

Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

I hereby certify, with respect to the money required for the contract, agreement, obligation or expenditure contemplated by the ordinance set out below that:

- () Funds have been encumbered out of funds previously appropriated for such purpose.
- () Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the ordinance set out below.
- () Funds will be available out of current or general revenue prior to the maturity of any such obligation.
- () No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.
- () The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.
- () A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated herein by this reference.
- (X) Other - Contingent on receipt of tax increment

Date: _____, 2015

Ronald C. Shro
City Controller of the City of Houston *CRB*

OC
FUND REF: 07 5941 AMOUNT: -0- ENCUMB. NO. RPSD 56-16 :
JK

City of Houston, Texas, Ordinance No. 2015- 815

AN ORDINANCE APPROVING AND AUTHORIZING A FIRST AMENDED AGREEMENT AMONG THE CITY OF HOUSTON, TEXAS, REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS (GREATER HOUSTON ZONE), AND THE HARRIS COUNTY REDEVELOPMENT AUTHORITY IN CONNECTION WITH REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS (GREATER HOUSTON ZONE); AND DECLARING AN EMERGENCY.

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

Section 1. That the City Council hereby approves and authorizes the contract, agreement, or other undertaking described in the title of this Ordinance, in substantially the form as shown in the document which is attached hereto and incorporated herein by this reference. The Mayor (or, in the absence of the Mayor, the Mayor Pro Tem) is hereby authorized to execute such document and all related documents on behalf of the City of Houston. The City Secretary (or, in the absence of the City Secretary, any Assistant City Secretary) is hereby authorized to attest to all signatures and to affix the seal of the City to all such documents. The City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under such contract, agreement, or other undertaking without further authorization from Council.

Section 2. 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 26th day of August, 2015.

APPROVED this _____ day of _____, 2015.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is SEP 01 2015.



City Secretary

(Prepared by Legal Department )
(SEK July 21, 2015 Senior Assistant City Attorney
(Requested by Andy Icken, Chief Development Officer, Office of the Mayor)
(L.D. File No. _____)

G:\REAL ESTATE\TIRZ\TIRZ 24 Greater Houston\ORD Harris County First Amended Tri-Party Agmt 072115.docx

CAPTION PUBLISHED IN DAILY COURT
REVIEW
DATE: SEP 01 2015

AYE	NO	
✓		MAYOR PARKER
.....	COUNCIL MEMBERS
✓		STARDIG
	ABSENT	DAVIS
	ABSENT	COHEN
	ABSENT	BOYKINS
✓		MARTIN
✓		NGUYEN
✓		PENNINGTON
✓		GONZALEZ
✓		GALLEGOS
✓		LASTER
	ABSENT	GREEN
✓		COSTELLO
✓		ROBINSON
✓		KUBOSH
✓		BRADFORD
✓		CHRISTIE
CAPTION	ADOPTED	

County: Harris County Community Services Department
8410 Lantern Point
Attn: David Turkel
Executive Director

TIRZ: Reinvestment Zone Number Twenty-Four, City of Houston, Texas
c/o Harris County Community Services Department
8410 Lantern Point
Houston, Texas 77054
Attn: David Turkel
Executive Director

Authority: Harris County Redevelopment Authority
c/o Harris County Community Services Department
8410 Lantern Point Drive
Houston, Texas 77054
Attn: David Turkel
Executive Director

II. DEFINITIONS

As used in this Amended Agreement, the following terms shall have the meanings set out below:

“Agreement” means the agreement among the City, the County, the Authority and the TIRZ effective July 22, 2014.

“Amended Agreement” means this amended agreement between the City, the County, the Authority and the TIRZ, amending the terms of the Agreement.

“Amended Agreement Term” is defined in Section VI.

“Base Year for the Original Area” means tax year 2014, the base year for Harris County’s participation.

“Base Value for the Original Area” means the certified appraised value within the Original Area of the Zone as established by HCAD for the 2014 Base Year.

“Base Year for the Enlarged Area” means tax year 2015, the base year for Harris County’s participation.

“Base Value for the Enlarged Area” means the certified appraised value within the Enlarged Area of the Zone as established by HCAD for the 2015 Base Year.

“Captured Appraised Value” means the total taxable value of all real property in the Original Area and the Enlarged Area of the Zone as of January 1 of any year less the Base Value for the Original Area and the Base Value for Enlarged Area of the Zone, respectively, as defined herein.

“City” is defined in Section I of this Amended Agreement and includes its successors and assigns.

“County” is defined in Section I of this Amended Agreement and includes its successors and assigns.

“County Tax Increment” means, for each year, the amount of property taxes levied and assessed by the County on the Captured Appraised Value.

“County Tax Increment Participation” means the County’s annual ad valorem tax increment payments to the TIRZ pursuant to Section IVA of this Amended Agreement.

“Enlarged Area” means the area enlarged by the City by Ordinance No. 2015-_____. Attached hereto as Exhibit A is a boundary description of the Enlarged Area of the Zone.

“HCAD” means Harris County Appraisal District.

“Original Area” means the area designated by the City by Ordinance No. 2012-1048.

“Plan” means the Project Plan and Reinvestment Zone Financing Plan adopted by the TIRZ and approved by City Council by Ordinance No. 2014-690, and as amended by City Council by Ordinance No. 2015-_____, and as may be subsequently amended. Attached hereto as Exhibit B is the Plan.

“Tax Increment Fund” means the fund or account created by the City in the City Treasury for accumulating tax increment revenues associated with value increases in the Zone.

“Zone” means the area within the boundaries of the Tax Increment Reinvestment Zone Number Twenty-Four, City of Houston, Texas, also known as the Greater Houston Zone, as designated by the City by Ordinance No. 2012-1048 and enlarged by the City by Ordinance No. 2015-_____, and as the boundaries may hereafter be enlarged or reduced. Attached hereto as Exhibit C is a map outlining the present boundaries of the Zone.

Otherwise, the terms used herein have the meanings ascribed to them in Chapter 311, Texas Tax Code.

III. BACKGROUND

As of December 31, 2013, the City had created 25 tax increment reinvestment zones (“TIRZs”) within its boundaries pursuant to the Tax Increment Financing Act, Chapter 311 of

the Texas Tax Code (the "Act"). The City created all but one of these TIRZs to finance projects led and desired by the City, and for which the City contributed as much as 100% of tax increments derived from City taxes within a TIRZ (a "City-Lead TIRZ"). Harris County, on behalf of itself and, in some cases, one or more of the taxing entities for which it sets tax rates, participated in some, but not all of the City-Lead TIRZs by contributing a portion of the tax increment derived from Harris County and other County-affiliated taxing units pursuant to an Interlocal Agreement with the City and the respective TIRZ, which agreements generally conformed to a standard form and contained consistent terms and conditions. In the case of Harris County participation in a City-Lead TIRZ, the tax increment from the participating taxing units was used primarily to finance City-initiated projects, and the Interlocal Agreements contained provisions that protected the Harris County tax increment for use on City-initiated projects without the County's consent.

In April 2010, Harris County, the City and the Harris County-Houston Sports Authority entered into an agreement approved by City Ordinance No. 2010-265 and by the County (the "County-Lead TIRZ Agreement") in which the City agreed, as consideration for the County's participation in Tax Increment Reinvestment Zone Number Fifteen, City of Houston, Texas, and contribution to the construction of the BBVA Compass Bank soccer stadium, to create the Zone primarily for County-initiated project. The County-Lead TIRZ Agreement provided that the County would be able to (1) determine the amount of the County's Tax Increment (as defined in the County-Lead TIRZ Agreement) it would contribute to the Zone and (2) direct its Tax Increment to projects and programs of its choosing consistent with the Act. The County-Lead TIRZ Agreement also provided that the City would be able to (1) determine the amount of the City's Tax Increment (as defined in the County-Lead TIRZ Agreement) it would contribute to the Zone and (2) direct its Tax Increment to projects and programs of its choosing consistent

with the Act. It was the intent of the City and County that the Zone would be a County-Lead TIRZ and not a City-Lead TIRZ, with the initial expectation that the City would participate in the Zone with only five percent (5%) of its tax increment, which it would retain for administrative costs of operating the Zone. This Agreement sets forth the understanding of the Parties that this is a County-Lead TIRZ and that all of the County Tax Increment Participation will be used, consistent with the Plan, for project costs associated with County projects.

On December 12, 2012, the City designated the Zone pursuant to City Ordinance No. 2012-1048 for the purposes of development and redevelopment in the Eastern Downtown and Reliant Park Area, sometimes referred to herein as the "Greater Houston Zone." The Board of Directors of the Zone adopted the Plan, which was then approved by the City by City Ordinance 2014-690. The County authorized the creation of the Authority to aid, assist and act on behalf of the City and the County in the performance of the City's and the County's governmental and proprietary functions with respect to the common good and general welfare of the Zone and neighboring areas. The City and the County have agreed to participate in the Zone by contributing tax increments collected in the Zone to the Tax Increment Fund as set out below.

On _____, 2015 the City enlarged the Zone pursuant to City Ordinance No. 2015-_____. Now the parties wish to enter into this Amended Agreement to amend the terms and conditions of the Agreement on the terms and for the consideration set forth below. All terms and conditions of the Agreement shall remain in full force and effect as set forth therein, except as otherwise expressly amended herein.

IV. OBLIGATIONS OF THE COUNTY

The County shall pay amounts pursuant to this Amended Agreement representing a total of eighty percent (80%) of the County Tax Increment in the Zone, consisting of (i) an amount equal to sixty five percent (65%) of the County Tax Increment in the Zone to be paid to the City

for deposit to the Tax Increment Fund pursuant to Chapter 311 of the Texas Tax Code and Paragraph A below, and (ii) an amount equal to fifteen percent (15%) of the County Tax Increment in the Zone to be paid to the Authority for payment of the costs of its operations and other County programs pursuant to Paragraph C below.

A. County Tax Increment Participation

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, the parties agree that the County's Tax Increment Participation in the TIRZ is a payment, to the extent authorized by law, to the Tax Increment Fund during the term of this Amended Agreement equal to a total of sixty-five percent (65%) of the County Tax Increment in the Zone. This County Tax Increment Participation shall be used only for the project costs incurred by the Zone.

The payments by the Port of Houston Authority of Harris County, Texas ("the Port"), the Harris County Hospital District ("the Hospital"), and any other taxing entity for whom the County imposes taxes, either now or in the future, shall be zero percent (0%) of the tax increment attributed to the Captured Appraised Value in the TIRZ boundaries, attributable to the Port, the Hospital, and any other taxing entity for whom the County imposes taxes, either now or in the future.

The County Tax Increment Participation shall be restricted for use only on those projects that are included in the Plan. In the event of bond or other financing by the Authority on behalf of the TIRZ, the County's Tax Increment Participation may be dedicated to bond or loan repayment; however, in that event, if the principal and interest and other payments due with respect to such bonds or loans exceed the County's Tax Increment Participation, the dedication of the County's Tax Increment Participation shall be limited to the amount of the County's Tax Increment Participation.

In the event the City, the TIRZ or the Authority expends the County Tax Increment Participation inconsistent with the Plan or this Amended Agreement, the inconsistent expenditure shall constitute a breach of this Amended Agreement. The County shall notify the City and TIRZ of the breach, and the defaulting party shall have sixty (60) days to cure the breach. In the event the breach is not cured within the sixty (60) day period, the County may suspend all tax increment payments until the breach is cured.

B. Limitation on County Tax Increment Participation

The County shall make payments of the County Tax Increment Participation to the City for deposit to the Tax Increment Fund once each year, by August 31st, for the prior tax year, beginning with tax year 2015 (during calendar year 2016). The County is not obligated to pay its County Tax Increment Participation from any source other than taxes collected by the County on the Captured Appraised Value attributable to the Zone. Furthermore, the County has no duty or obligation to pay the County Tax Increment Participation from any other County tax collections or revenues, or until the County Tax Increment Participation in the Zone is actually collected. Any portion of the taxes representing the County Tax Increment Participation that are paid to the County and subsequently refunded pursuant to the provisions of the Texas Tax Code shall be offset against future payments of County Tax Increment Participation to the Tax Increment Fund. The obligation to pay the County Tax Increment Participation accrues, as ad valorem taxes representing the County Tax Increment Participation are collected by the County, and payment shall be due as provided in the Texas Tax Code. No interest or penalty will be charged to the County for any late payment received from the County by the TIRZ or the City.

