included in similarly priced homes.

2. *Zone Project Costs and Improvements.* The residential development in Corinthian Pointe will begin in late-1999. The Developer has engaged R. G. Miller Engineers, Inc. to prepare engineering plans for the construction of infrastructure for the first 129 lots of the Residential Community. These engineering plans include estimates for street, drainage, water and sewer improvements (the "Public Improvements") for approximately 30 acres of the 105-acre Residential Community. These engineering plans received preliminary approval by the City of Houston Public Works Department and the Developer has paid \$99,000 of impact fees to the Harris County Flood Control District. Upon final approval of the engineering plans and the subdivision plat, the plat will be recorded. Upon the approval of the Project Plan by City Council, the Developer or the Authority will let bids to construct the public improvements for the first phase of the residential development.

The total cost of all infrastructure improvements related to all the residential lots in the Residential Community is estimated to be \$5,974,028, all of which constitutes Project Costs eligible for reimbursement from the tax increment.

3. *Land Use Controls.* This Plan does not provide for the imposition of land use controls in the Zone. The Owner and the Developer will impose private deed restrictions for development of the Property within the Zone.

B. Proposed Public Improvements (311.011(c)(2))

The public improvements necessary to complete the development of the Residential Community in Corinthian Pointe include the following:

1.	Streets	\$1,597,750
	22 concrete streets with 6 inch paving, curbs, street signs, pavement markings and erosion control	
2.	Water Lines	\$327,837
	17,750 linear feet, 4 to 12-inch valves and trench protection	
3.	Sanitary Sewer Lines	\$553,325
	21,950 linear feet, of 6 to 10-inch pipe, manholes and trench protection	
4.	Storm Water Drainage	\$832,830
	12,860 linear feet of reinforced concrete pipe, manholes, inlets and trench protection	
5.	On-site Detention	\$312,000
	Drainage for 78 acres @ \$4,000/acre	
6.	Contingency	\$362,374
	10% of the amounts included in Items 1-5 above	
7.	Engineering for Public Improvements	\$478,334
	12% of the amounts included in Items 1-6 above	
8.	Regional Detention	\$99,000
	Harris County Flood Control Impact fees for 30 acres at \$3,300/acre	
9.	Noise Barrier Fencing on Public Rights-of-Way	\$171,200
	3030 linear feet of 8 foot concrete and brick noise barriers along South Post Oak and West Orem with graffiti-resistant finish at \$40/foot	
10.	Overhead Pedestrian Walkway	\$110,000
	Pre-fabricated steel overhead walkway	

11.	Landscaping on Public Rights-of-Way Trees, shrubs, flowering plants, hydroseeding, irrigation systems, decorative paving on the right-of-way on West Orem, the West Orem esplanade and the entrance at Croquet Lane.	\$169,542
12.	Streetscape and Neighborhood Entrances Landscaped beds for primary entrance and for other entrances.	\$120,000
13.	Neighborhood Park (1 acre) Playground equipment, benches, picnic tables, grills, bike rack, drinking fountain, pedestrian path, area lights, trees, hydroseeding and irrigation system.	\$125,000
14.	Clearing, Grading & Staking for Utilities	\$68,250
15.	Economic Feasibility Study Initial economic feasibility study prepared by American METRO Study Corp. in 1997 and updated economic feasibility study in 1999	\$15,000
16.	Geotechnical Report for Utility Placement Report prepared by HVJ & Associates.	\$13,950
17.	Professional Fees for Creation of the Zone Legal, engineering and planning services	\$317,636
18.	Zone Administration (4 years) Planning and legal services	\$300,000
TOTAL		<u>\$5,974,028</u>

The Project Costs are summarized on the Proposed Zone Budget, included as Exhibit D. A map illustrating the location of the proposed improvements follows as Exhibit E.

EXHIBIT D

PROPOSED ZONE BUDGET

Public Improvements	
Paving	\$ 1,597,750
Water Service	327,837
Sanitary Sewer	553,325
Storm Sewer	832,830
Detention – On site	312,000
Contingencies	362,374
Engineering	478,334
Detention – Regional	99,000
Subtotal	\$ 4,563,450
Site Improvements	
Landscaping	\$ 169,542
Noise Barriers	171,200
Neighborhood Park	125,000
Streetscape and Neighborhood Entrances	120,000
Overhead Pedestrian Walkway	110,000
Subtotal	\$ 695,742
Lot Development	
Utilities Clearing	\$ 62,500
Geotechnical Report	13,950
Control Staking	5,750
Subtotal	\$ 82,200
Creation of the Zone	
Planning, Engineering and Legal Services	\$ 317,636
Economic Feasibility Study	15,000
	\$ 332,636
Administration Costs – Four Years	
Zone Administration	\$ 180,000
Legal Fees	120,000
Subtotal	\$ 300,000
TOTAL	\$ 5,974,028

EXHIBIT E

LOCATION OF PROPOSED IMPROVEMENTS

THE ATTACHED MAP IS FOR ILLUSTRATION PURPOSES ONLY. THE EXACT DESIGN AND LOCATION OF THESE IMPROVEMENTS WILL BE DETERMINED BY THE FINAL DESIGN AND ENGINEERING.

