

City of Houston, Texas, Ordinance No. 1999- 743

**AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER ELEVEN, CITY OF HOUSTON, TEXAS (GREENSPPOINT); 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. 98-713, adopted August 26, 1998, the City created Reinvestment Zone Number Eleven, City of Houston, Texas (the "Greenspoint Zone") for the purposes of development within the Greater Greenspoint area of the City; and

**WHEREAS**, the Board of Directors of the Greenspoint Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the Greenspoint 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 Eleven, 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 Greenspoint 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.

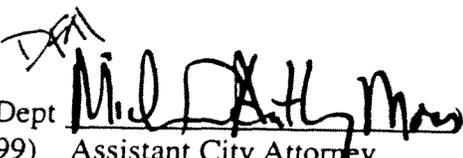
PASSED AND ADOPTED this 28<sup>th</sup> day of July, 1999.

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 AUG 03 1999.

  
 City Secretary

<sup>DA</sup>  
  
 (Prepared by Legal Dept  
 ( MAM\mam 7/27/99) Assistant City Attorney  
 (Requested by Robert M. Litke, Director, Planning and Development)  
 (L. D. File No. 34-98386-10)

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AYE	NO	
		<b>ABSENT</b>
••••	••••	<b>MAYOR BROWN</b>
		<b>COUNCIL MEMBERS</b>
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		MAYOR PRO TEM PRESIDENT BONEY
✓		TODD
		<b>ABSENT OUT OF CITY CITY BUSINESS</b>
✓		DRISCOLL
✓		KELLEY
✓		FRAGA
✓		CASTILLO
✓		PARKER
✓		ROACH
✓		SANCHEZ
✓		BELL
✓		ROBINSON
CAPTION	ADOPTED	

**TAX INCREMENT REINVESTMENT ZONE NUMBER ELEVEN,  
CITY OF HOUSTON**

**GREATER GREENSPOINT ZONE**

**Project Plan and Reinvestment Zone Financing Plan**

**July 24, 1999**

**Prepared By:  
Hawes Hill & Patterson Consultants, L.L.P.**

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**TAX INCREMENT REINVESTMENT ZONE NUMBER ELEVEN,  
CITY OF HOUSTON  
GREATER GREENSPPOINT ZONE  
Project Plan and Reinvestment Zone Financing Plan**

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Tax Increment Reinvestment Zone Number Eleven, City of Houston (the "Zone") includes 3,500 acres of property that is characterized by four interrelated components:

- Revitalization of the Airline Corridor
- Multi-family/Apartment Redevelopment(Archon Project)
- Repositioning of Retail Sector
- Development of Raw Land and Vacant Property

Based on current conditions and trends, without the financing tools available through the Zone, it is expected that the area will continue to suffer:

- The blighted conditions on Airline Drive will continue to create significant social and economic stresses on the stability of the surrounding residential community and create major obstacles to the longevity and economic viability of the retailers in that corridor;
- The retail sector will continue its decline, straining opportunities for open market forces to reverse this deterioration;
- The scope of the redevelopment of 24 apartment properties and the redevelopment of the associated parks and trails system would be undertaken; and
- The development of approximately 700 acres of vacant land will continue to be sluggish due to their noncompetitive position, as compared to areas located outside the City with mechanisms to finance public improvements.

The purpose of the Zone is to facilitate the development/redevelopment of residential and commercial properties through the financing of:

- Water, wastewater, drainage facilities;
- Redevelopment projects;
- New Streets;
- Parks and trails system;
- Landscaping and streetscapes;
- Conference/convocation center;
- Retail redevelopment; and
- Parking facilities

The four components of the Zone are interconnected and interrelated where each is an integral part of the whole. The successful completion of each component's revitalization effort is dependent on the inclusion and successful completion of the proposed projects in the other components. The Zone includes property that is blighted, deteriorating in condition, economically distressed and generally includes vacant parcels where infrastructure is absent. The City of Houston created the Zone to establish the basis and mechanism that are essential for the attraction of private investment that otherwise would not occur in the reasonably foreseeable future.

## PROJECT PLAN

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### I. MAPS SHOWING EXISTING USES AND CONDITIONS OF REAL PROPERTY IN THE ZONE AND SHOWING PROPOSED IMPROVEMENTS TO AND PROPOSED USES OF THE PROPERTY

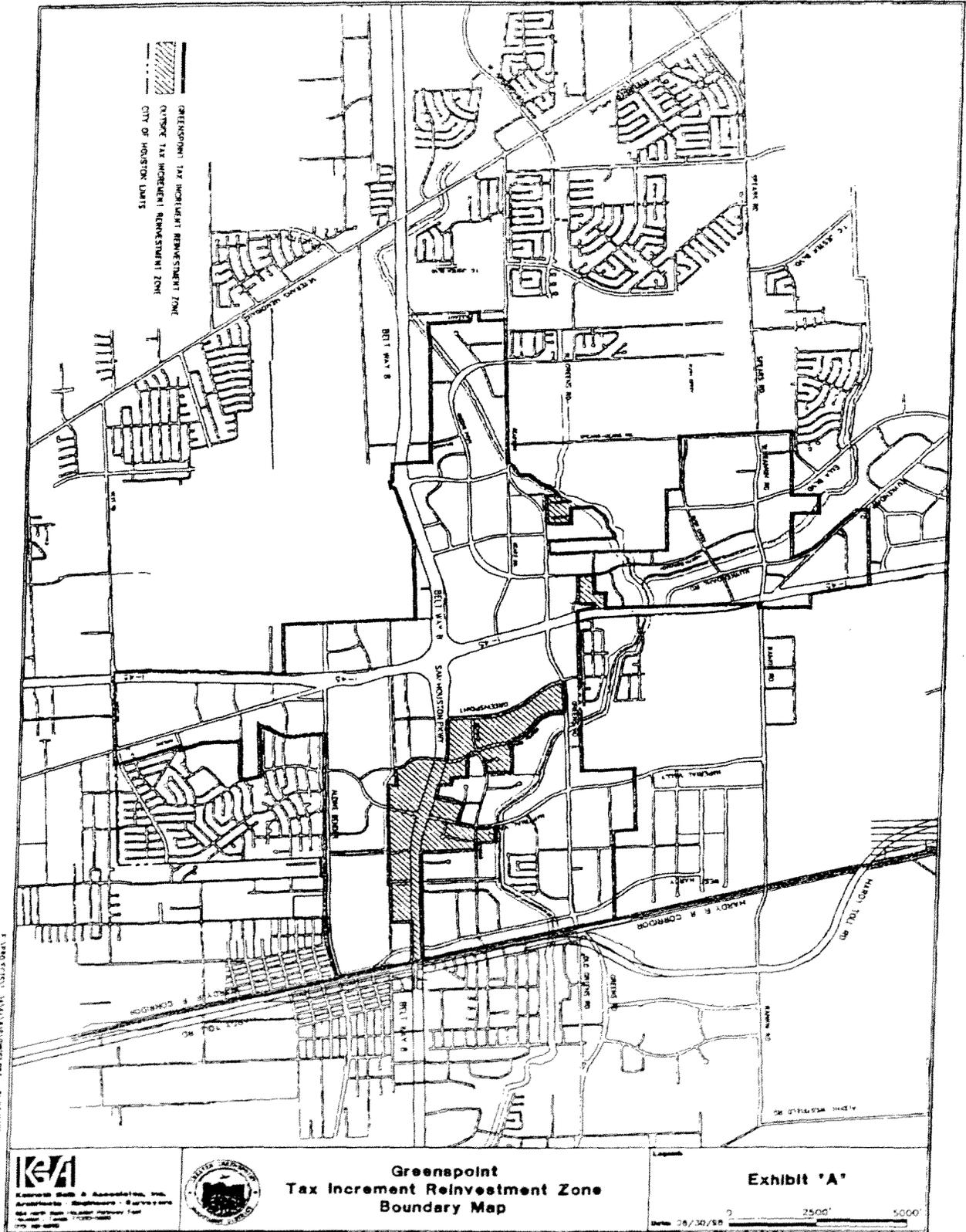
The Zone includes property located within the current City of Houston ("City") limits with most boundaries contiguous with the boundary of the Greater Greenspoint Management District (the "District"). The Zone boundary does not include property located outside of the City limits, and excludes the core commercial office center of the Greater Greenspoint area, known as "Greenspoint Plaza."

The maps included herein as Maps 1 through 4 show the existing uses and conditions of real property in the Zone and proposed improvements to and uses of that property. Map 1 is a boundary map and shows the Zone in relation to the City limits. Map 2 is an aerial photo depicting the boundary of the Greater Greenspoint Management District (the "District") and the Zone. Map 3 shows the existing land uses within the Zone's boundary, while Map 4 shows the proposed changes to land uses and improvements (i.e. conversion of vacant land to uses including new residential, commercial, office, retail, entertainment and convention facilities).

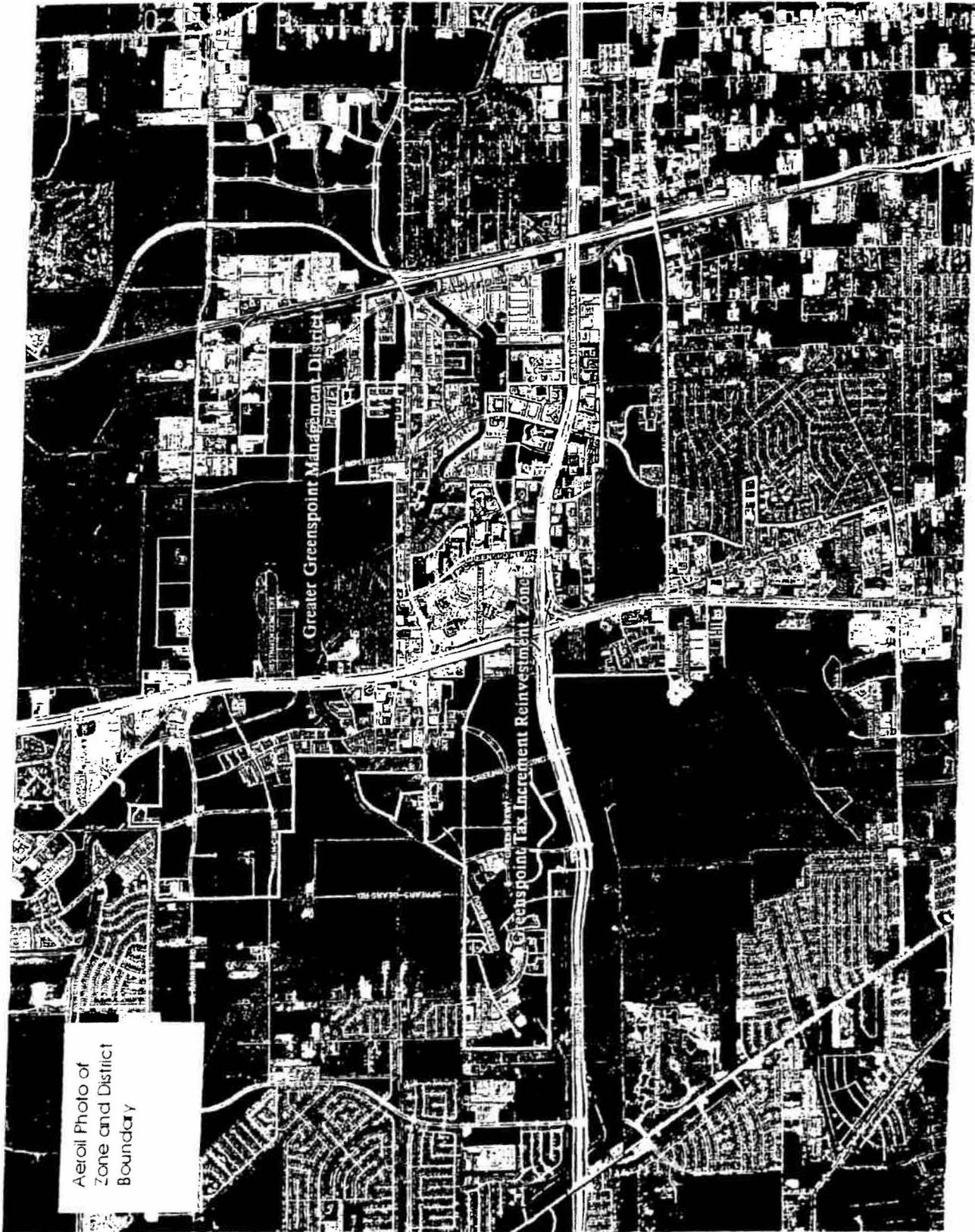
#### **Existing Conditions**

The Zone consists of 3,500 acres located in north Houston. A major landmark in the Zone is the interchange of the Sam Houston Parkway (Beltway 8) and the North Freeway (IH45). These two highways divide the Zone into four "Subareas". Because the Zone is so large and contains many different components, dividing the Zone into Subareas facilitated quick identification of particular areas of the Zone and provided an easily understandable way of organizing the project costs listed in this Zone Project Plan and Reinvestment Financing Plan.