C. County Payments to the Authority

The County shall pay to the Authority an amount equal to fifteen percent (15%) of the County Tax Increment which shall not be subject to Chapter 311 of the Texas Tax Code. Such

payment shall be made once each year, by August 31st, for the prior tax year, beginning with tax year 2015 (calendar year 2016). Within 30 days after the Authority has received the payment, the Authority shall pay from the 15% an amount equal to five percent (5%) of the County Tax Increment to the Harris County Community Services Department for contract administration and five percent (5%) of the County Tax Increment to the Harris County Community Services Department for Homeless Projects and Programs, and shall retain five percent (5%) of the County Tax Increment for the Authority's operating costs. If the Authority has any surplus out of funds paid directly to it from Harris County (account balance minus a reasonable reserve at the end of any year out of the five percent (5%) retained by it for current and future operating costs and debt retirement), such surplus shall be repaid to the County or, at the County's option, placed in Authority's non-Chapter 311 Harris County Public Facilities Revenue Funds.

D. Expansion of the TIRZ

The obligation of the County to participate in the TIRZ is limited to the area of the Zone described in the map of which is attached hereto as Exhibit C. The County's participation does not extend to the tax increment on any additional property that may be added to the Zone or any amendment to the Plan by the TIRZ and the City that would increase the total amount of project costs after the date of this Amended Agreement, unless the County specifically agrees to participate in the additional area or amendment to the Plan. The City will not permit an amendment to the Plan or the Zone that affects the County's Tax Increment Participation or use thereof or the amount of project costs to be paid thereby without the County's consent, as determined at the County's sole and absolute discretion. No amendment to the Plan will eliminate or reduce the identity or scope of a County project or the project costs associated with any County project described in the then-current Plan without the County's consent, as determined by the County in its sole and absolute discretion. In addition, the County's

participation does not extend to any dedication of revenue attributable to the County Tax Increment Participation from the Tax Increment Fund by the TIRZ for projects other than those specified herein unless the County specifically agrees to participate in the dedication.

E. Reconciliation of Accounts

Each year after calendar year 2016, the County Tax Increment Participation is due on August 31st for the year and shall include any retroactive adjustments that may be due for the prior year over or under payments determined to have been less than ten per cent (10%). In any year, beginning with calendar year 2016, that the County payment is determined to have been ten per cent (10%) or greater than the amount actually due, the amount of overpayment by the County shall be refunded by the City and/or the Authority within forty-five (45) days of written notification from the County that such overpayment occurred. Alternatively, in the event that the underpayment by County is determined to have been ten per cent (10%) or greater than the amount actually due, the amount of underpayment by the County shall be disbursed by the County to the City within forty-five (45) days of written notification from the City that such underpayment occurred.

F. Board of Directors

Notwithstanding anything to the contrary in Ordinance No. 2012-1048, which designated the TIRZ, or any subsequent amendment thereto, and pursuant to the provisions of the County-Lead TIRZ Agreement, the County shall have the continuing, unequivocal right throughout the term of the Agreement and the Amended Agreement to recommend to the City Mayor for nomination and appointment to the TIRZ Board of Directors and thereafter at all times maintain five (5) members on the TIRZ Board of Directors. Pursuant to the provisions of Chapter 311 of the Texas Tax Code, the County may appoint one additional director directly to the Board of

Directors of the Zone without action by the City as long as the County is a participating taxing unit in the Zone. The City will additionally appoint one nominee to represent the City's interests in the TIRZ. The County may also appoint and maintain as many non-voting ex officio members on the TIRZ Board of Directors as the County may desire.

V. OBLIGATIONS OF THE CITY AND THE TIRZ

A. Project Plan and Financing Plan

Any member of the County Commissioners Court may review and comment upon any amendment to the Plan before any amendments thereto are submitted to the City Council for approval. At the request of any member of the County Commissioners Court, the City agrees to make a formal presentation to the County Commissioners Court of any proposed amendments to the Plan or changes in boundaries of the Zone at least sixty (60) days prior to their submission to the City Council for approval. County participation in such an amendment or expansion requires a favorable vote by the County Commissioners Court and an amendment to the terms of this Amended Agreement, prior to any approval by City Council. Failure of the City and/or the TIRZ to receive County Commissioners Court approval will result in the County's non-participation in such Plan amendment and/or boundary alteration.

B. Disposition of Tax Increment

Upon termination of the TIRZ, and after all bonded or other indebtedness of the Authority or the TIRZ secured by or payable from the Tax Increment Fund has been paid, the City and the TIRZ shall refund to the County, within thirty (30) days of said termination, all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation paid by the County into the Tax Increment Fund.

C. Audits

The Authority shall provide to the City and County a copy of each audit, as may be required by any present or future agreement entered into by or on behalf of the TIRZ and/or the Authority, within thirty (30) days of receipt of each audit. In addition, the Authority shall provide to the City and County a copy of all reports, studies and analyses prepared by the TIRZ, the Authority, or others that concern the expenditure of Tax Increment Fund or repayment of bonded indebtedness of the TIRZ or the Authority.

The County shall have the right to audit the City's Tax increment Fund and/or the books and records of the TIRZ or the Authority upon thirty (30) days written notice to the TIRZ and the Authority. Any such audit shall be at the County's expense.

D. Administrative Fees

The City shall forego acceptance of any administrative fee out of the County's Tax Increment Participation that may be permitted by current or future federal, state, or local law, whether deducted from the County Tax Increment Participation as received or reimbursed by the TIRZ at a later date.

VI. TERM AND TERMINATION

A. Agreement Term

The term of the Agreement shall commence with the tax year beginning on January 1, 2014 (calendar year beginning January 1, 2015). This Amended Agreement becomes effective as of the date of the final signature hereto. The term of this Amended Agreement shall commence with the tax year beginning on January 1, 2015 (calendar year beginning January 1, 2016). The County may terminate the Agreement and/or this Amended Agreement on the earlier of the tax year ending December 31, 2042 (calendar year ending December 31, 2043), or when the County Tax Increment Participation is no longer required to cover bond or other debt service, unless

earlier terminated by the parties hereto, whichever occurs first. In the event bonds or other debt are issued, the County's participation shall not increase. It is the intent of the parties that the County's participation in the Zone, or any expansion thereof, is limited to the term stated herein. Nothing in the Agreement and this Amended Agreement, however, limits the authority of the County Commissioners Court to extend the term of the Agreement and/or this Amended Agreement or increase the amount of the County Tax Increment Participation in the TIRZ, as set forth in Section IV of this Amended Agreement. Upon termination of the Agreement and/or this Amended Agreement, the obligation of the County to contribute to the Tax Increment Fund for the TIRZ shall end. However, the obligations of the City and the TIRZ to refund any overpayment by the County shall survive such termination.

B. Early Termination

The TIRZ may terminate pursuant to the provisions of Texas Tax Code Chapter 311. If the City's participation ceases or is decreased, then the County's participation may cease or be decreased by the same pro rata percentage at the option of the County.

VII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County's, or any other party's, contributions or participation, then neither the County, nor any other party, shall have any liability for any incremental or other payments as may otherwise be provided for in the Agreement and this Amended Agreement.

B. Entire Agreement

This Amended Agreement merges the prior negotiations and understandings of the parties hereto and embodies the entire agreement of the parties, and there are no other agreements, assurances, conditions, covenants (express or implied) or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous, with the execution hereof. In the event of a conflict between the Agreement and this Amended Agreement, this Amended Agreement shall prevail.

C. Written Amendment

Unless otherwise provided herein, this Amended Agreement may be amended only by written instrument duly executed on behalf of each party.

D. Notices

All notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third (3rd) day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other party at the address prescribed in Section I of this Amended Agreement or at such other address as the receiving party may have theretofore prescribed by notice to the sending party.

E. Non-Waiver

Failure of any party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any other right or remedy occurring as a result of any future default or failure of performance.

F. Assignment

No party shall assign this Amended Agreement at law or otherwise without the prior written consent of the other parties. No party shall delegate any portion of its performance under this Amended Agreement without the written consent of the other parties.

G. Successors

This Amended Agreement shall bind and benefit the parties and their legal successors. This Amended Agreement does not create any personal liability on the part of any officer, agent or employee of the City, the City Council, the TIRZ, the Board, the Authority, the County, or the County Commissioners Court.

H. No Waiver of Immunity

No party hereto waives or relinquishes any immunity or defense on behalf of itself, officers, employees, and agents as a result of its execution of this Amended Agreement and performance of the covenants contained herein.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the City, County, the Authority and the TIRZ have made and executed this Amended Agreement in multiple copies, each of which is an original.

ATTEST/SEAL:

CITY OF HOUSTON

By: _____
Name: ANNA RUSSELL
City Secretary

By: _____
ANNISE PARKER
Mayor, City of Houston

APPROVED AS TO FORM:

COUNTERSIGNED:
CONTROLLER, CITY OF HOUSTON

By: _____
Name: _____

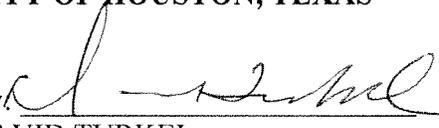
First Assistant City Attorney

By: _____
RONALD GREEN
Date Signed: _____

ATTEST/SEAL:

**TAX INCREMENT REINVESTMENT
ZONE NUMBER TWENTY-FOUR,
CITY OF HOUSTON, TEXAS**

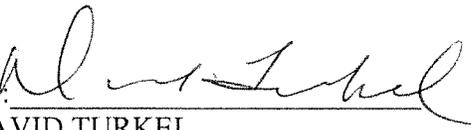
By: 
Name: _____
Secretary, Board of Directors

By: 
DAVID TURKEL
Chairperson, Board of Directors
Date Signed: 6-24-2015

ATTEST/SEAL:

**HARRIS COUNTY
REDEVELOPMENT AUTHORITY**

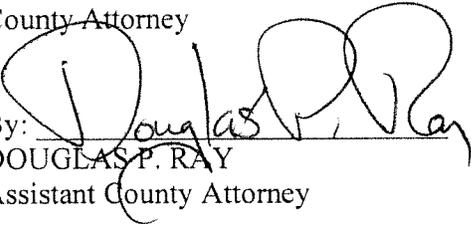
By: 
Name: _____
Secretary, Board of Directors

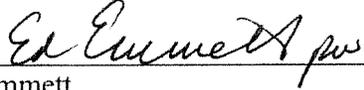
By: 
DAVID TURKEL
Chairman, Board of Directors
Date Signed: 6-24-2015

APPROVED AS TO FORM:

HARRIS COUNTY

VINCE RYAN
County Attorney

By: 
DOUGLAS P. RAY
Assistant County Attorney

By: 
Ed Emmett
County Judge, Harris County

Date Signed: 'JUL 14 2015

Exhibit A

Boundary Description of Greater Houston
Tax Increment Investment Zone Number Twenty-Four
(Proposed Annexation)

Being **192.72** acres, more or less, situated in the City of Houston, Harris County, Texas and being more particularly described as follows:

1. Commencing at an intersection with northern Right-of-Way (R.O.W.) of Polk Street and the western R.O.W of Milby Street to form a corner and the PLACE OF BEGINNING (POB) for a non-contiguous annexation area for TIRZ 24.
2. THENCE Southwesterly along western R.O.W. of Milby Street, to a corner at the intersection of the northern R.O.W. of Interstate Highway 45 and the western R.O.W. of Milby Street.
3. THENCE Southeasterly along northern R.O.W. of Interstate Highway 45, to a corner at the intersection of the eastern R.O.W. of South Lockwood Drive and the northern R.O.W. of Interstate Highway 45.
4. THENCE Northeasterly along eastern R.O.W of South Lockwood Drive, to a corner at the intersection of the northern R.O.W. of Leeland Street and the eastern R.O.W of South Lockwood Drive Street.
5. THENCE Northwesterly along the northern R.O.W. of Leeland Street, to a corner at the intersection of the northern R.O.W of Leeland Street and western R.O.W. of Ernestine Street.
6. THENCE Southwesterly along the western R.O.W of Ernestine Street, to a corner at the intersection of the northern R.O.W. of Harby Street and western R.O.W of Ernestine Street.
7. THENCE Northwesterly along northern R.O.W. of Harby Street, to a corner at the intersection of the western R.O.W. of Sidney Street and the northern R.O.W. of Harby Street.
8. THENCE Northeasterly along the eastern R.O.W of Sidney Street, to a corner at the intersection of the northern R.O.W. of Leeland Street and western R.O.W of Sidney Street.
9. THENCE Westerly along northern R.O.W. of Leeland Street, to a corner at the intersection of the northern R.O.W. of Leeland Street and the eastern R.O.W. of Cullen Boulevard.
10. THENCE Northerly along the eastern R.O.W of Cullen Boulevard, to a corner at the intersection of the northern R.O.W. of Polk Street and eastern R.O.W of Cullen Street.
11. THENCE Northwesterly along northern R.O.W. of Polk Street to the P.O.B.

