

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER THIRTEEN, CITY OF HOUSTON, TEXAS (OLD SIXTH WARD); 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. 98-1256, adopted December 22, 1998, the City created Reinvestment Zone Number Thirteen, City of Houston, Texas (the "Old Sixth Ward Zone") for the purposes of development within the area of the City generally referred to as the "Old Sixth Ward area;" and

WHEREAS, the Board of Directors of the Old Sixth Ward Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the Old Sixth Ward 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 Thirteen, 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 Old Sixth Ward 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.

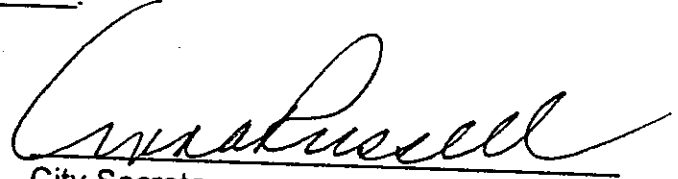
Section 5. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; 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 28th day of July, 1999.

APPROVED this _____ day of _____, _____.

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

(Prepared by Legal Dep't DEORAH E. ALBRECHT)
(DFM:dfm 7/27/99) Senior Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L.D. File No. 61-98038-02)

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AYE	NO	
		ABSENT
••••	••••	MAYOR BROWN
		COUNCIL MEMBERS
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		MAYOR PRO TEM PRESIDING
✓		BONEY
✓		TODD
		ABSENT OUT OF CITY BUSINESS
✓		DRISCOLL
✓		KELLEY
✓		FRAGA
✓		CASTILLO
		ABSENT
✓		PARKER
✓		ROACH
✓		SANCHEZ
✓		BELL
✓		ROBINSON

"SIXTH WARD"

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

PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN

July 22, 1999

Hawes Hill & Patterson Consultants, L.L.P., TIRZ Consultants
Coats, Rose, Yale, Ryman & Lee, Attorneys

PROJECT PLAN

On December 22, 1998, the City of Houston adopted ordinance 98-1256, as requested by the Old Sixth Ward Neighborhood Association and petitioners, creating Reinvestment Zone Number Thirteen (also known as the Old Sixth Ward Zone) in the Old Sixth Ward, west of downtown Houston and north of Memorial Drive, over approximately ninety-four (94) acres of land. The purpose of the Old Sixth Ward Zone is to advance the improvement of the historic Old Sixth Ward neighborhood and encourage affordable and market-rate residential housing projects within the Old Sixth Ward Zone by financing neighborhood improvement projects.

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

The property within the Old Sixth Ward Zone is a mixture of residential, commercial and public land uses. Exhibit A is a Boundary Map of the Old Sixth Ward Zone. Exhibit B is a Land Use Map of the Old Sixth Ward Zone. Exhibit C is a map showing the location of development projects within the Old Sixth Ward Zone. Exhibit D is a map of the Old Sixth Ward Historic District located within the Sixth Ward Zone. The development projects within the Old Sixth Ward Zone are as follows:

Significant Development Projects in the Old Sixth Ward Zone:

- Avenue Community Development Corporation and Interfaith Housing Corporation are developing seventy-four (74) mixed-income apartments on 2.76 acres at 2505 Washington Avenue called "Washington Courtyards". The project will consist of twelve (12) one bedroom units, thirty (30) two bedroom units, and thirty-two (32), three bedroom units. Forty-four (44) of the units will be leased at affordable lease rates and thirty (30) of the units will be leased at market rates. The assessed value of the property at the time the Old Sixth Ward Zone was created was approximately \$251,000 and the anticipated assessed value upon completion of the project is \$3,400,000, thereby resulting in a property value increase of approximately \$3.1 million. The project will be complete in the spring of 2000.
- Apex Real Estate Group has broken ground on a sixteen (16) unit residential loft project at the corner of Colorado and Washington Avenue called "Washington Square". The units will be approximately 2,000 square feet in size and will be priced at an average of approximately \$187,625 per unit. The assessed value of the property at the time of creation of the Old Sixth Ward Zone was approximately \$109,740. The anticipated assessed value upon completion of the project is \$3,002,000 million, thereby resulting in a property value increase of approximately \$2.9 million. The project will be complete in December 1999.
- Robinson Capital has renovated the former Holiday Inn building at 2100 Memorial into 197 senior housing units. The assessed value of the property at the time the Old Sixth Ward Zone was created was approximately is \$3.1 million and the anticipated assessed value of the project is \$7.4 million, thereby resulting in a property value increase of approximately \$4.3 million.

- Four new townhomes are being constructed at 1800 Memorial Drive. The units will be four stories in height and approximately 2,400 square feet each. The units are anticipated to be complete in the Spring of 2000. The resulting property value increase is anticipated to be approximately \$1.3 million.

In addition to the projects noted above, several homes annually are being built or renovated resulting in significant increases in property values.

Educational Facility Improvements

- Physical improvements to the historic Dow School at 1900 Kane Street which houses MECA (Multi-Cultural Education Counseling through the Arts) programs is expected to cost approximately \$428,000 to be paid for using Houston Independent School District (HISD) funds which are not retained by HISD; and
- Projects related to the construction and or renovation and financing of educational facilities is expected to cost approximately \$2,579,000.

Educational facilities improvements will be as provided in Chapter 311 of the State of Texas and may be located inside or outside of the Old Sixth Ward Zone pursuant thereto.

Affordable Housing Improvements

- Since the Old Sixth Ward Zone was created based on petitions of property owners constituting more than 50% of the assessed value of property in the Zone, one-third of the tax increment revenues of the Zone will be directed to fund affordable housing projects in the Zone, which are estimated to be approximately \$5,517,419 over the life of the Zone.

Affordable housing improvements represent one-third of total tax increment of the Zone dedicated to the provision of affordable housing, which may be provided inside or outside of the Zone pursuant to Chapter 331 of the State of Texas Tax Code.

Expenditures associated with the certain design, construction and financing of planned improvements, and other specific project related costs, may be funded by tax increment revenue derived from increases in property taxes throughout the duration of the Old Sixth Ward Zone.

II. PROPOSED CHANGES OF ZONING ORDINANCES, MASTER PLAN OF THE CITY, BUILDING CODES, AND OTHER CITY ORDINANCES

The Board of Directors of the Old Sixth Ward Zone envisions the adoption of land use regulations within the Old Sixth Ward Zone for the purpose of protecting and maintaining the historic character of the neighborhood. Land use regulations may be recommended by the Old Sixth Ward Zone Board of Directors to the City Council. There are no other proposed changes of any City ordinances, master plan, or building

codes. All construction will be done in conformance with existing rules and regulations of the City of Houston.

III. LIST OF ESTIMATED NON-PROJECT COSTS

This Plan does not anticipate any non-project costs.

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

No displacement of residents will be undertaken by the Old Sixth Ward Zone.