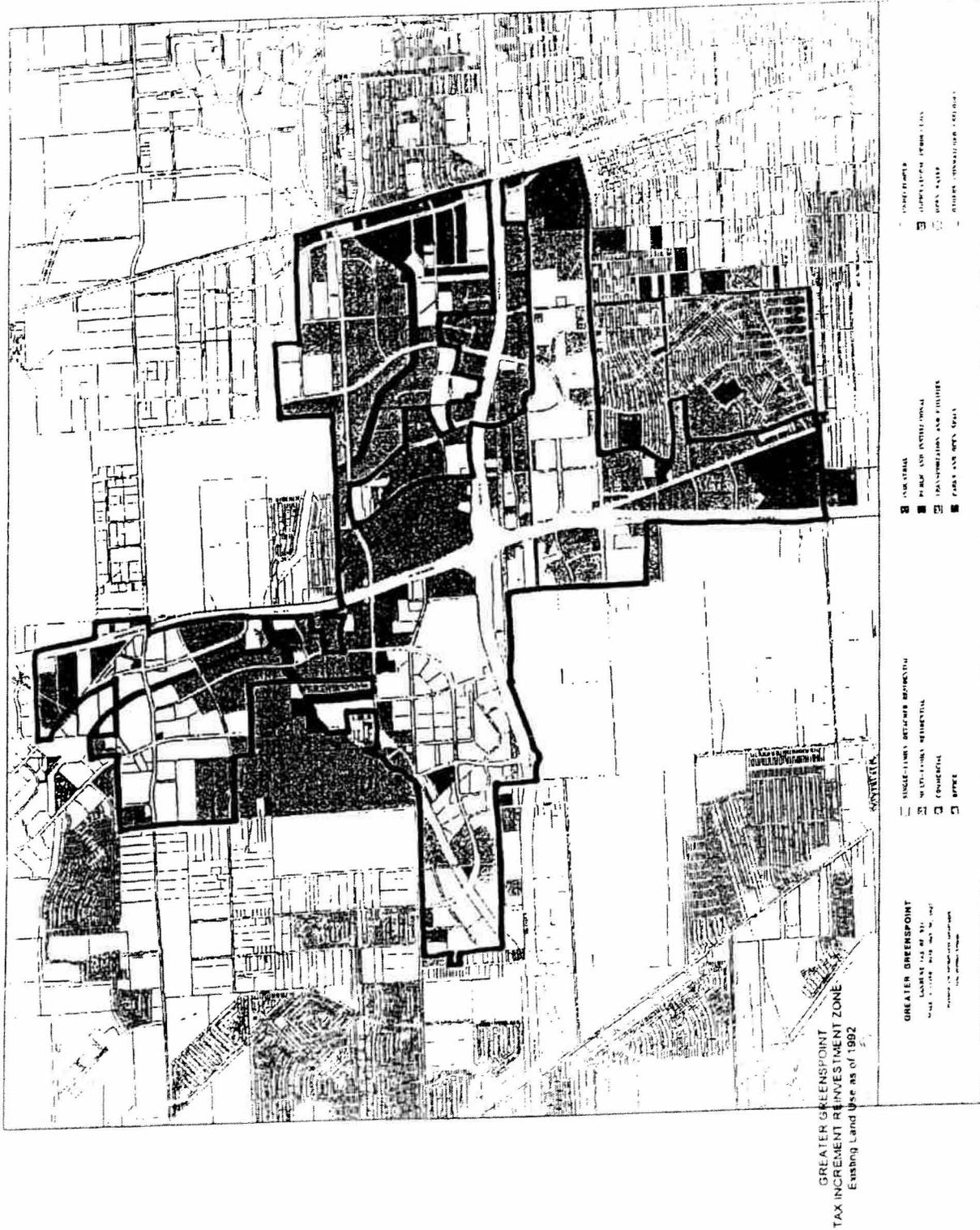
# Map 1



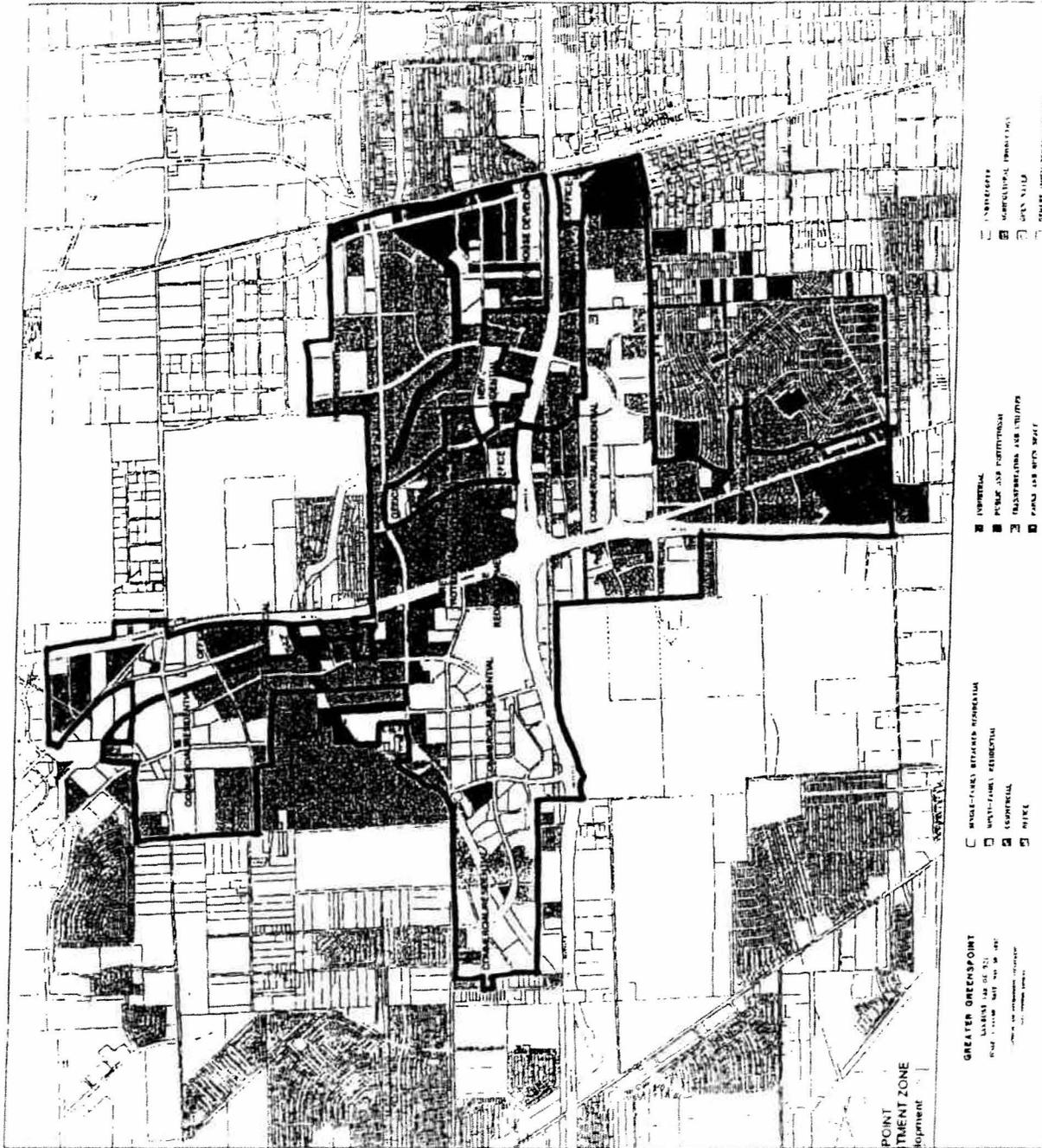
Map 2



# Map 3



# Map 4



A reasonable inclination would be to divide the Zone into four Subareas consistent with the "natural" division created by the two intersecting highways. Three of the five taxing authorities cover the entire area of the Zone; however, the two school districts, Aldine I.S.D. and Spring I.S.D., do not. The Aldine I.S.D. encompasses the entire Zone with the exception of the far northwest section, north of Rushcreek and west of IH-45. In order to clearly identify to each school district's the activities undertaken in their areas of the Zone, this Project Plan separates the Spring I.S.D. area into a "fifth Subarea." Following is a description of each Subarea.

#### Subarea A: Spring/Rankin

This Subarea is located north of Rushcreek (Subarea B), east of the North Freeway, and west of Spears-Gears. It is substantially undeveloped and provides opportunities for development incentives. There is some retail located closer to the North Freeway and at the intersection of West Rankin Road and Kuykendahl. This area is within the jurisdiction of Spring I.S.D. although Spring has no school facilities located in this Subarea or anywhere within the Zone.

#### Subarea B: Greens Crossing/Northborough

The Sam Houston Parkway bounds this Subarea on the south, and the North Freeway bounds it on to the east. The acreage south of West Greens Road and Gears Road is known as *Greens Crossing* and was formerly Municipal Utility District No. 203 before being annexed into the City of Houston. Exxon Land Development (ELD) and the Greens Crossing Property Owners Association coordinate the development of the area. Although much of the land has been sold, the actual development of the vast acreage has been slow. This location is one of several large vacant landmasses that are anticipated to gain substantially through incentives made available by the Zone for development reimbursements for the installation of infrastructure.

North of West Greens Road, along Northborough, up to Rushcreek, is known as the *Northborough neighborhood*. This location consists mainly of apartment complexes on Northborough and concentrations of low and mid-size office buildings along the North Freeway, Meadowfern and Glenborough. There remain some vacant parcels for new development, and numerous opportunities for redevelopment.

#### Subarea C: Greens Landing

This Subarea is the smallest of the five. The name for Subarea C has more to do with the land area outside of the Subarea than the location itself. The vast raw acreage located south of the Sam Houston Parkway and southwest of Subarea Exxon Land Development and the Cockrell Corporation own C. A significant portion of this raw acreage is called *Greens Landing*. The area designated as Subarea C did not have a significant identifying quality and therefore it was determined to call it Greens Landing. Currently, there exists multi-family, low-rise office, low industrial and transportation uses in this location.

### Subarea D: Greenspoint Central

This Subarea is what has historically been considered the "Greenspoint" area, located east of the North Freeway and north of the Sam Houston Parkway. It includes the highest density of office, retail, hotel and apartment properties of any Subarea in the Zone. Its "downtown/central business district" quality is why this Subarea is referred to as *Greenspoint Central*. Significant features of this location include Greenspoint Mall, three full service hotels, several high-rise office towers, and the CityView residential development by Archon Group. Two of the four major components of the Zone, retail redevelopment and multi-family revitalization are located in this Subarea and are represented by the plans of Greenspoint Mall and Archon Group for their respective properties.

### Subarea E: Airline/Aldine

Southeast of the intersection of the Sam Houston Parkway and the North Freeway is the *Airline/Aldine* Subarea. This location consists of extremes in both land uses and opportunities. The area surrounding Airline Drive, from Aldine Bender to West Road, has experienced significant decline in its retail and multi-family housing sectors. The "*Airline Corridor*" as it's termed by various groups, is one of the four primary components of the Zone. Severe deterioration in one particular multi-family property has impacted the economic and social well being of the community. Illegal dumping and graffiti are rampant. This corridor requires substantial intervention in order to effect a turnaround in the blight. This Subarea also contains opportunities for development of raw acreage located north of Aldine Bender and several vacant parcels adjacent to office buildings along Northpoint. *Aldine ISD* has a significant presence in this location with three schools.

## **II. PROPOSED CHANGES OF ZONING ORDINANCES, THE MASTER PLAN OF THE MUNICIPALITY, BUILDING CODES, AND OTHER MUNICIPAL ORDINANCES**

All construction will be done in conformance with existing rules and regulations of the City of Houston. There are no proposed changes to any city ordinance, master plan, or building codes.

## **III. LIST OF ESTIMATED NON-PROJECT COSTS**

The list of estimated non-project costs referenced below reflects costs that the District, Other Taxing Units and Developers will make towards the total development plan. These costs are listed as Non-Project Costs because they are costs not to be borne by the Zone. The District's sponsored costs reflect the investment and commitment that has been made and that will continue to be made by the commercial property owners of the District over the thirty (30) year life of the Zone.

## Estimated Non-Project Costs

### Management District Costs

Security and Public Safety	\$ 13,800,000
Planning and Project Development	\$ 6,600,000
Public Relations and Business Development	\$ 6,600,000
Administration	\$ 3,000,000

#### Sub-Total

\$ 18,000,000

### STREET PAVING AND RECONSTRUCTION

Ella Blvd. Extension: south of Rush Creek to Gears Road	\$ 8,086,500
Commons Drive: West Greens Road to Beltway 8	\$ 2,602,740
Greens Crossing: Beltway 8 to Fallbrook Extension	\$ 3,984,735
Fallbrook: Zone Boundary to IH-45	\$ 1,318,120
Fallbrook Extension: Greens Crossing to Zone Boundary	\$ 2,150,430

#### Sub-Total

\$ 18,142,525

### Greens Bayou Trails System

\$ 28,265,625

### AISSD Educational Facility

\$ 33,213,452

#### TOTAL

\$ 97,621,602

## IV. STATEMENT OF METHOD OF RELOCATING PERSONS TO BE DISPLACED AS A RESULT OF IMPLEMENTING THE PLAN

This Zone Project Plan calls for the development of vacant property and the redevelopment of existing properties. Displacement of property owners or residents from the Greenspoint area is not anticipated.

Market conditions within the Greenspoint area indicate that the apartment turnover rate is approximately 60%. A survey of non-Archon controlled properties located in the Greenspoint area whose rental rates were less than \$0.55/sf indicated that there were a total of 41 properties with 9,041 apartment units. The average monthly rent for these properties is \$384/month or \$0.495/sf. The average unit size is 775/sf.

The current occupancy of the 19 Archon owned properties in Greenspoint is 52% (72% for the 11 operating properties and 24% for the 8 properties that are being shut down for complete renovation). Within the Archon Project no leaseholder in good standing will be refused an apartment on one of the Archon properties. Existing tenants will be relocated to other Archon properties within the area. There will be no decrease in the total number of available habitable units. If suitable arrangements cannot be agreed to concerning relocation during renovation of individual units, the current inventory of available non-Archon apartments in the area can easily accommodate those who wish to seek non-Archon controlled housing.

## REINVESTMENT ZONE FINANCING PLAN

### I. A DETAILED LIST DESCRIBING THE ESTIMATED PROJECT COSTS OF THE ZONE, INCLUDING ADMINISTRATIVE EXPENSES

#### Estimated Non-Education Project Costs

The following lists the estimated infrastructure project costs for the Zone. It is anticipated that developers will advance funds for the public infrastructure improvements and will be reimbursed as provided in separate agreements and other documentation between the Developers, the Redevelopment Authority and the Zone. It is anticipated that the infrastructure improvement costs will incur financing costs associated with the projects. Line item amounts may be adjusted with approval of the Zone Board of Directors, as long as total infrastructure project costs do not exceed the Financing Plan Budget.

#### Estimated Non-Educational Project Costs

PROJECT ITEM	COST ESTIMATE
Street Projects	\$25,400,000
Sidewalks, Lighting and Landscaping	\$19,525,710
Greens Bayou Flood Control/ Bank Stabilization	\$12,000,000
Parks and Recreation Facilities	\$22,400,000
Off-street Hike & Bike Trails	\$3,300,000
Public Parking Garage and Transportation Facility	\$16,500,000
Land Acquisition	\$20,000,000
Creation costs and administration of the Zone for 30 years	\$3,850,000
<b>TOTAL</b>	<b>\$122,975,710</b>

#### Estimated Education Project Costs

The following lists the projects that will be funded by the increment generated by Aldine ISD, Spring ISD, and the North Harris Montgomery Community College District. It is anticipated that these entities will expend approximately \$ 94.1 million for education related project costs.

#### Educational Facilities Project Costs

PROJECT ITEM	COST ESTIMATE
Multi-Purpose Community Center	\$11,600,000
North Harris Montgomery Community College District Higher Education Facility	\$7,500,000
Convocation Center	\$15,000,000
Educational Facilities and Infrastructure	\$60,000,000
<b>TOTAL</b>	<b>\$94,100,000</b>

## II. STATEMENT LISTING THE KIND, NUMBER, AND LOCATION OF ALL PROPOSED PUBLIC WORKS OR PUBLIC IMPROVEMENTS IN THE ZONE

The following provides a description of project scope, the kind, number and location of proposed public works or public improvements in the Zone

### **STREET PROJECTS: \$25,400,000.00**

Concept: Reconstruction and new construction of streets to accommodate additional travel lane capacity, achieve street network connectivity between the four diverse geographic quadrants of the zone, internal circulation, mobility, and to stimulate redevelopment.