Exhibit B

**REINVESTMENT ZONE NUMBER TWENTY-FOUR
CITY OF HOUSTON, TEXAS**

Greater Houston TIRZ

Final Project Plan and Reinvestment Zone Financing Plan

Including 2015 Annexation

_____, 2015

REINVESTMENT ZONE NUMBER TWENTY-FOUR

CITY OF HOUSTON, TEXAS

GREATER HOUSTON ZONE

Final Project Plan and Reinvestment Zone Financing Plan

Table of Contents

I INTRODUCTION.....	2
II OVERVIEW.....	2
Section 2.01 Criteria for Designation of a Reinvestment Zone	3
Section 2.02 Project Plan Summary.....	3
Section 2.03 Public Works.....	3
Section 2.04 Cultural and Public Facilities.....	3
III PROJECT PLAN	
Section 3.01 Existing and Proposed Land Use Within the Zone	3
Section 3.02 Proposed Changes of Zoning Ordinances, Master Plan of Municipality, Building Codes, and Other Municipal Ordinances	4
Section 3.03 Estimated Non-Project Cost Items.....	4
Section 3.04 Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Plan	4
IV FINANCING PLAN.....	4
Section 4.01 Estimated Project Costs	4
Section 4.02 Proposed Kind, Number, and Location of All Public Works or Public Improvements Financed by the Zone	4
Section 4.03 Economic Feasibility	4
Section 4.04 Estimated Amount of Bond Indebtedness; Estimated Time When Related Costs or Monetary Obligations Incurred	4
Section 4.05 Methods and Sources of Financing Project Costs and Percentage of Increment from Taxing Units Anticipated to Contribute Tax Increment to the Zone	5
Section 4.06 Current Total Appraised Value of Taxable Real Property.....	5
Section 4.07 Estimated Captured Appraised Value of Zone During Each Year of Existence	5
Section 4.08 Zone Duration	5
EXHIBITS	
Exhibit 1 – Project Costs	
Exhibit 1a – Revenue Schedule	
Exhibit 1b – Annexation Area Revenue Schedule	
Exhibit 1c – Combined Revenue Schedule	
Exhibit 2 – Existing Land Uses in the Zone	
Exhibit 3 – Map of TIRZ 24 Southern Area	
Exhibit 3a – Map of TIRZ 24 Northern Area	
Exhibit 3b – Map of TIRZ 24 Proposed Annexation Area	
Exhibit 4 – CDS Economic Feasibility Study	

**REINVESTMENT ZONE NUMBER TWENTY-FOUR
CITY OF HOUSTON, TEXAS**

GREATER HOUSTON TIRZ

Final Project Plan and Reinvestment Zone Financing Plan

**I
INTRODUCTION**

The purpose of the Final Project Plan and Reinvestment Zone Financing Plan (the “Plan”) for Reinvestment Zone Number Twenty-Four, City of Houston, Texas, also known as the Greater Houston Tax Increment Reinvestment Zone (the “TIRZ” or the “Zone”), is to establish a project and financing plan to facilitate the redevelopment and development of 7,109.12 acres of parcels plus rights of way and 192.72 acres of proposed annexation area which will attract private investment, including the redevelopment of approximately 3,305.36 acres of vacant, underdeveloped land or oil field properties. The intent of the Plan is to ensure that the revitalization of the TIRZ and accompanying improvements will result in the long-term stability and viability of the TIRZ.

**II
OVERVIEW**

The TIRZ was designated by City of Houston Ordinance No. 2012-1048 on December 12, 2012, for the purposes of revitalization and development of the Zone, and a non-contiguous annexation of 192.72 acres was enacted on _____, 2015 bringing the total acreage of the Zone to its current total. This new total of 7,588.36-acre area includes over 3,305.36 acres of vacant or underdeveloped land, old oil fields and under-utilized industrial property which impair the development of the TIRZ for housing or commercial uses and 4,283.50 presently developed acres that may present opportunities for future redevelopment. The TIRZ can be used to attract development to the area and address decades of blighted, underdeveloped and undeveloped properties while creating jobs, new development and enhancing the quality of life within the Zone.

The intent of the proposed annexation is to address issues of blight, infrastructure need and the investment of increment in the redevelopment of vacant or underdeveloped post-industrial land uses. The area of the proposed annexation represents a logical boundary for revitalization along Interstate Highway 45, Cullen and Polk Streets.

Consistent with the Plan, the City may acquire blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed real property or other property in a blighted area or in a federally assisted new community in the TIRZ for the preservation or restoration of historic sites, beautification or conservation, the provision of public works or public facilities, or other public purposes; and/or acquire, construct, reconstruct, or install public works, facilities, or sites or other public improvements, including utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, parks, flood and drainage facilities, or parking facilities, but not including educational facilities; affordable housing and/or other eligible project costs as defined in Chapter 311 of the Texas Tax Code, which may be amended from time to time. The eligible projects must also be reviewed and approved by Harris County Commissioners Court. The TIRZ

is composed of a noncontiguous geographic area that includes the area near NRG Stadium generally bounded by Old Spanish Trail, Alameda Genoa Road, State Highway 288 and Main Street and the eastern portion of the Houston Central Business District abutting Reinvestment Zone Numbers Two (Midtown Zone), Three (Main Street/Market Square Zone), Thirteen (Sixth Ward Zone), Fifteen (East Downtown Zone) and Twenty-One (Hardy/Near Northside Zone), and a proposed annexation area generally bounded by Polk Street, South Lockwood Street, Interstate Highway 45 and Leeland Street.

Section 2.01 Criteria for Designation of a Reinvestment Zone. The Zone includes 7,588.36 acres of which 3305.36 acres of vacant or underdeveloped land that would remain vacant and underdeveloped but for the designation of the TIRZ. The TIRZ meets the criteria and requirements of Texas Tax Code Section 311.005 for designation of a reinvestment zone because the area substantially arrests or impairs the sound growth of the City, retards the provision of housing accommodations and constitutes an economic and social liability and is a menace to the public health, safety, morals and welfare in its present condition because of the predominance of defective or inadequate sidewalk or street layout. The TIRZ further seeks to attract private investment for the development of transit oriented projects including, but not limited to Light Rail, Commuter Rail expansion or other forms of transit oriented development (“TOD”), in keeping with agency plans.

Section 2.02 Project Plan Summary: The Plan contemplates revitalization within the TIRZ as a result of the designation of the TIRZ. The projected 2012 base year value for the TIRZ was \$2,503,707,535. The approximate 2015 value is \$3,929,200,541 as the result of the annexation. The Plan currently estimates a conservative Captured Appraised Value (“CAV”) over the next 30 years based on a 3% annual appreciation in real property values. However, the actual growth will be used to finance project improvements and market studies indicated a higher real property growth rate could be achieved.

Section 2.03 Public Works: The TIRZ desires to acquire, construct, reconstruct, or install public works, facilities, or sites or other public improvements, including utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, parks, flood and drainage facilities, or parking facilities, but not including educational facilities.

Section 2.04 Cultural and Public Facilities: The TIRZ desires to promote the development of all lawful eligible public improvements, including places of assembly, for the economic development of the TIRZ under Chapter 311 of the Texas Tax Code. The TIRZ and the County may use any available legal authority to facilitate the purchase and assembly of property to accomplish the development of such public facilities and economic development in the area surrounding such facilities.

III

PROJECT PLAN

Section 3.01 Existing and Proposed Land Use Within the Zone (Texas Tax Code § 311.011(b) (1)): **Exhibit 2** is a chart of existing land uses within the TIRZ and the proposed annexation.

Section 3.02 Proposed Changes of Zoning Ordinances, Master Plan of Municipality, Building Codes, and other Municipal Ordinances (Texas Tax Code § 311.011(b) (2)): There is no zoning ordinance in this TIRZ, and there are no proposed changes to any City ordinance, master plan or building code. Any construction will be done in conformance with the City's existing rules and regulations.

Section 3.03 Estimated Non-Project Cost Items (Texas Tax Code § 311.011(b) (3)): The City of Houston has CIP improvements programmed within the TIRZ totaling an estimated \$17,000,000. Harris County Improvement District Number Eight was created to facilitate the revitalization of the former Astroworld site. The Houston Downtown Management District has allocated dollars to be expended within the TIRZ to fund affordable housing, public safety, graffiti abatement, landscape maintenance, and illegal dumping cleanup programs. The City has also indicated a willingness to support City Chapter 380 programs within the TIRZ on a case by case basis.

Section 3.04 Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Plan (Texas Tax Code § 311.011(b) (4)): It is not anticipated that any residents will be displaced by any impacts from the projects to be undertaken in the TIRZ.

IV FINANCING PLAN

Section 4.01 Estimated Project Costs (Texas Tax Code § 311.011(c) (1)): **Exhibit 1** is a detailed listing of the estimated project costs including estimated administrative and non-project costs. The estimated project costs in the Plan will be adjusted annually according to the Engineering News Record Construction Cost Index (ENR Index). **Exhibit 1a** is the projected Revenue Schedule for the TIRZ, which details the expected total appraised value from moderate tax base growth as supported by the Economic Feasibility Study, the CAV, and the net revenue from each taxing entity participating in the TIRZ over the life of the TIRZ.

Section 4.02 Kind, Number, and Location of All Public Works or Public Improvements Financed By the Zone (Texas Tax Code § 311.011(c) (2)): **Exhibit 1** is a listing of the kind, number and proposed financial allocation of public works or public improvements pursuant to Section 311.011(c) (2) of the Texas Tax Code.

Section 4.03 Economic Feasibility (Texas Tax Code § 311.011(c) (3)): **Exhibit 4** is a Market and Economic Feasibility Study of the TIRZ produced independently by CDS Market Research. The Economic Feasibility Study, through its projection of moderate growth, concludes that TIRZ 24 demonstrates the clear potential for generating significant economic activity and tax increment over the life of the Zone upon implementation of the Plan. The board of directors of the Zone and the City find and determine that the Plan is economically feasible.

Section 4.04 Estimated Amount of Bond Indebtedness; Estimated Time When Related Costs or Monetary Obligations Incurred (Texas Tax Code §§ 311.011(c) (4), 311.011(c) (5)): 2012 preliminary project costs are estimated at \$333,808,000 and 2015 amended project costs are estimated at \$363,808,000. Bonds may be required to implement the Plan within the next 30 years. Any associated costs of issuance will be determined at the time of the actual transaction(s).