REINVESTMENT ZONE FINANCING PLAN

I. DETAILED LIST DESCRIBING THE ESTIMATED PROJECT COSTS OF THE ZONE INCLUDING ADMINISTRATIVE EXPENSES AND PROPOSED PUBLIC WORKS/PUBLIC IMPROVEMENTS IN THE ZONE

Below is a list of estimated project costs for public improvements identified in this Plan. Developers will advance funds for the improvements and will be reimbursed as provided in separate agreements and other documentation between the developers, the Old Sixth Ward Zone, and the Old Sixth Ward Redevelopment Authority. (All references herein to the Old Sixth Ward Redevelopment Authority are made in anticipation of its creation. It is anticipated that total project costs will include financing costs associated with the projects. Line item amounts may be adjusted with approval of the Zone Board of Directors and the City, as long as the total reimbursement does not exceed the Financing Plan budget.

Non-Education Project Costs

Estimated Costs

Streets, Water, Sewer, Drainage, Sidewalks, Curbs	
Reconstruction of infrastructure	\$2,400,000
Construction of historically appropriate brick sidewalks	\$240,000
Subtotal	\$2,640,000
Environmental Testing/Fill Removal	
Environmental testing and fill removal for Washington Courtyards	\$100,000
Subtotal	\$100,000
Washington Avenue Improvements	
Streetscape improvements on Washington Avenue	\$650,000
Subtotal	\$650,000
Neighborhood Street Signs and Street Lights	
Street signs and street lights	\$22,000
Subtotal	\$22,000
Neighborhood Parks	
Neighborhood parkland purchase and development	\$134,000
Subtotal	\$134,000
Improvements to Historic Properties	
Revolving fund for acquisition/preservation of historic buildings	\$1,000,000
Subtotal	\$1,000,000
Reinvestment Zone Creation/Administration	
Zone creation	\$60,000
Zone administration for 30 year life of the Zone	\$500,000
Subtotal	\$560,000
Total	\$5,106,000

Educational Facility Improvements

- Physical improvements to the historic Dow School at 1900 Kane Street which houses MECA (Multi-Cultural Education Counseling through the Arts) programs is expected to cost approximately \$428,000 to be paid for using Houston Independent School District (HISD) funds which are not retained by HISD; and
- Projects related to the construction and or renovation and financing of educational facilities is expected to cost approximately \$2,579,000.

Educational facilities improvements will be as provided in Chapter 311 of the State of Texas and may be located inside or outside of the Old Sixth Ward Zone pursuant thereto.

Affordable Housing Improvements

- Since the Old Sixth Ward Zone was created based on petitions of property owners constituting more than 50% of the assessed value of property in the Zone, one-third of the tax increment revenues of the Zone will be directed to fund affordable housing projects in the Zone, which are estimated to be approximately \$5,517,419 over the life of the Zone.

Affordable housing improvements represent one-third of total tax increment of the TIRZ dedicated to the provision of affordable housing, which may be provided inside or outside of the TIRZ pursuant to Chapter 331 of the State of Texas Tax Code.

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

Public Improvements (non-education project costs)

- Parkland purchase and park development;
- Water, sewer, and storm drainage improvements, and street/curb/sidewalk reconstruction;
- Affordable housing assistance for affordable housing within the Sixth Ward Zone;
- Revolving fund for acquisition and preservation of historic structures within the Old Sixth Ward Zone;
- Installation of new historically appropriate street lights and street signs;
- Environmental testing and remediation at Washington Courtyards project;
- Streetscape improvements in street rights-of-way.

Public Improvements (education-related project costs)

- Physical improvements to the historic Dow School at 1900 Kane Street which houses MECA (Multi-Cultural Education Counseling through the Arts) programs is expected to cost approximately \$428,000 to be paid for using Houston Independent School District (HISD) funds which are not retained by HISD; and
- Projects related to the construction and or renovation and financing of educational facilities is expected to cost approximately \$2,579,000.

III. ECONOMIC FEASIBILITY STUDY

An economic feasibility study for the Washington Courtyards (2505 Washington Avenue) project is attached as Appendix A.

IV. ESTIMATED AMOUNT OF BONDED INDEBTEDNESS TO BE INCURRED

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

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 a function of the availability of Zone revenues. Table B shows the time when Zone funds are expected to be available to pay project costs.

VI. A DESCRIPTION OF THE METHODS OF FINANCING ALL ESTIMATED PROJECT COSTS AND THE EXPECTED SOURCES OF REVENUE TO FINANCE OR PAY PROJECT COSTS

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 Old Sixth Ward Zone. Upon creation of a Redevelopment Authority for the Zone, 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.

Expenditures associated with the design, construction and financing of the planned public improvements, and other project related costs, will be funded by tax increment revenue derived from increases in property values. It is anticipated that for public improvements which are required as part of a private development project, the developer will construct and fund the public improvements subject to reimbursement

from tax increment revenues pursuant to a "developer reimbursement agreement" between the developer, the Zone, and the Sixth Ward Redevelopment Authority.

Sources of Tax Increment Revenue:

Table A is the build-out projection and the annual captured appraised value of new development projects. Table B depicts the Old Sixth Ward Zone revenue schedule with City, County, and Houston Independent School District participation.

Percentage of Increment Dedicated to the Zone:

The percentage of tax value increment proposed to be dedicated to the Zone is:

TAXING UNIT	DEDICATED TAX RATE	% OF TOTAL PARTICIPATION
City of Houston	\$0.6650/\$100 valuation	33%
Harris County	\$0.4166/\$100 valuation	20%
Houston I.S.D.	\$0.9600/\$100 valuation	47%
TOTAL	\$2.0416/\$100 valuation	100%

Tax Increment Fund:

The City of Houston will establish and maintain the tax increment fund. The City will deposit an amount of money into the tax increment fund equal to the City's ad valorem tax revenues collected from the taxable property in the Old Sixth Ward Zone less the tax increment base revenue. The City will deposit revenues derived from other taxing jurisdictions participating in the Old Sixth Ward Zone into the tax increment fund, in accordance with the conditions of an agreement with each jurisdiction's participation.

VII. THE TOTAL APPRAISED VALUE OF TAXABLE PROPERTY IN THE ZONE

The total appraised value of taxable property in the Old Sixth Ward Zone at the time the Old Sixth Ward Zone was created in 1998 was approximately \$36.2 million.

VIII. THE ESTIMATED CAPTURED APPRAISED VALUE OF THE ZONE DURING EACH YEAR OF ITS EXISTENCE

The estimated appraised value of property in the Old Sixth Ward Zone during the existence of the Old Sixth Ward Zone is shown in Table B.

IX. DURATION OF THE ZONE

The duration of the Old Sixth Ward Zone is thirty (30) years.