EXHIBIT E

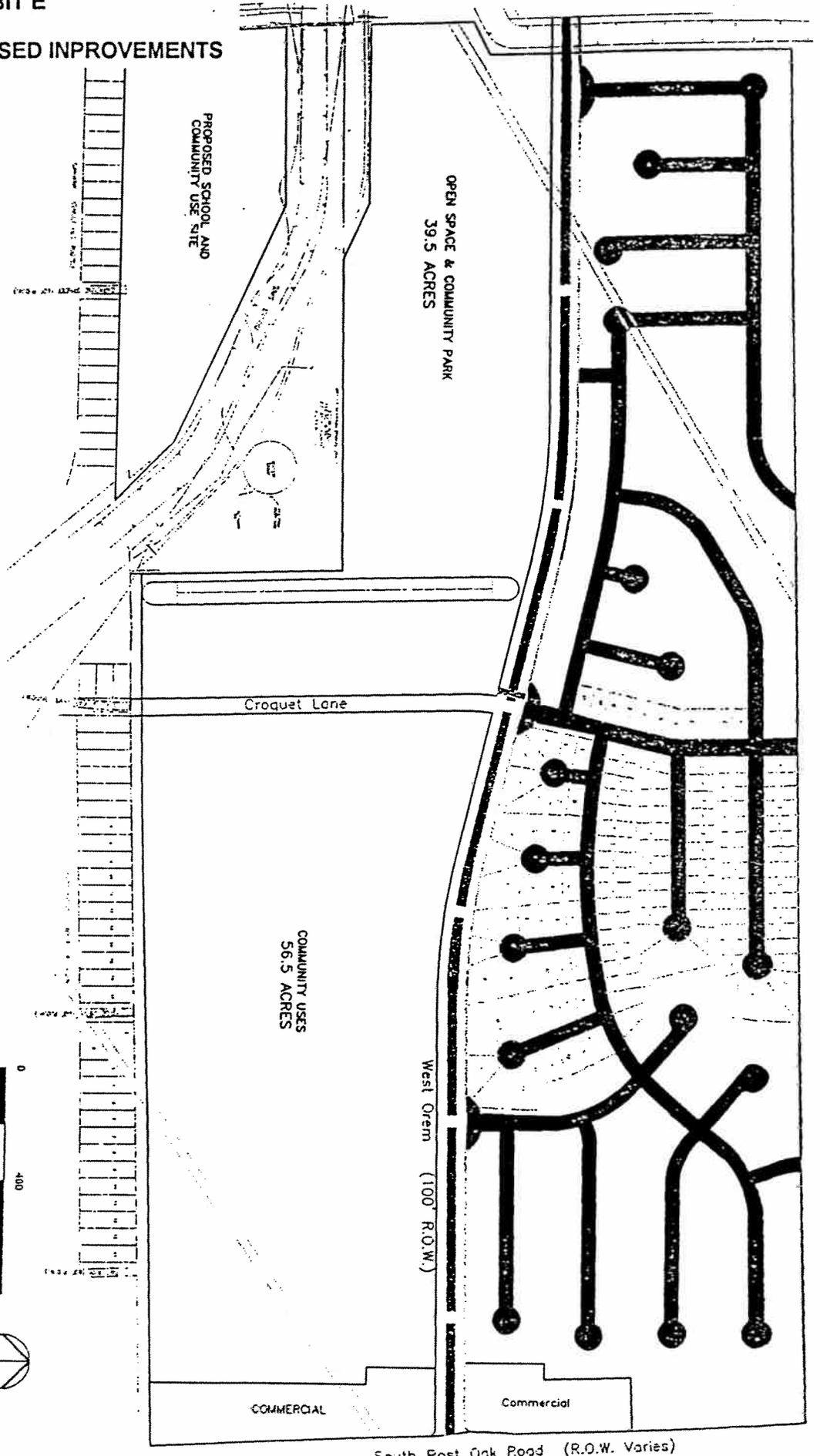
LOCATION OF PROPOSED IMPROVEMENTS

- Legend**
- Utility Corridor
 - Water
 - Sanitary Sewer
 - Storm Sewer
 - Median & Entrance Landscaping
 - Noise Barrier/Fence
 - Crosswalk



Corinthian Pointe

The public improvements shown in this graphic are for illustration purposes only; the exact design and location will be determined in final engineering drawings.