Section 4.05 Methods and Sources of Financing Project Costs and Percentage of Increment from Taxing Units Anticipated to Contribute Tax Increment to the Zone (Texas Tax Code § 311.011(c) (6)): The tax increments generated within the Zone will be sourced in accordance with the Operating Agreement made by and among the Harris County Redevelopment Authority (the “Authority”), a non-profit local government corporation organized and existing under the laws of the State of Texas; the City of Houston, Texas (the “City”), a municipal corporation and a home-rule city in the State of Texas; and Reinvestment Zone Number Twenty Four, City of Houston, Texas (the “Zone”), a reinvestment zone created by the City pursuant to Chapter 311, Texas Tax Code, as amended (the “TIRZ Act”).

Section 4.06 Approximate Total Appraised Value of Taxable Real Property (Texas Tax Code § 311.011(c) (7)): The total appraised value of taxable real property in the TIRZ as of January 1, 2015 is \$3,929,200,541.

Section 4.07 Estimated Captured Appraised Value of Zone During Each Year of Existence (Texas Tax Code § 311.011(c) (8)): The estimated CAV of the Zone during each year of its duration is set forth in **Exhibit 1a**.

Section 4.08 Zone Duration (Texas Tax Code § 311.011(c) (9)): The TIRZ will terminate on December 31, 2042, unless extended by mutual agreement of the City and Harris County.

EXHIBIT 1 – Project Costs

Project Costs: The following table includes the approved project costs for the Plan. These project costs may be adjusted from time to time as provided below and line items may be adjusted by the TIRZ Board, provided that the adjustments do not increase total estimated project costs. These estimated project costs are based on updated 2012 dollars that will be adjusted according to the Engineering News Record Construction Cost Index (ENR Index) and overall project costs will be adjusted to the CPI on an annual basis. Such automatic adjustments are included as project costs and shall not require an amendment of the Plan.

Project Cost : These estimated budget costs are based on 2012 dollars that will be adjusted according to the Engineering News Record Construction Cost Index (ENR Index) and overall budget totals adjusted to the CPI on an annual basis.

	Estimated Costs 2012-2042	Cumulative
Infrastructure Improvements:		
Infrastructure Improvements: paving, utilities, landscape architecture & improvements, sidewalk/trails, detention, and remediation.	\$ 186,120,000	\$ 186,120,000
Total Development Related Infrastructure Improvements -	<hr/>	
	\$ 186,120,000	\$ 186,120,000
Other Project Costs:		
<hr/>		
	\$ 186,120,000	\$ 186,120,000
Other Project Costs:		
		\$ -
Cultural and Public Facilities		
Planning, Design, Open Space Improvements, and Construction of Publicly-Owned Facilities	\$ 140,000,000	\$ 140,000,000
Public Facilities Improvements	\$ 140,000,000	\$ 140,000,000
Land Acquisition		
Land Assembly, Site Preparation	\$ 5,000,000	\$ 5,000,000
Total Land Acquisition	\$ 5,000,000	\$ 5,000,000
Project Financing Costs		
Financing Cost (any actual financing costs will be determined at the time of project initiation)	\$ 27,688,000	\$ 27,688,000
Total Project Financing Costs	\$ 27,688,000	\$ 27,688,000
Zone Creation, Administration and Operation		
Creation of the Zone	\$ 5,000,000	\$ 5,000,000
Total Creation Costs	\$ 5,000,000	\$ 5,000,000
Jurisdictional Transfers		
City of Houston		
Zone Participation	\$ 29,848,859	\$ 29,848,859
City of Houston Administrative Fee	\$ (29,848,859)	\$ (29,848,859)
Total Jurisdictional Transfers	\$ 0.00	\$ 0.00
PROJECT PLAN TOTAL		
	\$ 363,808,000	\$ 363,808,000

If TIRZ performance exceeds moderate growth projections, the budget would be adjusted accordingly. Categories of project estimates may be adjusted between line items as determined by the Board.

EXHIBIT 1a – Revenue Schedule

TAX INCREMENT REINVESTMENT ZONE NUMBER 24 with 65% Participation from Harris County
DRAFT 2012 - 2042 Revenue Schedule

Tax Year	Projected Growth Rate per CDS Market Study	INCREMENT CREATED FROM MODEST GROWTH PER MARKET STUDY										TIRZ CASHFLOW									
		City Taxable Value Base Year 2012*	City Captured Taxable Value	City Incremental Revenue at \$0.63/108/100 Tax Rate	City Participating Revenue at 5% of \$0.63/108/100 Tax Rate	County Taxable Value Base Year 2014*	County Captured Taxable Value	County Incremental Revenue at \$0.44/67 Tax Rate	County Participating Revenue Generated at 65% Participation on \$0.44/67/100**	City Admin Fee at 5%	TIRZ Creation Costs, Operations & Management Expense**	Net County TIRZ Revenue after Fees and Estimated Non-Project Expenses									
2012		2,618,445,799																			
2013		2,958,778,377	340,332,578	2,108,658	105,433	3,864,443,068	64,757,473	279,310	181,557	3,929,200,541	339,801,511	1,465,066	957,683	401,188	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2014		3,864,443,068	1,245,997,289	7,627,342	381,367	3,929,200,541	1,310,754,742	8,023,754	401,188	4,204,244,519	587,851,941	2,535,581	1,498,128	561,293	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2015		3,929,200,541	1,310,754,742	8,023,754	401,188	4,204,244,519	1,585,798,780	9,707,423	465,371	4,452,295,009	637,606	3,611,010	2,347,156	637,606	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2016	7.0%	4,204,244,519	1,585,798,780	9,707,423	465,371	4,452,295,009	1,833,849,210	11,275,864	561,293	4,701,623,530	876,963,262	4,645,265	3,019,422	710,997	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2017	5.9%	4,452,295,009	1,833,849,210	11,275,864	561,293	4,701,623,530	2,083,177,731	12,759,122	637,606	4,941,406,330	1,076,963,262	5,838,835	3,795,243	795,694	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2018	5.6%	4,701,623,530	2,083,177,731	12,759,122	637,606	4,941,406,330	2,322,960,531	14,219,947	710,997	5,218,125,084	1,245,024,520	7,009,217	4,555,991	878,745	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2019	5.1%	4,941,406,330	2,322,960,531	14,219,947	710,997	5,218,125,084	2,590,679,285	15,913,874	795,694	5,489,467,588	1,399,431,900	8,193,102	5,325,517	962,754	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2020	5.6%	5,218,125,084	2,590,679,285	15,913,874	795,694	5,489,467,588	2,871,021,789	17,455,073	878,745	5,763,940,968	1,589,431,900	9,585,352	6,320,479	1,061,548	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2021	5.2%	5,489,467,588	2,871,021,789	17,455,073	878,745	5,763,940,968	3,145,485,169	19,255,073	962,754	6,086,721,662	1,799,431,900	10,924,288	7,100,794	1,156,561	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2022	5.0%	5,763,940,968	3,145,485,169	19,255,073	962,754	6,086,721,662	3,468,275,863	21,230,967	1,061,548	6,397,144,467	2,022,278,584	12,386,717	8,051,366	1,260,335	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2023	5.1%	6,086,721,662	3,468,275,863	21,230,967	1,061,548	6,397,144,467	3,778,598,668	23,131,213	1,156,561	6,706,475,166	2,272,032,098	13,867,588	9,033,432	1,367,547	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2024	5.3%	6,397,144,467	3,778,598,668	23,131,213	1,156,561	6,706,475,166	4,117,747,324	25,208,691	1,260,335	7,086,475,166	2,540,923,480	15,273,062	9,927,490	1,465,151	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2025	5.2%	6,706,475,166	4,117,747,324	25,208,691	1,260,335	7,086,475,166	4,468,029,367	27,350,935	1,367,547	7,405,366,548	2,822,032,098	16,582,666	10,778,733	1,558,081	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2026	4.5%	7,086,475,166	4,468,029,367	27,350,935	1,367,547	7,405,366,548	4,786,920,749	29,303,020	1,465,151	7,708,966,577	3,100,923,480	17,979,215	11,668,468	1,657,161	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2027	4.2%	7,405,366,548	4,786,920,749	29,303,020	1,465,151	7,708,966,577	5,090,540,778	31,161,623	1,558,081	8,032,764,013	3,384,320,945	19,607,657	12,744,977	1,772,736	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2028	4.1%	7,708,966,577	5,090,540,778	31,161,623	1,558,081	8,032,764,013	5,414,318,214	33,143,619	1,657,161	8,410,303,922	3,654,860,854	21,566,589	14,018,270	1,911,741	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2029	4.2%	8,032,764,013	5,414,318,214	33,143,619	1,657,161	8,410,303,922	5,791,868,123	35,454,720	1,772,736	8,864,460,333	3,940,394,143	23,895,065	15,631,805	2,076,974	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2030	4.7%	8,410,303,922	5,791,868,123	35,454,720	1,772,736	8,864,460,333	6,248,014,594	38,234,828	1,911,741	9,130,394,143	4,238,862,736	25,111,993	16,327,795	2,163,326	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2031	5.4%	8,864,460,333	6,248,014,594	38,234,828	1,911,741	9,130,394,143	6,511,948,344	39,862,736	1,993,137	9,404,305,968	4,539,862,900	26,111,993	17,176,878	2,252,269	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2032	3.0%	9,130,394,143	6,511,948,344	39,862,736	1,993,137	9,404,305,968	6,785,860,169	41,539,480	2,076,974	9,696,435,147	4,821,992,079	27,656,425	18,841,012	2,343,860	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2033	3.0%	9,404,305,968	6,785,860,169	41,539,480	2,076,974	9,696,435,147	7,067,989,348	43,265,527	2,163,326	9,977,028,201	5,112,228,138	28,966,172	19,731,278	2,438,240	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2034	3.0%	9,696,435,147	7,067,989,348	43,265,527	2,163,326	9,977,028,201	7,358,582,402	45,045,386	2,252,269	10,276,339,047	5,401,923,480	30,355,812	20,648,252	2,535,430	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2035	3.0%	9,977,028,201	7,358,582,402	45,045,386	2,252,269	10,276,339,047	7,657,893,248	46,874,610	2,343,860	10,584,629,219	5,692,319,593	31,766,542	21,592,795	2,634,810	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2036	3.0%	10,276,339,047	7,657,893,248	46,874,610	2,343,860	10,584,629,219	7,966,183,420	48,764,801	2,438,240	10,902,168,095	5,984,790,070	32,716,236	22,445,563	2,734,240	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2037	3.0%	10,584,629,219	7,966,183,420	48,764,801	2,438,240	10,902,168,095	8,283,722,298	50,708,607	2,535,430	11,229,283,138	6,270,186,151	33,766,542	23,356,553	2,834,630	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2038	3.0%	10,902,168,095	8,283,722,298	50,708,607	2,535,430	11,229,283,138	8,610,787,359	52,710,728	2,634,810	11,566,110,132	6,564,650,368	34,716,236	24,267,718	2,934,020	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2039	3.0%	11,229,283,138	8,610,787,359	52,710,728	2,634,810	11,566,110,132	8,947,664,333	54,772,912	2,734,240	11,913,093,436	6,858,630,368	35,676,718	25,181,515	3,033,410	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2040	3.0%	11,566,110,132	8,947,664,333	54,772,912	2,734,240	11,913,093,436	9,294,647,637	56,895,902	2,844,848	12,270,486,239	7,158,630,368	36,627,718	26,096,553	3,132,795	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2041	3.0%	11,913,093,436	9,294,647,637	56,895,902	2,844,848	12,270,486,239	9,602,040,440	59,084,734	2,954,237	12,670,486,239	7,464,630,368	37,581,515	27,000,000	3,228,240	150,000	150,000	150,000	150,000	150,000	150,000	150,000
2042	3.0%	12,270,486,239	9,602,040,440	59,084,734	2,954,237	12,670,486,239	10,000,000,000	61,234,567	3,061,736	13,080,000,000	7,770,000,000	38,500,000	28,000,000	3,317,360	150,000	150,000	150,000	150,000	150,000	150,000	150,000
TOTAL				922,157,056	46,107,653							492,425,780	320,076,757	46,107,653	4,700,000						315,376,757

Assumes 97% collection rate - Moderate growth rate in taxable values

*Base Year is 2012 for City of Houston, but is 2014 for Harris County participation.

