

City of Houston, Texas, Ordinance No. 2000- 310

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER TWENTY, CITY OF HOUSTON, TEXAS (THE SOUTHWEST HOUSTON ZONE); 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. 99-1330, adopted December 15, 1999, the City created Reinvestment Zone Number Twenty, City of Houston, Texas (the "Southwest Houston Zone") for the purposes of development within the area of the City generally referred as the "Southwest Houston" area; and

WHEREAS, the Board of Directors of the Southwest Houston Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the Southwest Houston Zone; and

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

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

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

Section 2. That the Project Plan and Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Twenty, 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 Southwest Houston 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.

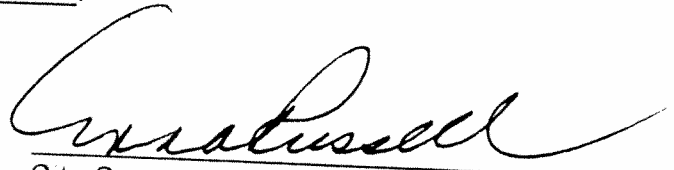
Section 5. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor, therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; 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 19th day of April, 2000.


APPROVED this _____ day of _____, 2000.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is APR 25 2000.



City Secretary

(Prepared by Legal Dep't 
(DFM/dfm April 10, 2000) Senior Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L.D. File No. 61-99115-03)

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AYE	NO	
✓		MAYOR BROWN
....	COUNCIL MEMBERS
✓		TATRO
✓		GALLOWAY
✓		GOLDBERG
	ABSENT	BONEY
✓		TODD
✓		ELLIS
✓		KELLER
✓		VASQUEZ
✓		CASTILLO
✓		PARKER
✓		QUAN
✓		SANCHEZ
✓		BELL
✓		ROBINSON
CAPTION	ADOPTED	

**TAX INCREMENT REINVESTMENT ZONE, NUMBER TWENTY,
CITY OF HOUSTON
(SOUTHWEST HOUSTON REINVESTMENT ZONE)**

**PROJECT PLAN AND REINVESTMENT ZONE
FINANCING PLAN**

January 25, 2000

TABLE OF CONTENTS

	<u>Page</u>
<u>PROJECT PLAN</u>	
I. MAPS SHOWING EXISTING USES AND CONDITIONS OF REAL PROPERTY IN THE ZONE AND MAPS SHOWING PROPOSED IMPROVEMENTS TO AND PROPOSED USES OF THAT PROPERTY	4
II. PROPOSED CHANGES OF ZONING ORDINANCES, MASTER PLAN OF MUNICIPALITY, BUILDING CODES, AND OTHER MUNICIPAL ORDINANCES	11
III. LIST OF ESTIMATED NON-PROJECT COST ITEMS	11
IV. STATEMENT OF METHOD OF RELOCATING PERSONS TO BE DISPLACED AS A RESULT OF IMPLEMENTING THE PLAN	12
<u>REINVESTMENT ZONE FINANCING PLAN</u>	
I. A DETAILED LIST DESCRIBING THE ESTIMATED PROJECT COSTS OF THE ZONE, INCLUDING ADMINISTRATIVE EXPENSES	14
II. A STATEMENT LISTING THE KIND, NUMBER, AND LOCATION OF ALL PROPOSED PUBLIC WORKS OR PUBLIC IMPROVEMENTS IN THE ZONE	16
III. ECONOMIC FEASIBILITY OF DEVELOPMENT WITHIN THE ZONE	17
IV. THE ESTIMATED AMOUNT OF BONDED INDEBTEDNESS TO BE INCURRED	18
V. THE TIME WHEN RELATED COSTS OR MONETARY OBLIGATIONS ARE TO BE INCURRED	18
VI. A 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	18
VII. THE CURRENT TOTAL APPRAISED VALUE OF TAXABLE REAL PROPERTY IN THE ZONE	19
VIII. THE ESTIMATED CAPTURED APPRAISED VALUE OF THE ZONE DURING EACH YEAR OF ITS EXISTENCE	19
IX. DURATION OF THE ZONE	19

<u>TABLES</u>	<u>Page</u>
A. EXISTING LAND USES	4
B. SALES TAX RECEIPT HISTORY	6
C. ASSESSED VALUATION TRENDS	6
D. PID NON-PROJECT COSTS	11
E. HALIBURTON NON-PROJECT COSTS	12
F. SHARPSTOWN CENTER PUBLIC IMPROVEMENT COSTS	14
G. ZONE ARE PUBLIC IMPROVEMENTS	15
H. HALIBURTON PUBLIC IMPROVEMENTS	16
I. PERCENTAGE OF INCREMENT DEDICATED TO THE ZONE	19

<u>MAPS</u>	
A. CURRENT LAND USE MAP	13a
B. EXISTING CONDITIONS AND USES MAP	13b
C. TIRZ AND EXISTING PID BOUNDARY MAP	13c
D. INFRASTRUCTURE IMPROVEMENTS (HALIBURTON TRACT)	13d
E. COMMERCIAL RETAIL DEVELOPMENT (HALIBURTON TRACT)	13e

<u>SCHEDULES</u>	
A. NON-HALIBURTON ESTIMATED CAPTURED APPRAISED VALUES	20a
A.1 HALIBURTON ESTIMATED CAPTURED APPRAISED VALUES	20b
B. NON-HALIBURTON REVENUE SCHEDULE	20c
B.1 HALIBURTON REVENUE SCHEDULE	20d
B.2 TOTAL ZONE REVENUE SCHEDULE	20e

APPENIDX
MARKET AND ECONOMIC FEASIBILITY STUDIES

**SOUTHWEST HOUSTON REINVESTMENT ZONE,
CITY OF HOUSTON
PROJECT PLAN**

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

The Southwest Houston Tax Increment Reinvestment Zone ("Zone") includes property with most boundaries contiguous with the boundary of the Sharpstown Public Improvement District (the "District") and includes vacant property located west of the Sam Houston Toll Road between Beechnut and Harwin.

The maps included herein are as follows:

- Map A Current Land Use Map
- Map B Existing Uses and Conditions Map
- Map C TIRZ and Existing PID boundary Map
- Map D Infrastructure Improvements (Halliburton Tract)
- Map E Commercial/Retail Development (Haliburton Tract)

The Zone totals 2,051.63 acres. The following table illustrates the existing land uses within the boundaries of the Zone and Map A shows the current uses.

**Table A
Existing Land Uses**

TYPE	ACREAGE	PERCENT
Commercial	1,017.23	49.58
Vacant	545.85	26.60
Multi-family	353.97	17.25
Public/Institutional	95.92	4.67
Utility	1.72	1.75
Residential	2.70	0.13

Commercial development represents almost 50% of the total developed land area. Vacant acreage was second with 27%. The majority of vacant land is found in the western and southern sectors of the Zone. Multi-family residential was third with 17%.

EXISTING CONDITIONS

Conclusions In Relation to Chapter 311 Section 005

The TIRZ substantially arrests and impairs the sound growth of the City of Houston, retards the provision of housing accommodations and constitutes an economic and social liability. The area is also a menace to the public health, safety, morals and welfare in its present condition and use because of the presence of:

1. A substantial number of substandard, slum, deteriorated, or deteriorating structures;
2. The predominance of defective or inadequate sidewalk or street layout;
3. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
4. Unsanitary or unsafe conditions;
5. The deterioration of site or other improvements
6. Tax or special assessment delinquency exceeding the fair market of the land; and
7. Conditions that endanger life or other property by fire or other cause.

Map C shows the location where these existing conditions are located. Also, while not depicted on Map B, the Haliburton Tract and the Sharpstown Center Property both contain land that is predominantly open and, because of obsolete platting, and other factors (i.e., Declining Ad Valorem tax base and Sales Tax revenues) substantially arrests and impairs the sound growth of the City.

The following details the extent of these conditions.

Economic Conditions

In recent years, the TIRZ area has experienced an increase in physical, economic, and social blighting influences. Major concerns include the economic distress experienced by the Sharpstown and Westwood regional malls; excess vacancy or under-utilization of numerous strip centers; closure of major retail stores; and the deterioration of multi-family apartment properties.