#### **Justification/Need:**

- ◆ A major hindrance to growth and development in Greenspoint was identified to be the lack of street network connectivity between the "four quadrants".
- ◆ In the Airline Drive corridor, located in the southeast quadrant of the zone, significant economic distress has severely impacted this community, resulting in dilapidated multi-family housing, commercial sector closings, low tenant occupancy of smaller retailers, and poor property management and maintenance.
- ◆ Through a neighborhood planning process coordinated by the City of Houston Planning and Development Department, the community identified Airline Drive reconstruction and beautification as a major component for leveraging private sector investment in the corridor.
- ◆ Congestion and lack of accessibility form the basis for three lower cost projects that include street widening and bridge construction.

#### **Scope:**

- ◆ Additional travel lanes, on street bike lanes, heavily landscaped esplanades, street trees, sidewalk improvements, street lighting, curb, gutter, and pavement improvements.
- ◆ Reconstruction of existing streets may require additional right-of-way acquisition. Private property owners will be expected to dedicate right-of-way.
- ◆ Several other smaller street reconstruction projects include improvements to increase capacity and provide effective alternatives to congested roadways.

#### **Impact/Result:**

- ◆ The street projects will serve as a significant catalyst for redevelopment and revitalization of distressed segments of the zone, improves mobility, and provide accessibility to spur new development.
- ◆ The projects specifically address redevelopment of distressed larger retail centers by improving surrounding street conditions, revitalization of the Airline Corridor, congestion relief at major intersections, and provision for effective alternatives to congested roads.

## SIDEWALKS, LIGHTING, AND LANDSCAPING: \$19,525,710.00

**Concept:** Construction of sidewalks, lighting and landscaping to improve the functionality and safety of the pedestrian system, enhance the streetscape venue, "creating community" through the use of similar landscape treatments, and stimulate private sector interests to rehabilitate economically distressed multifamily properties.

### **Justification/Need:**

- ◆ The Archon Group has proceeded with the purchase of approximately 5,000 apartment units in a contiguous area of the zone in order to rehabilitate a large grouping of multi-family properties in a comprehensive redevelopment plan.
- ◆ A significant component of the Archon plan is to advance funds to effect the sidewalk, lighting and landscaping improvements needed to the existing street network surrounding their properties, creating a cohesive community atmosphere.
- ◆ Our goal is to encourage other Archon-type developers to purchase and rehabilitate approximately ten (10) apartment properties located along Airline Drive where years of deferred maintenance and minimal occupancy standards are evident.
- ◆ One property, "Stonebrook", is in such disrepair that the City of Houston has demolished six of its buildings. To encourage developers to invest in Greenspoint, the zone would provide a similar level of enhancements as those offered to Archon.
- ◆ Random "spot fixes" will not work in the Airline area where the conditions have been too severe for too long.

### **Scope:**

- ◆ **Enhance** the streetscape through landscape upgrades to esplanades, street trees and pedestrian pocket parks, sidewalk improvements, street lighting, and curb, gutter and pavement repairs.
- ◆ The property owner would be expected to dedicate any right-of-way necessary for these enhancements.

### **Impact/Result:**

- ◆ The outcome of the "Archon experiment" to rehabilitate one quadrant of the zone will substantially affect Greenspoint's ability to encourage new multi-family developers to invest in distressed properties in other areas of this very risky market.
- ◆ Without the recovery of the existing multi-family sector, we do not have the ability to create a market for new residential development in Greenspoint -multi-family or single-family.
- ◆ The recovery of the retail sector depends substantially on the strength of the residential sector's recovery and growth.

## **GREENS BAYOU FLOOD CONTROL/BANK STABILIZATION: \$12,000,000.00**

Concept: Provide for bank stabilization along Greens Bayou in order to address flood control and safety issues. As a means of leveraging other public sector funding to implement these improvements, bike trails, which will offer recreational and transportation opportunities, are planned.

### **Justification/Need:**

- ◆ Due to significant bank stabilization problems reported by the Harris County Flood Control District (HCFCD), the total cost estimate for the project is \$35,000,000.00.
- ◆ Current bank failure on Greens Bayou ranges from 50% to 100% in many locations, affecting the safety of existing structures in residential areas.

### **Scope:**

- ◆ Reconstruct the banks along Greens Bayou from Bradfield street to Ella Boulevard. Provide continuous bike trails, including necessary pedestrian bridge structures in order to accommodate crossings.
- ◆ Participation in this project will be sought from the Harris County Flood Control District, and through the use of TEA-21 Transportation Enhancement Program (TEP) funding and Congestion Mitigation/Air Quality (CMAQ) funds. The estimated cost identified for this project on the cost summary page is intended to serve as matching dollars only.

### **Impact/Results:**

- ◆ Improvements to flood control and public safety, hike & bike trail system, and creation of recreational opportunities where there are none planned or funded by any public agency in the region.

## **PARKS AND RECREATIONAL FACILITIES: \$22,400,000.00**

Concept: Development of park sites of different sizes, designs, function and character to be interconnected with an integrated hike & bike system as a means of addressing the "park poor" nature of the Greenspoint area as characterized by the City of Houston in 1994.

### **Justification/Need:**

- ◆ The closest City of Houston park is Melrose Park, which is 7 miles from Greenspoint. Currently, the City has a ratio of 11 acres of parks per 1,000 population. Greenspoint has no City parks.
- ◆ The Parks and Recreation Master Plan issued by the City identifies 3 sites for area park development in Greenspoint. All three sites are owned by the Greater Greenspoint Management District and are proposed for development through zone funding.

- ◆ One park site will be acquired and developed as part of the Archon multi-family redevelopment project; four sites are designed for pedestrian and public plazas; and four smaller sites are to be developed along Greens Bayou in conjunction with flood control district.

**Scope:**

- ◆ The parks will provide passive recreational opportunities in the form of picnic and seating areas in smaller pocket parks and public plazas, as well as active recreational alternatives at larger sites where organized and supervised activities, such as baseball, soccer, basketball and swimming, will be conducted.
- ◆ The park sites will be interconnected and accessible via the existing street network and proposed bike trails.

**Impact/Result:**

- ◆ This project would result in 34 acres of new parks in Greenspoint where none exists today.
- ◆ This is equivalent to .49 acres per 1,000 population in the zone (70,000 pop.).
- ◆ Improving the quality of life for families and attracting new development, both residential and commercial.

**OFF-STREET HIKE & BIKE TRAILS: \$3,300,000.00**

Concept: Construction of off-street Hike & Bike Trails to interconnect the residential neighborhoods to the parks that are to be developed with zone funding.

**Justification/Need:**

- ◆ The Greenspoint area is not only deficient in parks, but also in hike & bike amenities to support recreational needs of the community.
- ◆ The availability of hike & bike trails will facilitate access to the park sites for bikers, walkers and joggers with a safe off-street system of trails.

**Scope:**

- ◆ Construction of off-street bike trails that link neighborhoods to park sites, the bayou trails, and bike lanes to be included in the "quadrant connectors" and Airline Drive projects.
- ◆ Off-street bike lanes will be established where adequate right-of-way is available. If right-of-way is not available, then options will be considered that include widening of existing sidewalks to accommodate both pedestrians and bicyclists or modifications to lane designations within the existing pavement.
- ◆ No additional right-of-way will be acquired in order to implement any of these improvements.

**Impact/Result:**

- ◆ Improving the quality of life for families and attracting new development, both residential and commercial.

**PUBLIC PARKING GARAGE AND TRANSPORTATION FACILITY: \$16,500,000.00**

Concept: Construction of a public parking garage and transportation facility for use by the conference center/hotel (non-project cost), area residents, employees and visitors.

**Justification/Need:**

- ◆ The public parking garage will provide space for 1,600 automobiles.
- ◆ It will accommodate the substantial increase in usage of the mall site expected with the Conference Center and its 400-room hotel, the mall's entertainment center, the movie complex, and the redeveloped retail/restaurant venue.
- ◆ Estimates for demand for the facility and its desired size were developed from the PKF convention Center Feasibility Study, H-GAC employment growth projections

**Scope:**

- ◆ The construction of the public parking garage will include the incorporation of a transit facility on the ground level. The plan for redevelopment of the Mall site will impact the current METRO Greenspoint Transit Center. Based on a METRO study in progress, it has been determined that this transit center requires expansion and would best serve the operational needs of METRO ridership by remaining in the current location. The costs of this transportation facility will be leveraged with other funding sources available for transit development.

**Impact/Result:**

- ◆ The parking garage will enable the development of the conference center/hotel and facilitate the development of the Greenspoint Mall site to serve area residents, employees and visitors.

**LAND ACQUISITION: \$20,000,000.00**

Concept: Redevelopment of the Greenspoint Mall site.

**Justification/Need:**

- ◆ The declining retail sales, store occupancy rate and property values at the mall site are well established and the repositioning of Greenspoint Mall is critical to the redevelopment of Greenspoint.
- ◆ Land acquisition associated with the redevelopment of Greenspoint Mall is required in order to acquire anchor store properties and relocate them to other pads on the mall site. All six anchor store owns their parcel plus ancillary parking.

- ◆ The recent purchase of "Greenspoint Mall" included only that space where smaller tenants and internal walkways are located. Repositioning this center will require funding from the TIRZ to effect the reconfiguration of the site.

**Scope:**

- ◆ Relocate anchor tenants and provide an integrated system of public plazas, pedestrian walkways and outdoor performance art pavilions, redesign the ingress and egress points with the streetscape improvements on Greenspoint Boulevard and Greens Road, and maintain internal circulation to all components of the redeveloped.

**Impact/Result:**

- ◆ As multi-family sector housing is substantially renovated by the Archon Group and as Greenspoint Mall is repositioned, higher occupancy levels and incomes will create market forces that will support the revitalization of other distressed commercial and retail projects.
- ◆ The Commons shopping center, the "Target Center" on Greens Road, Airline Corridor retail centers, and the "Todo" shopping center on Imperial Valley are among those distressed centers that have been identified.

**EDUCATION FACILITIES PROJECT COSTS**

Concept: These projects reflect the commitments made to the school and college district partners in the zone and are to be funded by the increment generated by them.

**Multi-Purpose Community Center: \$11,600,000.00**

- ◆ A facility to serve the residents of the Airline Corridor as part of the Airline Corridor Redevelopment Project initiative of the City of Houston and the Greater Greenspoint Management District in cooperation with the Aldine ISD, which has four school campuses in the immediate area.

**North Harris Montgomery Community College District Higher Education Facility: \$7,500,000.00**

- ◆ A training and conference center to address their needs for a facility oriented to emerging technology and research in the energy industry as part of their international training program.
- ◆ Costs include acquisition of land and structures to include classrooms, laboratories and meeting facilities.

**Convocation Center: \$15,000,000.00**

- ◆ A facility to seat several thousand people for high school and college convocations, programs seminars, lectures, special events, and assemblies. It will address the lack of any such facility in the north Houston area, which results in these types of programs being held in Montgomery County and in south Houston.
- ◆ Costs include acquisition of land, a structure to accommodate at least 8,000 people, and the ancillary support facilities, including parking.

**Educational Facilities and Infrastructure: \$60,000,000.00**

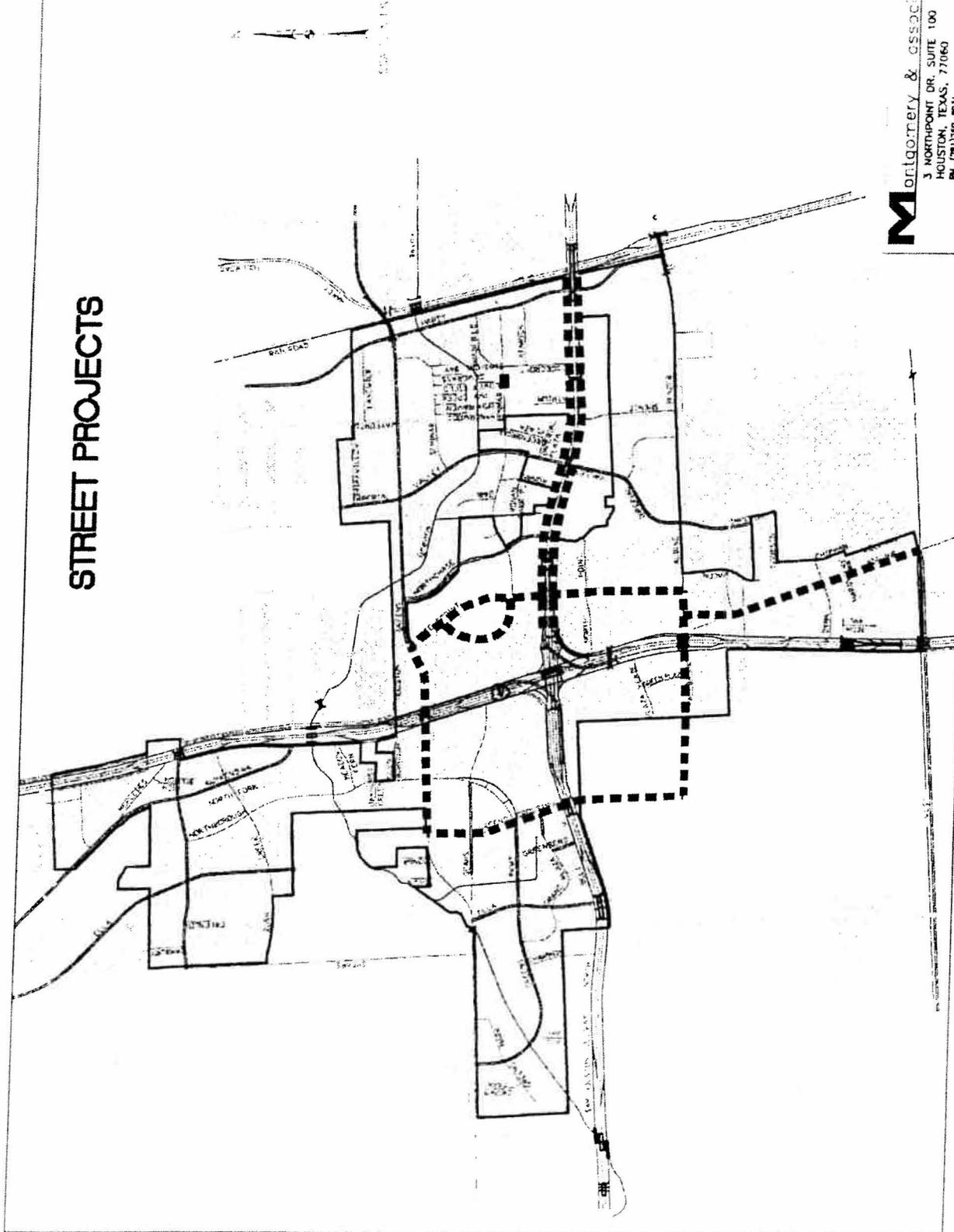
- ◆ Costs will include land acquisition and all related infrastructure support and amenities for projects and facilities.