EXHIBITS

- Exhibit A Boundary Map of Old Sixth Ward Zone
- Exhibit B Land Use Map of the Old Sixth Ward Zone
- Exhibit C Map of Development Projects within the Old Sixth Ward Zone
- Exhibit D Map of Old Sixth Ward Historic District

TABLES

- Table A Build-out Schedule of Development Projects
- Table B Tax Increment Revenue Schedule

APPENDIX

- Appendix A Economic Feasibility Study for Washington Courtyards project

Old Sixth Ward Reinvestment Zone Boundary Map

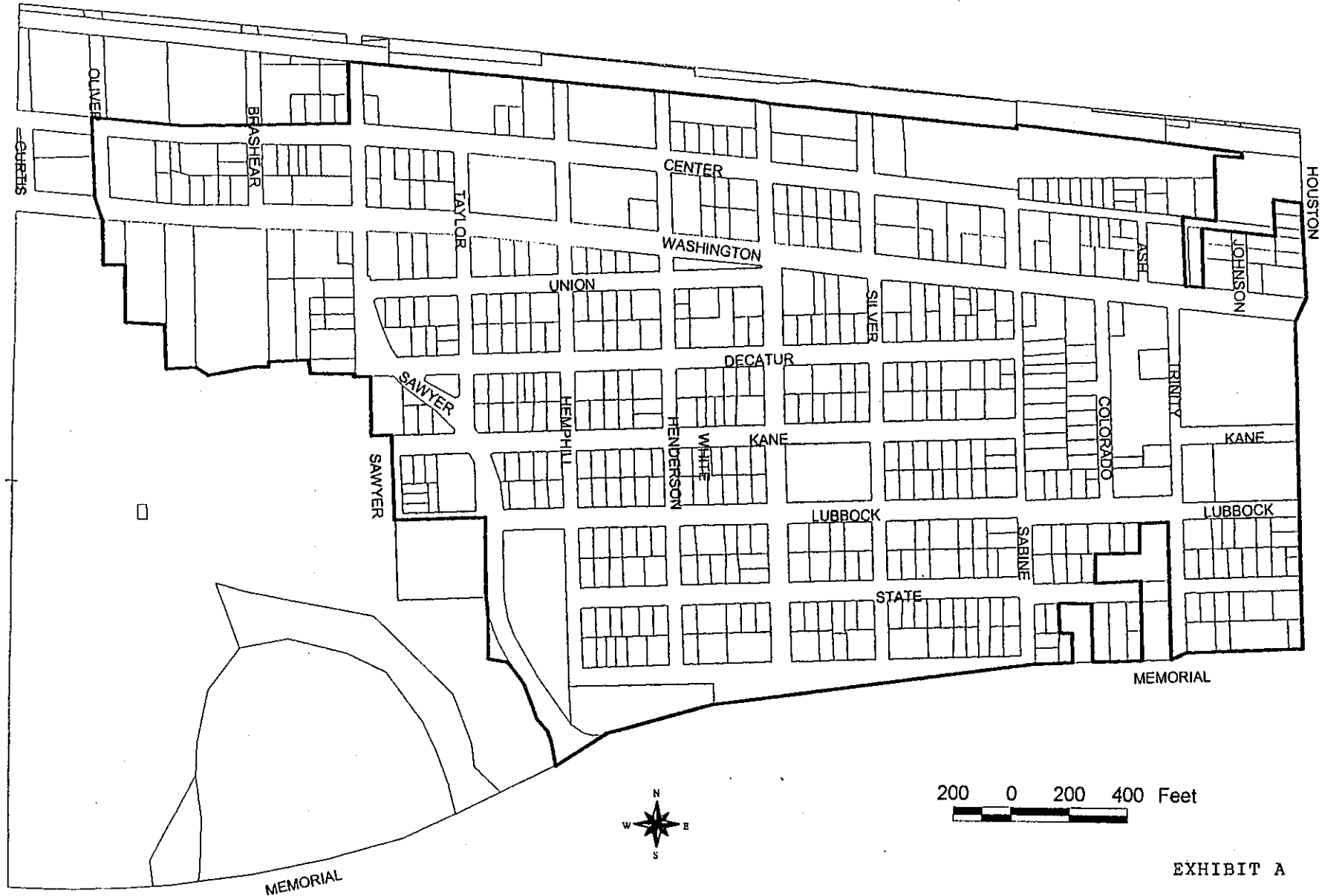
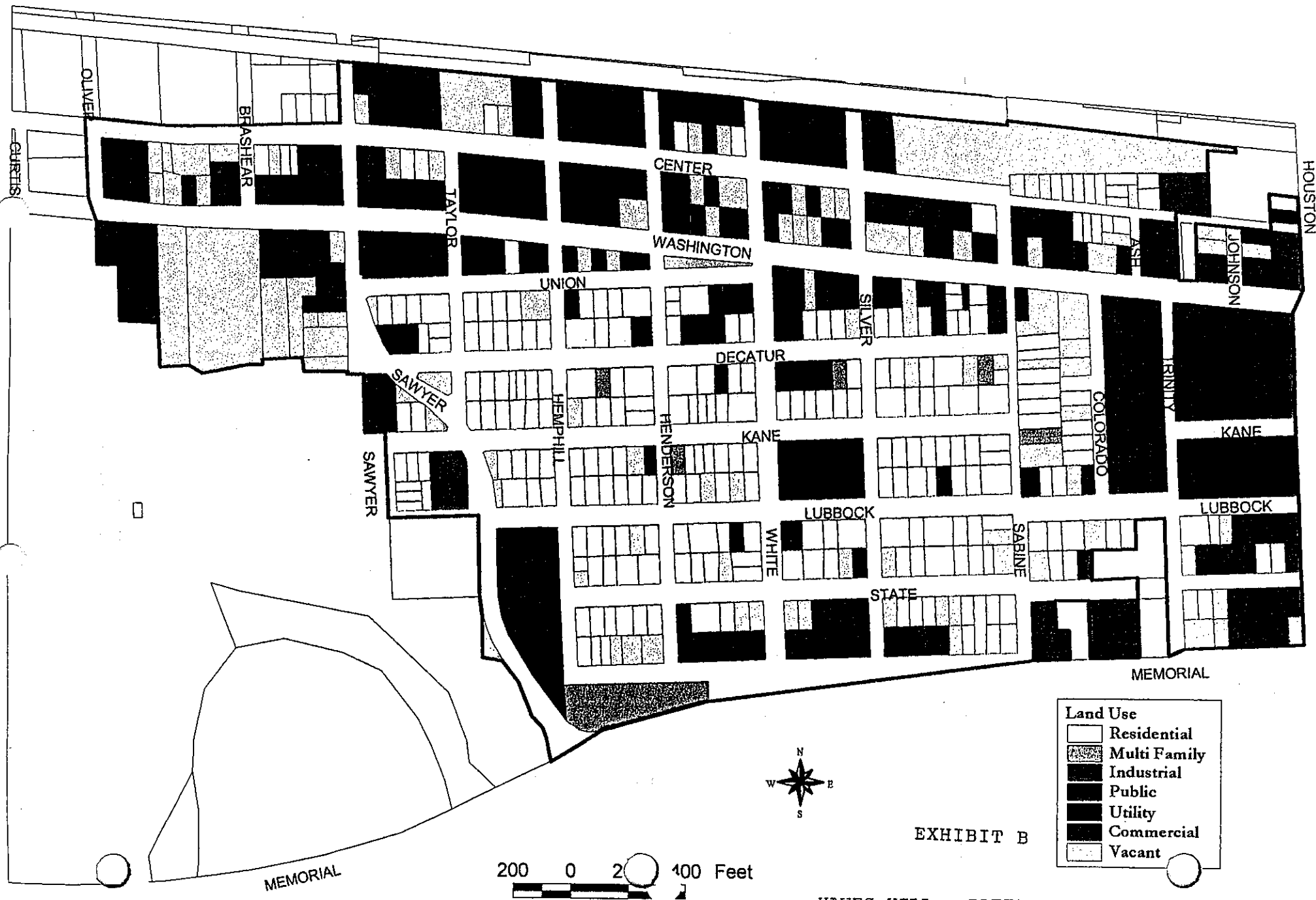


EXHIBIT A

HAWES HILL & PATTERSON CONSULTANTS, L.L.P.