**Harris County participation rate is based on Harris County rate (0.417/31) + Flood Control rate (0.027/36)

***TIRZ Operations Budget of \$350,000 is based on actual costs of creation, and an estimated \$150,000 for operations each year thereafter.

Assumes Initial City of Houston participation at 5% of \$0.63875 tax rate and an adjusted 2014 tax rate of \$0.63108. Tax rates may be adjusted in subsequent years.

Assumes no Houston Independent School District participation.

EXHIBIT 1b – Annexation Area Revenue Schedule

TAX INCREMENT REINVESTMENT ZONE NUMBER 24 with 65% Participation from Harris County
DRAFT ANNEXATION AREA 2015 - 2042 Revenue Schedule

Tax Year	Projected Growth Rate per CDS Market Study	INCREMENT CREATED FROM MODEST GROWTH PER MARKET STUDY										TIRZ CASH FLOW						
		City Taxable Value of Annexed Portion Base Year 2015*	City Captured Taxable Value	City Incremental Revenue at \$0.63108/\$100 Tax Rate	City Participating Revenue at 6% of \$0.63108/\$100 Tax Rate	County Taxable Value of Annexed Portion Base Year 2016*	County Captured Taxable Value	County Incremental Revenue at \$0.44467 Tax Rate	County Participating Revenue Generated at 65% Participation on \$0.44467/100**	City Admin Fee at 6%	TIRZ Creation Costs, Operations & Management Expense ***	Net County TIRZ Revenue after Fees and Estimated Non-Project Expenses						
2012																		
2013																		
2014																		
2015																		
2016	7.0%	55,700,000	3,899,000	23,868	1,193	59,599,000	3,899,000	16,818	10,931	83,498,000	3,899,000	16,818	10,931	1,193				10,931
2017	5.9%	83,115,341	27,415,341	167,822	8,391	83,115,341	27,415,341	118,251	76,863	117,769,800	27,415,341	118,251	76,863	8,391				76,863
2018	5.6%	117,769,800	62,069,800	379,959	18,998	117,769,800	62,069,800	177,726	154,042	143,776,060	62,069,800	177,726	154,042	18,998				154,042
2019	5.1%	143,776,060	88,076,060	539,155	26,958	143,776,060	88,076,060	249,898	212,878	181,827,519	88,076,060	249,898	212,878	26,958				212,878
2020	5.6%	181,827,519	126,127,519	772,087	38,604	181,827,519	126,127,519	349,898	311,290	230,846,678	126,127,519	349,898	311,290	38,604				311,290
2021	5.2%	191,282,560	135,582,560	829,965	41,498	191,282,560	135,582,560	389,898	348,042	249,898	135,582,560	389,898	348,042	41,498				348,042
2022	5.0%	200,846,678	145,146,678	888,512	44,426	200,846,678	145,146,678	429,898	385,000	274,902,092	145,146,678	429,898	385,000	44,426				385,000
2023	5.6%	212,004,092	156,394,092	957,363	47,868	212,004,092	156,394,092	479,898	431,129	299,909,092	156,394,092	479,898	431,129	47,868				431,129
2024	5.1%	222,910,890	167,210,890	1,023,577	51,179	222,910,890	167,210,890	519,898	467,910	324,925,168	167,210,890	519,898	467,910	51,179				467,910
2025	5.3%	234,725,168	179,025,168	1,095,898	54,795	234,725,168	179,025,168	579,898	524,123	354,940,354	179,025,168	579,898	524,123	54,795				524,123
2026	5.2%	246,930,876	191,230,876	1,170,615	58,631	246,930,876	191,230,876	629,898	574,143	389,955,454	191,230,876	629,898	574,143	58,631				574,143
2027	4.5%	258,042,768	202,342,768	1,238,636	61,932	258,042,768	202,342,768	689,898	614,161	424,970,642	202,342,768	689,898	614,161	61,932				614,161
2028	4.1%	268,672,519	212,922,519	1,303,400	65,170	268,672,519	212,922,519	749,898	649,179	460,985,526	212,922,519	749,898	649,179	65,170				649,179
2029	4.2%	279,904,665	224,204,665	1,372,463	68,623	279,904,665	224,204,665	809,898	684,197	496,999,409	224,204,665	809,898	684,197	68,623				684,197
2030	4.7%	293,060,184	237,360,184	1,452,985	72,653	293,060,184	237,360,184	869,898	719,215	533,013,393	237,360,184	869,898	719,215	72,653				719,215
2031	5.4%	308,885,434	253,185,434	1,549,869	77,493	308,885,434	253,185,434	929,898	754,233	571,027,276	253,185,434	929,898	754,233	77,493				754,233
2032	3.0%	318,151,997	262,451,997	1,606,594	80,330	318,151,997	262,451,997	989,898	789,251	609,041,160	262,451,997	989,898	789,251	80,330				789,251
2033	3.0%	327,696,557	271,996,557	1,665,020	83,251	327,696,557	271,996,557	1,049,898	814,269	647,055,043	271,996,557	1,049,898	814,269	83,251				814,269
2034	3.0%	337,527,454	281,827,454	1,725,200	86,260	337,527,454	281,827,454	1,109,898	839,287	685,068,926	281,827,454	1,109,898	839,287	86,260				839,287
2035	3.0%	347,653,277	291,953,277	1,787,185	89,350	347,653,277	291,953,277	1,169,898	864,305	723,082,809	291,953,277	1,169,898	864,305	89,350				864,305
2036	3.0%	358,082,876	302,382,876	1,851,030	92,551	358,082,876	302,382,876	1,229,898	889,323	761,096,692	302,382,876	1,229,898	889,323	92,551				889,323
2037	3.0%	368,925,362	313,125,362	1,916,789	95,639	368,925,362	313,125,362	1,289,898	914,341	799,110,575	313,125,362	1,289,898	914,341	95,639				914,341
2038	3.0%	379,890,123	324,190,123	1,984,522	99,728	379,890,123	324,190,123	1,349,898	939,359	837,124,458	324,190,123	1,349,898	939,359	99,728				939,359
2039	3.0%	391,286,827	335,586,827	2,054,287	102,714	391,286,827	335,586,827	1,409,898	964,377	875,138,341	335,586,827	1,409,898	964,377	102,714				964,377
2040	3.0%	403,025,431	347,325,431	2,126,144	106,307	403,025,431	347,325,431	1,469,898	989,395	913,152,224	347,325,431	1,469,898	989,395	106,307				989,395
2041	3.0%	415,116,194	359,416,194	2,200,158	110,003	415,116,194	359,416,194	1,529,898	1,014,413	951,166,107	359,416,194	1,529,898	1,014,413	110,003				1,014,413
2042	3.0%	427,569,680	371,869,680	2,276,391	113,820	427,569,680	371,869,680	1,589,898	1,039,431	989,180,990	371,869,680	1,589,898	1,039,431	113,820				1,039,431
TOTAL				36,969,505	1,797,975			25,337,696	16,469,502			25,337,696	16,469,502	1,797,975				16,469,502

*Assumes 97% collection rate - Moderate growth rate in taxable values.

**Base Year is 2015 for the proposed Annexation Area.

*** Harris County participation rate is based on Harris County rate (0.41731) + Flood Control rate (0.02736)

**** No TIRZ Creation Costs, Operations & Management Expense was projected for Annexation Area as those costs are accounted for in the Original Plan.

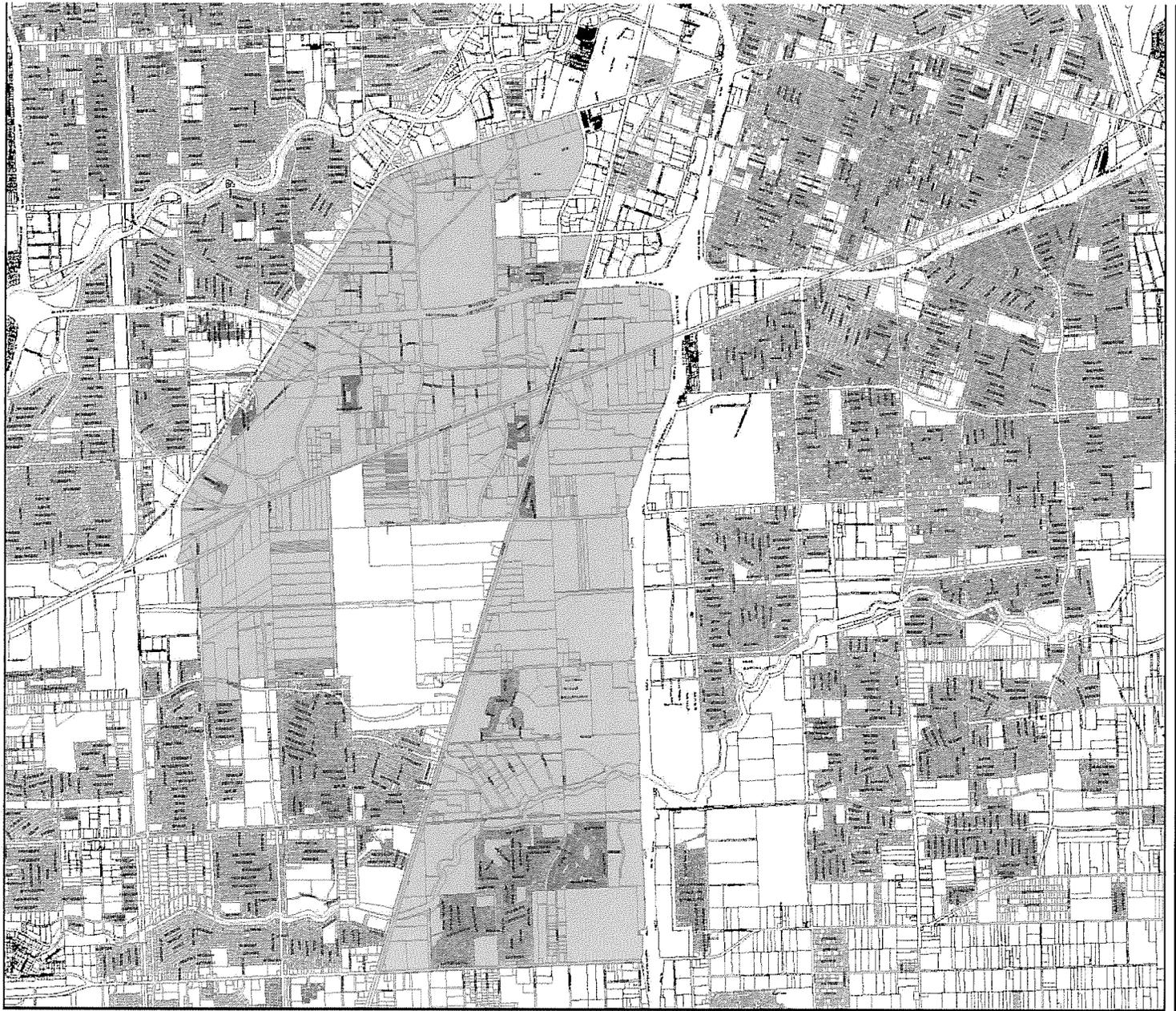
Assumes initial City of Houston participation at 5% of \$0.63108 tax rate for 2015, but tax rates may be adjusted in subsequent years.

Assumes no Houston Independent School District participation.