**Maps Showing the Location of All Proposed Public Works or Public Improvements In the Zone**

The following maps show:

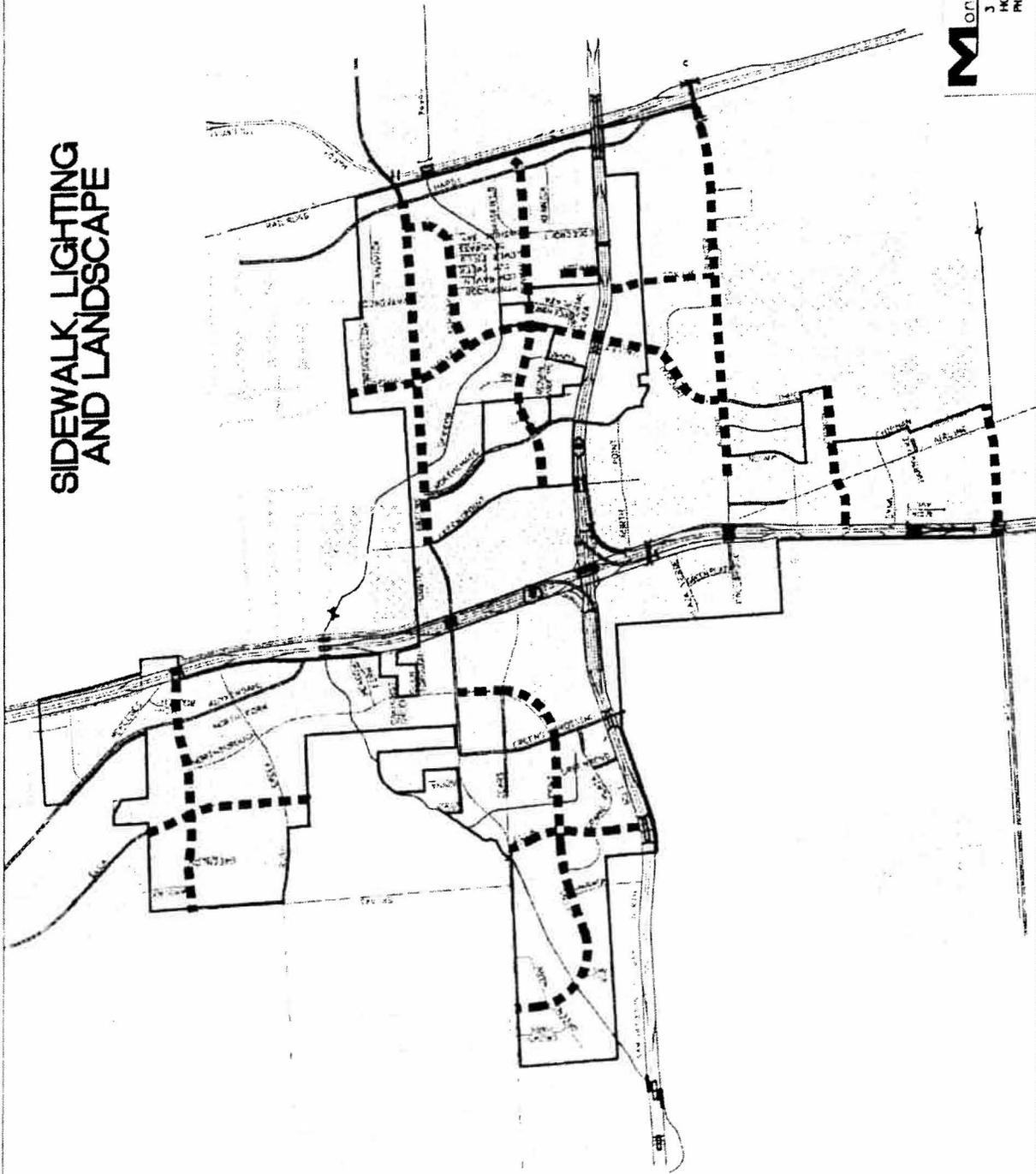
1. The location of street project improvements,
2. The location of sidewalk, lighting and landscape improvements,
3. The location of parks and recreation facilities,
4. The location of Greens Bayou flood control and bank stabilization improvements,
5. The location of off-street hike and bike trail system improvements, and
6. The location of parking garage and transportation facility improvements

# STREET PROJECTS



**M**ontgomery & Associates  
3 NORTHPOINT DR, SUITE 100  
HOUSTON, TEXAS, 77060  
PH. (281) 280-8031

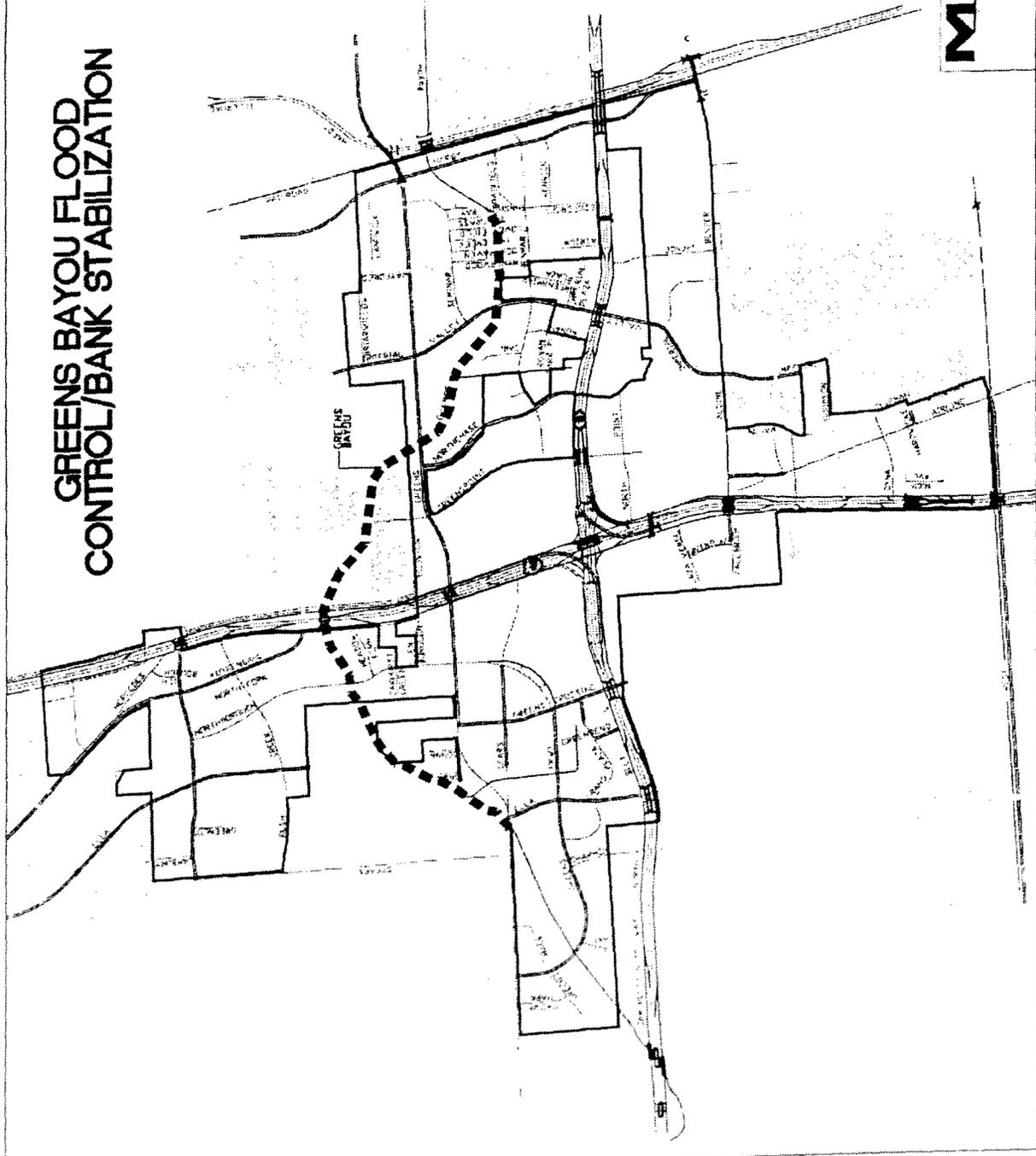
# SIDEWALK, LIGHTING AND LANDSCAPE



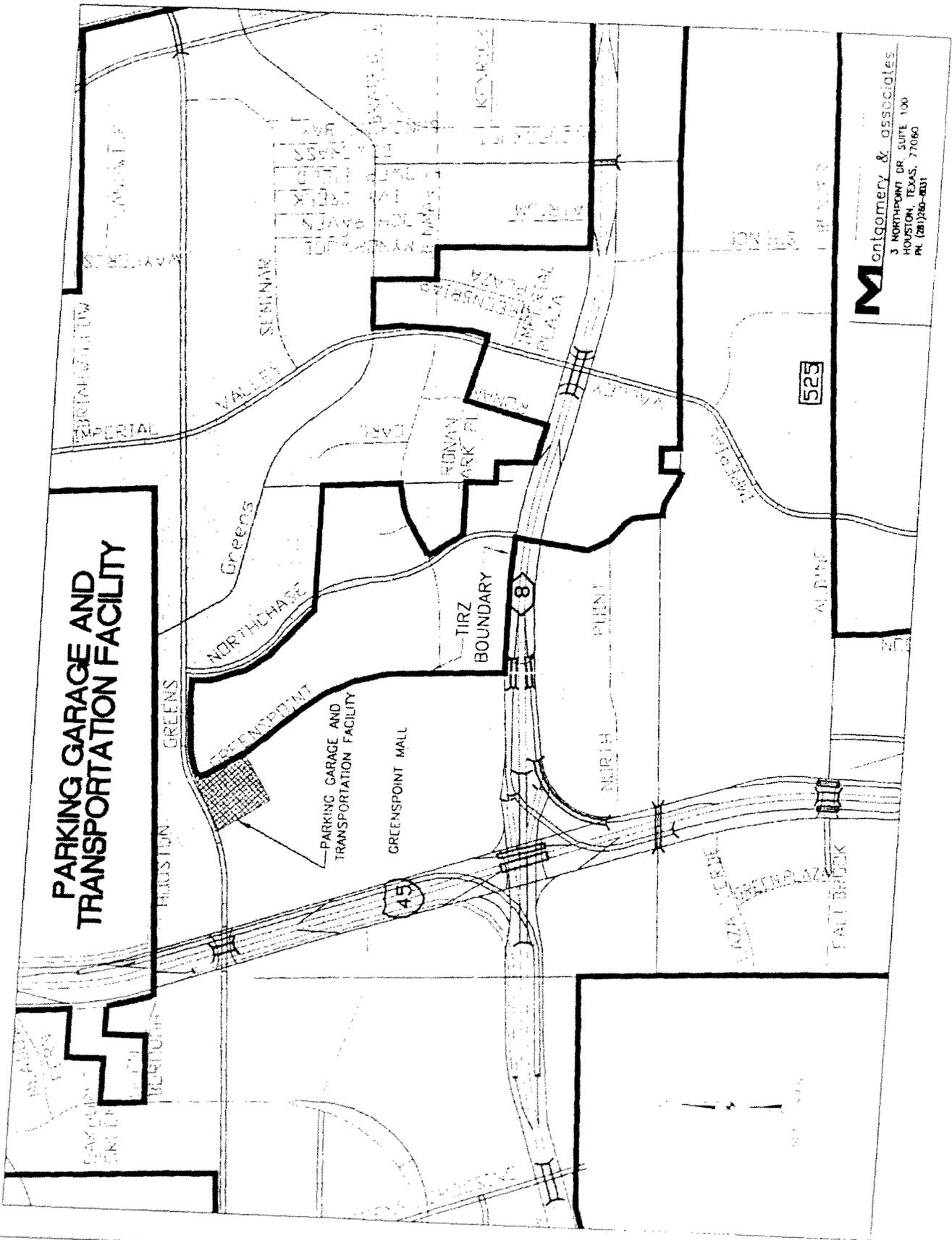
**M**ontgomery & Associates  
3 NORTHPOINT DR. SUITE 100  
HOUSTON, TEXAS, 77060  
PH. (281)796-8001



# GREENS BAYOU FLOOD CONTROL/BANK STABILIZATION



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### **III. Economic Feasibility Study**

An Economic Feasibility Study has been prepared by Keyser Marston Associates, Inc. that provides an economic overview of greater Houston, a review of market opportunities for major land uses, and the capture potential for retail space and cinemas in the Greenspoint area. Local market indicators demonstrate a demand for the type of residential dwelling units and commercial development being proposed. A copy of the report is attached in Appendix A.

### **IV. The Estimated Amount of Bonded Indebtedness to be Incurred**

The estimated amount of bonded indebtedness to be incurred is detailed in Table B.1.

### **V. The Time When Related Costs or Monetary Obligations are to be Incurred**

The time when related costs or monetary obligations are to be incurred is detailed in Table B.1.

### **VI. Description of the Methods of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs, Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone**

#### **Description of the methods of financing:**

In accordance with 311.015 of the Tax Increment Financing Act, the City may issue tax increment bonds or notes, the proceeds of which may be used to pay project costs on behalf of the Zone. Upon creation of the proposed redevelopment authority, the authority may be authorized to incur debt and issue debt or obligations to satisfy developer reimbursements for eligible project costs. If such bonds are issued, bond proceeds shall be used to provide for the project related costs outlined in this plan. When appropriate, Developers will advance project-related costs and be reimbursed through the issuance of tax increment bonds or from increment revenues of the Zone.

#### **Sources of Tax Increment Revenue:**

Table A and A.1 show the build-out projection for commercial and residential development and the annual captured appraised value of these new improvements or increases in value of pre-existing redeveloped property during the build-out period.

Table B shows the projected assessed valuations during the development/build-out period. Table B.1 depicts the Zone revenue schedule with City, County, Aldine Independent School District (AISD), Spring Independent School district (SPISD), and North Harris Montgomery Community College District (NHMCCD) participation.

## Percentage of Increment Dedicated to the Zone

TAXING UNIT	DEDICATED TAX RATE	% OF TOTAL PARTICIPATION
City of Houston	\$0.6650	32%
Harris County	\$0.4166	20%
Aldine/Spring I.S.D. <sup>1</sup>	\$0.8600	42%
NHMCCD	\$0.1198	6%
<b>TOTAL</b>	<b>\$2.0614</b>	<b>100%</b>

1. Aldine ISD tax rate participation is \$0.86/\$100 Valuation for first five years and \$0.56/\$100 Valuation thereafter.

### **VII. The Current Total Appraised Value of Taxable Real Property in the Zone**

The current total appraised value of real property in the Zone is \$ 504,000,000.

### **VIII. The Estimated Captured Appraised Value of the Zone During Each Year of its Existence**

It is projected that taxable property values in the Zone will increase to approximately \$819,841,046 by the year 2011. Table B.1 shows the annual captured appraised value of these new improvements or increases in value of pre-existing property during the build-out period.