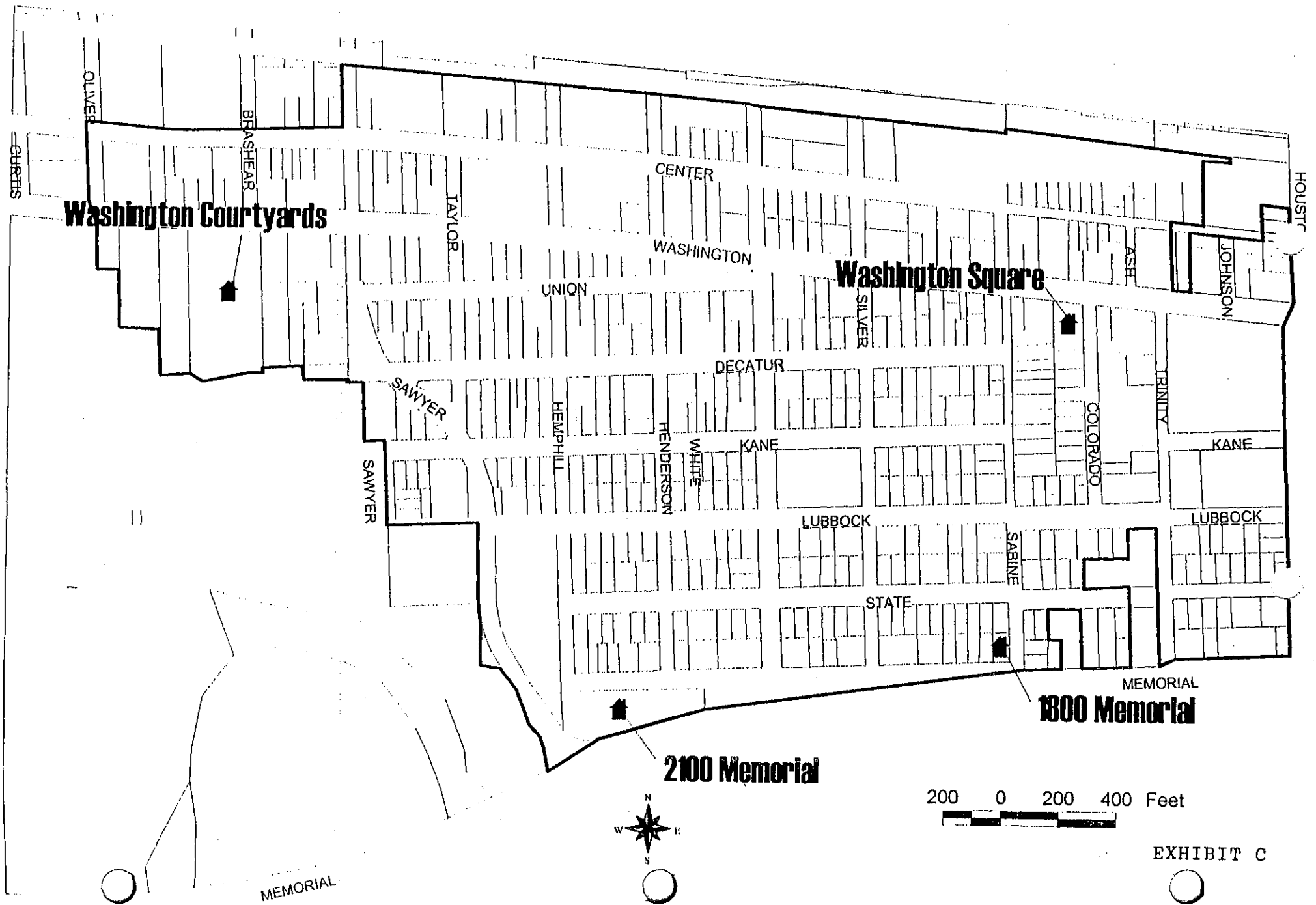
Old Sixth Ward Reinvestment Zone Land Use Map



Land Use	
	Residential
	Multi Family
	Industrial
	Public
	Utility
	Commercial
	Vacant