C. Economic Feasibility Study (311.011(c)(3))

The Owner engaged American METRO/STUDY Corporation ("American METRO") to perform an economic feasibility study. American METRO issued its initial Single Family Housing Market Demand Analysis, dated October 14, 1997, concluding that the proposed development is economically viable. A copy of this study was included in the Preliminary Plan previously submitted to the City on December 3, 1997. American METRO issued an updated economic feasibility study on March 30, 1999 (the "Study"), a copy of which is attached as Appendix III.

The Study includes information about the housing market in the City and the number of households in the City that are eligible to be homeowners. In addition, the Study provides information about households eligible to purchase affordable housing. Based on information from Claritas, a national demographic firm, as of 1998 there were approximately 655,000 households in the City of Houston. Fifty percent of these households earn less than \$35,000 per year. The Study reports that there are up to 96,615 households in the City which have annual income from \$25,000 to \$40,000 which rent homes. This annual income range is the primary market for low-income housing in the City. Of these households in the affordable housing target market, an estimated 55,000 to 65,000 households represent most of the potential demand for low-income housing in the City. See generally, *American/METRO Study*, Section IV, B.

In connection with its analysis of the housing to be provided in the Zone, the Study defined a Target Market Area ("TMA") which consists of communities located within the boundaries formed by Loop 610 and West Bellfort on the north, Highway 288 to the east and the Sam Houston Tollway to the west and south.

The Study states that there are 9,830 households currently located within the TMA with household incomes between \$25,000 and \$50,000, the key target market for the range of home prices to be provided in the Residential Community in Corinthian Pointe, \$60,000's to \$120,000's. The Study further states: "If there were more subdivisions offering new homes [in the TMA], our demographic analysis indicates that household incomes are sufficient to support more home sales." *American/METRO Study*, page 44. According to the Study the proximity of the Zone to major employment centers increases the area from which the Zone can expect to draw new homeowners. "It is estimated that as much as 60% of the Houston area employment

base is within a 45-minute commute from most communities in the TMA, including the subject site." *American/METRO Study*, page 41.

The Study noted that housing priced below \$120,000 constituted 97% of all housing starts in 1998 in the TMA. Thus, the proposed residential development in Corinthian Pointe is targeting the price range most in demand. The Study also concluded that the size and pricing of the developed lot were critical components of a successful development. The Study states: "The primary consideration in the TMA is economy; that is, delivering the least expensive lot possible to maintain the most affordable retail price for the home." *American/METRO Study*, page 50. The Study further notes that the TMA has a need for a high-quality attractive new home subdivision and the lack thereof is attributable to the limited and fragmented lot supply within the TMA. *American/METRO Study*, page 52. The use of TIRZ financing will increase the affordability of the lots and will allow the Developer to provide not only the highest possible quality of home, but a range of neighborhood improvements not found in the TMA. See generally, *American/METRO Study*, Section V.C.

Despite the fact that the TMA has limited available land suited to residential development, the TMA has continued to start new homes at a steady pace over the past four years. The Study lists the five active subdivisions in the TMA during 1998 – West Place, Fondren Southwest/Fonmeadow, Willow Glen, Fondren Southwest/Lakes of Fondren Southwest and Braes Park. Of the 169 vacant lots currently available in the TMA, 134 of these lots are located in a 15-year old subdivision, Willow Glen, which was dormant for several years but has recently shown some activity. Thus, the vast majority of lots currently available in the TMA are located in an older, less attractive subdivision. The current lot inventory in the TMA, a 13.6 month supply, is well below the normal required lot supply and emphasizes the need for new residential development in the area, such as the Corinthian Pointe Residential Community. See generally, *American/METRO Study*, Section I. C.

The Study concludes that the development of the Residential Community is economically feasible and states that, based on certain assumptions, "... Corinthian Pointe can expect to start an average of 70 to 90 homes per year, assuming an average sales price of \$85,000." *American/METRO Study*, page 8. Thus, assuming that beginning in the year 2001, 80 homes will be constructed annually in the Residential Community for an average price of \$85,000, and assuming the development of the commercial/retail areas, as described in Part I, Section C and shown on Exhibit C, the Zone should have sufficient tax increment revenues to reimburse the

Developer for the Project Costs and other costs related to the creation and administration of the Zone, as shown on Exhibit F.