### **IX. Duration of the Zone**

The City of Houston established the Zone by City of Houston Ordinance No. 98-713. The ordinance established that the Zone takes effect on January 1, 1999 and termination of the operation of the Zone shall occur on December 31, 2028. The Zone may terminate at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of the proposed general obligation bonds, notes or other obligations, if any, that all project costs, bonds, and interest on bonds have been paid in full.

## TABLES

**TABLE**

**Greater Greenspoint Reinvestment Zone  
Schedule of Estimated Commercial Captured Appraised Value**

(In Thousands)

Project Description	1999 Value (K)	2000 Value (K)	2001 Value (K)	2002 Value (K)	2003 Value (K)	2004 Value (K)	2005 Value (K)	2006 Value (K)	2007 Value (K)	2008 Value (K)	2009 Value (K)	2010 Value (K)	2011 Value (K)	
<b>Warehouse Construction</b>														
Caldwell Watson Phase I		\$3,000												
Caldwell Watson Phase III			\$3,000											
20 Acre Development														
<b>Current Office Construction</b>						\$3,902	\$3,902	\$3,902	\$3,902					
Heritage Park Phase I			\$10,700											
The Crossing			\$13,500											
Myers & Crow I		\$12,000												
<b>Announced Office Construction</b>														
Millenium Park (Betz)					\$20,000									
Two Commerce Green					\$34,000									
<b>Planned Office Construction</b>														
Heritage Park Phase II					\$10,700									
Myers & Crow II					\$10,000									
Two Commerce Green														
Radler Properties										\$34,000				
<b>Current Office Renovations</b>										\$50,000	\$50,000	\$50,000	\$50,000	
Sam Houston Plaza (LaSalle)		\$8,215	\$1,400											
Greenspoint 255		\$1,480							\$2,500				\$5,000	
Tower Park North		\$7,200												
<b>Apartment Development</b>									\$15,000				\$15,000	
Archon Goup Project	\$674	\$32,927	\$29,576	\$9,880	\$16,392									
<b>Spring Area Development</b>														
Hotel/Motel Development	\$3,750	\$3,750	\$4,500						\$15,000	\$22,500		\$800	\$5,600	
<b>Reposition Mall Property</b>														
Reposition Mall				\$86,400										
Office Tower Construction					\$50,000	\$50,000	\$50,000	\$50,000						
<b>Airline Corridor Redevelopment</b>														
Retail									\$2,500				\$2,500	
Apartments											\$2,500		\$2,500	
<b>Total Captured Value</b>	<b>\$6,423</b>	<b>\$70,572</b>	<b>\$64,677</b>	<b>\$98,282</b>	<b>\$143,096</b>	<b>\$66,906</b>	<b>\$66,907</b>	<b>\$66,908</b>	<b>\$40,909</b>	<b>\$116,258</b>	<b>\$61,259</b>	<b>\$69,560</b>	<b>\$86,861</b>	<b>\$ 914,617</b>

**TABLE A.1**  
**Greater Greenspoint Reinvestment Zone**  
**Schedule of Estimated Residential Captured Appraised Value**

Project Description	2003		2004		2005		2006		2007		2008		2009		2010		2011		
	Homes	Value (K)	Homes	Value (K)	Homes	Value (K)	Homes	Value (K)	Homes	Value (K)									
<b>Single Family Residential</b>																			
Eastside Housing Project	30	\$2,100	30	\$2,100	30	\$2,100	30	\$2,100											
Westside Housing			10	\$2,500	20	\$5,000	30	\$7,500	40	\$10,000	40	\$10,000	40	\$10,000	40	\$10,000	40	\$10,000	
<b>Total Home Sales</b>	<b>30</b>		<b>40</b>		<b>50</b>		<b>60</b>		<b>40</b>		<b>40</b>		<b>40</b>		<b>40</b>		<b>40</b>		<b>380</b>
<b>Total Captured Value</b>		<b>\$2,100</b>		<b>\$4,600</b>		<b>\$7,100</b>		<b>\$9,600</b>		<b>\$10,000</b>	<b>\$ 73,400</b>								

Note:

1. Captured value is presented in thousands of dollars.
2. Projected value of construction is in 1999 dollars excluding inflation per the developer's projections.

**TABLE B**  
**Greater Greenspoint Reinvestment Zone**  
**Assessed Valuations**

Tax Roll Jan 1	Incremental Assessed Valuation	Cumulative Incremental Assessed Valuation	20% Homestead Exemption	Net Cumulative			Senior/Disabled Citizens Exemption			Net Cumulative Commercial Assessed Valuation	Total Projected Taxable Valuation for City Tax	Total Projected Taxable Valuation for County Tax
				Residential Assessed Valuation	No. of Homes Added	Cumulative Number of Homes	Number of Eligible Homes (1)	City Exemption Amount (2)	County Exemption Amount (3)			
1998												
1999										6,423,000	6,423,000	6,423,000
2000										76,995,000	76,995,000	76,995,000
2001										141,672,000	141,672,000	141,672,000
2002										239,954,000	239,954,000	239,954,000
2003	2,100,000	2,100,000	(420,000)	1,680,000	30	30	2	(51,009)		383,049,000	384,677,991	384,729,000
2004	4,600,000	6,700,000	(1,340,000)	5,360,000	40	70	4	(119,021)		438,955,040	444,196,019	444,315,040
2005	7,100,000	13,800,000	(2,760,000)	11,040,000	50	120	6	(204,036)	(272,480)	494,862,060	505,698,044	505,629,600
2006	9,600,000	23,400,000	(4,680,000)	18,720,000	60	180	9	(306,054)	(408,720)	550,770,120	569,184,066	569,081,400
2007	10,000,000	33,400,000	(6,680,000)	26,720,000	40	220	11	(374,066)	(681,200)	591,679,160	618,025,094	617,717,960
2008	10,000,000	43,400,000	(8,680,000)	34,720,000	40	260	13	(442,078)	(953,680)	706,937,160	741,215,082	740,703,480
2009	10,000,000	53,400,000	(10,680,000)	42,720,000	40	300	15	(510,090)	(1,226,160)	768,196,160	810,406,070	809,690,000
2010	10,000,000	63,400,000	(12,680,000)	50,720,000	40	340	17	(578,102)	(1,498,640)	827,756,160	877,898,058	876,977,520
2011	10,000,000	73,400,000	(14,680,000)	58,720,000	40	380	19	(646,114)	(1,771,120)	914,617,160	972,691,046	971,566,040
Total	73,400,000					380						

- Note:
1. Number of homes eligible for exemption is assumed to be 5% of total number of homes.
  2. The City's senior or disabled citizen exemption is estimated at \$34,006 per home.
  3. The County's senior or disabled citizen exemption is estimated at \$136,240 per home..

**TABLE B.1  
Greater Greenspoint Reinvestment Zone  
TIRZ Revenue Schedule (All Taxing Jurisdictions)**

Tax Year	Coll. Year	Projected Taxable Valuation for City Tax	Projected Taxable Valuation for County Tax	County Tax Rate	Aldine ISD Tax Rate	NHMCCD Tax Rate	\$ 0.6650	\$ 0.41660	\$0.860/\$0.560	0.1198	\$ 0.8600	Total Annual TIRZ Collections at 97%
							City TIRZ Collections at 97%	County TIRZ Collections at 97%	AISS TIRZ Collections at 97%	NHMCCD TIRZ Collections at 97%	SISD TIRZ Collections at 97%	
1998												
1999	2000	\$ 6,423,000	\$ 6,423,000	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 41,432	\$ 25,955	\$ 53,581	\$ 7,464		\$ 128,432
2000	2001	\$ 76,995,000	\$ 76,995,000	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 496,656	\$ 311,138	\$ 642,292	\$ 89,473		\$ 1,539,560
2001	2002	\$ 141,672,000	\$ 141,672,000	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 913,855	\$ 572,499	\$ 1,181,828	\$ 164,631		\$ 2,832,814
2002	2003	\$ 239,954,000	\$ 239,954,000	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 1,547,823	\$ 969,659	\$ 2,001,696	\$ 278,841		\$ 4,798,019
2003	2004	\$ 384,677,991	\$ 384,729,000	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 2,481,365	\$ 1,554,698	\$ 3,213,774	\$ 447,078		\$ 7,696,915
2004	2005	\$ 444,196,019	\$ 444,315,040	\$ 0.41660	\$ 0.8600	\$ 0.1198	\$ 2,865,286	\$ 1,795,486	\$ 3,716,661	\$ 516,321		\$ 8,893,754
2005	2006	\$ 505,698,044	\$ 505,629,600	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 3,262,005	\$ 2,043,259	\$ 2,765,520	\$ 587,572		\$ 8,658,357
2006	2007	\$ 569,184,066	\$ 569,081,400	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 3,671,522	\$ 2,299,669	\$ 3,119,660	\$ 661,307		\$ 9,752,158
2007	2008	\$ 618,025,094	\$ 617,717,960	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 3,986,571	\$ 2,496,211	\$ 3,266,024	\$ 717,825	\$ 125,130	\$ 10,466,631
2008	2009	\$ 741,215,082	\$ 740,703,480	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 4,781,208	\$ 2,993,198	\$ 3,753,687	\$ 860,742	\$ 312,825	\$ 12,388,834
2009	2010	\$ 810,406,070	\$ 809,690,000	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 5,227,524	\$ 3,271,973	\$ 4,135,722	\$ 940,908	\$ 312,825	\$ 13,576,128
2010	2011	\$ 877,898,058	\$ 876,977,520	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 5,662,881	\$ 3,543,884	\$ 3,841,168	\$ 1,019,100	\$ 980,185	\$ 14,067,033
2011	2012	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,264,908	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,635,602
2012	2013	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2013	2014	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2014	2015	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2015	2016	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2016	2017	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2017	2018	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2018	2019	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2019	2020	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2020	2021	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2021	2022	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2022	2023	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2023	2024	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2024	2025	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2025	2026	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2026	2027	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2027	2028	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
2028	2029	\$ 972,691,046	\$ 971,566,040	\$ 0.41660	\$ 0.5600	\$ 0.1198	\$ 6,274,344	\$ 3,926,118	\$ 4,315,557	\$ 1,129,018	\$ 1,026,900	\$ 15,645,037
							<b>\$ 147,866,879</b>	<b>\$ 92,547,750</b>	<b>\$ 109,371,843</b>	<b>\$ 26,613,587</b>	<b>\$ 20,216,169</b>	<b>\$ 396,615,029</b>

Values may not add due to rounding.

## APPENDICIES



# GREATER GREENSPPOINT

# ECONOMIC FEASIBILITY STUDY

June 18, 1997

Prepared by the District's Long Range Planning Consultants  
Keyser Marston Associates, Inc.

*Final Report:*  
Economic Feasibility Study

*Prepared for:*  
Greater Greenspoint Management District

*Prepared by:*  
Keyser Marston Associates, Inc.

*Date:*  
June 18, 1997

1660 Hotel Circle North, Suite 716  
San Diego, California 92108  
*kmasd@kmainc.com*

Golden Gateway Commons  
55 Pacific Avenue Mall  
San Francisco, California 94111  
*kmasf@kmainc.com*

500 South Grand Avenue, Suite 1480  
Los Angeles, California 90071  
*kmala@kmainc.com*

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## I. Introduction

This report presents Keyser Marston Associates, Inc.'s (KMA's) assessment of market potential for various land uses in Greater Greenspoint.

This report addresses the following:

- Economic overview of greater Houston.
- Review of market opportunities for major land uses in Greenspoint.
- Capture potential for retail space and cinemas in Greenspoint.

This report is subject to the limiting conditions outlined in Section VI.

## II. Summary

### A. Overall Conclusions

KMA's key conclusions are stated as follows:

1. KMA has identified strong (near-term or mid-term) market opportunities for each major land use sector. However, realization of these opportunities may not be possible without public intervention.
2. The healthiest land use sector is office, followed by industrial and hotel. In general, these sectors do not appear to require any intervention.
3. The most challenged land use sectors are residential and retail. A strong case for public intervention can be made for these sectors.
4. KMA recommends implementation of a reinvestment zone and tax increment financing (TIF) district with the following principal goals:
  - Acquisition and rehabilitation of existing apartments. In particular, the power of eminent domain may be required to deal with absentee landlords.
  - Master-planning a development site for a new residential community/new housing product.
  - Possibly, assistance in repositioning the Greenspoint Mall which may require resolution of the mall's complex ownership structure and potential need for financial subsidy.
  - Possibly, assistance in siting and developing a conference center facility.

### B. Key Market Findings

Our principal findings regarding market opportunities follow.

#### Overview

- The number of households in greater Houston is expected to grow from 1.34 million in 1990 to 2.21 million in 2020, reflecting a 1.7% average annual increase. Total employment is expected to increase to 3.05 million by 2020, representing a similar growth rate.

- George Bush Intercontinental Airport/Houston (IAH) is undergoing a major expansion in both air traffic and capital facilities. In 1996, IAH surpassed Dallas and Atlanta airports in ranking of total international passengers. Continental Airlines is spending \$190 million on a capital improvement project. IAH has been estimated to support 53,000 jobs in the greater Houston region

#### Residential

It may be possible for Greenspoint to attract certain key housing market segments, primarily: (1) higher-income empty nesters; and (2) upwardly mobile young professionals -- singles and couples -- working in the area.

To achieve this potential, KMA suggests the following steps:

- Identification of appropriate housing product: San Diego's downtown Marina District and the State/Thomas and Uptown areas of Dallas provide useful examples of apartment, condominium, and townhome developments.
- Adoption of a committed, long-term plan to create a middle-income community with a critical mass of housing units and density.
- Introduction or expansion of amenities, such as grocery and drug stores, dining, and entertainment.
- A plan to alleviate conditions (blight, crime, declining socioeconomic profile) in the existing apartments.
- An implementation strategy, including appropriate action steps, budget requirements, and funding sources

#### Office

- The office market is the strongest of the land uses in Greater Greenspoint. New office space development is probable in the near future.
- The continued long-term health of the office market is likely to require expansion of supporting amenities and residential uses.

#### Industrial

- The greater Houston industrial market is driven largely by trade, energy, and electronics. Greenspoint's proximity to IAH and concentration of energy companies provide key advantages in two of these sectors.

- Expansion of operations and facilities at IAH will increase demand for distribution facilities in Greater Greenspoint. Attraction of R & D facilities will be more difficult, and is likely to require: (1) a master-planned business park environment; and (2) anchor uses such as a conference center, incubator facility, or educational institution.

#### Hotel

- Greenspoint's higher-end hotels have outpaced the regional hotel market during the 1990s. Major expansion at IAH will increase hotel room demand.
- Specific opportunities may exist for extended-stay properties (near-term) and a mixed-use hotel/conference center (long-term).