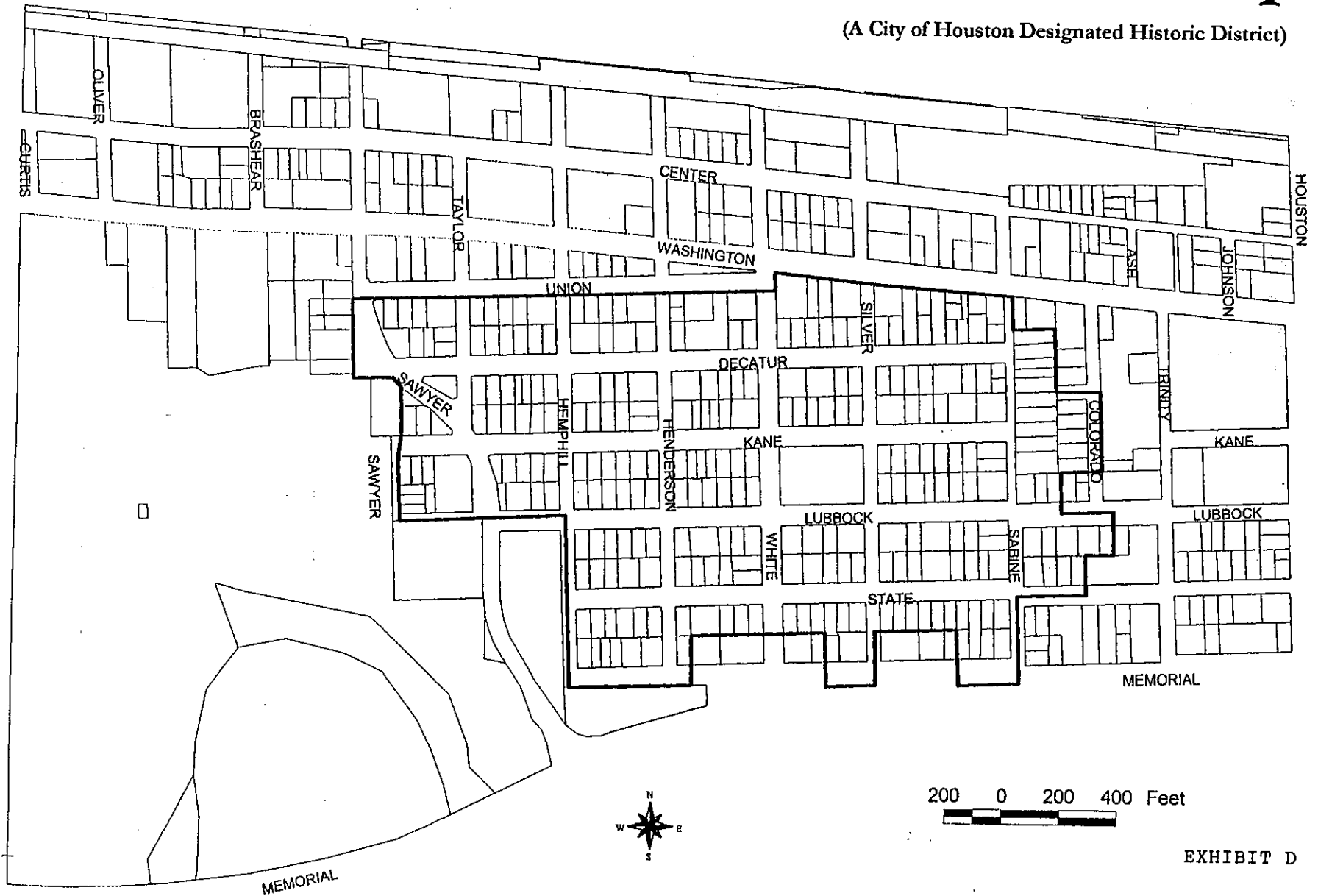
EXHIBIT B

Old Sixth Ward Reinvestment Zone Development Projects Map



Old Sixth Ward Historic District Map

(A City of Houston Designated Historic District)



HAWES HILL & PATTERSON CONSULTANTS, L.L.P.

OLD SIXTH WARD REINVESTMENT ZONE

Buildout Schedule

Estimated Captured Appraised Value

Project Description	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		
	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	Construction	Captured Value (K)	
Apartment Development 2100 Memorial		\$4,300																					
Washington Courtyards						\$3,100																	
Townhomes Washington Square				\$2,900																			
1800 Memorial						\$1,300																	
New SF Construction	4	\$650	5	\$600	5	\$600	5	\$600	5	\$600	5	\$600	5	\$600	5	\$600	5	\$600	5	\$600			
Redevelopment SF Const.			3	\$288	4	\$384	5	\$480	6	\$576	7	\$672	8	\$768	9	\$864	10	\$960	10	\$960	10	\$960	
Total Captured Value		\$4,950		\$3,788		\$5,384		\$1,080		\$1,176		\$1,272		\$1,368		\$1,464		\$1,560		\$1,560		\$960	\$ 24,582

Note:

1. Captured value is presented in thousands of dollars.

OLD SIXTH WARD TIRZ REVENUE SCHEDULE

Tax Roll Jan 1	Cumulative Incremental Assessed Valuation	City Tax Rate	County Tax Rate	Non-Ed. H ISD Tax Rate	Education H ISD Tax Rate	Non-Ed.	Non-Ed.	Non-Ed.	Education	Total	Total	Total
						City TIRZ Collections at 97%	County TIRZ Collections at 97%	Non-Ed. HISD TIRZ Collections at 97%	Education HISD TIRZ Collections at 97%	Total 2/3 TIRZ Annual Collection	Total 1/3 TIRZ Annual Collection	Total TIRZ Annual Collection
1999	4,950,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 21,287	\$ 13,335	\$ 20,486	\$ 10,243	\$ 65,352	\$ 32,676	\$ 98,027
2000	8,738,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 37,576	\$ 23,540	\$ 36,164	\$ 18,082	\$ 115,362	\$ 57,681	\$ 173,043
2001	14,122,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 60,729	\$ 38,045	\$ 58,446	\$ 29,223	\$ 186,444	\$ 93,222	\$ 279,665
2002	15,202,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 65,374	\$ 40,954	\$ 62,916	\$ 31,458	\$ 200,702	\$ 100,351	\$ 301,053
2003	16,378,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 70,431	\$ 44,123	\$ 67,783	\$ 33,892	\$ 216,228	\$ 108,114	\$ 324,342
2004	17,650,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 75,901	\$ 47,549	\$ 73,047	\$ 36,524	\$ 233,021	\$ 116,511	\$ 349,532
2005	19,018,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 81,784	\$ 51,235	\$ 78,709	\$ 39,355	\$ 251,082	\$ 125,541	\$ 376,623
2006	20,482,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 88,079	\$ 55,179	\$ 84,768	\$ 42,384	\$ 270,410	\$ 135,205	\$ 405,616
2007	22,042,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 94,788	\$ 59,381	\$ 91,224	\$ 45,612	\$ 291,006	\$ 145,503	\$ 436,509
2008	23,602,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 101,496	\$ 63,584	\$ 97,681	\$ 48,840	\$ 311,602	\$ 155,801	\$ 467,403
2009	24,562,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 105,625	\$ 66,170	\$ 101,654	\$ 50,827	\$ 324,276	\$ 162,138	\$ 486,414
2010	25,522,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 109,753	\$ 68,757	\$ 105,627	\$ 52,814	\$ 336,950	\$ 168,475	\$ 505,425
2011	26,482,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 113,881	\$ 71,343	\$ 109,600	\$ 54,800	\$ 349,625	\$ 174,812	\$ 524,437
2012	27,442,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 118,010	\$ 73,929	\$ 113,573	\$ 56,787	\$ 362,299	\$ 181,149	\$ 543,448
2013	28,402,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 122,138	\$ 76,515	\$ 117,546	\$ 58,773	\$ 374,973	\$ 187,487	\$ 562,460
2014	29,362,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 126,266	\$ 79,102	\$ 121,520	\$ 60,760	\$ 387,647	\$ 193,824	\$ 581,471
2015	30,322,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 130,395	\$ 81,688	\$ 125,493	\$ 62,746	\$ 400,322	\$ 200,161	\$ 600,482
2016	31,282,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 134,523	\$ 84,274	\$ 129,466	\$ 64,733	\$ 412,996	\$ 206,498	\$ 619,494
2017	32,242,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 138,651	\$ 86,860	\$ 133,439	\$ 66,719	\$ 425,670	\$ 212,835	\$ 638,505
2018	33,202,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 142,780	\$ 89,447	\$ 137,412	\$ 68,706	\$ 438,344	\$ 219,172	\$ 657,516
2019	34,162,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 146,908	\$ 92,033	\$ 141,385	\$ 70,693	\$ 451,019	\$ 225,509	\$ 676,528
2020	35,122,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 151,036	\$ 94,619	\$ 145,358	\$ 72,679	\$ 463,693	\$ 231,846	\$ 695,539
2021	36,082,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 155,165	\$ 97,205	\$ 149,331	\$ 74,666	\$ 476,367	\$ 238,184	\$ 714,551
2022	37,042,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 159,293	\$ 99,792	\$ 153,304	\$ 76,652	\$ 489,041	\$ 244,521	\$ 733,562
2023	38,002,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 163,421	\$ 102,378	\$ 157,278	\$ 78,639	\$ 501,716	\$ 250,858	\$ 752,573
2024	38,962,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 167,550	\$ 104,964	\$ 161,251	\$ 80,625	\$ 514,390	\$ 257,195	\$ 771,585
2025	39,922,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 171,678	\$ 107,550	\$ 165,224	\$ 82,612	\$ 527,064	\$ 263,532	\$ 790,596
2026	40,882,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 175,806	\$ 110,137	\$ 169,197	\$ 84,598	\$ 539,738	\$ 269,869	\$ 809,608
2027	41,842,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 179,935	\$ 112,723	\$ 173,170	\$ 86,585	\$ 552,413	\$ 276,206	\$ 828,619
2028	42,802,000	\$ 0.6650	\$ 0.4166	\$ 0.640	\$ 0.320	\$ 184,063	\$ 115,309	\$ 177,143	\$ 88,572	\$ 565,087	\$ 282,543	\$ 847,630
						\$ 3,694,322	\$ 2,251,721	\$ 3,459,197	\$ 1,729,698	\$ 11,034,838	\$ 5,517,419	\$ 16,552,257