The Developer has sought and received expressions of interest from the community about purchasing homes in Corinthian Pointe. To date, the Developer has received information from more than 2,500 potential homebuyers who have indicated an interest in purchasing homes in the Residential Community. The Developer will conduct credit counseling and home ownership classes to such interested persons, and to the extent such prospective homeowners are eligible, will assist them in receiving assistance from the City's Homes for Houston Program.

In addition to the residential development, the Developer anticipates a phased commercial buildout beginning in early 2000. The Developer has solicited and received a great deal of interest in the commercial property. Representatives of Taco Bell, Cabana Carwash, Z Place of Texas and Petroleum Wholesale, Inc. have expressed their interest in the Project and their intent to participate in the initial phases of the commercial development.

D. Estimate of Bonded Indebtedness to be Incurred (311.011(c)(4))

In accordance with Section 311.015 of the Act, the City or the Authority may issue bonds secured by the tax increment, the proceeds of which may be used to reimburse the Developer for the Project Costs, including public improvements, capitalized interest, professional fees, developer interest and costs of issuance of the bonds, based on the estimated budget shown in Exhibit D. It is anticipated that the City or the Authority will issue one or more series of bonds at the time the Zone generates sufficient tax increment revenues to pay principal and interest on such obligations. See Section F. below. Attached hereto as Exhibit H is a schedule showing the estimated increase in appraised value by year pursuant to the development of the Zone as well as the resulting tax increment generated by such increased value. Exhibit F includes a cash flow schedule of reimbursement of the Developer through direct pay and debt issuance.

Harris County (the "County") approved participation in the Zone at the Commissioners' Court meeting on January 27, 1998. The Board of Education of Houston Independent School District ("HISD") voted on January 22, 1998 to participate in the Zone. As a condition of the participation agreement between the Zone and HISD, the Developer has agreed to provide, if needed, a site for a future HISD elementary school. The County will participate by contributing

a tax increment in an amount equivalent to a rate of \$0.41661 per \$100 of assessed value, and HISD has agreed to an amount equivalent to a rate of \$0.64 per \$100 of assessed value.

EXHIBIT F
CASH FLOW ANALYSIS

EXHIBIT F CASH FLOW ANALYSIS

SOUTH POST OAK
PROJECTED TIRZ CASH FLOW (INCLUDES 1/3 SET ASIDE REVENUES)

TAX YEAR	CITY (1) ZONE REV @ \$0.665	COUNTY (2) ZONE REV @ \$0.1860	HISD (3) ZONE REV @ \$0.64	HISD (4) ZONE REV @ \$0.32	TOTAL (5) ZONE REVENUE	TIRZ (6) ADMIN EXPENSE	TIRZ (7) DEBT SERVICE	HISD (8) PROJECT REVENUE @ 0.32	TIRZ (9) DEBT SRV RESERVE	NET (10) TIRZ REVENUE	DIRECT (11) PAY REIMBURSE	TIRZ (12) INTEREST FUND 4%	TIRZ (13) FUND BALANCE	DEVELOPER ADVANCES	SIMPLE (14) INTEREST @ 6.5%	TIRZ (15) BONDS REIMBURSE	TIRZ (16) DIRECT PAY REIMBURSE	UNREIMBURSED DEV ADVANCES & INTEREST
1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	18,014	11,104	14,615	7,307	51,040	(75,000)	0	(7,307)	0	43,733	0	0	0	3,703,174	4,875	0	0	75,000
2001	60,572	37,312	48,766	24,383	171,033	(75,000)	0	(24,383)	10,000	81,649	81,649	0	0	1,785,484	245,581	0	0	3,783,049
2002	131,456	81,285	110,179	55,090	377,980	(75,000)	0	(55,090)	10,000	7,911	7,911	0	0	410,371	361,638	0	(43,733)	5,814,113
2003	200,963	124,355	170,258	85,134	580,720	(75,000)	(249,988)	(85,134)	19,095	189,693	189,693	0	0	0	388,312	(2,505,512)	0	6,542,389
2004	248,446	153,648	209,159	104,580	715,833	(75,000)	(477,315)	(104,580)	19,095	77,974	77,974	0	0	0	383,437	(2,223,338)	0	4,343,540
2005	281,246	173,743	233,919	116,960	805,868	(75,000)	(477,315)	(116,960)	24,646	161,179	161,179	0	0	0	26,674	(1,318,308)	0	4,723,940
2006	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(77,974)	2,694,346
2007	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(161,179)	1,306,290
2008	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	1,180,889
2009	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	995,087
2010	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	839,485
2011	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	683,884
2012	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	528,282
2013	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	372,681
2014	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	217,079
2015	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	61,478
2016	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	(155,802)	(94,124)
2017	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2018	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2019	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2020	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2021	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2022	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
2023	320,647	198,313	270,138	135,069	924,168	(42,000)	(616,143)	(135,069)	24,646	155,802	155,802	0	0	0	0	0	0	0
TOTAL	6,391,702	3,952,755	5,379,255	2,689,628	18,413,339	(1,089,000)	(11,929,157)	(2,689,628)	1,117,953	3,823,508	1,868,429	223,627	2,178,705	5,974,028	1,941,559	(6,047,158)	(1,868,429)	0