#### Retail

- The key opportunities for repositioning the Greenspoint Mall are entertainment and value themes.
- Significant entertainment uses exist or are under construction at three regional mall locations just beyond the five-mile ring, but no comparable facilities exist within the trade area. Development of a megaplex cinema at the mall would provide a strong catalyst for other uses, particularly eating and drinking. KMA estimates five-year capture potential for 16 cinema screens.
- The 1960 corridor from Willowbrook to Deerbrook contains an abundant inventory of national chain promotional, value, and convenience retail uses. A concentration of value retail tenants in a single location at the Greenspoint highway juncture would command a sizeable draw. KMA conservatively estimates five-year capture potential for 224,000 to 286,000 SF of comparison goods, convenience, eating and drinking, and home improvement retail establishments.

### III. Regional Growth Trends

Houston is the fourth largest city in the United States and is home to the world's eighth largest port. The City covers 596 square miles and includes Harris County, the southern part of Montgomery County, and the eastern section of Fort Bend County. The Houston Consolidated Metropolitan Statistical Area (CMSA) comprises three Primary Metropolitan Statistical Areas (PMSA), as follows: Houston (Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller counties); Galveston-Texas City (Galveston County); and Brazoria (Brazoria County).

The Houston CMSA had a population of 3.73 million in 1990, which is expected to increase to 5.66 million by 2020, representing an average annual rate of 1.4%. In 1996, the greater Houston region contained a total population of nearly 4.2 million people. The number of households is expected to grow from 1.34 million in 1990 to 2.21 million in 2020, reflecting a 1.7% average annual increase. Natural increase has accounted for the largest component of the region's population growth, about 60%.

Economic trends in the region have often been counter-cyclical to national trends. During 1982-1987, when much of the nation was enjoying robust growth, Houston underwent a pronounced downturn, which started in the energy sector and rippled throughout the local economy. During 1991-1993, the region experienced sluggish growth due to the national recession, but from 1993 to the present, employment growth has been strong.

The Houston economy is largely dependent on five key areas:

- Upstream energy (oil and gas exploration and production, oilfield equipment manufacturing and wholesaling, and pipeline transportation)
- Downstream energy (chemicals and refining)
- NASA/Johnson Space Center
- Texas Medical Center
- Port of Houston

The Houston-Galveston Area Council (HGAC) estimates that there were 1.8 million people employed in wage and salary jobs in 1996 in the Houston PMSA, an increase of 2.5% over the prior year. Unemployment in 1996 was reported at 5.4%. Total employment is expected to increase to 3.05 million by 2020, representing a 1.7% annual gain. Currently, Houston's largest private employers include: the major oil and gas companies, Continental Airlines, Dow, Southwestern Bell, Compaq Computer Corporation, and Brown & Root. Employment in the service sectors of business, health, engineering, and others is expected to demonstrate the greatest growth over the balance of the decade.

One reason for the strengthening economy is that the non-energy-dependent segments have increased from 15.7% in 1987 to 44.3% in 1995. The upstream energy sectors have declined from 68.7% of the economic base in 1987 to 37.3% in 1995.

Houston has been attracting foreign and national businesses with its infrastructure, low taxes, international leadership in the energy industry, and cheap, plentiful labor combined with a skilled, high-tech work force. In 1996, 24.2% of Houston's adults had completed four years of college, which exceeds the corresponding national figure of 20.3%. With the continued implementation of NAFTA and the development of Interstate 69, the Mid-Continent Highway, Houston's strategic importance for distribution can be expected to grow.

#### IV. George Bush Intercontinental Airport/Houston

The George Bush Intercontinental Airport/Houston (IAH) was built in 1969, on approximately 9,000 acres, 22 miles north of downtown Houston. There are four passenger terminals with 86 gates, including the Mickey Leland International Airlines Building (IAB), which opened in 1990. The IAB has 14 gates that are used by ten foreign airlines. International destinations include 14 cities in Mexico, four cities in Honduras, three cities in Canada, and two cities in Ecuador. The airport also has flights to one city in each of the following countries: Belize, Colombia, Costa Rica, El Salvador, England, France, Germany, Guatemala, Netherlands, Nicaragua, Panama, Peru, and the West Indies.

After significant 1996 gains, IAH is expected to move up in the ranking of number of total international passengers for the year. With nearly 3.4 million international travelers in 1996, IAH has surpassed Dallas-Fort Worth International and Atlanta Hartsfield International airports. The 1996 figure represents a 16% increase over the volume of 1995 international travelers at IAH. More than 1.6 million of IAH's international travelers flew between Houston and Mexico, an 18% increase over 1995. IAH experienced a 6% increase in domestic passengers from 1995 to total over 23 million passengers in 1996.

Eighty-three percent of air cargo handled by the Houston Airport System (HAS) during 1996 was shipped through IAH. Total cargo handled by IAH in 1996 was 532 million pounds, or a 5.6% increase over 1995. IAH also had a 9.7% increase in cargo to Mexico.

Three expansion or improvement projects are planned or underway at IAH:

1. Continental Airlines has begun a \$190 million capital improvement project that includes a \$70 million Terminal B renovation, \$75 million "Terminal Links" (an automated people mover linking terminals B and C), a \$15 million mail sort facility, and a \$30 million line maintenance facility. The terminal renovations, mail sort facility, and line maintenance facility are expected to be completed by summer 1998, while the "Terminal Links" should be completed by summer 1999. Currently, Continental has 438 departures per day and projects that number to grow to 525 to 550 over the next few years.
2. The HAS and the City's Department of Public Works and Engineering have begun a \$1.1 million roadway improvement project at IAH. The work is taking place on John F. Kennedy Boulevard and at the Greens Road intersection. A new lane in each direction will be added to JFK Blvd., between Beltway 8 and Greens Road. A new signal will be added to the JFK Blvd./Greens Road intersection, and an additional left turn lane will be installed from Greens Road to northbound JFK Blvd.
3. The airport master plan calls for development of a third runway located on an east-west axis. According to HAS officials, construction schedule and funding have not yet been determined for this improvement project.

According to a 1995 study of IAH's economic impacts, IAH was estimated to be the source for over 53,000 jobs in the Gulf Coast region. The break-out is as follows: 12,836 jobs at the airport (4,536 IAH non-airline jobs and 8,300 IAH airline jobs); 13,951 jobs resulting from visitor spending; and 26,787 additional jobs resulting from the visitor industry employees' spending. HAS estimates that the current number of jobs at the airport is between 15,000 to 18,000. The expansion projects currently underway will support an additional 1,000 jobs. The study also estimated that IAH generates \$4.2 billion annually in economic benefits to the region. This figure includes direct, indirect, and induced impacts and is broken out as follows: \$1.2 billion in personal income; \$1.6 billion in goods and services; \$196 million in capital expenditures; and \$1.3 billion in visitor expenditures.

## V. Competitive Market Factors

This section reviews specific market supply and demand factors for each land use in the Houston region and Greater Greenspoint.

### A. Residential

#### Overview

Both the regional and local housing markets demonstrate continued strong demand for new housing units. The Houston regional housing market has been steadily improving in recent years. Both rental rates and occupancy continue to rise and new apartment construction is evident in numerous submarkets. At the same time, the Houston housing market remains one of the most affordable in the nation. The single-family home construction business remains extremely competitive, with a strong buyer preference for detached single-family "patio" homes. A range of alternative housing product types is evident in only a few Houston submarkets -- downtown, Midtown, and the Galleria area.

In terms of single-family product, KMA agrees with the stakeholders' consensus viewpoint that the most probable development opportunity in the Greenspoint area will continue to be entry-level housing targeted to first-time home buyers. This use appears to be the most likely development scenario for portions of Greater Greenspoint's large holdings of vacant land. The relatively "urban" public school system provides a strong disincentive to development of higher-end single-family homes.

Notwithstanding the performance/condition of Greenspoint's existing apartment inventory, it is KMA's view that an opportunity may exist for higher-end multi-family product. This view is supported by the following observations:

- There are apparently thousands of garden apartments in the Ella/Kuykendahl corridor just to the northwest of Greenspoint. This area provides little in the way of shopping and amenities, yet properties command much higher rents than apartments in Greenspoint's northeast and near northwest quadrants.
- Review of population trends within Greenspoint's five-mile trade ring indicates: strong growth rates; an aging population; and a sizeable proportion of households with incomes in excess of \$50,000.
- Nearly 40,000 people work within the Greater Greenspoint vicinity.

Based on these findings, KMA believes that it may be possible for Greenspoint to attract certain key market segments, primarily: (1) higher-income empty nesters, including households currently residing in the suburban single-family communities to the north, and (2) upwardly mobile young professionals -- singles and couples -- working in the area.

### Household Growth

According to the Houston-Galveston Area Council (HGAC), the population of the Greater Greenspoint vicinity, defined as HGAC's Regional Analysis Zones 108, 109, and 124, is projected to increase from 69,353 in 1990 to 144,588 in 2020. (See Table 1.) This forecast represents an average annual growth of 2.5%, or approximately 2,500 new residents per year. HGAC projects that the number of households will increase from 25,099 in 1990 to 57,356 in 2020, reflecting a 2.8% annual growth or about 1,075 new households annually.

HGAC's growth rate forecast for the Greater Greenspoint area exceeds the region as a whole. Harris County is projected to add population and households at rates of 1.0% and 1.3% per year, respectively, as compared to 2.5% and 2.8% for the Greenspoint area. The metropolitan area is projected to add population and households at 1.4% and 1.7% per year, respectively.

On the other hand, the communities to the north of Greenspoint are anticipated to grow more rapidly than the region as a whole. The population of Montgomery County is projected to increase from 182,201 in 1990 to 412,390 in 2020, reflecting a 2.8% average annual growth rate. The number of households in Montgomery County is projected to increase from 63,560 in 1990 to 158,348 in 2020, representing a 3.1% annual growth rate or 3,160 new households per year.

### Age and Income

In the Phase One study, KMA also reviewed near-term demographic forecasts prepared by Claritas Data Services for the three- and five-mile rings around the Greenspoint highway juncture. These demographic characteristics suggest the potential for higher-end multi-family housing product suitable to empty nesters and young professionals.

The three-mile ring contained an estimated 79,496 people in 1996 and is projected to grow to 90,429 by 2001. This represents 2.6% annual growth or about 2,200 new residents per year. About 8.7% of three-mile ring residents are currently 55 years and older; an additional 9.9% are aged 45 to 54. Median household income for the three-mile ring is projected to increase from \$27,857 in 1996 to \$33,366 in 2001, or about 3.7% annually. About 22.4% of three-mile ring households earn annual incomes of \$50,000 or greater.

The proportions of older residents and higher-income households are greater for the five-mile ring. This area contained an estimated 175,895 residents in 1996. About 9.9% are 55 years and older; an additional 10.4% are aged 45 to 54. About 25% of the five-mile ring's 64,567 households earn annual incomes of \$50,000 or greater.

### B. Office

#### Overview

The office market is the strongest of the land uses represented in Greater Greenspoint and provides the best foundation for expansion. Current rent and occupancy rates, combined with

Greenspoint's status as an "energy node," suggest that Greenspoint will remain a prominent office submarket in the Houston region for the foreseeable future. Employment forecasts for North Houston in general, and the Greater Greenspoint vicinity in particular, are further positive indicators of office space demand. Expansion of George Bush Intercontinental Airport/Houston (IAH), and Greenspoint's suitability for businesses that rely on airport travel, may over time increase the importance of Greenspoint as an office address for non-energy companies.

Greater Houston contains a total of approximately 132 million SF of office space located in 19 major or minor activity centers. Eleven major centers account for about 77% of the region's leasable office space, including 96% of Class A office space. Two of these are closely tied to the specialized activities of the Texas Medical Center and NASA. Over the past ten years, new office space inventory has been added at the rate of approximately 750,000 SF per year. Both average rents and occupancy rates were reported to be higher in 1996 than in 1995.

Both market conditions and employment trends tend to indicate that new office space development in Greenspoint is probable in the near future. Greenspoint is well positioned to continue to capture most new office space demand within this submarket. In the long term, however, the continued health of the Greenspoint office market will depend to some extent on the availability of amenities such as shopping and services, dining and entertainment opportunities, and supporting residential.

#### Submarket Trends

According to CB Commercial, the North/North Belt submarket of the Houston region contained approximately 10.8 million SF of office space in 1996.\* (See Table 2.) Most of this space is concentrated within the Greater Greenspoint Management District. This inventory represents approximately 7% of the regional total.

Vacancy for Class A space in the North/North Belt submarket was generally comparable to the balance of the Houston region in 1996 -- about 9%. Since 1990, Class A vacancy in North/North Belt has fallen from 18.75% to 9.25%. Vacancy for Class B space remains substantially higher in North/North Belt (nearly 28%) than the region as a whole (16%).

Since 1990, the North/North Belt submarket has absorbed an average of 150,000 SF of office space per year. Over the same period, the Houston region has absorbed an average annual 1.9 million SF of space. The North/North Belt submarket has therefore accounted for 7.8% of regional office space absorption since 1990, which compares favorably with the area's 7% share of the region's office space.

\* CB Commercial's North/North Belt office submarket generally includes the area between Highways 45 and 59, plus the area east of Highway 59 and north of 1960.

Average rents for office space in Houston submarkets have fluctuated during the period 1990-1996. Annual Class A office rents in North/North Belt have risen from \$12.78 in 1990 to \$16.74 in 1996. During the same period, rents for Class A space in downtown Houston have declined from an average \$16.51 to \$14.50.

#### Employment Trends

According to HGAC, the number of jobs in both the Greater Greenspoint vicinity and Montgomery County is projected to increase at a rate in excess of the regional average. As shown in Table 1, total employment (by place of work) in the Greenspoint area (Regional Analysis Zones 108, 109, and 124) is projected to increase from 38,709 in 1990 to 80,230 in 2020, reflecting a 2.5% average annual growth rate. This represents an average increase of about 1,400 new jobs per year. These figures include all types of employment, whether office-using or not.

Employment in Montgomery County is projected to grow at a more rapid rate: about 2.9% or 1,900 new jobs per year. By contrast, HGAC projects only 1.6% annual employment growth for Harris County and 1.7% for the metropolitan area.

#### C. Industrial

##### Overview

The greater Houston industrial market is driven largely by trade, energy, and electronics. While manufacturing jobs have declined nationally, Houston added 5,000 manufacturing jobs during 1996. This growth is primarily attributable to increased oil exploration efforts and demand for associated equipment. The Port of Houston is a key advantage to the Houston region's industrial market, particularly in view of continued expansion of international trade. Additionally, non-energy sectors such as electronics (notably, Compaq Computer and Kent Electronic) are driving demand for industrial space.