State and Municipal Sales Tax Trends

Municipal sales tax receipts within the Zone peaked in 1993 totaling \$8,176,942. Since 1993, the municipal sales tax receipts have declined about 16%. In 1997, revenues from sales tax totaled \$6,884,252. Revenues in 1998 indicate a 0.13% gain, which is far below the average increase across the city of Houston.

Table B
PROPOSED SOUTHWEST HOUSTON TIRZ
SALES TAX RECEIPT HISTORY

<u>YEAR</u>	<u>AMOUNT SUBJECT TO STATE SALES TAX</u>	<u>MUNICIPAL SALES TAX RECEIPT</u>	<u>% INCREASE/DECREASE</u>
1989	\$ 738,178,898	\$ 7,381,789	
1990	\$ 747,884,050	\$ 7,478,841	
1991	\$ 744,519,448	\$ 7,445,194	1.31%
1992	\$ 789,421,063	\$ 7,894,211	-0.45%
1993	\$ 817,694,231	\$ 8,176,942	6.03%
1994	\$ 816,637,872	\$ 8,166,379	3.58%
1995	\$ 777,454,233	\$ 7,774,542	-0.13%
1996	\$ 715,428,537	\$ 7,154,285	-4.80%
1997	\$ 688,425,161	\$ 6,884,252	-7.98%
1998	\$ 689,298,115	\$ 6,892,981	-3.77%
			0.13%

Assessed Value Trends

Property value trends declined approximately 10% from \$829,548,648 in 1989 to \$756,454,323 in 1999. In the mid - 1990s, a strong economy fueled by population and employment growth stimulated market demand for commercial and residential properties in the Houston area, reversing an overall downward valuation trend. However, the area in the TIRZ has not fared as well. The most recent tax appraisal data for 1999 shows a stark difference between Houston and the TIRZ area. For example, the Sharpstown Center property tax values have fallen approximately \$7.0 million from 1998. A cooling economy with minimum or flat job growth can be expected to exacerbate this downward trend since the overall neighborhood is still aging and has not benefited from an infusion of public infrastructure or significant private investment.

Table C
Assessed Valuations Trend

<u>YEAR</u>	<u>ASSESSED VALUE</u>	<u>% CHANGE FROM 1998</u>
1989	\$829,548,648	
1993	\$771,738,233	-6.97%
1999	\$756,454,323	-8.81%

Sharpstown Center Existing Conditions

The Sharpstown Center is located on the north side of Bellaire Boulevard off of Highway 59 (Southwest Freeway) on approximately 77 acres. The mall is located in an older suburban district that must compete with nearby upscale centers (i.e., The Galleria) and newer suburban retail (i.e., Fort Bend County). It opened in 1961, was expanded in 1980, and remodeled in 1993. The center has approximately 1.56 million square feet of gross leaseable area (GLA). Major anchors include Foley's (360,823 sq. ft.) and Montgomery Ward (181,177 sq. ft.). However the J.C. Penny store (177,229 sq. ft.) is now closed and 21% of the center is vacant. The mall is physically outdated and has a weak tenant mix, with only 25% of the mall space leased to national brand tenants. Access to the center from Highway 59 is confusing. These conditions limit shopper traffic. In sum, the Sharpstown Center can no longer be considered a dominant shopping center in the Houston area.

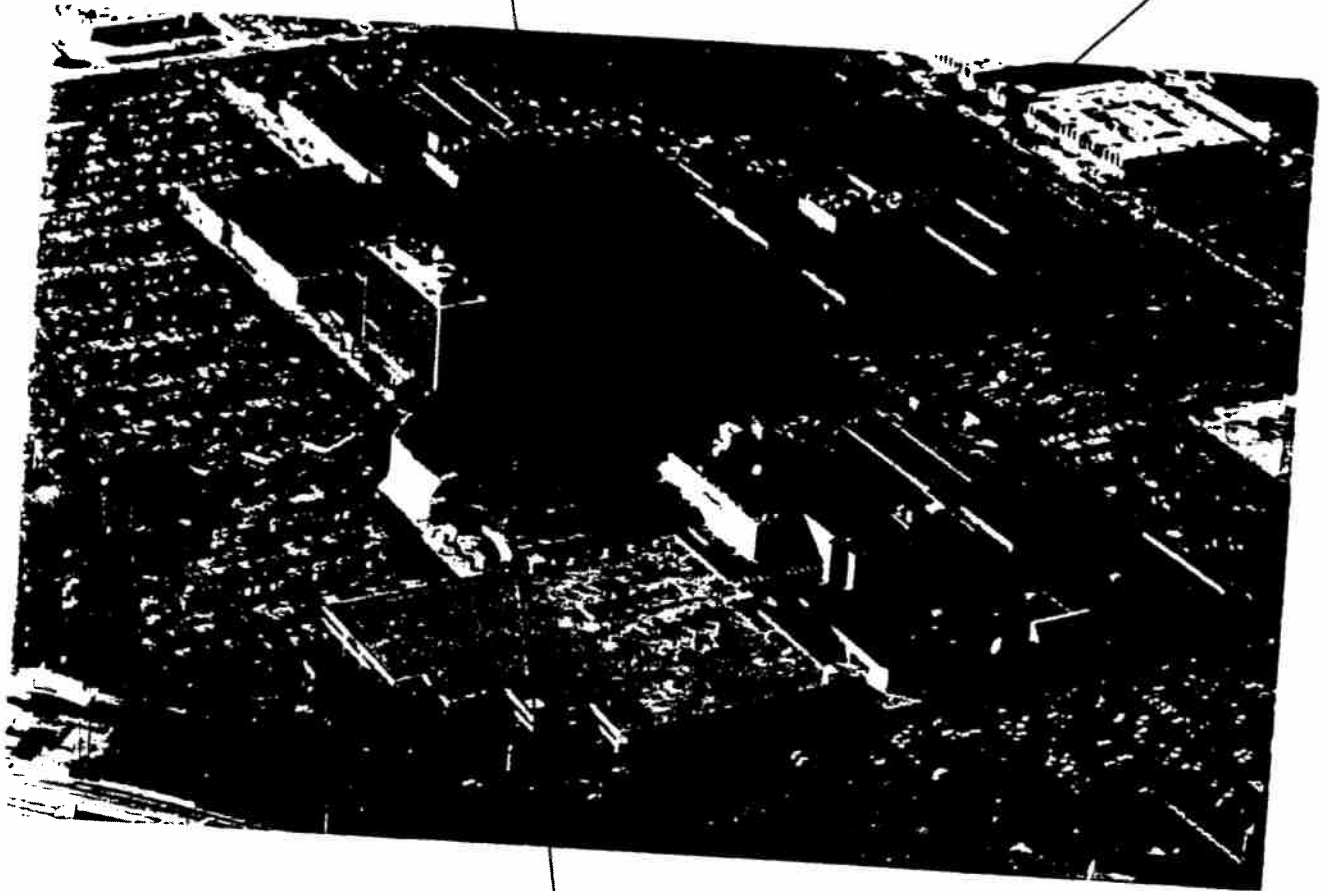
Following are a list of constraints that will need to be overcome in order to reposition the Sharpstown Center:

- The Sharpstown area is an older suburban district – first ring “edge city”.
- 40 year-old land uses that are no longer competitive with upscale urban centers (Galleria) and newer suburban retail (Fort Bend County).
- Deteriorated condition of many multi-family complexes - and associated downturn in residents' retail expenditure potential.
- Perception that the area is unsafe.
- Hodge-podge of land uses, lacking clear identity/image or town center.
- Weak arrival points to the mall.
- Outmoded, under performing theater at the mall, and a closed department store.

SHARPSTOWN CENTER

1999 Tax Value Reduced By \$7 M From 1998

Penny's Closed 1998



Cineplex Converted to a Dollar Theater

Commercial Retail Sector Existing Conditions

Prior to 1997, there were alarming trends occurring within the retail, apartment and corporate business sectors of the Zone area economy. Occupancy at both malls (Sharpstown Center & Westwood) fell to new lows. K-Mart moved out of its large store at Beechnut and Southwest Freeway. Home Depot vacated its huge facility on Bellerive west of SH 59. The "big box" facility on the southwest corner of that intersection changed hands twice within three years and is currently vacant. All but one of the large Houston apartment ownership and operating companies moved out of the area, selling their properties to smaller, independent investors with weaker financial structures.