- (1) City of Houston Zone participation is 100% of total tax rate of \$0.665.
- (2) Harris County Zone participation is \$0.41860; includes 1/3 set aside revenue.
- (3) HISD Zone participation is \$0.64; includes 1/3 set aside revenue.
- (4) HISD Zone participation is \$0.32; which is revenue that goes back to HISD for Zone projects.
- (5) Total Zone Revenue includes all jurisdictions annual revenue.
- (6) TIRZ Revenues exclusive of 4 years TIRZ Administration Expense which are calculated in the Developer Advances/Reimbursements.
- (7) Zone revenue given to HISD for Zone projects. Reflected as an expense stream to the Zone.
- (8) Revenue available for Direct Pay to Developer.
- (9) TIRZ Fund Interest - 4% interest calculated on the cumulative TIRZ Fund Balance remaining after Developer Reimbursement.
- (10) Assumes 6.5% simple interest for 5 years only on each developer advance.
- (11) Assumes 1987 base year, 25 year Zone, 0% growth rate and a 92% collection rate on incremental values.
- (12) Assumes homestead exemption, over 65 exemption, and HISD state exemptions applied to assessed values.
- (13) Assumes 80 SFU annually per American Metro Market Study.

E. Estimate of Time When Monetary Obligations Are Incurred (311.011(c)(5))

The Owner and the Developer have, to date, incurred substantial financial obligations with respect to creating the Zone and planning the development of Corinthian Pointe, including engineering fees, and legal fees. Included in the schedule constituting Exhibit H is information regarding the years between which the development is expected to occur.

Upon adoption of the Plan, the Zone Board will advertise for construction bids on Phase I of the Residential Community and the Developer will proceed with construction of the Residential Community.

F. Method of Financing (311.011(c)(6))

The Developer will advance all funds for development of the Residential Community, including all expenses to provide public improvements. The Zone will provide reimbursement for the cost of the public improvements directly from the tax increment revenues and/or the proceeds of its debt obligation, the principal and interest of which will be paid from the tax increments revenues. Based on conservative assumptions recommended by the Zone's financial advisor, First Southwest Company, the Zone expects to issue one or more series of bonds prior to the year 2006, as shown on Exhibit F.

While more than eighty percent of the homes in Corinthian Pointe will be priced between \$69,900 and \$103,000, the Zone will design a separate program (as described below) that stimulates and encourages home ownership for families with incomes that are eighty percent or below the median income, as determined and revised by the U.S. Department of Housing and Urban Development ("HUD") ("Median Income"). A range of income levels will assist in the integration of all families in the community.

Through the reimbursement of certain public improvement infrastructure costs incurred by the Developer, the Developer will sell lots to homebuilders at a price to facilitate the pricing of homes in a range described above.

G. Current Appraised Value of Taxable Real Property In Zone (311.011(c)(7))

The Property's taxable value as of December 31, 1997 was \$1,018,000 (the "Tax Increment Base"). A copy of HCAD's certificate of 1997 appraised value for the Property is attached as Exhibit G.

H. Estimated Captured Appraised Value of Taxable Real Property in the Zone (311.011(c)(8))

At the completion of the development of Corinthian Pointe, expected to be the year 2006, the incremental taxable value resulting from the development within the Zone is shown on Exhibit H. This revenue estimate is based on (a) a 20 percent homestead exemption applicable to all of the homes, (b) an over-the-age of 65 exemption applicable to approximately three percent of the homes, (c) a 92 percent tax collection rate in the Zone over the duration of the Zone and (d) zero percent increase in the taxable value of the property in the Zone over the duration of the Zone.