Houston's existing industrial space inventory is dominated by warehouse and distribution space, about 64%, followed by manufacturing, 23%, and service uses, 13%. Planned business parks with deed restrictions appear to have a competitive advantage in the industrial market. The greatest concentration of industrial space is located in the Northwest and Southeast submarkets of the metropolitan area. The North and Northwest industrial submarkets are among the tightest in the region, with key strengths being the location of Compaq's campus and IAH.\*

Significant increases in both passenger traffic and air cargo shipping, particularly to Latin America, are fueling the expansion of IAH. This expansion is likely to increase demand for warehousing and distribution facilities in the immediate area. Greenspoint is well located to capture a major portion of this demand.

\* CB Commercial defines industrial submarkets in terms of wedges radiating from downtown Houston. The North submarket is bounded by Highway 45 on the west and Highway 59 on the east. The Northwest submarket extends from Interstate 10 north and east (clockwise) to Highway 45.

More challenging, however, is the attraction of higher-end light industrial and research and development (R & D) uses to Greenspoint. Greenspoint's traditional employment centers have been high-rise and mid-rise office buildings at the District's core and lower-end warehousing facilities at the perimeter of the District's boundaries. As stated in KMA's Phase One report, development of R & D uses is likely to require (1) a master-planned business park "campus" environment, and (2) one or more anchor or supporting uses, such as a conference center, high-tech incubator facility, or educational institution. In our Phase Three report, KMA will review case studies of business park development at Princeton Forestall Center and Denver Tech Center. In the case of Greenspoint, there may be specific spin-off benefits from the concentration of energy companies already present, including facilities for industry meetings, research, and/or training.

#### Submarket Trends

Historically, the North Houston industrial submarket has represented between 9% and 11% of the region's total industrial inventory, with about 26 million SF in 1996. As shown in Table 3, the entire Houston industrial market contains over 248 million SF of industrial space.

Since 1990, the North Houston submarket has experienced increased vacancies, from 7.0% in 1990 to 11.1% in 1996. The overall Houston region remained relatively constant, with vacancies dropping from 11.5% in 1990 to 10.2% in 1996. During 1994-1996, the North submarket has averaged about 560,000 SF of industrial space absorption, or about 8% of the regional average for this period.

Rents for industrial space in North Houston have generally been higher than on a regional basis. Currently, North submarket rents range from \$0.30 to \$0.39 per SF for warehouse space; \$0.38 to \$0.60 for service uses; and \$0.25 to \$0.32 for manufacturing space.

#### *D. Hotel*

##### Overview

The greater Houston hotel market has not experienced the rebound in market performance evident in other major Texas cities. Average room rates have been increasing, but regional occupancy remains relatively flat in the low 60% range. The strongest hotel submarkets continue to be the Galleria, Texas Medical Center, and downtown areas. A number of hotel properties are under construction or planned at Hobby Airport, the Westchase area, and the Northwest submarket.

Higher-end hotels in the Greenspoint/Airport area have outpaced the regional hotel market since 1990. The major expansion planned for IAH -- and associated increases in passenger volume -- are likely to increase demand for hotel rooms in IAH's immediate vicinity. Greenspoint is well positioned to capture this new hotel room demand, due to its location and diversified multi-use environment. Hotels located at the airport do not offer the "urban" setting and entertainment opportunities that Greenspoint can provide.

Although occupancy trends are strong and improving, current effective room rates in the Greenspoint/Airport area do not support development of new higher-end hotels. One opportunity to raise effective room rates is to enhance the range of amenities and activities available to hotel guests on weekends.

In the near-term, however, there may exist opportunities to develop lower-priced facilities. A significant trend in the hotel industry nationally is the development of affordable to mid-priced extended-stay properties. An example is the 125-key AmeriSuites hotel currently under construction in Greenspoint. Given the transience of some oil company employees stationed in Greenspoint, there may be opportunities for extended-stay facilities, corporate apartments such as the Oakwood Apartments, or a hybrid residential/hotel product suitable for executives.

In the long-term, there may be an opportunity for a mixed-use hotel/conference center in combination with supporting retail, restaurants, and services. In particular, a Greenspoint conference facility could serve: (1) the energy industry, and (2) multi-national businesses utilizing IAH.

#### Submarket Trends

KMA compiled information on hotel room rate and occupancy trends from Smith Travel Research. KMA compared trends for seven higher-quality hotels (Sheraton, both Marriotts, Hyatt, Holiday Inn, Sofitel, and Wyndham) in the Greenspoint/Airport area with the Houston region as a whole.

As shown in Table 4, the average room rate at the seven surveyed hotels has risen from \$59.60 in 1991 to \$73.47 in 1996. This represents a fairly high rate of increase, approximately 4.3% per year. By contrast, the average room rate for all Houston region hotels increased from \$58.08 in 1991 to \$61.80 in 1996, an increase of only 1.2% annually.

The increase in room rate for Greenspoint/Airport area hotels is noteworthy. However, it is also important to note that the effective room rate of \$73.47 is much lower than the quoted rack rates for the surveyed properties -- indicating substantial discounting for groups and weekend visitors.

Even while room rates have been rising in the Greenspoint/Airport area, occupancy has also been increasing. As shown in Table 5, hotel occupancy increased from 66.3% in 1991 to a peak of 77.0% in 1994. It dropped significantly in 1995 and rebounded to 69.1% by 1996.

The Greenspoint/Airport area's overall gain in occupancy rates is notable in light of the following factors: (1) average room rates at the surveyed properties increased at the same time; and (2) regionally, hotel occupancy declined during this period, from 62.4% in 1991 to 61.8% in 1996.

## E. Retail

### Overview

It is important to consider that retail centers are constantly undergoing re-invention. This is due in large part to national trends in the retail industry, as well as local competitive forces. Over the past decade and a half, the explosion of power centers and value retail has forced the repositioning of traditional regional malls. A key component of this repositioning has been the integration of entertainment uses, primarily cinemas and eating and drinking establishments.

At the same time that consumers are demanding value and selection, they are increasingly bored with the "barebones" shopping environment of the value center. In fact, a principal reason for incorporating entertainment into regional malls is to increase the length of time shoppers spend at the mall. These centers have responded to the "bored consumer" syndrome with a mix of cinema and arts, restaurants and bars, and specialty and fashion retailers -- often in a desirable promenading environment.

Over the past decade, numerous U.S. shopping centers have been repositioned. Repositioning typically involves both physical and thematic changes, including any or all of the following:

1. Replacement or addition of anchor stores.
2. Replacement of small shop space with major (mid-sized) tenants such as "category killers."
3. Modifications to the product line, i.e., changes to the mix and type of stores.
4. Introduction of entertainment or eating and drinking uses.
5. Physical reconfiguration to accommodate these changes.

In KMA's view, the key opportunities for repositioning the Greenspoint Mall are entertainment and value themes

- In terms of entertainment, significant entertainment uses exist or are under construction at three regional mall locations just beyond the five-mile ring, but no comparable facilities exist within the trade area. Development of a megaplex cinema at the mall would provide a strong catalyst for other uses -- particularly eating and drinking -- by funneling movie-goers into Greenspoint's core district. Movie-goers would also develop a greater familiarity with the range of shopping options offered by the mall.
- With respect to value retail, the 1960 corridor from Willowbrook to Deerbrook contains an abundant inventory of national chain promotional, value, and convenience retail uses. However, within a five-mile ring of Greenspoint, there is no single large concentration of "big box" or "category killer" stores. Selected tenants are represented in sporadic locations

(primarily along Interstate 45). A concentration of value retail tenants in a single location at the Greenspoint highway juncture would command a sizeable draw.

Over the next five years, KMA estimates that central Greenspoint could capture:

- An additional 224,000 to 286,000 SF of comparison goods/general merchandise, convenience, eating and drinking, and home improvement retail establishments; and
- Sixteen cinema screens.

These estimates are conservative in that they do not consider additional potential supported by the area's daytime (worker) population or residents from beyond a five-mile radius.

### Retail Inventory

The Houston region contains a total inventory of approximately 108 million SF of retail space. About four million SF of retail space was added in the Houston region during 1996. The largest share of this new development occurred in the southwestern portion of the metropolitan area, including the new one-million-SF Colony Mall. Other major construction included "category killers," large discounters, megaplex cinemas, and grocery-anchored centers.

According to CB Commercial, the North/North Belt submarket contained approximately 10.6 million SF of retail space in 1996.\* This inventory represented about 9.8% of total retail space in the Houston region. CB Commercial estimates that 10.0% of North/North Belt retail space was vacant in 1996. By contrast, the regional vacancy rate for commercial space was reported to be approximately 13.1%.

In recent years, the largest single addition to North/North Belt retail inventory was the 1994 opening of the one-million-SF Woodlands mall. In 1991 and 1996, respectively, the Deerbrook and Willowbrook malls underwent remodeling. In addition, new cinema screens are currently under development at/near Willowbrook and Northline.

### Trade Area Demand

KMA prepared an analysis of retail expenditure potential and retail space demand for three- and five-mile trade rings around Greenspoint. KMA has reviewed typical spending ratios by retail category in relation to population and per capita income. KMA used these ratios in combination with the estimates of population and income growth for the Greenspoint trade rings shown in Table 6 to estimate potential increases in retail expenditure potential.

- \* CB Commercial's North/North Belt retail submarket is comparable to the office submarket of the same name -- Highway 45 to Highway 59 -- with the exclusion of Montgomery County.

As shown in Tables 7 and 8, KMA estimates the following increased expenditure potential for the period 1996-2001 (millions):

Three-mile ring	\$73.0
Outer ring, from three to five miles	\$101.0
Five-mile ring (total)	\$174.0

These figures represent increases in annual sales of comparison goods/general merchandise, convenience goods, eating and drinking, and home improvement.

Based on typical productivity factors (sales per square foot of retail space), KMA estimates that these increases in trade area retail expenditures can support a *total* net increase in occupied retail space as follows (square feet):\*

Three-mile ring	264,000
Outer ring, from three to five miles	366,000
Five-mile ring (total)	630,000

\* New space or absorption of existing vacant space.

#### Retail Space Capture

The ability to capture a portion of the above retail space demand at Greenspoint's core should be considered in light of the following factors:

- The nearest significant competition to central Greenspoint is the retail concentration lining the 1960 corridor to the north. The lack of competitive retail inventory within the three-mile ring positions central Greenspoint well to capture a high proportion -- say 50% to 60% -- of the 264,000 SF demand anticipated for this trade area.
- There is also fairly limited competition within the three- to five-mile outer ring. However, population in this area may be equidistant to, and likely to patronize, the competing centers at Willowbrook, Northline, or Deerbrook. Therefore, a lower capture rate for central Greenspoint -- say 25% to 35% -- would be appropriate for the 366,000 SF demand anticipated for this outer ring.

Based on these conservative assumptions, KMA estimates that the central Greenspoint area should be able to capture an additional 224,000 to 286,000 SF of retail space occupancy in the near-term, i.e., including both new space and absorption of existing vacant space.

There is a significant existing vacancy and under-utilization at both the Greenspoint Mall and Greenspoint Commons shopping centers. New demand for retail space is likely to back-fill existing vacancy before new development can be supported.

It should be noted that the demand model forecasts incremental demand resulting from anticipated increases in population and income. The model does not consider the following additional sources of potential demand:

1. Recapture of existing export, i.e., local residents' expenditures that are currently flowing out of the trade area.
2. Expenditures from the area's large white collar work force.
3. Expenditures from households beyond the five-mile trade area. Certain types of uses, such as entertainment and value retail, may be able to draw shoppers from a larger trade area.

#### Cinema Demand Forecast

KMA analyzed existing and potential demand for cinema screens within the three- and five-mile rings of Greenspoint. This analysis indicated strong demand within the trade area for new screens.

As background, it is appropriate to review trends in the entertainment retail industry. In the 1990s, forces in the national real estate and motion picture industries have contributed to a heightened demand for entertainment venues in cities both small and large. Entertainment uses such as multiplex cinemas, amusement areas, and theme restaurants are an increasingly important component of both new and rehabilitated retail developments.

In particular, the cinema industry is growing while simultaneously adapting to changes in market demand. The major change is in the proliferation of "state-of-the-art" multi-screen theaters. State-of-the-art typically describes "multiplex" (up to nine screens) and "megaplex" (up to 30 screens) movie theaters with high-tech digital sound systems, big movie screens, and "stadium" seating with unobstructed views of the screen. Industry sources say that the total number of movie screens nationwide has increased by 17 percent since 1990. The *Wall Street Journal* recently reported that movie theater box office receipts increased by 16 percent for the first quarter of this year over the previous year. Current projections anticipate a 20% increase in 1997 second quarter receipts over the same quarter last year.

The new megaplexes position theater operators extremely well with respect to existing older cinemas. Some of these competitive advantages include:

- Enhancing an operator's ability to capture market share;
- Maximizing an operator's programming capacity by allowing for the showing of popular films on multiple screens at different times;
- Reduced operating costs with centralized box office and concession sales;

- Enabling movie studios to present more films and generate greater revenue from expensive films by extending recall dates, and
- Providing the public with multiple film choices under one roof, with multiple show start times, in a comfortable environment.

All of this increased activity typically provides "spin-off" benefits to businesses located near movie theaters. In many instances, the synergies of adjacent movie theaters, restaurants, and retail stores provide a catalyst for revitalization of older shopping centers or commercial districts.

Table 9 presents KMA's estimate of achievable box office receipts for the Greenspoint trade area. The table presents demand forecasts for both 1996 and 2001. An explanation of the model follows.

- Total cinema expenditure potential for the three-mile trade area is estimated at \$2.0 million in 1996, based on an annual rate of \$25 per capita. Typical cinema expenditures range from the low \$20s to the low \$30s, based on KMA's review of comparable sales volume data in other market areas. KMA has conservatively used the lower/midpoint of the range.
- New cinemas typically require approximately \$225,000 to \$250,000 in gross revenues per screen per year in order to be financially feasible. On this basis, then, KMA concludes that the three-mile ring in 1996 could support between eight and nine screens. By 2001, the three-mile ring should be able to support nine to ten screens.
- Similarly, KMA estimates total potential cinema expenditures in the five-mile ring of \$4.4 million in 1996, supporting an estimated 18 to 20 screens. By 2001, KMA estimates that the five-mile ring can support 20 to 22 screens.

In summary, KMA estimates the following total demand (screens):

	<u>1996</u>	<u>2001</u>
Three-mile ring	8 to 9	9 to 10
Outer ring, from three to five miles	<u>10 to 11</u>	<u>11 to 12</u>
Five-mile ring (total)	18 to 20	20 to 22

There are no truly competitive cinemas existing or planned within the five-mile ring. The nearest megaplex competition is at (or near) Willowbrook, Deerbrook, and Northline, all of which are located beyond the five-mile ring. KMA assumes that a state-of-the-art multiplex at Greater Greenspoint would capture most of the three-mile ring demand and might potentially capture 50% of the three- to five-mile outer ring demand. In other words, by 2001, Greater Greenspoint should be able to capture a minimum of 16 screens.

It should be noted that this demand forecast does not consider additional support provided by either: (1) office workers and hotel guests, or (2) residents from beyond the five-mile ring.