Since 1997, the Sam White Dealership closed. The multitude of apartment complexes in the Club Creek and Corporate Drive area continues to deteriorate and constitute a serious level of crime starting with active sales of drugs. The high turnover in multi-family households also seriously impacts both HISD and AISD schools which are not only seriously overcrowded, but cannot possibly forecast their class sizes from year to year.

Vacant Land Existing Conditions

The Halliburton tract consists of 174.2 acres located in the northwesterly corner of the TIRZ. This tract is partially developed as a business/employment center with Brown and Root/MI Corporation already established. Due to obsolete platting, this property cannot be developed unless significant changes occur.

This area of the TIRZ separates the pattern of land uses in the northern sector of the West Belt Corridor from the southern sector of the Corridor. The southern sector along the West Belt Corridor (south of Bellaire Blvd.) is low intensity suburban commercial, including a few big box retailers (i.e. Home Depot/Auchan Hyper-Mart/Big K Mart) and scattered multi-family housing.

Club Creek Corridor Existing Conditions (Apartment/Retail Decline)

The area located on either side of Club Creek between Bissonnet, Beechnut, and SH 59 consists of extremes in both land uses and opportunities. The area surrounding Club Creek has experienced significant decline in its retail and multi-housing sectors. This area is one of the primary blighted components of the Zone. Severe deterioration in the multi-family property has impacted the economic and social well being of the community. Illegal dumping, prostitution, and drug dealing are rampant. Adequate green space, sidewalks and lighting are non-existent. At the same time, Westwood Mall has shut down, except for the Sears store. This area requires substantial intervention in order to affect a turnaround in the blight

PUBLIC WORKS/PUBLIC IMPROVEMENTS IN THE ZONE

The items listed below detail those public improvements and their location. These public improvements will be constructed to assist in removing the existing conditions that are described in this Plan. Maps D and E show the public improvements and the uses of the Haliburton Tract.

SHARPSTOWN CENTER PUBLIC IMPROVEMENTS

Street Paving (14,056 LF)

Water & Sanitary Sewer

Storm Sewer

Landscaping

Street Lights & Sidewalks

ZONE AREA PUBLIC IMPROVEMENTS

Intersection/Mobility Improvements (left-turn lanes)

Bellaire @ Fondren

Gessner @ Beechnut

Gessner @ Harwin

Harwin @ Corporate

Protected Turn Lanes @ Esplanades

Fondren Between SH 59 & Harwin (5)

Bellaire Between SH 59 & Beltway (10)

Bus Turn-out Lanes

Fondren Between SH 59 & Harwin (6)

Bellaire Between Fondren & Beltway (10)

Esplanade/Right-of-Way Improvements

Bellaire from SH 59 to Beltway

Fondren from SH 59 to Bellaire

Gessner from Harwin to Bellaire

Gessner from SH 59 to Beechnut

Beechnut from SH 59 to Gessner

Ranchester within the Zone

Sidewalk & Lighting Improvements

Bellaire from SH 59 to Beltway

Fondren from SH 59 to Bellaire

Gessner from Harwin to Bellaire

Gessner from SH 59 to Beechnut

Beechnut from SH 59 to Gessner

Club Creek from SH 59 to Beechnut

Ranchester within the Zone

Club Creek Park Development

Site Acquisition of 6.6 acres

Park Improvements

HALIBURTON PROJECT IMPROVEMENTS

Utility Lines
 Street Paving Costs Associated with Extension of Rogerdale
 Detention
 Land
 Construction
 Demolition
 Landscaping & Sound Barrier

II. CHANGES OF ZONING ORDINANCES, MASTER PLAN OF 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 changes of any city ordinance, master plan, or building codes.

III. LIST OF ESTIMATED NON-PROJECT COST ITEMS

The list of estimated non-project costs referenced below reflects costs that the Sharpstown Public Improvement District (the "District") 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 property owners of the District.

The following table depicts the five-year services, improvements, and assessment of real property within the District that will be paid for property owners. Map C shows the PID boundary in relation to the TIRZ.

Table D
PID Non-Project Costs

Year (Tax Year)	One (2000)	Two (2001)	Three (2002)	Four (2003)	Five (2004)
SOURCES OF INCOME					
PID Assessments	\$230,730	\$230,730	\$230,730	\$230,730	\$230,730
EXPECTED OUTLAY					
Supplemental Services:					
Security Services	\$ 88,730	\$ 88,730	\$ 90,730	\$ 92,730	\$92,730
Esplanade Maintenance	33,000	33,000	36,000	37,000	37,000
Marketing/Promotion	36,000	36,000	45,000	45,000	45,000
Administration/Legal	30,000	30,000	30,000	30,000	30,000
Landscape Design	43,000	43,000	29,000	26,000	26,000
Total	\$230,730	\$230,730	\$230,730	\$230,730	\$230,730
Assessment/\$100 A.V.	\$0.06/\$100	\$0.06/\$100	\$0.06/\$100	\$0.06/\$100	\$0.06/\$100

Over a five-year period, it is anticipated that the District through the commercial property owners will expend approximately \$1.2 million to support services and public improvements within the Zone.

The Haliburton Developer will pay for certain development costs within the project area. These costs are reflected in the following table.

Table E
Haliburton Non-Project Improvements

Non-Project Improvements	Estimated Cost
Land Planning	\$ 20,000
ROW Land Costs	\$1,833,000
Parking Lot Reconstruction	\$ 575,000
Demolition	\$2,000,000
Detention	\$ 260,000
Architect Fees	\$ 135,000
Management	\$ 288,000
Legal/Ins./Accounting	\$ 65,000
Professional Reports	\$ 15,000
Closing Costs	\$2,362,000
Taxes	\$1,263,000
Construction Interest	\$1,000,000
Total Non-Project Development Cost	\$9,816,000

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

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

REINVESTMENT ZONE FINANCING PLAN

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

Table F, G and H list the estimated infrastructure project costs for the Zone. It is anticipated that developers will advance funds for the improvements and will be reimbursed as provided in separate agreements and other documentation between the developers, the Zone, and the Southwest Houston Redevelopment Authority. (All references herein to the Southwest Houston 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.

Table F
Sharpstown Center Public Improvements

Sharpstown Center Public Improvements	
Phase I	
Street Paving and Sidewalks (5,600 LF)	\$ 3,300,000
Water, Sanitary & Storm Sewer	1,500,000
Engineering	600,000
Street Lights	250,000
Sub-Total	\$ 5,650,000
Phase II	
Street Paving & Sidewalks (2,900 LF)	\$ 1,700,000
Water & Sanitary & Storm Sewer	800,000
Engineering	300,000
Landscaping	600,000
Street Lights	120,000
Financing Costs	10,545,500
Sub-Total	\$ 13,520,000
Total Sharpstown Center Public Improvements	\$ 19,715,500

Table G
Zone Area Public Improvements

Area Public Improvements	Estimated Cost
Intersection/Mobility Improvements (left-turn lanes)	
Bellaire @ Fondren	\$ 70,000
Gessner @ Beechnut	70,000
Gessner @ Harwin	70,000
Harwin @ Corporate	70,000
Protected Turn Lanes @ Esplanades	
Fondren Between SH 59 & Harwin (5)	175,000
Bellaire Between SH 59 & Beltway (10)	350,000
Bus Turn-out Lanes	
Fondren Between SH 59 & Harwin (6)	60,000
Bellaire Between Fondren & Beltway (10)	100,000
Esplanade/Right-of-Way Improvements	
Bellaire from SH 59 to Beltway	780,000
Fondren from SH 59 to Bellaire	280,000
Gessner from Harwin to Bellaire	200,000
Gessner from SH 59 to Beechnut	120,000
Beechnut from SH 59 to Gessner	120,000
Ranchester within the Zone	120,000
Sidewalk & Lighting Improvements	
Bellaire from SH 59 to Beltway	286,000
Fondren from SH 59 to Bellaire	154,000
Gessner from Harwin to Bellaire	110,000
Gessner from SH 59 to Beechnut	66,000
Beechnut from SH 59 to Gessner	66,000
Club Creek from SH 59 to Beechnut	160,000
Ranchester within the Zone	66,000
Club Creek Park Development	
Site Acquisition of 6.6 acres	380,000
Park Improvements	480,000
Other Costs	
Financing Costs	5,907,550
Creation & Administration costs (30 year duration)	970,000
Total Area Public Improvements	\$ 11,230,550

The following table reflects the project specific public improvements related to the development of the Haliburton tract within the TIRZ.