Table B

CONSULTING ASSIGNMENT
TRANSMITTED IN A SELF-CONTAINED CONSULTING REPORT

INVOLVING AN APARTMENT MARKET STUDY
FOR A LOW-INCOME HOUSING TAX CREDIT DEVELOPMENT

OF

WASHINGTON COURTYARDS APARTMENTS
A PROPOSED 74-UNIT APARTMENT DEVELOPMENT
LOCATED ON THE SOUTH SIDE OF WASHINGTON AVENUE
EAST OF SAWYER STREET
HOUSTON, HARRIS COUNTY, TEXAS

FOR

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUTHORIZED BY
MS. MARY LAWLER
AVENUE COMMUNITY DEVELOPMENT CORP.
WASHINGTON COURTYARD L. P.
1901 KANE, SUITE 210
HOUSTON, TEXAS 77007

BY

PATRICK O'CONNOR & ASSOCIATES, INCORPORATED
D.B.A. O'CONNOR & ASSOCIATES
2000 NORTH LOOP WEST
SUITE 110
HOUSTON, TEXAS 77018

EFFECTIVE DATE OF THE MARKET STUDY
MARCH 5, 1998

DATE OF THE REPORT
MARCH 6, 1998

Patrick O'Connor & Associates, Inc., dba



March 30, 1998

Texas Department of Housing and Community Affairs
c/o Ms. Mary Lawler
Avenue Community Development Corp.
Washington Courtyard L. P.
1901 Kane, Suite 210
Houston, Texas 77007

Reference: A proposed 74-unit Low Income Housing Tax Credit apartment development located on the south side of Washington Avenue, west of Sawyer Street, Houston, Harris County, Texas.

Dear Ms. Lawler:

At the request of Ms. Mary Lawler, we have completed a consulting assignment for the purpose of providing a market analysis for the above referenced property. The effective date of the study is March 5, 1998. The date of the report is March 30, 1998. The date of inspection of the subject property (vacant site) is March 5, 1998. Douglas R. Gilbert, W. F. Trotter, Jr., and Patrick C. O'Connor MAI, have each inspected the subject property (vacant site).

The analyses provided herein is subject to the assumptions and contingent and limiting conditions contained within both the body of this report and the addenda section. Based on supply and demand characteristics of the subject neighborhood as reflected by current occupancy rates, rental rates and absorption, development of the proposed subject project is warranted as of the date of March 5, 1998.

The inspection of the site and the analyses that form the basis for our conclusion were prepared by the undersigned. No other persons provided significant assistance in preparation of the market study. This report conforms with the Standards of Professional Practice and the Code of Professional Ethics of the Appraisal Institute.

We are not qualified to detect or identify hazardous substances which may, or may not, be present on, in, or near this property. The presence of hazardous materials may negatively affect feasibility. We have analyzed the subject property as though free of hazardous materials. We urge the user of this report to obtain the services of specialists for the purpose of conducting an environmental audit to ensure that the subject property is free of hazardous materials.

Patrick C. O'Connor, MAI

Mary Catherine Giesberg, SRA



Texas Department of Housing and Community Affairs
c/o Ms. Mary Lawler
March 30, 1997
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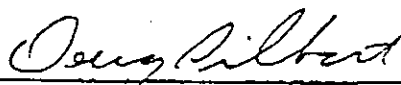
We certify that we have no interest, present or proposed, in the subject property, that the conclusion contained herein has been reached after a careful study, investigation, analysis, and interpretation of the pertinent data, and that our fee is in no way contingent upon the conclusion. We are neither part of the development team, owner of the subject property, nor affiliated with any member of the development team engaged in the development of the Property. This market study is made subject to our current assumptions and limiting conditions. Your attention is directed to the following report and accompanying data, which form, in part, the basis of our conclusions.

Respectfully submitted,

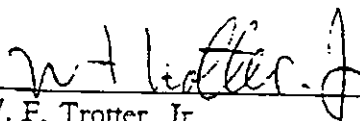
O'CONNOR & ASSOCIATES



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1. SUMMARY AND CONCLUSIONS

WASHINGTON COURTYARDS APARTMENTS MARKET STUDY EXECUTIVE SUMMARY OF SALIENT FACTS AND CONCLUSIONS

(A) Existing Occupancy & Rental Rates. The average rental rate for the overall Harris County apartment market (separately metered) is \$0.61 per square foot per month, with average occupancy at 93.04%. Overall Class "B" market rates range from \$0.53 to \$0.74 per square foot per month. Occupancy of Class "B" units in the primary market area is 93.5%. More specifically, these Class B market factors are similar, in our opinion, to what can be expected from a new construction tax credit project. The occupancy rates of five selected projects in the primary market area considered most similar to the subject ("selected comparables") average 97% occupancy with average rents of \$0.77 to \$1.04 per square foot per month. The subject will also include an appropriate mix of 50% and 60% income-based rent-restricted units for low-income families.

(B) Absorption History. Since there has been very limited new construction activity in the subject's primary market area, there has been little test of absorption. The primary market area absorbed 125 units in the six (6) quarters prior to October, 1997. This includes a new project (Memorial Heights I), which has absorbed to 98% occupancy since opening in 1996. The average occupancy for newer projects built since 1990 in the Houston Metropolitan Area is 95.19%, with absorption of new projects generally occurring in 12 months or less. This should also be the case for the subject project.

(C) Condition of Existing Rental Housing. Most of the multifamily projects in the subject's primary market area were built prior to 1979, and most of the older low-income properties are in inferior physical condition. However, the selected comparables were good Class A, and average to good Class B projects

(D) Need for Affordable Housing. The primary market area for the subject property (within a three mile radius) has an estimated 56,833 households in the primary market area in 1998, and 57,711 in the year 2003. The greater metropolitan area (a viable secondary market for projects with good freeway access such as the subject's) has 1,027,818 households. Approximately one-third of these families are renter households; and there is a growing population of families with less than the 60 percent of median income ceiling for tax credit projects. Therefore, the subject property need only achieve moderate penetration to be feasible. This is a realistic scenario considering the long waiting lists at the local market's subsidized developments and the good occupancy at the better quality conventional affordable rental housing.