EXHIBIT 2 – Existing Land Uses in the Zone
Based on 2015 Amended Plan

TIRZ 24		Square Miles	Acres
Land Use	Number of Parcels	% Total Dwellings	
Single Family Residential	2,945	38%	366.97
Multi-Family Residential	483	62%	127.68
Total	7,795 dwellings		
Commercial	411		536.17
Industrial	207		1,229.09
Agricultural	1		0.00
Public/Institutional	23		606.43
Parks/Open Space	126		62.12
Transportation/Utilities	39		107.41
Vacant/Undeveloped	1,609		3,305.36
Office	98		119.67
No Data	116		383.28

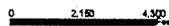
EXHIBIT 3 – Map of TIRZ 24 Southern Area



Legend

-  Northern Sector
-  Southern Sector
-  Parcels
-  Waterway

**City Of Houston
Greater Houston
TIRZ #24**



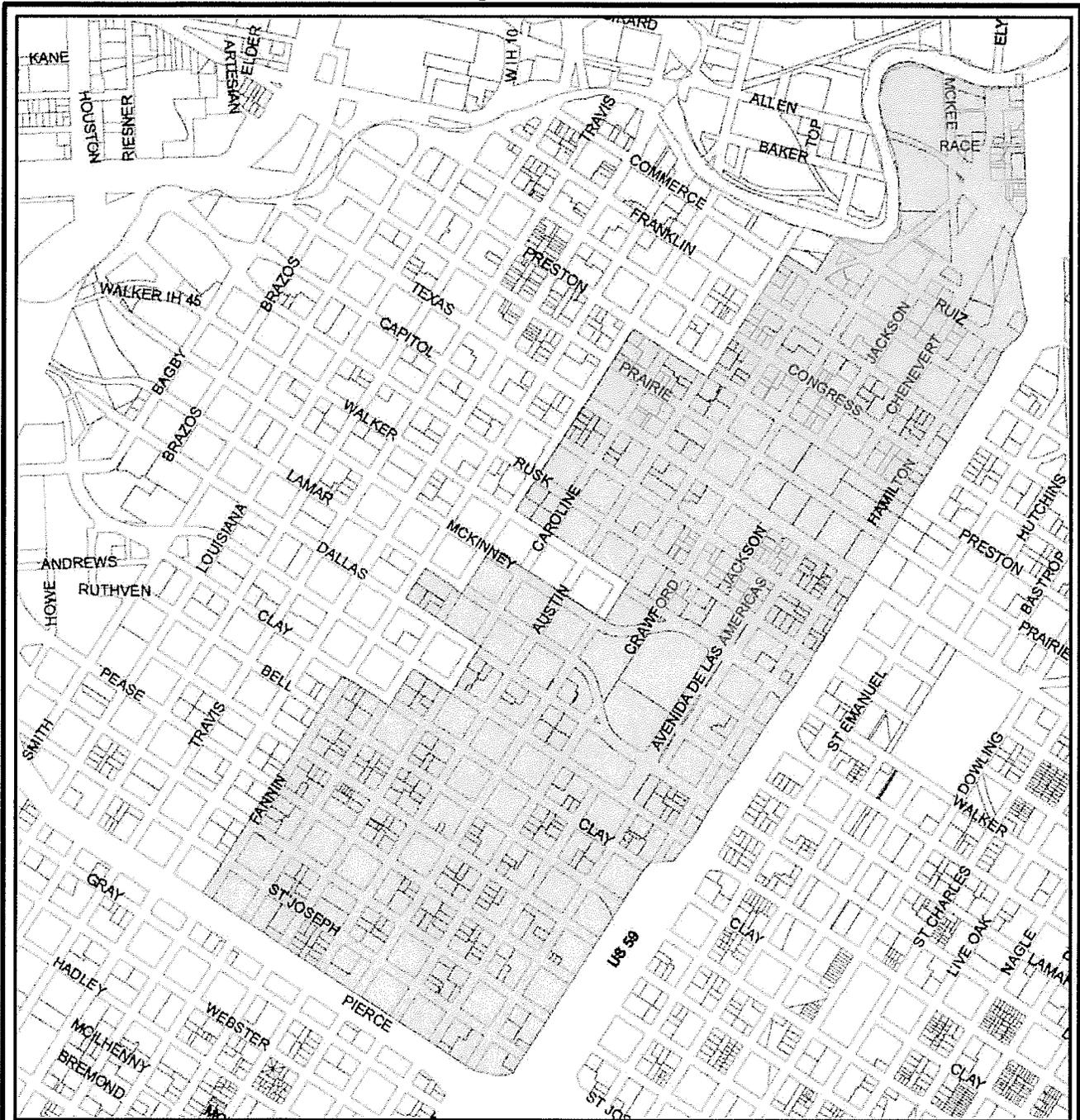
Source: GIS Services Division
Date: November 2012
Reference: pj16606_Proposed



**PLANNING &
DEVELOPMENT
DEPARTMENT**

This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.

EXHIBIT 3a – Map of TIRZ 24 Northern Area



Legend

-  Northern Sector
-  Parcels
-  Waterway

**City Of Houston
Northern Sector
TIRZ #24**



0 500 1,000
Feet

Source: GIS Services Division
Date: November 2012
Reference: pj18808_Northern

This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.



**PLANNING &
DEVELOPMENT
DEPARTMENT**

EXHIBIT 3b – Map of Proposed Annexation Area

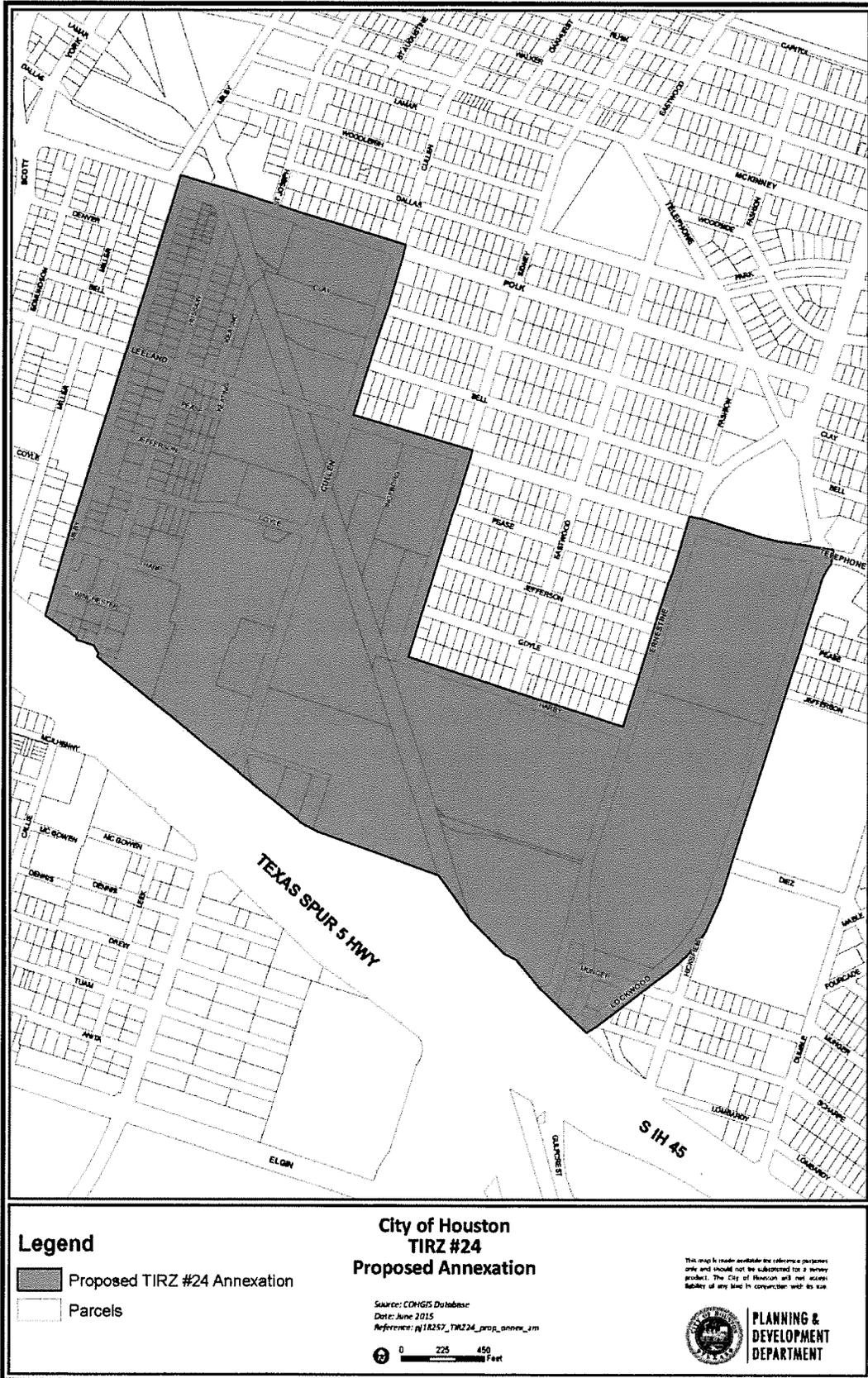


Exhibit 3b

Exhibit 4 – CDS Economic Feasibility Study

Memo

To: David Turkel
Patti Joiner
From: Charlie Savino
Date: 8/28/2011
Re: Valuation Trends Overview - **Updated**

This memo provides a cursory investigation into the Ad Valorem property values in the two proposed Tax Increment Reinvestment Zones (TIRZ) 23 and 24. For some of this analysis, we looked at TIRZ 24, in the eastern section of the Houston central business district.

In total, there were 625 parcels in the revised district boundaries. From the data file acquired from the Harris County Appraisal District (HCAD), the total values for 2008, 2009 and 2010 are shown below.

TIRZ 24 Values

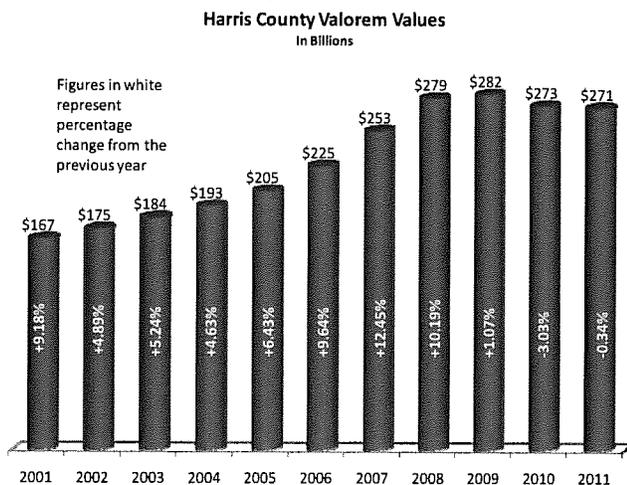
Year	Value	Change	% Change
2010	\$907,566,930	-\$18,042,829	-1.9%
2009	\$925,609,759	\$65,247,481	7.6%
2008	\$860,362,278		

In early 2011, HCAD presented some historical information and some projections for the future.

In Harris County overall, values declined from 2009 to 2010 by about 3.0%.

Some of the comments from that presentation – related to the values in the two TIRZ area presented on the next page.

Harris County Ad Valorem Total Values



Memorandum

Patti Joiner
David Turkel

HCAD Presentation Points January 2011

- Commercial real estate showed evidence that some markets started to come back in 2010
 - Downtown areas saw slight improvements, while suburban areas are still feeling the effects of the economic meltdown
 - A sustained upswing will require sufficient job growth to fill empty office spaces and distribution warehouses; and greater consumer confidence to drive activity in retail
- Office Buildings
 - Softening of the office building market at slower pace than preceding quarters of 2009
 - Negative trends contributing to a general decline in property values:
 - Drop in 2010 sales dollar volume and leasing activity
 - – Increased vacancies
 - – Decline in rental rates
 - Overall, year-to-date net absorption for all classes was positive
 - Excluding Sugar Land and Woodlands resulted in decline of 155,000 square feet.
 - Flattening of 2011 appraised values with a few areas of declining values is expected
- Apartments
 - Have begun to rebound after experiencing one of its weakest years in recent history
 - First property to recover due to short-term lease
 - Investment activity has seen upswing in 2010
 - Strong pricing has emerged as limited amounts of investor grade assets are being offered
 - Sudden halt of new construction in late 2008 and increase in renters created positive absorption during 2010
- Retail
 - Houston’s retail market experienced a slight improvement in market conditions in 3rd Qtr 2010
 - The vacancy rate went from 7.9 percent in the previous quarter to 7.6 percent in the current quarter
 - Net absorption was positive 779,084 square feet, and vacant sublease space decreased by (47,929) square feet

Source: 2011 Outlook for the Value Base, *Property Tax Base Summit*, Harris County Appraisal District, January 27, 2011

The table on the right illustrates HCAD’s early estimate of taxable values for 2011. – a decline overall of 2.7%. The largest declines were predicted in apartment and commercial properties.