**Table H
Haliburton Public Improvements**

Project Improvements	Estimated Cost
Rogerdale	
Street Paving, Storm Sewer, Sanitary Sewer, Water Lines	\$ 2,437,000
Westchase Way (Access Road to Rogerdale)	
Street Paving, Storm Sewer, Sanitary Sewer, Water Lines	243,000
General Construction Items (Mobilization, Erosion Control, etc.)	263,000
Landscaping & Tree Relocation	1,600,000
Engineering	450,000
Financing Costs	5,750,000
Total Haliburton Public Improvements	\$ 10,743,000

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

In addition to the locations listed below, public improvements (landscape, intersection, protected bus turn-out lanes, sidewalk, lighting, esplanade/right-of-way improvements) are slated for the remainder of the zone, where necessary.

SHARPSTOWN CENTER PUBLIC IMPROVEMENTS

- Street Paving (8,500 LF)
- Water & Sanitary Sewer
- Storm Sewer
- Landscaping
- Street Lights
- Sidewalks

ZONE AREA PUBLIC IMPROVEMENTS

Intersection/Mobility Improvements (left-turn lanes)

- Bellaire @ Fondren
- Gessner @ Beechnut
- Gessner @ Harwin
- Harwin @ Corporate

Protected Turn Lanes @ Esplanades

- Fondren Between SH 59 & Harwin (5)
- Bellaire Between SH 59 & Beltway (10)

Bus Turn-out Lanes

Fondren Between SH 59 & Harwin (6)
Bellaire Between Fondren & Beltway (10)

Esplanade/Right-of-Way Improvements

Bellaire from SH 59 to Beltway
Fondren from SH 59 to Bellaire
Gessner from Harwin to Bellaire
Gessner from SH 59 to Beechnut
Beechnut from SH 59 to Gessner
Ranchester within the Zone

Sidewalk & Lighting Improvements

Bellaire from SH 59 to Beltway
Fondren from SH 59 to Bellaire
Gessner from Harwin to Bellaire
Gessner from SH 59 to Beechnut
Beechnut from SH 59 to Gessner
Club Creek from SH 59 to Beechnut
Ranchester within the Zone

Club Creek Park Development

Site Acquisition of 6.6 acres
Park Improvements

Other Costs

Financing Costs*
Creation & Administration costs (30 year duration)

HALIBURTON PROJECT IMPROVEMENTS

Utility Lines
Street & Paving
Detention
Land
Construction
Demolition
Landscaping
Engineering
Construction Interest

III. ECONOMIC FEASIBILITY STUDY

Two Market and Economic Feasibility Studies have been prepared by CDS Market Research that provide an economic overview of the Zone area, a review of market opportunities for major land uses, and the capture potential for retail space. In addition, KMA has prepared a Strategic Plan that outlines the need for the TIRZ and its roll in repositioning the Sharpstown Center property. These reports are provided in the Appendix Section of this Plan.

IV. THE ESTIMATED AMOUNT OF BONDED INDEBTEDNESS TO BE INCURRED

The estimated amount of bonded indebtedness to be incurred by the Zone, including both principle and interest, is approximately \$ 42 million.

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. Schedule B and B.1 show 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, 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 bonds, notes or other obligations.

Sources of Tax Increment Revenue:

The purpose of the Zone is to provide the necessary public improvements to support commercial development/redevelopment and some residential development. Schedule A shows the build-out projection and the annual captured appraised value for Sharpstown Center and of the new improvements and increases in value of pre-existing redeveloped properties within the Zone area (Haliburton Project excluded). Schedule A.1 shows the build-out schedule for only the Haliburton Project. Schedule B and B.1 show the projected assessed valuations during the development/build-out period and depicts the Zone revenue schedule with City and County participation for all areas within the Zone.

The CDS Report contains an analysis of current land use and market trends. CDS believes that development of the Haliburton Tract (which represents 25% of the vacant land within the TIRZ) will have a significant impact in stimulating demand and development of the remaining vacant acreage. Their review of existing land use

patterns and trends indicate that due to this stimulus about 75% of the remaining land has the potential to be developed with mid to high density commercial uses including office buildings, motels, and retail space. About 20% have the potential for multi-family and the remaining 5% divided between public/institutional, utility and residential.

As previously stated in this Plan, KMA believes that revitalization of the Sharpstown Center can have a significant impact on the eastern portion of the TIRZ.

Increased property values depicted in schedules are a reflection of the CDS analysis of potential commercial vacant land development within the Haliburton Tract and the remaining vacant land within the TIRZ. Value increases related to the Sharpstown Center revitalization is based on a preliminary plan currently being developed by the Mall ownership.

Table I
Percentage of Increment Dedicated to the Zone

Taxing Unit	% Tax Rate Dedicated	% of Total Tax Participation
City of Houston	100 (\$0.6650/\$100)	61%
Harris County	100 (\$0.4166/\$100)	39%

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

The total current appraised value within the Zone is \$756,454,323.

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

The estimated captured appraised value of the Zone during each year of its existence is shown in Exhibit A and A.1.

IX. DURATION OF THE ZONE

The duration is 30 years.

SCHEDULES

Schedule A
Proposed Southwest Houston Reinvestment Zone
Buildout Schedule (Non Haliburton Area)
Estimated Captured Appraised Value

Project Description	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)	
Harptown Center Phase I & II New Retail																					
TRZ Area																					
Residential Development																					
New Office (Bellare)																					
New Office (Bechnud)																					
Other Retail																					
Office Redevelopment																					
Multi-Family Redevelopment																					
Total Captured Value		\$0		\$0		\$250		\$7,450		\$19,200		\$6,500		\$14,100		\$10,350		\$10,850		\$8,450	\$77,150

Note
1. Captured value is presented in thousands of dollars
2. Residential property valuations include exemptions
3. Appraised Values do not include Haliburton Project

Schedule A.1
Southwest Houston Reinvestment Zone
Buildout Schedule (Haliburton Project Only)
Estimated Captured Appraised Value

Project Description	2000		2001		2002		2003		2004		2005		2006		2007	
	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)
Haliburton Project																
Base		-\$11,192														
Acreage		\$23,488														
Warehouse Construction				\$6,000		\$7,166		\$4,000								\$4,000
Office Service Center				\$4,000		\$4,000		\$4,000								\$4,000
Office Construction				\$15,000		\$25,000		\$25,000		\$25,000						\$10,000
Retail				\$0		\$0		\$16,000								
Total Captured Value		\$12,296		\$25,000		\$36,166		\$45,000		\$25,000		\$22,000		\$8,000		\$14,000
																187,462

Note
1. Captured value is presented in thousands of dollars.