- (E) Appropriateness of Unit Mix & Proposed Rents. The subject property is proposed to be improved with a 74-unit apartment complex. Based on information obtained from the client, there will be four (4) basic floor plans; including a one (1) bedroom / one (1) bath unit with 644 square feet; a two (2) bedroom / one (1) bath unit with 748 square feet; a two (2) bedroom / one and one-half (1.5) bath unit with 814 square feet; and a three (3) bedroom / two bath unit with 1,058 square feet. Based on discussions with leasing agents and our own analysis of the rental rates at the five selected comparables in the primary market, it is our opinion that the proposed unit mix is appropriate and will complement the local affordable housing market. The subject property's proposed rents, averaging \$0.76 per square foot, seem reasonable for a newly constructed project in this market. The subject's unit mix, which includes three bedroom units, are appropriate for larger low income families.
- (F) Appropriateness of Location & Costs. It is our opinion that the proposed subject property has a reasonable projected per unit development cost and is financially feasible. Development of the project also is considered to be the maximally productive use of the site and we believe it to be an excellent location for this development.
- (G) Appropriateness of Operating Expenses. We consider that the proforma operating expenses supplied by the client are reasonable. Our pro-forma operating costs of \$229,628 or \pm \$3.55 PSF are similar to those of the client (\pm \$228,222, or \pm \$3.52 PSF). Our expense estimates are reflective of current market conditions at similarly improved properties throughout the Houston area.
- (H) Appropriateness of Amenities. A review of the amenities offered at the proposed subject property, including the appliance package, will exceed those generally offered in the primary market. The subject property will offer larger than average unit sizes and would be superior to most other projects in the area. The proposed amenities are considered appropriate for a low-income project.
- (I) Qualifications of Analyst. Patrick O'Connor, MAI, Douglas R. Gilbert, and W. F. Trotter, Jr. (the authors of this report) are Certified Real Estate Appraisers with the State of Texas, and have performed numerous feasibility and consulting assignments of properties similar to this assignment.
- (J) Certification of Interest. The individuals performing this study do not have any interest nor prospective interest in the development of the proposed subject property.

DEFINITIONS

The following applicable definitions are abstracted from The Appraisal of Real Estate, Eleventh Edition, by The Appraisal Institute.

Market Studies:

"Market studies are macroeconomic studies that relate to supply and demand, demographics, pricing, and construction and absorption trends."

Feasibility Studies:

"Feasibility studies test the ability of given investment alternatives to meet explicit objectives (e.g. cash flow expectations) by analyzing all contributing and limiting factors and determining which combination(s) meet the investor's criteria. Feasibility studies begin with a highest and best use determination and investment scenario."

USE, DEVELOPMENT, ASSUMPTIONS

Use of the Assignment

The use of this assignment is understood to be for decision making purposes of the client.

Development and Reporting Process of the Assignment

This report has been prepared in compliance with the following: Uniform Standards of Professional Practice, promulgated by the Appraisal Standards Board of the Appraisal Foundation, as set forth in 12 C.F.R. Part 1608; The Code of Professional Ethics of the Appraisal Institute, and the Texas Department of Housing and Community Affairs. Market data, including sales and lease information, was obtained from sources deemed to be reliable, including, but not limited to, on-site personnel. This report fully discusses all pertinent data, descriptions, and discussions germane to the subject of this report. A copy of this report and the data included herein have been retained in our files.

Effective Date of the Assignment

The descriptions, analyses, and conclusions of this report are applicable as of the date March 5, 1998.

Date of the Report

The preparation of this report was completed on March 30, 1997.

PROBLEM DEFINITION

The purpose of this assignment is to analyze the proposed subject property's multifamily market and determine whether sufficient potential demand exists to justify construction of the proposed subject property. The population to be served is both the population within the primary market area (defined later in the report) and population within the secondary market area (defined as the Houston SMSA, generally delineated as the Harris County boundaries), due to the excellent access and mobility provided by Houston's freeway system. For the purposes of this report, potential demand is the pool of households that are income qualified (household income does not exceed applicable program limits) and can afford the proposed development's rents (rents are no more than 40% of household income).

DATA SOURCES (FOOTNOTES)

The Apartment Market Trac, published by Apartment Data Services, and the *Houston Area Apartment Ownership Guide*, published by O'Connor & Associates, were consulted for apartment statistics. Census data was obtained from Information Decision Systems, a recognized source of demographic data throughout the United States.

SUBJECT MARKET AREAS

Apartment Data Services segments the Harris County market into 39 individual submarkets within Harris County. The subject property is located near the north boundary of the market area. This is defined as Montrose/Museum (Market Area - Central 1), by Apartment Data Services. This area's general boundaries are Washington Avenue on the north, Interstate

Highway 45 on the east, U.S. Highway 59 on the south, and Shepherd Drive on the west. This is the subject's primary market area. Due to the excellent freeway system in the Houston area, the secondary market area can be defined as the Houston SMSA, generally delineated as the Harris County boundaries.

PROPOSED LOW INCOME HOUSING TAX CREDIT APARTMENTS

Low Income Housing Tax Credits - Summarized

The Low Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986 to spur the development of affordable housing for residents of moderate means. It is not federally subsidized housing. It is not housing for the impoverished, unemployed, or homeless. The Tax Credit Program was instituted to provide quality housing at reasonable costs.

Of particular attractiveness to federally-regulated lenders, every dollar of LIHTC Construction Loan funds are eligible for credit under the Community Reinvestment Act.

In simplest form, the Internal Revenue Code grants a tax credit of 90 cents for every dollar spent in the development of a qualified apartment project. These credits are awarded at the beginning of the project and are spread over a ten year period (straight line). This federal program is administered in Texas by The Texas Department of Housing and Community Affairs. Once the Credits are awarded to a project, the credits are readily marketable to equity partners at the rate of approximately 65-75 cents per dollar of credits.

In exchange for the Credits, the project owners agree to deed restrict the property in two respects for 15 years (in simplified terms).

First, the Project will limit rents to an annually adjusted cap that is keyed to the median income for the Houston PMSA. The cap for a project can go up annually over time, but can never be reduced below the cap that was in effect upon placing the project in service. The proposed subject structure is designed to operate below the cap, so that increases in operating expenses may be met with corresponding increases in rental rates, without immediate limitation imposed by the rent cap. 1998 LIHTC Maximum Rent Limits are as follows:

	Eff.	1 BR	2 BR	3 BR	4 BR	5 BR
50%	\$441	\$472	\$567	\$655	\$731	\$806
60%	\$529	\$567	\$681	\$786	\$877	\$967

Second, the project tenants must be income qualified. The income qualifications for the project will adjust annually with the median income for the Houston PMSA. Once a tenant is accepted, subsequent increases in income will not render the tenant unqualified, no matter how dramatic the increases.