Participation from the following jurisdictions has been requested:

City of Houston	=	100 percent of tax levy on incremental value (\$0.665 per \$100)
Harris County	=	\$0.41661 per \$100 of tax levy on incremental value
HISD	=	\$0.96 per \$100 of tax levy on incremental value, \$0.64 per \$100 incremental value to be used in the Zone and \$0.32 per \$100 to be used for HISD development in or near the Zone

The total participation for the Zone from the City, County and HISD is estimated at \$1.72161 per \$100 of assessed value which will generate approximately \$15,723,711 of tax increment revenues over the life of the Zone to finance the public improvements in the Zone. The \$0.32 per \$100 of HISD tax increment revenues (described above) must be used for HISD purposes in or near the Zone. Exhibit H illustrates the annual projected captured appraised value and the derivative revenue by taxing jurisdiction.

I. Duration of the Zone (311.011(c)(9))

Pursuant to Ordinance No. 97-1570, the Zone was created for a duration of 25 years. The Zone is intended to remain in existence until all debt obligations of the Zone are retired and all contractual obligations completed which is expected to be no later than the year 2023.

EXHIBIT G

HCAD CERTIFICATE OF APPRAISED VALUE

EXHIBIT G

CERTIFICATE OF APPRAISED VALUE

132 SCAN BY ACCT

REAL PROPERTY APPRAISAL DATA

01/26/1999 17:15:

ACCOUNT 000 0450400000005

TAX YEAR 1997

NEXT SCREEN

HMSD 000% SPCL 0000000000 000%

GIS

YEAR ACCOUNT CREATED 1984

DISABLED VET (1) 0% (2) 0%

PID 01-33666.0-00.0-003.0-0/000-001-6

NAME / ADDRESS

APPROVED 08/15/1997

MORTON COHN & PEARLE COHN
800 BERING DR STE 210

1988

MTS

NOTICED 05/01/1997

TAX DEFERRED?-->

CENTER AG

SEQ NO 0016229

REPORT CLASS

D1

SHIFTED/HTS

AG-TYPE 2

HOUSTON TX

ZIP 77057-2130

DESCRIPTION

TRS 1A & 1C

MAP FACET 5152D

MTL 00000

1992

*** VALUES ***

CURRENT

PREVIOUS

LAND

1018600

1700000

AG/TMB/SPC

13580

13580

IMPROVEMENT

0

0

RENDERED

0

0

ABST 736 J STAMPS

ACREAGE 226.3581

PROPERTY LOCATION

0 W OREM DR

HOUSTON TX

ZIP 77045

ZONE 60

TOTAL MKT

1018600

1700000

NOTES:

25.19?

MAILER STATUS:

SCREEN YEAR NOT = UPDATE TAX YEAR... READ ONL



STATE OF TEXAS §
COUNTY OF HARRIS §

This is to certify that this is a true and correct copy of
an official public record of the Harris County
Appraisal District in my lawful custody.