Schedule B
Proposed Southwest Houston Reinvestment Zone
Revenue Schedule (Non Haliburton Area)

Tax Roll Jan 1 1999 Base	Annual Incremental Assessed Valuation	Cumulative Incremental Assessed Valuation	City Tax Rate	County Tax Rate	City TIRZ Collections Available	County TIRZ Collections Available	Total Annual TIRZ Collections Available	Cumulative TIRZ Collections
2000								
2001								
2002	\$ 250,000	\$ 250,000	\$ 0.66500	\$ 0.41660	\$ 1,613	\$ 1,010	\$ 2,623	\$ 2,623
2003	\$ 7,450,000	\$ 7,700,000	\$ 0.66500	\$ 0.41660	\$ 49,669	\$ 31,116	\$ 80,785	\$ 83,408
2004	\$ 19,200,000	\$ 26,900,000	\$ 0.66500	\$ 0.41660	\$ 173,518	\$ 108,703	\$ 282,222	\$ 365,629
2005	\$ 6,500,000	\$ 33,400,000	\$ 0.66500	\$ 0.41660	\$ 215,447	\$ 134,970	\$ 350,417	\$ 716,046
2006	\$ 14,100,000	\$ 47,500,000	\$ 0.66500	\$ 0.41660	\$ 308,398	\$ 191,948	\$ 498,347	\$ 1,214,393
2007	\$ 10,350,000	\$ 57,850,000	\$ 0.66500	\$ 0.41660	\$ 373,161	\$ 233,773	\$ 606,934	\$ 1,821,328
2008	\$ 10,850,000	\$ 68,700,000	\$ 0.66500	\$ 0.41660	\$ 443,149	\$ 277,618	\$ 720,767	\$ 2,542,095
2009	\$ 8,450,000	\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 3,351,516
2010		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 4,160,937
2011		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 4,970,358
2012		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 5,779,778
2013		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 6,589,199
2014		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 7,398,620
2015		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 8,208,041
2016		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 9,017,461
2017		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 9,826,882
2018		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 10,636,303
2019		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 11,445,724
2020		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 12,255,145
2021		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 13,064,565
2022		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 13,873,986
2023		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 14,683,407
2024		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 15,492,828
2025		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 16,302,248
2026		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 17,111,669
2027		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 17,921,090
2028		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 18,730,511
2029		\$ 77,150,000	\$ 0.66500	\$ 0.41660	\$ 497,656	\$ 311,765	\$ 809,421	\$ 19,539,931
					\$ 12,013,734	\$ 7,526,198	\$ 19,539,931	

Schedule B.1
Southwest Houston Reinvestment Zone
Revenue Schedule (Haliburton Project Only)

Tax Roll Jan 1	Collection Year Jan 1	Incremental Assessed Valuation	Cumulative Incremental Assessed Valuation	City Tax Rate	County Tax Rate	City TIRZ Collections Available	County TIRZ Collections Available	Total Annual TIRZ Collections Available	Cumulative TIRZ Collections
1999		Base							
2000	2001	12,295,820	12,295,820	\$ 0.66500	\$ 0.41660	\$ 79,314	\$ 49,688	\$ 129,002	\$ 129,002
2001	2002	25,000,000	37,295,820	\$ 0.66500	\$ 0.41660	\$ 240,577	\$ 150,713	\$ 391,290	\$ 520,292
2002	2003	36,166,000	73,461,820	\$ 0.66500	\$ 0.41660	\$ 473,865	\$ 296,861	\$ 770,726	\$ 1,291,018
2003	2004	45,000,000	118,461,820	\$ 0.66500	\$ 0.41660	\$ 764,138	\$ 478,707	\$ 1,242,845	\$ 2,533,862
2004	2005	25,000,000	143,461,820	\$ 0.66500	\$ 0.41660	\$ 925,400	\$ 579,732	\$ 1,505,133	\$ 4,038,995
2005	2006	22,000,000	165,461,820	\$ 0.66500	\$ 0.41660	\$ 1,067,311	\$ 668,635	\$ 1,735,946	\$ 5,774,941
2006	2007	8,000,000	173,461,820	\$ 0.66500	\$ 0.41660	\$ 1,118,915	\$ 700,963	\$ 1,819,878	\$ 7,594,819
2007	2008	14,000,000	187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 9,561,579
2008	2009		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 11,528,338
2009	2010		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 13,495,097
2010	2011		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 15,461,857
2011	2012		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 17,428,618
2012	2013		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 19,395,376
2013	2014		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 21,362,135
2014	2015		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 23,328,895
2015	2016		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 25,295,654
2016	2017		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 27,262,413
2017	2018		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 29,229,173
2018	2019		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 31,195,932
2019	2020		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 33,162,692
2020	2021		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 35,129,451
2021	2022		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 37,096,211
2022	2023		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 39,062,970
2023	2024		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 41,029,729
2024	2025		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 42,996,489
2025	2026		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 44,963,248
2026	2027		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 46,930,008
2027	2028		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 48,896,767
2028	2029		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 50,863,527
2029	2030		187,461,820	\$ 0.66500	\$ 0.41660	\$ 1,209,222	\$ 757,537	\$ 1,966,759	\$ 52,830,286
						\$ 32,481,639	\$ 20,348,648	\$ 52,830,286	

Schedule B.2
Southwest Houston Reinvestment Zone
Revenue Schedule (Total Zone Area)

Tax Roll Year	Collection Year	Incremental Assessed Valuation	Cumulative Incremental Assessed Valuation	City Tax Rate	County Tax Rate	City TIRZ Collections Available	County TIRZ Collections Available	Total Annual TIRZ Collections Available	Cumulative TIRZ Collections
1999		Base							
2000	2001	\$ 12,295,820	\$ 12,295,820	\$ 0.66500	\$ 0.41660	\$ 79,314	\$ 49,688	\$ 129,002	\$ 129,002
2001	2002	\$ 25,000,000	\$ 37,295,820	\$ 0.66500	\$ 0.41660	\$ 240,577	\$ 150,713	\$ 391,290	\$ 520,292
2002	2003	\$ 36,416,000	\$ 73,711,820	\$ 0.66500	\$ 0.41660	\$ 475,478	\$ 297,871	\$ 773,349	\$ 1,293,641
2003	2004	\$ 52,450,000	\$ 126,161,820	\$ 0.66500	\$ 0.41660	\$ 813,807	\$ 509,822	\$ 1,323,629	\$ 2,617,270
2004	2005	\$ 44,200,000	\$ 170,361,820	\$ 0.66500	\$ 0.41660	\$ 1,098,819	\$ 688,436	\$ 1,787,254	\$ 4,404,624
2005	2006	\$ 28,500,000	\$ 198,861,820	\$ 0.66500	\$ 0.41660	\$ 1,282,758	\$ 803,605	\$ 2,086,363	\$ 6,490,987
2006	2007	\$ 22,100,000	\$ 220,961,820	\$ 0.66500	\$ 0.41660	\$ 1,425,314	\$ 892,911	\$ 2,318,225	\$ 8,809,213
2007	2008	\$ 24,350,000	\$ 245,311,820	\$ 0.66500	\$ 0.41660	\$ 1,582,384	\$ 991,310	\$ 2,573,694	\$ 11,382,906
2008	2009	\$ 10,850,000	\$ 256,161,820	\$ 0.66500	\$ 0.41660	\$ 1,652,372	\$ 1,035,155	\$ 2,687,527	\$ 14,070,433
2009	2010	\$ 8,450,000	\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 16,846,613
2010	2011		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 19,622,794
2011	2012		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 22,398,974
2012	2013		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 25,175,154
2013	2014		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 27,951,334
2014	2015		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 30,727,514
2015	2016		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 33,503,695
2016	2017		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 36,279,875
2017	2018		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 39,056,055
2018	2019		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 41,832,235
2019	2020		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 44,608,415
2020	2021		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 47,384,596
2021	2022		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 50,160,776
2022	2023		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 52,936,956
2023	2024		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 55,713,136
2024	2025		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 58,489,316
2025	2026		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 61,265,497
2026	2027		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 64,041,677
2027	2028		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 66,817,857
2028	2029		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 69,594,037
2029	2030		\$ 264,611,820	\$ 0.66500	\$ 0.41660	\$ 1,706,879	\$ 1,069,302	\$ 2,776,180	\$ 72,370,217
						\$ 44,495,372	\$ 27,874,845	\$ 72,370,217	

MARKET & ECONOMIC FEASIBILITY ANALYSIS

PROPOSED SOUTHWEST REINVESTMENT ZONE

Prepared for:

The Staubach Company
One Riverway
Suite 1850
Houston, Texas 77056

Prepared by:

CDS Market Research
9225 Katy Freeway
Suite 322
Houston, Texas 77024

May 1999

May 12, 1999

Mr. Stephen F. Peacock
The Staubach Company
One Riverway, Suite 1850
Houston, Texas 77056

Dear Mr. Peacock:

The following report is designed to supplement the original Sharpstown Tax Increment Redevelopment Zone market and economic feasibility study dated October 1997. The February 1999 market study addressing the 174 acre Haliburton Tract is attached as an addendum to the 1997 report.