Houston Area Low Income Housing Tax Credit		
1998 Income Ceilings For Qualifying Tenants		
<u>Size of Household</u>	<u>50% of Median</u>	<u>60% of Median</u>
One (1) Person Household	\$17,650	\$21,180
Two (2) Person Household	\$20,150	\$24,180
Three (3) Person Household	\$22,700	\$27,240
Four (4) Person Household	\$25,200	\$30,240
Five (5) Person Household	\$27,200	\$32,640
Six (6) Person Household	\$29,250	\$35,100

Conversations with United States Department of Housing and Urban Development personnel indicated that there are in excess of 8,600 households in Houston using rental vouchers and/or certificates. Additionally, there are in excess of 14,000 households on a "waiting" list, which is updated quarterly. HUD personnel also indicated that due to the decrease in Federal funding of HUD programs, the level of assistance has dropped considerably. They indicated that the waiting lists for assistance will be growing substantially due to the decrease in funding. The average length of time a household is on the waiting list is said to be from two (2) to four (4) years. Therefore, it appears there is a strong demand for low-income housing. The reasonable land cost and other market factors make this market area a good opportunity for the application of this dynamic federal sponsorship.

2. AREA DESCRIPTION AND MARKETABILITY PROBLEM

PHYSICAL/LOCATION ANALYSIS

Location

The proposed subject property's site is in an area just outside of the Houston Central Business District (CBD). The site is located on the south side of Washington Avenue, just west of Sawyer Street, about two miles west of the CBD. The site is conveniently located inside Loop 610. The subject site has good access to the CBD, Houston Hobby Airport, and the Texas Medical Center.

Site

The subject site contains 2.7601 acres, is generally level, and has adequate slope for drainage purposes. The subject site is currently under the ownership of Tracey N. and Lee Lawrence. The site is under contract to be purchased for \$575,000, or \pm \$4.78 per square foot. This equates to approximately to \$7,770 of land costs per proposed apartment unit. A comparable tract located at the northwest corner of Lamar and Rochow containing 0.68 acre sold on October 26, 1994 for a reported price of \pm \$15.19 per square foot. This parcel was part of an assemblage of small tracts totaling 3.0 acres which was subsequently developed with the 159-unit Riata Apartments. The sale price equates to a price of \pm \$12,500 per apartment unit. This tract is superior to the subject in location and surrounding development. Therefore, the contract price of \$4.78 per square foot or \$7,770 per unit for the land is supported by market data and is considered reasonable.

Ad Valorem Tax Analysis

The current assessed value of the subject property is \$250,980. The land is assessed for \$246,400; minor improvements are assessed at \$4,580. These assessed values appear similar to other vacant sites in the subject neighborhood. The current estimated tax liability is \$6,943.

Surrounding Land Uses

A variety of commercial and residential land uses are in the immediate vicinity of the subject site. These include, but are not limited to, vacant land, used car lots, old commercial buildings, a new medical clinic, and older, small, single-family residences.

Zoning

The subject site is located in the southern portion of the city of Houston, Harris County, Texas. Neither Houston nor Harris County utilize zoning to control development. However, individual deed or subdivision restrictions are often incorporated in area developments to regulate growth and construction development. We have not been made aware of any restrictions which may be detrimental to the subject property. Therefore, we have prepared this report under the assumption that no restrictions affect the subject site, and we take no responsibility should subsequent title information indicate that adverse restrictions exist.

Utilities/Public Services

All necessary utilities are available in sufficient quantity at the boundary of the site, including water and sewer (City of Houston), electricity (Houston Lighting & Power), and gas (Entex).

Police and fire protection are provided by the City of Houston.

Nuisances

No nuisances were observed adjacent to the subject property.

Improvement Description

The subject property is proposed to be improved with a 74-unit apartment complex. Based on information obtained from the client, there will be four (4) basic floor plans; including a one (1) bedroom / one (1) bath unit with 644 square feet; a two (2) bedroom / one (1) bath unit with 748 square feet; a two (2) bedroom / one and one-half (1.5) bath unit with 814 square feet; and a three (3) bedroom / two bath unit with 1,058 square feet. The total net rentable area for the proposed project is 64,684 square feet, with the average unit size being ± 874 square feet. The gross building area is $\pm 67,775$ square feet. The subject property will also have a community center/office area, a laundry facility. The project is to be a three-story garden-style apartment project, of wood frame construction, with brick veneer and wood or hardiboard siding, pitched roofs with composition shingles, with adequate concrete drives and parking spaces. The proforma rental schedule supplied by the client indicated that the proposed average monthly rental rate is \$0.76 per square foot. The subject unit mix is detailed on the following page.

UNIT MIX

<u>Number of Units</u>	<u>Unit Type</u>	<u>Unit Size</u>	<u>Total Rentable</u> <u>Area</u>
2	1 Bedroom / 1 Bath (50% Income)	644	1,288
5	1 Bedroom / 1 Bath (60% Income)	644	3,220
5	1 Bedroom / 1 Bath (Market)	644	3,220
4	2 Bedroom / 1 Bath (50% Income)	748	2,992
8	2 Bedroom / 1 Bath (60% Income)	748	5,984
8	2 Bedroom / 1 Bath (Market)	748	5,984
2	2 Bedroom / 1.5 Bath (50% Income)	814	1,628
4	2 Bedroom / 1.5 Bath (60% Income)	814	3,256
4	2 Bedroom / 1.5 Bath (Market)	814	3,256
6	3 Bedroom / 2 Bath (50% Income)	1,058	6,348
13	3 Bedroom / 2 Bath (60% Income)	1,058	13,754
<u>13</u>	3 Bedroom / 2 Bath (Market)	<u>1,058</u>	<u>13,754</u>
74		874	64,684

As indicated in the above table, 14 of the total units ($\pm 20\%$) are set aside for tenants making 50% of the median income, while 30 of the total units ($\pm 40\%$) are set aside for tenants making 60% of the median income. Approximately 30 units ($\pm 40\%$) of the units are set aside for tenants paying market rents. Some of the units are to be designated as handicap units.

The overall functional utility of the proposed subject property is considered to be excellent for the area. The majority of the competing multifamily complexes in the area exhibited an average functional utility.

Unit/Project Amenities

The subject property's appliances will include frost free refrigerators, washer/dryer connections, ceiling fans, dish washers, garbage disposals, oven/stove, and individual water heaters. Floor coverings will consist of tile in the kitchen and bathroom areas, with carpet in the balance of the unit. All units will have ground mounted high-efficiency HVAC units, and will be separately-metered for electricity. Currently, the project owner will pay for and provide water and sewer service. However, a recent trend in the market is for the owners to pass water and sewer expenses through to the residents. Window coverings will consist of mini-blinds, and cable television will be available. Other amenities include storage and closet space, activities center and recreation area. The subject property will have a leasing office/community building, a laundry room, perimeter fencing with limited access gates, and open parking spaces. The project will have covered stairways to provide upstairs access.

The amenities at the subject property will be comparable to the amenities found at most new competing properties. Further, the subject property will be very competitive in terms of age, quality and appeal.