No. 5 JAN 26 1999

Date

Kelly Feris
Deputy Custodian of Records

EXHIBIT H
CURRENT/CAPTURED APPRAISED VALUE AND
PROJECTED TAX INCREMENT REVENUE BY JURISDICTION

**EXHIBIT H
CITY OF HOUSTON TIRZ NO
SOUTH POST OAK**

TAX YEAR	PROJECTED SINGLE FAMILY UNITS	ANNUAL APPRAISED VALUE W/O Exemptions	PROJECTED ANNUAL INCREMENT W/O Exemptions	PROJECTED CUMULATIVE INCREMENT W/O Exemptions	RESIDENTIAL			NONRESIDENTIAL ANNUAL CITY, COUNTY & HSD COMMERCIAL VALUE	CITY COUNTY	TIRZ REVENUES
					ANNUAL CITY VALUE INCREASE W Exemptions	ANNUAL COUNTY VALUE INCREASE W Exemptions	ANNUAL HSD VALUE INCREASE W Exemptions			
1998		1,018,800								
1999	0	1,018,800	0	0	0	0	0	0	0	0
2000	32	4,538,800	3,520,000	3,520,000	2,144,459	2,097,147	1,882,085	800,000	0	0
2001	80	12,933,800	8,395,000	11,915,000	5,361,147	5,242,868	4,205,212	1,595,000	18,014	0
2002	80	25,958,800	13,025,000	24,940,000	5,361,147	5,242,868	4,205,212	6,225,000	60,572	11,104
2003	80	38,758,800	12,800,000	37,740,000	5,361,147	5,242,868	4,205,212	6,000,000	131,456	37,312
Year 15 Total	772	217,400,000	92,000,000	217,400,000	18,227,890	17,857,751	14,297,721	24,620,000	210,042	81,265
2004	80	47,958,800	9,200,000	46,940,000	5,361,147	5,242,868	4,205,212	2,400,000	200,963	124,355
2005	80	54,758,800	8,800,000	53,740,000	5,361,147	5,242,868	4,205,212	0	248,446	153,648
2006	20	61,558,800	8,800,000	60,540,000	1,340,287	1,310,717	1,051,303	5,100,000	281,246	173,743
2007	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2008	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
Year 10 Total	30	22,800,000	0	22,800,000	12,062,581	11,806,458	9,747,727	7,500,000	371,860	248,314
2009	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2010	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2011	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2012	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2013	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
Year 15 Total	0	61,558,800	0	60,540,000	0	0	0	0	1,603,227	981,587
2014	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2015	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2016	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2017	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2018	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
Year 10 Total	0	61,558,800	0	60,540,000	0	0	0	0	3,206,297	1,976,571
2019	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2020	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2021	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2022	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
2023	0	61,558,800	0	60,540,000	0	0	0	0	320,647	198,313
Year 26 Total	0	61,558,800	0	60,540,000	0	0	0	0	1,603,227	981,587
TOTAL	452	60,540,000	0	60,540,000	30,290,482	29,622,204	23,759,448	22,120,000	6,391,702	3,952,755

City Tax Rate / \$100: 0.6650
 City Homestead Exemption: (3)
 City Over Age 65 Exemption: 20%
 Over Age 65 Per Cent of S.F.U. Eligible: \$34,000
 City Participation: 2.899%
 Collection Rate: 100%
 Assumes 0% Growth Rate: 92%

County Tax Rate / \$100: 0.4166
 County Homestead Exemption: (3)
 County Over Age 65 Exemption: 20%
 Over Age 65 Per Cent of S.F.U. Eligible: \$85,000
 County Participation: 2.899%
 Collection Rate: 100%
 Assumes 0% Growth Rate: 92%

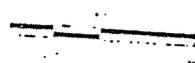
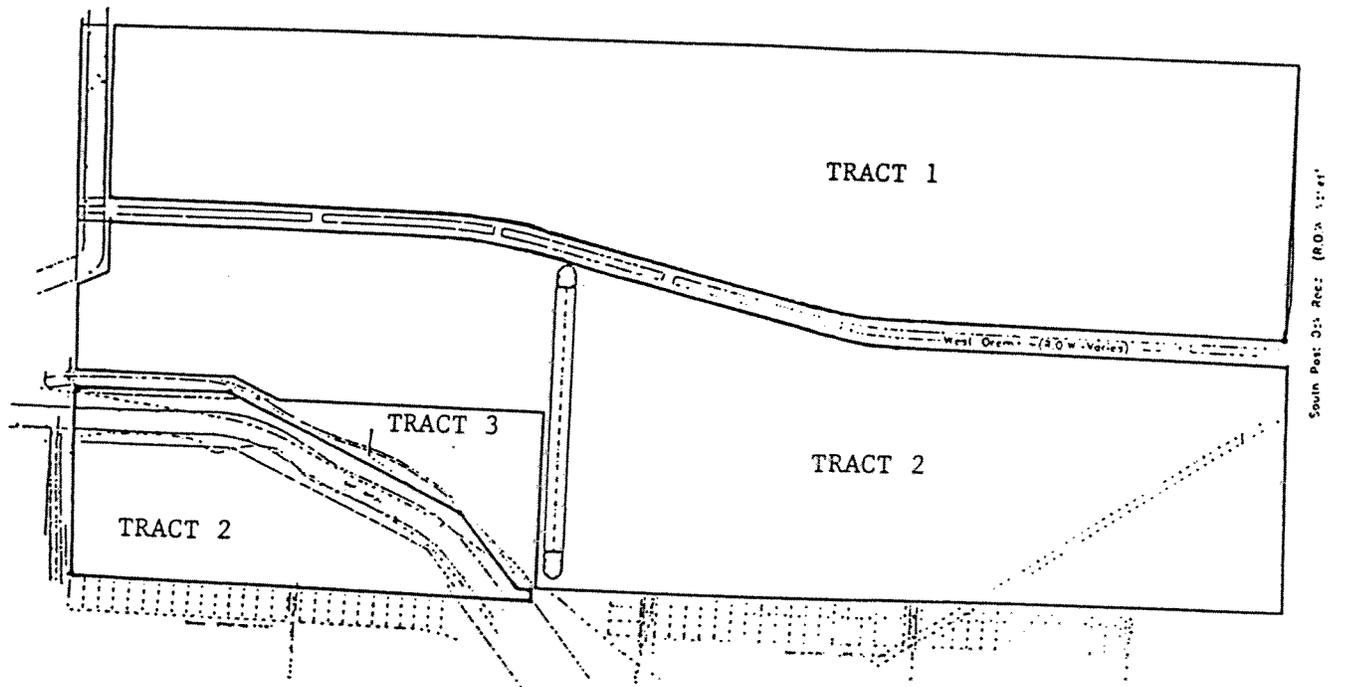
HSD Tax Rate
 HSD Homestead
 HSD Over Age 65
 HSD Exempt
 HSD Particip
 Assumes 0%
 Collection Ra
 1/3 HSD Ref