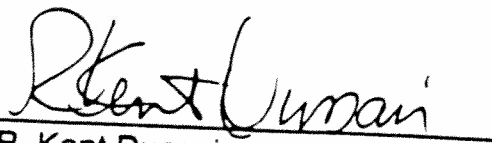
The original report addressed the area's market conditions as well as social and economic implications and concerns of community and business leaders in the Village of Sharpstown. The February 1999 study addressed market conditions and development trends relative to the Haliburton Tract and the proposed Southwest TIRZ.

The new May 1999 market study consolidates elements of both of the previous reports. This report addresses specific issues pertinent to the formation of the proposed Southwest TIRZ based on its expanded boundaries.

Based on the findings of the three studies, we have concluded that sufficient market demand and conditions exist to support the proposed commercial land uses in the Haliburton Tract and the proposed Zone. In conclusion, improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City of Houston.

We remain available to answer any questions concerning our analysis and report.

Sincerely,



R. Kent Dussair
President



David Fretwell
Market Analyst

The area included within the boundaries of the proposed Southwest TIRZ is the type of area that public financing vehicles were designed to assist. The tax base is near a low point in valuation while new development patterns are occurring in near proximity. Haliburton is a major property owner having the capability of carrying out a major development program that will be a catalyst to others. Creation of the Southwest TIRZ will expedite private development throughout the proposed zone area. To illustrate the positive results that can occur through thoughtful implementation of public financing, we have prepared a case study which includes several areas within Houston that have benefited from the process.

The Impact of Public Investment – A Case Study

The Sharpstown and the Greenspoint Areas are similar in respect to typical suburban development. Both areas are located 10 to 12 miles from Downtown Houston. In the 1960s, the areas were initially bedroom residential communities with limited local employment opportunities. Sharpstown residential development represented a planned residential community with available city infrastructure. In comparison, the Greenspoint Area consisted of low-density rural residential development based on suburban sprawl without public infrastructure.

As a result of the completion of Houston Intercontinental Airport and population growth and expansion in the northern and southwestern sectors of the city, more residential development occurred. Neighborhoods matured and supported the feasibility of regional malls. The malls became the focal point for additional commercial development comprising office, retail, institutional and multi-family residential land uses. In time, peripheral retail and related commercial land uses developed along the major freeways and streets.

Greenspoint developed into one of the largest corporate business center in the Houston Area with high-density office, hotel/motel, retail and multi-family land uses. The primary reason for its successful development was its excellent accessibility by regional highways and toll roads, proximity to Downtown Houston and The Woodlands. Intercontinental Airport was a contributing factor since it is the major economic force in the area.

In comparison, Sharpstown emerged from a residential suburb with extensive single- and multi-family development to a suburban commercial environment. The area also feature good accessibility to major employment centers such as the Galleria, Greenway Plaza, The Medical Center and Downtown. Commercial development did not include a business district but focused around the Mall. Overall development included a mix of supportive office, motel/hotel, retail with a lower density of

commercial land uses affected by suburban sprawl. Development was scattered and not highly concentrated and generally occurring along or in close proximity to US Highway 59.

In the 1980s, the Houston area was negatively affected by a downturn in the regional economy causing a recession. The economy was affected by declining demand for manufacturing, goods and services resulting in high unemployment. Real estate development was over-built because of speculation. Market rents and occupancies declined due to oversupply prompting deteriorating physical conditions of many properties. Many vacant tracts of land were purchased at the peak-height of the real estate market for speculative investments and remain undeveloped.

At the same time, the two neighborhoods matured and entered a stage of overall deterioration affected by age and the lack of public and private renewal. This stage in a neighborhood life cycle is symptomatic of urban decay found in most major metropolitan areas. The communities were also affected by rapidly changing social and economic forces.

New residential and commercial development in the City/County leaped over the two areas. Northern Houston saw significant new development along and north of (FM/1960 Champions), Kingwood and South Montgomery County (The Woodlands). In Southwest Houston, the area adjoining northeast Fort Bend County and in particular Missouri City, Stafford and Sugar Land/First Colony were impacted the most.

In the mid 1990s, the Greenspoint and Sharpstown areas continued to be impacted by deteriorating conditions, high rates of crimes and declining market conditions for most properties. Changing population and household income trends further impacted the economic viability of the neighborhoods. Without economic incentive or stimulus for revitalization, these neighborhoods will continue to deteriorate entering a phase of blight cause by disrepair and abandonment. The net effect is an eroding tax base affected by declining assessed property values and retail sale taxes.

At the same time, competitive development in newer outlying residential suburban areas would hasten the already physical deterioration of apartments, office buildings, retail and single-family land uses in the communities. Many of the apartment complexes became low-income tax properties. Aging office buildings were reclassified from "A and B" to "B, C and D". Retail space in the two malls would be affected by demographic trends affecting household disposable incomes causing the decline in annual retail sales volume. This forced the closing of several large mall department stores and the conversion of the Westwood Mall from a retail center to a potential

office center. Neighborhood and strip centers were affected by changes in tenant profiles and declining rental rates. Single-family residential housing resale market was affected by declining property values through 1996.

Within Houston, areas like Memorial Heights, the Third Ward and even in peripheral areas near Downtown Houston including Mid-Town and the Fourth Ward illustrate and document the impact of urban renewal on the transition of inner city neighborhoods and business areas affected by urban blight. Without urban renewal, these areas of the City were affected by stagnation, deterioration of public and private properties and abandonment caused by aging infrastructure, crime and the eroding economic and social conditions. This caused property owners to relocate to other inner city neighborhoods with affordable housing or migrate to the outlying suburbs to obtain a sense of place and security.

Explosive population growth and employment expansion in northern Harris County, southern Montgomery County and northeastern Fort Bend County demonstrate this latest trend. Until the last few years, the City of Houston actually loss population and jobs to the unincorporated areas of Harris County and surrounding counties. The mid-to late 1990s indicate a reversal of the negative migration trend caused by in-fill associated with revival of inner City neighborhoods located within TIRZs. The Zones have had a positive influence on redevelopment and new development.

A solution to urban decay is now available and economically feasible. For the City to achieve its long-term objectives to prevent additional deterioration of market, economic and social conditions and maintain a positive flow of revenues needed to support the operation of City, County and HISD budgets, revitalization is now warranted. For this to occur, the City must take a leadership role and create the Southwest TIRZ to provide the stimulus that will allow revitalization to occur in the Zone.

The following summarizes the real time scenario of a partnership of involving public funding which creates the incentives and stimulates private investment where the overall financial risk normally assumed by the developers is also shared by government entities.

Greater Greenspoint District

The Greater Greenspoint District has 96 office buildings consisting of single- and multi-tenant space. Commercial space including the office buildings, mall and peripheral retail development totals about 13 million square feet. Within a 3-mile radius of Greenspoint, the population is 74,000 and 36,000 people work within this radius. A 5-mile radius has 68,400 employees.

Approximately 1,100 companies are located within the district's boundary. About 18 companies have their U.S. or world headquarters in Greenspoint and over 50 multinational corporate tenants office in the district. The Greater Greenspoint District is the home, too, of more than 80 energy-related companies, second only to downtown Houston.

The Greenspoint area is approximately 17 to 20 years in age based on development of the mall and surrounding office buildings. The recession in the mid-1980s negatively affected market conditions for apartments, office and retail in the area and was the primary economic force behind the area's decline.

Currently, the Greenspoint area has reached a positive turning point after decade of decline. The area is now experiencing revitalization based on the combined efforts of the City, community and business leaders. This suburban area illustrates how public and private participation encourage and energize development and redevelopment.

- 1) Retail - The Greenspoint Mall was recently sold and the new owner plans to renovate the property and position the mall in the long term as a world-class entertainment center with a theatre, theme restaurants and activities.
- 2) Apartment - Archon Group has purchased 24 apartment complexes consisting of 5,150 units. The developer plans to redevelop the area and the properties transforming the deteriorating complexes into an attractive community known as CityView. The unit mix will include a wide range including executive-style corporate apartments. The CityView development will include public amenities (parks and other recreational facilities) available to the entire community. This acquisition represents a capital investment in excess of \$130 million over the next three years. The purchase was made possible by the Greater Greenspoint District creation of the new Greenspoint Tax Increment Reinvestment Zone.
- 3) Office-New Development - Two new office buildings are under construction totaling about 200,000 square feet. Additionally, Hines is expanding the Greenspoint Plaza One, ABS Building, to 220,000 square feet. The 74,000 square feet addition will accommodate American Bureau of Shipping future expansion for 250 employees.
- 4) Office-Redevelopment - Texas Land and Building Co. plans to redevelop four office buildings containing 235,000 square feet of office space. In addition, two other property owners have announced renovations exceeding \$500,000 for the Greenspoint 255 and Tower Park North office buildings.