However, a recent report from HCAD as reported in the Houston Chronicle stated that the certified tax rolls for 2011 were only 0.34% lower than 2010

Harris County – Preliminary Estimate of 2011 Taxable Value			
	(\$\$\$ BILLIONS \$\$\$)		
	2010	2011	Overall %
	Tax Base	Tax Base	Change
Residential & Rural Improved	\$117.451	\$116.130	-1.125%
Apartments	\$18.050	\$17.020	-5.706%
Commercial	\$60.677	\$56.659	-6.622%
Vacant Land	\$9.892	\$9.965	0.738%
Industrial Real	\$14.751	\$13.706	-7.084%
Utility	\$4.390	\$4.349	-0.934%
Commercial Personal	\$23.886	\$24.050	0.687%
Industrial Personal	\$23.705	\$23.753	0.202%
Other	\$0.696	\$0.576	-17.241%
2010 Roll: January 21, 2011	2010 Roll Value	2011 Net Total	Net Pct Chg
	\$273.496	\$266.209	-2.664%

Memorandum

Patti Joiner
David Turkel

To estimate the values for 2011, CDS selected a random sample of 64 parcels, representing 10.2% of the total parcels and 12.7% of the 2010 values. We gathered the preliminary 2011 appraisal information for these parcels as compared with previous years. This sample showed an overall increase in ad valorem values from 2010 to 2011. It is important to note that these are not final certified values for all parcels and the 2011 Preliminary values in the table below will likely decline for the final 2011 tally.

2011-2010	No.	2011 Prelim	2010	2009	2008	Change
Decreased	19	18,520,927	19,525,929	21,908,831	17,415,995	-1,005,002
Same	31	6,247,903	6,247,903	6,523,953	6,493,383	0
Increased	14	93,332,892	89,855,418	105,330,209	99,649,199	3,477,474
Totals	64	118,101,722	115,629,250	133,762,993	123,558,577	2,472,472

The increase in property values from 2010 to 2011 was only 2.1% and much of that might be reduced in the final certified tax roles. By way of comparison, those parcels increased 8.3% from 2008 to 2009, and then declined by 13.6% from 2008 to 2009. The 2011 sample parcels' values are 4.4% lower than 2008.

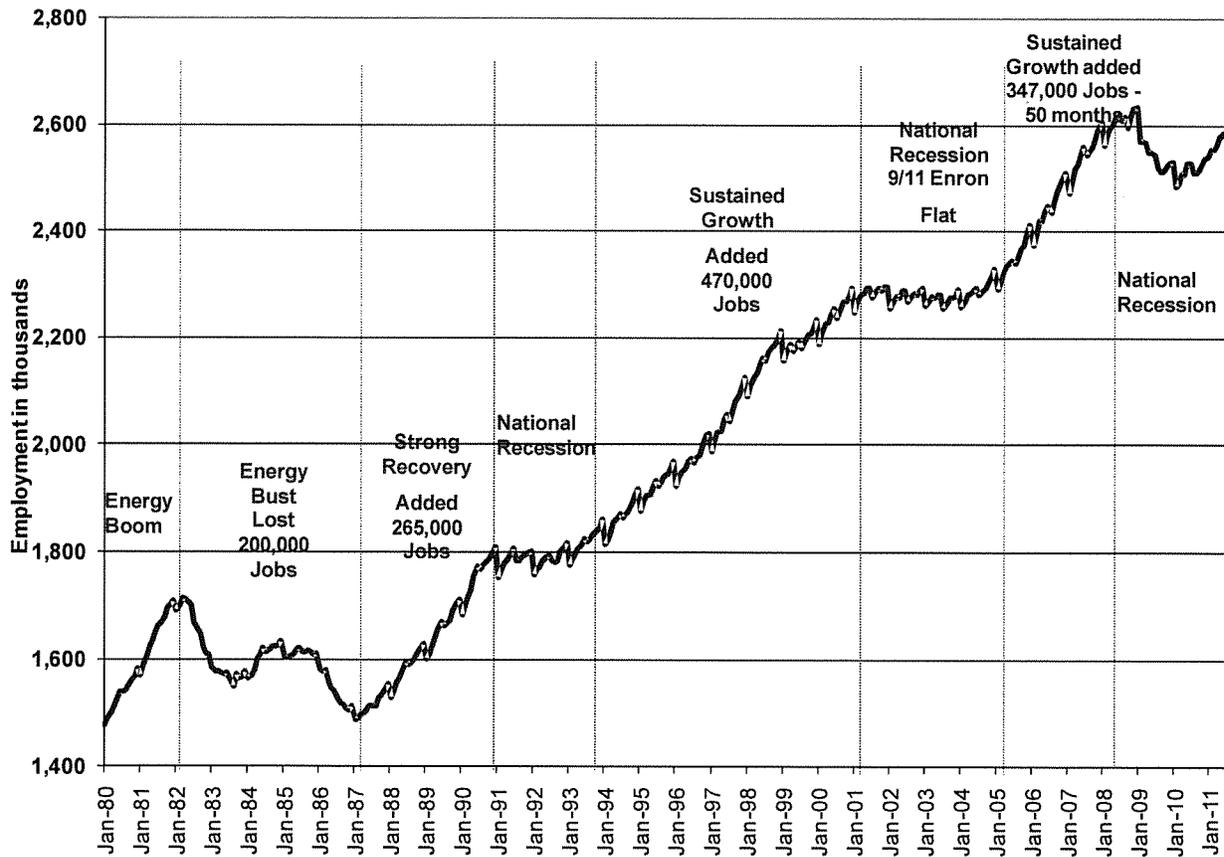
It is important to note that these values include some new construction and does include almost full occupancy of One Park Place which was one of the randomly selected parcels. So, it appears that the values in TIRZ 24 will likely increase slightly or be flat in 2011.

So what might be expected for 2012?

The Houston region is currently back to sustained job growth driven mostly by high oil prices and hiring in upstream energy. The chart below illustrates historical and recent trends of job growth. In the most recent 12-month period from May 2010 to May 2011, the Houston Baytown Sugar Land MSA added 45,000 net new jobs, a 1.8% increase. There is no strong reason to believe that that modest growth will not continue for the next year. Another year of that growth rate will have regional jobs above the previous peak job number of 2.63 million in December of 2008, before Houston joined the national recession and lost 120,000 jobs. Our opinion is that growth in jobs is likely

The Houston region is currently back to sustained job growth driven mostly by high oil prices and hiring in upstream energy. The chart below illustrates historical and recent trends of job growth. In the most recent 12-month period from May 2010 to May 2011, the Houston Baytown Sugar Land MSA added

Houston MSA Long-Term Employment Growth Trends

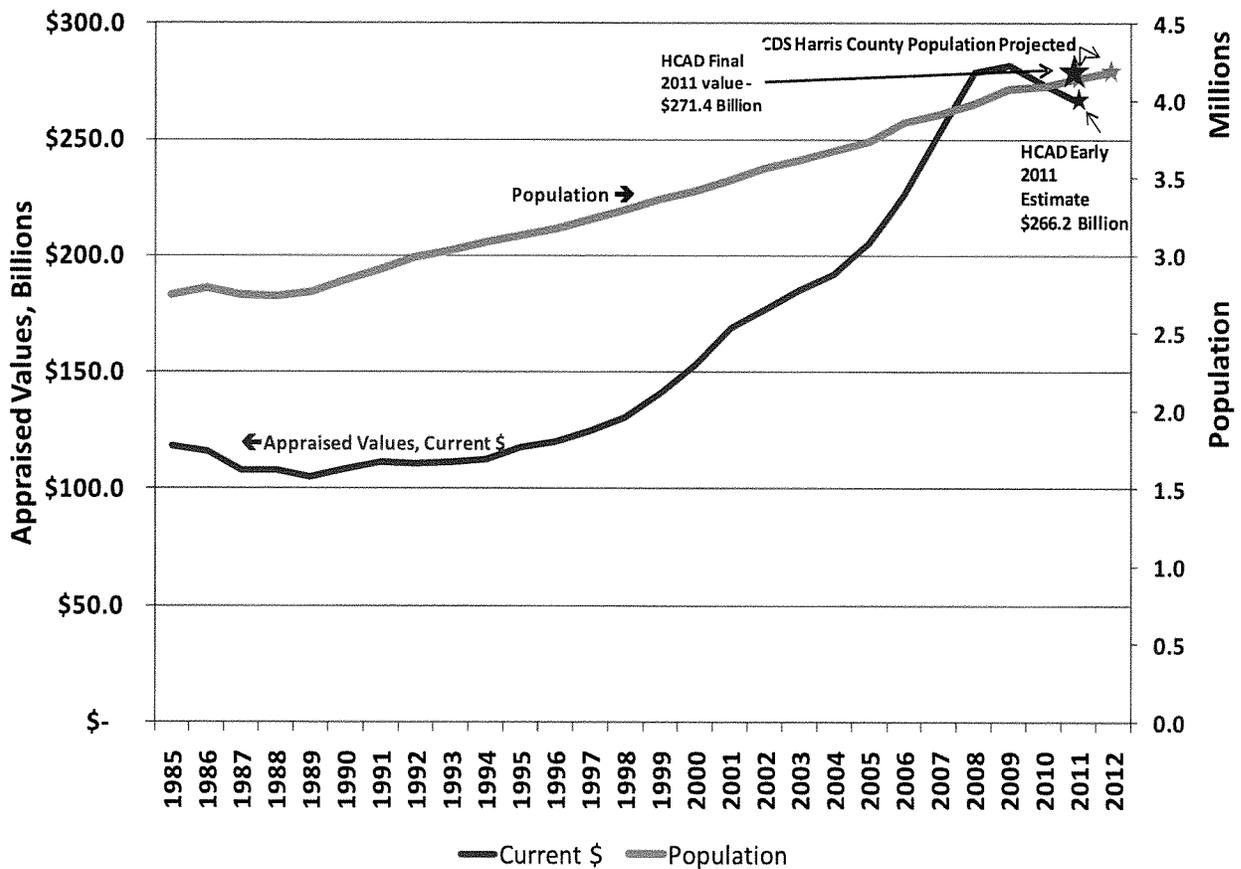


Source: Texas Workforce Commission, June 2010 from Greater Houston Partnership

45,000 net new jobs, a 1.8% increase. There is no compelling reason to believe that that modest growth will not continue for the next year. Another year of that growth rate will have regional jobs higher than the previous peak job number of 2.63 million(December, 2008) before Houston joined the national recession and lost 120,000 jobs. Our opinion is that growth in jobs is likely to continue.

The chart below illustrates a long-term trend in Harris County appraised values plotted against population. Added to the historical data is the early estimate from HCAD of a 2.7% decline in values for 2011 which ultimately was only a 0.34% decline.. Also added are CDS forecasts of Harris County population for 2011 and 2012. As can be seen in the chart, it took almost 10 years for property values to return to the 1985 values.

Harris County Appraised Values vs. Population



That slow recovery in values is not likely to be replicated in this recovery unless the U.S. economy does enter the second phase of a “double-dip” recession. There are two reasons for that view:

1. The Houston region is adding jobs even when the nation is not, largely due to the strength of upstream energy and
2. The job declines of the early 1980s followed a period of euphoria in Houston real estate markets when oil prices were increasing rapidly, the upstream energy sector was adding employees at an amazing pace and all elements of the development industry were operating in overdrive. What was produced was a surplus of housing, retail, office, and industrial properties that took more than 9 years to absorb. That

Memorandum

Patti Joiner
David Turkel

large residential and commercial surplus does not exist in today's recession and recovery.