## VI. Assumptions and Limiting Conditions

The findings, conclusions, and recommendations contained in this report are subject to a number of assumptions and limitations. The conduct of any market feasibility analysis is necessarily guided, and its results influenced, by the terms of the assignment and the assumptions which together form the basis of the study. The following conditions and assumptions, together with lesser assumptions embodied in this report, constitute the framework of KMA's analysis and conclusions.

1. The analysis contained in this report is based, in part, on data from secondary sources such as governmental agencies, financial institutions, and realtors. While we believe that these sources are accurate, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should neither be construed as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; apart from whether there is a demand for various retail uses, other factors are of crucial importance in determining feasibility.
5. The analysis, opinions, recommendations, and conclusions of this report are our informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic situations and conditions of the building and development industry, conclusions and recommended actions contained within this report should not be relied upon as sole input for final business decisions regarding current and future development and planning.

TABLE  
 REGIONAL DEMOGRAPHIC TRENDS, 1990-2020  
 MARKET OVERVIEW  
 GREATER GREENSPPOINT MANAGEMENT DISTRICT

	Population		Average Annual % Change
	1990	2020	
RAZ 108, 109, 124 (1)	69,353	144,588	2.5%
Harris County	2,818,292	3,837,655	1.0%
Montgomery County	182,201	412,390	2.8%
CMSA (2)	3,731,131	5,663,825	1.4%
HGAC Region (3)	3,897,146	5,867,240	1.4%
<u>Households</u>			
RAZ 108, 109, 124 (1)	25,099	57,356	2.8%
Harris County	1,026,484	1,519,323	1.3%
Montgomery County	63,560	158,348	3.1%
CMSA (2)	1,338,775	2,207,275	1.7%
HGAC Region (3)	1,395,569	2,277,238	1.6%
<u>Employment (4)</u>			
RAZ 108, 109, 124 (1)	38,709	80,230	2.5%
Harris County	1,537,883	2,475,064	1.6%
Montgomery County	42,789	99,592	2.9%
CMSA (2)	1,809,856	3,045,278	1.7%
HGAC Region (3)	1,868,147	3,141,786	1.7%

(1) Regional Analysis Zones 108, 109, and 124 generally comprise the Greater Greenspoint area  
 (2) The Consolidated Metropolitan Statistical Area (CMSA) includes Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Walker counties.  
 (3) Includes the CMSA and Austin, Colorado, Matagorda, Walker, and Wharton counties  
 (4) Wage and salary employment by place of work

Source: HGAC Data Services Department, "Small Area Allocation Forecast 1990-2020" - Release One, November 1995.  
 Prepared by Keyser Marston Associates, Inc.  
 Filename: C:\valent\houston\DEMOS.XLS, 6/17/97, jr

TABLE 2  
 REGIONAL OFFICE MARKET TRENDS, 1990-1996  
 MARKET OVERVIEW  
 GREATER GREENSPPOINT MANAGEMENT DISTRICT

	1990	1991	1992	1993	1994	1995	1996	Average Annual Change
<u>Inventory</u>								
North/North Belt	9,770,000	9,780,000	10,240,000	10,161,199	10,226,364	10,955,244	10,799,590	1.68%
Houston Market	134,750,000	134,920,000	135,820,000	138,672,852	136,380,116	155,895,253	155,331,528	2.40%
% of Total	7.25%	7.25%	7.54%	7.33%	7.50%	7.03%	6.95%	
<u>Vacancy Rates</u>								
North/North Belt								
Class A	18.75%	12.26%	14.80%	12.51%	8.33%	13.57%	9.25%	-1.58%
Class B	23.05%	21.36%	26.71%	26.75%	23.06%	25.17%	27.86%	0.80%
Houston Market								
Class A	13.74%	13.17%	13.65%	12.61%	12.07%	10.51%	8.89%	-0.81%
Class B	27.26%	25.00%	24.02%	22.97%	22.41%	18.76%	15.64%	-1.94%
<u>Absorption</u>								
North/North Belt	389,211	417,651	(79,655)	177,670	85,874	(61,418)	117,973	149,758
Houston Market	3,698,941	1,774,677	781,367	1,497,849	2,081,167	1,110,347	2,509,728	1,922,011
% of Total	10.52%	23.53%	n/a	11.86%	4.17%	n/a	4.70%	
<u>Rental Rates (Average Gross Rates/SF/Year)</u>								
North/North Belt								
Class A	\$12.78	\$13.23	\$13.67	\$14.63	\$14.40	\$13.62	\$16.74	4.6%
Class B	\$10.32	\$11.03	\$11.27	\$11.25	\$11.37	\$10.69	\$10.74	0.7%
Central Business District								
Class A	\$16.51	\$17.30	\$16.60	\$15.91	\$15.45	\$13.86	\$14.50	-2.1%
Class B	\$12.10	\$12.47	\$12.24	\$12.76	\$11.75	\$11.92	\$12.14	0.1%

TABLE 3

REGIONAL INDUSTRIAL MARKET TRENDS, 1990-1996  
 MARKET OVERVIEW  
 GREATER GREENSPPOINT MANAGEMENT DISTRICT

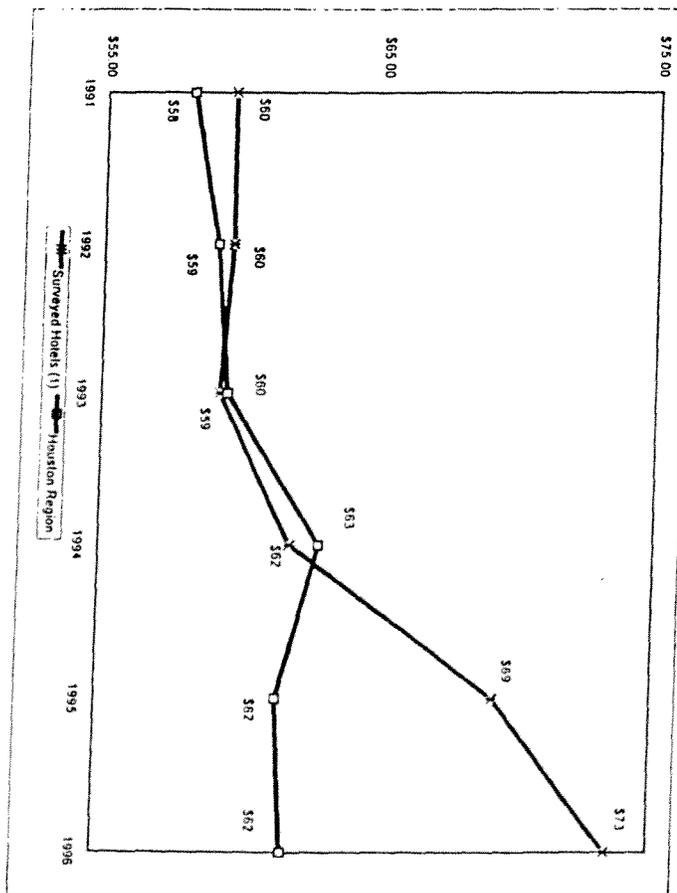
	1990	1991	1992	1993	1994	1995	1996	Average Annual Change
<b>Inventory</b>								
North	24,670,948	25,079,224	25,453,020	25,506,111	25,634,662	25,787,094	26,355,689	1.1%
Houston Market	267,866,679	271,638,168	278,716,675	259,081,788	240,155,789	242,608,176	248,377,392	-1.3%
% of Total	9%	9%	9%	10%	11%	11%	11%	
<b>Vacancy Rates</b>								
North	7.0%	6.8%	8.6%	8.6%	10.2%	11.0%	11.1%	0.7%
Houston Market	11.5%	11.6%	12.7%	11.8%	12.1%	11.4%	10.2%	-0.2%
<b>Absorption</b>								
North	n/a	n/a	n/a	n/a	583,742	447,153	644,199	558,365
Houston Market	n/a	n/a	n/a	n/a	6,357,885	4,977,210	9,222,016	6,852,370
% of Total								
<b>Rental Rates (Average Gross Rates/SF/Month)</b>								
<b>North</b>								
Warehouse	\$0.25-\$0.32	\$0.25-\$0.32	\$0.28-\$0.37	\$0.22-\$0.35	\$0.22-\$0.35	\$0.22-\$0.35	\$0.30-\$0.39	
Service	\$0.35-\$0.55	\$0.35-\$0.55	\$0.42-\$0.60	\$0.28-\$0.45	\$0.35-\$0.55	\$0.35-\$0.60	\$0.38-\$0.60	
Manufacturing	\$0.23-\$0.30	\$0.23-\$0.30	\$0.25-\$0.33	\$0.25-\$0.40	\$0.25-\$0.35	\$0.25-\$0.35	\$0.25-\$0.32	
<b>Houston Market</b>								
Warehouse	\$0.17-\$0.35	\$0.17-\$0.35	\$0.17-\$0.37	\$0.17-\$0.37	\$0.19-\$0.38	\$0.19-\$0.38	\$0.19-\$0.40	
Service	\$0.25-\$0.65	\$0.25-\$0.65	\$0.25-\$0.60	\$0.25-\$0.60	\$0.26-\$0.60	\$0.26-\$0.60	\$0.30-\$0.75	
Manufacturing	\$0.15-\$0.30	\$0.15-\$0.30	\$0.18-\$0.33	\$0.18-\$0.33	\$0.17-\$0.33	\$0.17-\$0.33	\$0.17-\$0.33	

Source: CB Commercial Research Department  
 Prepared by: Keyser Marston Associates, Inc.  
 Filename: c:\clients\houston\MARKETS.XLS; 6/19/97; jlr

TABLE 4

REGIONAL HOTEL ROOM RATES, 1991-1996  
 MARKET OVERVIEW  
 GREATER GREENSPPOINT MANAGEMENT DISTRICT

	1991	1992	1993	1994	1995	1996	Average Annual % Change
Surveyed Hotels (1)	\$59.60	\$59.63	\$59.24	\$61.85	\$69.30	\$73.47	4.3%
Houston Region	\$58.08	\$59.08	\$59.51	\$62.90	\$61.50	\$61.80	1.2%



(1) The sample includes the following hotels in the Greenspoint/intercontinental area:

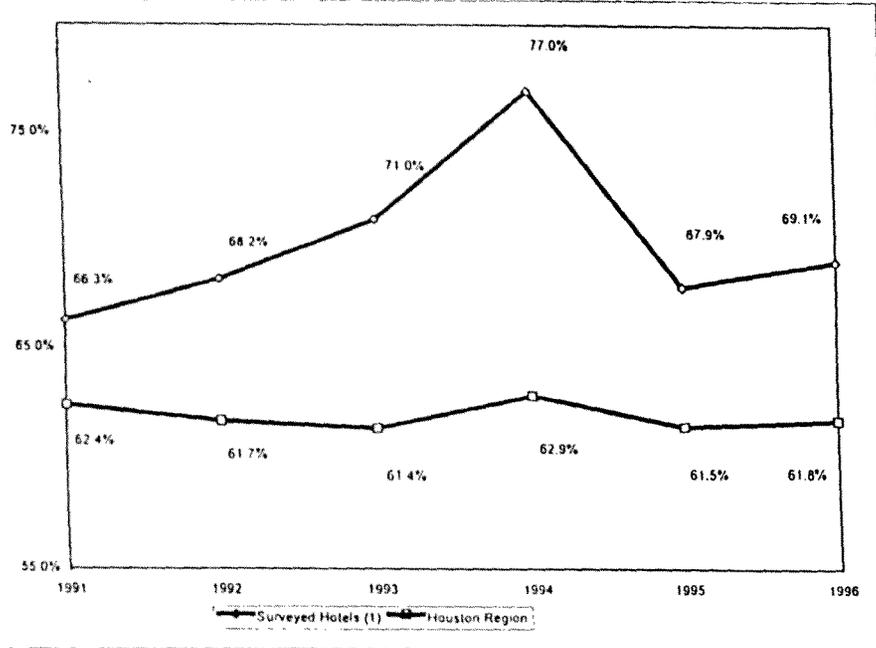
- Holiday Inn Houston Intercontinental
- Sheraton Hotel/Crown at Houston
- Mariott Intercontinental Airport
- Mariott Houston North/Greenspoint
- Hyalit Hotel Houston/intercontinental Airport
- Hotel Sofitel Houston
- Wyndham Greenspoint

Source: Smith Travel Research  
 Prepared by: Keyser Marston Associates, Inc.  
 Filename: c:\clients\HOTELS.XLS; 6/17/97; jlr

TABLE 5

REGIONAL HOTEL OCCUPANCY RATES, 1991-1996  
MARKET OVERVIEW  
GREATER GREENSPPOINT MANAGEMENT DISTRICT

	1991	1992	1993	1994	1995	1996	Average Annual Change
Surveyed Hotels (1)	66.3%	68.2%	71.0%	77.0%	67.9%	69.1%	0.6%
Houston Region	62.4%	61.7%	61.4%	62.9%	61.5%	61.8%	-0.1%



(1) The sample includes the following hotels in the Greenspoint/Intercontinental area

- Holiday Inn Houston Intercontinental
- Sheraton Hotel Crown at Houston
- Marriott Intercontinental Airport
- Marriott Houston North/Greenspoint
- Hyatt Hotel Houston/Intercontinental Airport
- Hotel Sofitel Houston
- Wyndham Greenspoint

Source: SMITH Travel Research  
Prepared by: Keyser Marston Associates, Inc  
Filename: c:\clients\HOTELS.XLS, 6/17/97, jr

TABLE 6

TRADE AREA DEMOGRAPHIC TRENDS, 1990-2001  
MARKET OVERVIEW  
GREATER GREENSPPOINT MANAGEMENT DISTRICT

	3-Mile Ring	5-Mile Ring
<b>Population</b>		
1990	65,247	149,754
1996	79,496	175,895
2001	90,429	195,713
Average Annual % Change: 1990-2001	3.0%	2.5%
<b>Number of Households</b>		
1990	25,084	53,490
1996	31,105	64,567
2001	35,409	72,314
Average Annual % Change: 1990-2001	3.2%	2.8%
<b>Per Capita Income</b>		
1990	\$10,759	\$10,770
1996	\$11,293	\$11,892
2001	\$12,634	\$13,707
Average Annual % Change: 1990-2001	1.5%	2.2%
<b>Average Household Income</b>		
1990	\$27,985	\$30,153
1996	\$28,850	\$32,381
2001	\$32,249	\$37,078
Average Annual % Change: 1990-2001	1.3%	1.9%
<b>Median Household Income</b>		
1990	\$24,076	\$26,275
1996	\$27,857	\$30,482
2001	\$33,366	\$36,299
Average Annual % Change: 1990-2001	3.0%	3.0%

Source: Claritas Data Services  
Prepared by: Keyser Marston Associates, Inc  
Filename: c:\clients\houston\CINEMA.XLS, 6/17/97, jr