Houston Midtown

Midtown is an excellent example of inner city revitalization that can occur through the formation of a TIRZ as a stimulus for private investment and public infrastructure. From 1995 to July 1998, about 48 residential and commercial projects with new construction costs totaling \$164,472,000 were commenced. Exempted values totaled only \$17,550,000 or almost 11% of the gross new construction costs. Population in the 600-acre district totaled 500 in 1990. Projections for 2000 should exceed 5,000 based on construction of more than 1,500 town homes and apartments that are under construction or planned.

Neighborhood renewal stimulated demand for a variety of commercial uses comprising new and renovated office space, motel, professional medical and law offices, a theater, retail centers, car sales and service, gas station and automotive repairs and service, a full service bank and office warehousing. Residential development consists of new and renovated residential dwelling including single-family, town homes, apartments, fourplexes and assisted care units.

Market demand for available sites in Midtown remains strong with approximately 27 closings or pending sales since February 1997. Nine of the transactions occurred in 1998, seven thus far in 1999 of which three are pending. This represents the upside potential in terms of private investment into a city neighborhood that remained blighted and economically depressed for almost two decades.

In summary, the City's commitment to revitalize neighborhoods in terms of public infrastructure reduces the overall financial risk assumed by private developers, stimulates market demand and accelerates the overall development horizon for properties with good development and redevelopment potential.

Haliburton Tract – 174 Acre Business Center

The Haliburton Tract consists of a 174.2-acres located at the northwesterly corner of the intersection of Bellaire Boulevard and West Belt. The Haliburton Tract is partially developed as a business/employment center with Brown and Root/MI Corporation already established.

This area of the proposed Zone separates the pattern of land uses in the northern sector of the West Belt Corridor from the southern sector of the Corridor. The southern sector along the West Belt Corridor (south of Bellaire Boulevard) is low intensity suburban commercial, including big box retailers (Home Depot/Auchan Hyper-Mart/Big K Mart) and scattered multi-family apartments.

The preliminary plans for the proposed Haliburton Tract include the following land uses:

Land Use	Square Feet	Percent
Retail	185,000	9.0
Office	1,316,000	64.1
Warehouse	260,000	12.7
Office Service Center	292,000	14.2
Totals	2,053,000	100.0

Although major portions of West Belt land were built prior to the physical completion of the toll road, an emerging pattern of land usage for the undeveloped portions of the Corridor can be identified. Generally, the area south of Westheimer Road is part of the very successful Westchase development. The emerging development pattern is high-density office buildings to mid-density commercial development along the west side and lower intensity uses on the east side including mid-density residential. This development pattern is well established and currently ongoing along West Belt between Westheimer Road and West Park Boulevard.

The Haliburton Tract is obviously a strategically located transitional property. The proposed development will extend the pattern of mid- to high intensity urban land uses (office/employment) occurring north of Westpark Boulevard south to Bellaire Boulevard.

Development of the Haliburton Tract is planned over a 12 years period. At this time, the development will consist of a high-density mix-use office business center. The business center will create significant employment which will have a positive effect on Sharpstown in terms of retail and restaurant sales, business development (goods and services), and stimulate demand for quality housing units both renovated and new. Additional development will be drawn along the southern corridor of the Zone during the first phases of development within the Haliburton Tract.

However, the proposed development will not move forward in the near future without the establishment of the Southwest TIRZ. The Southwest TIRZ is critical to the type of future development that occurs along the West Belt Corridor. Clearly the pattern of high-density development north of the (business/employment) is the most probable use of the Haliburton Tract and the West Belt Corridor if the TIRZ is created.

As indicated in the February 1999 market study, the population and employment forecasts prepared by H.G.A.C. indicated a net population loss and a modest increase in employment for the Sharpstown area. As a percent of regional employment decreases, this indicates a somewhat stagnate employment base.

From the perspective of the social and economic characteristics of the resident population and employment growth trends, the Sharpstown Study Area is described as a cosmopolitan urban center. In view of the foregoing and other factors, it is our opinion the Sharpstown Area has the potential to become an urban destination center.

To achieve this, it will be necessary to expand and improve the employment base, upgrade the infrastructure and the housing inventory and stabilize the retail base. As stated in the preceding market studies, the Sharpstown Area experienced almost continuous development between 1960 and 1985, when the area was essentially abandoned by the private sector. Under current conditions and circumstances, private sector developers and financiers will focus their attention on the newer and more attractive areas in West Harris County and Fort Bend County. Therefore, the transition to an urban destination environment is not likely to occur except for the creation of the Southwest TIRZ.

Land Use in the Proposed Southwest TIRZ

The proposed Zone totals 2051.63 acres. The following table illustrates the existing land uses within the boundaries of the Zone.

Type	Acreage	Percent
Commercial	1,017.23	49.58
Vacant	545.85	26.60
Multi-family	353.97	17.25
Public/Institutional	95.92	4.67
Utility	1.72	1.75
Residential	2.70	0.13

Commercial development represents almost 50% of the total developed land area acres. Vacant acreage was second with 27%. The majority of vacant land is found in the western and southern sectors of the proposed Zone in areas clearly left undeveloped by potential developers. Of the total vacant land, the Haliburton Tract will comprise about 25%. Its development will have a significant impact in stimulating demand and development of the remaining vacant acreage. Multi-family residential was third with 17%.

A review of the existing land use patterns and trends indicated about 75% of the remaining vacant land will be developed with mid- to high density commercial uses including office buildings, motels and retail space. About 20% will be multi-family and the remaining 5% divided between public/institutional, utility and residential as currently proportion.

Sales Tax and Property Values

A ten (10) year history of the annual dollar amounts subject to sales tax and the calculated municipal sales tax revenues within the proposed boundaries is presented in the table below. This information was provided by the State of Texas' Office of the Comptroller and is illustrated as follows:

Year	Amount Subject To Sales Tax History	Municipal Sales Tax Revenues	% Increase/Decrease
1989	\$738,178,898	\$7,381,789	
1990	\$747,884,050	\$7,478,841	1.31%
1991	\$744,519,448	\$7,445,194	-0.45%
1992	\$789,421,063	\$7,894,211	6.03%
1993	\$817,694,231	\$8,176,942	3.58%
1994	\$816,637,872	\$8,166,379	-0.13%
1995	\$777,454,233	\$7,774,542	-4.80%
1996	\$715,428,537	\$7,154,285	-7.98%
1997	\$688,425,161	\$6,884,252	-3.77%
1998	\$689,298,115	\$6,892,981	0.13%
Totals	\$7,524,941,608	\$75,249,416	

Municipal Sales Tax Trends

The table illustrates that the annual dollar amounts subject to sales tax and the corresponding municipal sales tax revenues peaked in 1993 totaling \$817,694,231 and \$8,176,942, respectively. Since 1993, the municipal sales tax receipts have declined about 16%. In 1997, the annual amount subject to sales tax totaled \$688,425,161 with municipal sales tax revenue totaling \$6,884,252. Revenues in 1998 indicate a 0.13% gain.

In comparison, the 1998 figures are 6.62% less than the sales tax receipts generated in 1989. The mid-1990s coincided with a strong economy in the Houston area. The area within the proposed Zone had declining sales tax revenues.

Historical trends since 1993 indicate declines in sales tax revenues can be attributed to eroding or stagnant conditions in the Sharpstown area. If the current trend remains positive as in 1998, the data infers about 5 years will be required to recapture lost revenues equal to the amount reached in 1993. At best, small increases will be realized since retail goods and services have rebounded in part to the effects of positive economic conditions. This assumes a long period of time without any significant change in existing land uses patterns or new development.

Property Valuation Trends

A eleven (11) year history of property valuations within the proposed TIRZ boundaries was analyzed and summarized within this section of this report. Baca Land Data, Inc. provided this information.