(1) Includes 1/3 set-aside revenues available to zone.
 (2) Net TIRZ Fund balance after reimbursement.
 (3) Applied to all Single Family Units (SFU).

APPENDICES

APPENDIX I
LEGAL DESCRIPTION

APPENDIX I
LEGAL DESCRIPTION



**LEGAL DESCRIPTION
PROPOSED SOUTH POST OAK TIRZ**

BEGINNING AT A POINT located in the northwest corner of that certain 108.221 acres of land , Tract One, out of the John Stamps Survey, A-736, Harris County, Texas, being out of a 200 acre tract described as "First Tract" in Volume 1740, Page 631, of the Deed Records of Harris County, Texas;

Thence, in an easterly direction along the north boundary line said Tract One a distance of 4,897.12 feet to a point located in the northeast corner of said Tract One at its intersection with the west right-of-way line of Old Anderson Road;

Thence, southerly a distance of 996.68 feet to a point located at the southeast corner of said Tract at its intersection with the north right-of-way line of West Orem Drive;

Thence, southerly a distance of 100 feet to the south right-of-way line of West Orem Drive at its intersection with the northeast corner of that certain 105.274 acres of land, Tract Two, being out of the John Stamp Survey, A-736, Harris County, Texas, and being out of a 200 acre tract described as "First Tract" and a 100 acre tract described as "Second Tract" in Volume 1740, Page 631, of the Deed Records of Harris County, Texas;

Thence, southerly a distance of 976.82 feet to a point located at the southeast corner of said Tract Two at its intersection with the west right-of-way line of South Post Oak Road and north boundary line of that certain City of Houston 40 foot easement recorded under Clerk's File Number D 260521, Film Code Number 125-22-0677, Harris County Deed Records;

Thence, westerly a distance of 3,079.18 feet to a point located at the southwest corner of said Tract Two at its intersection with said 40 foot easement;

Thence, southerly a distance of 40 feet to a point of intersection between the said easement and the southeast corner of that certain 9.2539 acres owned by the City of Houston, recorded in the Harris County Real Property Records under Clerk's File Number D 260521, Film Code Number 125-22-0677;

Thence, westerly along the southerly property line of said Tract Three a distance of 1,833.37 feet to the southwest corner said Tract Three at its intersection with the east right-of-way line of that certain 95 foot Harris County Flood Control District Drainage Easement recorded in Volume 2272, Page 642 of the Harris County Deed Records;

Thence, northerly a distance of 795.85 feet to the northwest corner of said Tract Three at its intersection with that certain 200 foot Harris County Flood Control Easement recorded in Volume 4812, Page 96, of the Harris County Deed Records;

Thence, northerly a distance of 349.31 feet to a point of intersection with the southwest corner of that certain 130 foot Harris County Flood Control District Fee Tract, Clerk's File Number G 130473, Film Code 131-90-0120, Harris County Deed Records;

Thence, northeasterly along the south boundary line of said Harris County Flood Control District Fee Tract a distance of 142.04 feet to an iron rod set;

Thence, northerly a distance of 209.87 feet along the eastern boundary of said Harris County Flood Control District Fee Tract to it intersection with the southern right-of-way line of West Orem Drive;

Thence, northerly a distance of 100 feet along the eastern boundary of said Harris County Flood Control District Fee Tract to a point of intersection with the southwest corner of said Tract One and the north right-of-way line of West Orem Drive;

Thence, northerly a distance of 731.85 feet along the eastern boundary of said Harris County Flood Control District Fee Tract to the northwest corner of said Tract One to the POINT OF BEGINNING.

APPENDIX II

**1999 ECONOMIC FEASIBILITY STUDY
BY AMERICAN METRO/STUDY CORPORATION**