Property value trends declined 21.57% or 3% per year from \$829,548,648 in 1989 to \$650,599,050 in 1996. In the mid-1990s, a strong economy fueled by population and employment growth stimulated market demand for commercial and residential properties in the Houston Area, reversing an overall downward valuation trend. Since 1996, property values within the proposed Zone have increased. However, the 1999 valuation (\$765,454,320) is still less than the 1993 valuation totaling \$771,736,240 and considerably less than the 1989 total of \$829,548,648.

A cooling economy with minimum or flat job growth can be expected to slow or even reverse this trend since the overall neighborhood is still aging and has not benefited from an infusion of public infrastructure or private investment. Public infrastructure as identified in the previous reports and private investment consisting of a high-density business center will energize new development and redevelopment of low- to mid office, retail and office service and multi-family in the Zone needed to offset the deteriorating socio-economic conditions.

Proposed Southwest Boundaries

The proposed Southwest TIRZ boundaries can be define as follows:

- North: Harwin Road/Westpark
- South: Bissonnet
- East: US Highway 59 South (Southwest Freeway)
- West: Sam Houston Toll Road (Beltway 8) and areas just west and north of Beechnut

The boundary of the previously proposed Sharpstown TIRZ varies significantly from the proposed Southwest TIRZ. The Sharpstown TIRZ boundaries initially were Westpark on the north, Bissonnet and US Highway 59 on the south, Hillcroft and US Highway 59 on the east and along the east side of the Sam Houston Toll Road (Beltway 8) to the west. Both boundaries exclude most of the established residential neighborhoods.

Conclusions

- The formation of the Southwest TIRZ is necessary to stabilize the community from deteriorating conditions attributed to an aging neighborhood. Without the benefit of an infusion of public funds to revitalize the community infrastructure, the area will continue to languish. The Zone will stimulate or energize private investment for new and redevelopment of commercial and multi-family properties. Overall market and economic conditions remain strong and support the feasibility of additional commercial development. However, surrounding western and southwest suburban communities have benefited from the majority of new commercial and residential development in the Southwest area while significant acreage of desirable vacant land remains undeveloped. This acreage has remained so for almost two decades.
- The purpose of the proposed TIRZ is to facilitate the development and redevelopment of commercial properties through the revitalization of the Bellaire corridor, commercial retail sector and commercial development of the vacant land in the Zone. The public financed infrastructure within the Zone includes water, wastewater, drainage, street paving, intersection improvements, landscaping and streetscapes, hiking and biking trails and mobility improvements. The formation of the Zone will reestablish a sense of pride, place, security and comfort that has eroded over time. The Zone will stabilize and improve declining sale taxes and established consistency of land uses. Additionally, the Zone will strengthen the character of the community by reversing the physical deterioration associated with most of the older multi-family and commercial properties through revitalization.
- The creation of the proposed Southwest TIRZ will be stabilized if not increase the taxable value of properties in the Zone, establish a business center and create employment. New development and redevelopment will be energized and the residents of Sharpstown and the City of Houston as a whole will benefit during the next 20 years.
- The mix of public improvements with private enterprise is definitely a challenging concept. Development of the Haliburton Tract as a high-density mixed-use office business or employment center and most of the vacant land will not likely occur in the near future without the completion of the public infrastructure necessary for its development. Significant redevelopment will not occur unless a partnership is formed that reduces the overall financial risks.
- The TIRZ will accelerate the development schedule and integrate the undeveloped vacant land into an area of higher-density land use. Its formation as proposed

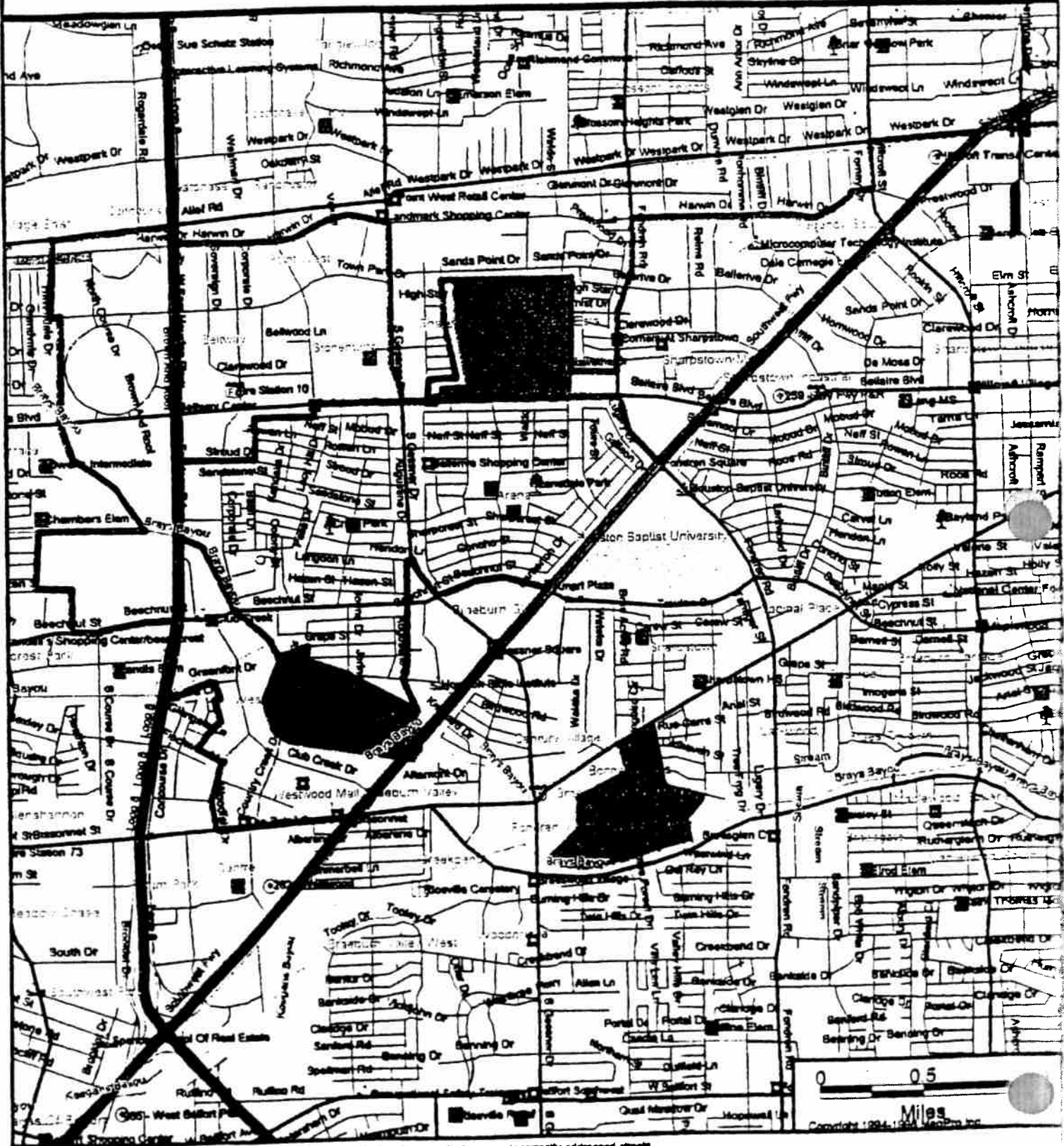
complements established land uses consisting of apartments, office, hotels/motels, retail and office service and distribution facilities in the immediate area.

- The high-density mixed-use commercial development in suburban environments is not a new concept and most certainly is well accepted in the Houston Area. Based upon our findings, we are of the opinion that the site supported by the Market Area/Southwest population and employment base is supportive of the proposed land uses and is a good concept. The synergistic effect of the Haliburton Tract's mixed-use development plan in the Zone is expected to stimulate the degree of market acceptance for the remaining vacant sites. Therefore, the improved marketability of the Zone, land development and space utilization will most likely occur at an accelerated pace.
- Economic indicators and market conditions continue to positively influence the Houston CMSA and the Market Area stimulating employment and demand for new residential dwellings and supportive commercial and industrial development in the area.
- In conclusion, improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City of Houston.

ADDENDUM

Exhibit 1

Proposed Southwest TIRZ Boundaries



CAUTION: inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

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