We expect that the Houston region will see job growth in 2011 to 2015 unless exogenous factors such as: a sharp decline in oil prices; a major cataclysmic event such as a category 4 hurricane; or the U.S. and other world markets enter another phase of the Great Recession.

CONCLUSION

Understanding that unforeseen events could change this prognosis, our conclusion is that the property values in the two TIRZ will likely be flat in 2011 and will begin to rise in 2012. A 2011 Base year for the TIRZ seems to be a good bet. There is some risk that 2012 will decline further from 2011 but the tiny decline of 0.3% in values from 2010 to 2011 suggests that 2011 is likely the bottom for Harris County property values. Since our preliminary look at a random sample of values in one TIRZ showed an increase in values, that the bottom has been reached in property values in the TIRZ seems to be a good assumption.

Independent Market Analysis

Central Houston TIRZ #24

Houston, TX



Prepared for:

Knudson, LP
8588 Katy Freeway,
Houston, TX 77024



December 2009

Table of Contents

Table of Contents	iii
Table of Exhibits	vii
Introduction	1
Proposed TIRZ #24.....	1
Objectives	2
<i>TIRZ 23 Proposal</i>	2
<i>Purpose of the Research</i>	2
<i>Scope of the Research</i>	2
Executive Summary of Findings	3
Area and Subject TIRZ Overview	4
Primary Market Area	4
<i>Other Demographic Characteristics</i>	7
Regional Economic and Employment Overview	8
History and Regional Background	8
<i>The Houston Area Economy</i>	9
<i>Factors Affecting Future Regional Economic Growth</i>	11
<i>Economic Projections</i>	12
<i>Economic Geography</i>	12
Population	15
<i>Historic Growth and Projections</i>	15
<i>Population Growth Accounted for by In-Migration</i>	16
<i>Basis for Projections</i>	16
Regional Housing Trends.....	17
<i>Household Size Trends</i>	17
<i>Housing Type Trends</i>	17
<i>Housing Permit Trends</i>	18
<i>Housing Permit Projections</i>	19
<i>Growth Patterns</i>	19
Regional Office Space Trends	20
Regional Retail Trends.....	22
Regional Industrial Trends.....	24
Regional Hotel Trends	26

Trends in the Competitive Market Area and the TIRZ	28
The Competitive Market Area	28
<i>History</i>	<i>30</i>
<i>Downtown Development</i>	<i>30</i>
<i>Venues.....</i>	<i>31</i>
Analysis of Trends.....	33
<i>Population/Household Trends</i>	<i>33</i>
<i>Although both</i>	<i>34</i>
<i>Cultural Diversity.....</i>	<i>34</i>
<i>Average Age.....</i>	<i>34</i>
<i>Education Level</i>	<i>34</i>
<i>Percentage of Renters/Housing Units.....</i>	<i>35</i>
<i>Household Income.....</i>	<i>35</i>
<i>Healthcare Facilities.....</i>	<i>35</i>
<i>Education/Schools.....</i>	<i>36</i>
<i>Employment</i>	<i>37</i>
<i>Existing Infrastructure.....</i>	<i>38</i>
Residential Trends in the CMA and Zone	40
<i>Single-Family Home Trends.....</i>	<i>41</i>
<i>Condominium Demand and Trends.....</i>	<i>41</i>
<i>CMA Multifamily Residential Market.....</i>	<i>46</i>
<i>Residential Units in the Zone.....</i>	<i>47</i>
Office Trends in the CMA and Zone	48
<i>Office Buildings in the CMA.....</i>	<i>48</i>
<i>Office Buildings in the Zone</i>	<i>53</i>
Retail Trends in the CMA and Zone	55
<i>CMA Retail Development Trends</i>	<i>58</i>
<i>Retail Development in the Zone.....</i>	<i>59</i>
Industrial Trends in the CMA and Zone.....	61
<i>Industrial Facilities in the Zone</i>	<i>63</i>
Hotel Trends in the CMA and Zone	66
<i>Hotel Performance Statistics in the CMA and the Zone.....</i>	<i>66</i>
<i>Hotels in the Zone</i>	<i>67</i>
Land Use Summary Proposed TIRZ 24.....	68
Future Development Potential in the TIRZ	69

Residential - Single-and Multi-Family Markets 69

Housing Demand Projections 69

Office Market 71

Retail Market 72

Industrial Market..... 73

Hotel Market 74

Three TIRZ Growth Scenarios 75

 Scenario 1 – Modest Future Value Growth 75

 Scenario 2 – Projected Growth Using Historical Trends 76

 Scenario 3 –Enhanced Development Potential 77

Development Potential 79

Needed Improvements 80

Enhanced Development Scenario Assumptions 81

Independent statement of opinion 84

 “But-for” Case 84

 Statement of Opinion 84

Appendix - Detailed Demographics 85

Qualifications of the Analyst 96

Table of Exhibits

Aerial Map of the Proposed Central Houston TIRZ 24	1
Primary Market Area	4
Central Houston TIRZ 24 Land Use Map.....	5
Basic Demographics of the Zone	6
Income Characteristics of the Zone.....	7
Houston Sugar Land Baytown Metropolitan Statistical Area (MSA)	8
Industry Shares of Job Change	9
Houston MSA Economic Base Employment	9
Houston MSA Long-Term Employment Growth Trends.....	10
Drivers of the Houston Economy	11
Spot Market Crude Oil and Natural Gas Prices.....	11
Economic Projections from Two Sources	12
From the Perryman Group	12
Major Regional Employment & Activity Centers.....	13
Population Growth Trends and Projections	15
Components of Population Change.....	16
Household Size Trends	17
Housing Type Trends, 1970 – 2008	17
Historic Houston MSA Housing Starts*	18
Average Annual New Housing Starts Projections.....	19
Houston Regional Office Space Trends	20
Houston Regional Office Performance Trends	21
Houston Regional Retail Trends	22
Houston Regional Retail Performance Trends	23
Houston Regional Industrial Trends	24
Houston Regional Industrial Performance Trends	25
Houston Regional Hotel Trends.....	26
Houston Regional Hotel Performance Trends.....	27
Competitive Market Area	28
CMA Population and Household Trends and Forecasts	33
Data from H-GAC	34
CMA Educational Attainment	34
St. Joseph Medical Center	36
Schools in Proximity to Downtown Houston.....	37
Institutions of Higher Education within Downtown Houston	37
Downtown Houston Major Employers.....	38
Overview of Housing in the Housing Market Area	40
Housing Unit Tenure and Structure Trends.....	40
Condominium Sales Trends	41
Residential Market - Immediate Vicinity of the CMA.....	43
Map of Residential Market –Immediate Vicinity of the CMA	45

Historical CMA Performance 46

The Zone Multifamily/Condo Residential Development 47

Office Trends in the CMA 48

Office Performance Trends in the CMA..... 49

Office Buildings in the CMA 50

Office Buildings Under Construction in the CMA 52

Office Buildings in the Zone..... 53

Office Buildings Under Construction in the ZONE 54

Drivers of Downtown Demand 55

Retail Performance Trends in the CMA 56

Retail Performance Trends in the CMA 57

Retail Development Trends 58

Retail Development 2001-2009..... 58

Industrial Trends in the CMA..... 61

Industrial Performance Trends in the CMA..... 62

Industrial Construction in the Zone..... 63

Hotel Trends in the CMA and Zone 66

List of Hotels Currently in the Zone..... 67

Land Use Summary for the Zone 68

New Dwelling Unit Demand Forecast..... 69

Housing Trends Forecast 70

Office Space Trends Forecast 71

Retail Space Trends Forecast..... 72

Industrial Space Trends Forecast..... 73

Drivers of Downtown Hotel Demand 74

Hotel Market Trend Projections 74

Modest Growth Scenario Values 75

Assumed Property Values for New Construction 76

Trend Growth Scenario Values 76

Downtown Livable Center 77

Buffalo Bayou Master Plan Downtown 78

Enhanced Growth Scenario Values 82

Summary of the Projections 83

Introduction

Proposed TIRZ #24

The proposed Central Houston Tax Increment Reinvestment Zone (TIRZ) Number 24 (referred to as The Zone) is located in the northern and eastern portion of the Central Business District of the City of Houston, abutting TIRZ 2, TIRZ 3, TIRZ 13, TIRZ 15, and TIRZ 21. The northern boundaries of The Zone include Edwards Street, Interstate Highway 10, and Harrington Street. The southern boundaries are considered Interstate Highway 45 South, Memorial Drive, Franklin Street, and Allen Street. Eastern boundaries include Interstate Highway 59 and Jensen Drive. The western boundaries are Houston Avenue, Maffitt Street, LaBranch Street, Austin Street, San Jacinto Street and Fannin Street.

The City of Houston with support from Harris County is planning to create a large scale multi-use zone that will facilitate new public facilities and accompanying infrastructure as well as development and revitalization in the Zone

Within the Zone is U.S. Post Office, Amtrak Station, George R. Brown Convention Center, St. Joseph Hospital, Toyota Center, Minute Maid Park, and University of Houston.

Overall, the Zone includes 462 acres of land in a wide variety of existing uses summarized below.

Use	Area, Acres	Square feet
Hotel/Motel	8	1,178,889 sf
Industrial	53	1,804,292 sf
Retail	12	410,795 sf
Office	26	10,396,693 sf
Residential	18	2,233,812 sf
Institutional	67	1,692,755 sf
Other/vacant	278	3,111,419 sf

Aerial Map of the Proposed Central Houston TIRZ 24



Objectives

TIRZ 23 Proposal

The City of Houston and Harris County are proposing to create this tax increment reinvestment zone for the purpose of stimulating the development of this area which has been historically of low value and with low development potential. Tax Increment Financing (TIF) is an economic development tool available to Texas cities to promote both new development and redevelopment within a specific geographic area inside the corporate city limits. The incremental tax proceed from this Zone, as new development and value is added, is expected to be used for improvements to area infrastructure and facilities that will be needed to stimulate further growth of housing opportunities and commercial development.

Purpose of the Research

The purpose of this feasibility study is to provide an independent opinion concerning market and economic support available to new development and to redevelopment of functionally obsolete properties within the proposed Zone both with and without assistance afforded by the Zone.

Three development scenarios were evaluated including:

- Limited new construction of residential, commercial, and industrial facilities within the zone relying on annual appreciation in value of existing property;
- Continuation of historical and current development patterns and trends assuming no

incentives or inducements to development by the TIRZ; and,

- Enhanced development activity if selected incentives are offered, and infrastructure improvements are made, to encourage transformative private investment within the zone.

Scope of the Research

Specifically the following issues are addressed in this analysis:

- Is there sufficient market demand and economic support to establish market feasibility and justify formation of the proposed Zone?
- Based on market conditions, trends and other factors, when are currently announced new development and redevelopment plans likely to proceed and what scale of build-out is reasonable and achievable?
- In addition to known projects, what additional development can be supported within the Zone given financial incentives from the County and/or City?
- Will real estate improvements to be developed within the proposed Zone significantly enhance the value of all taxable real property in the Zone and therefore be of general benefit to Harris County and the City of Houston?
- But for creation of the Zone, are the existing properties and land parcels likely to be significantly improved within the foreseeable future?

Executive Summary of Findings

- The purpose of this feasibility study is to provide an independent opinion concerning market and economic support available to new development and to redevelopment of functionally obsolete properties within the proposed Zone both with and without assistance afforded by the Tax Increment Reinvestment Zone.
- The proposed Central Houston Tax Increment Reinvestment Zone (TIRZ) Number 24 is located in the Central Business District of the City of Houston. It will cover approximately 462 acres and is comprised of approximately 1,280 parcels.
- East of the Zone is the CBD which is the key driving force of the development of the Zone.
- Within the Zone is U.S. Post Office, Amtrak Station, George R. Brown Convention Center, St. Joseph Hospital, Toyota Center, Minute Maid Park, and University of Houston.
- Overall, 27% of the land in the Zone is vacant. This includes vacant developable, undevelopable and parking lots.
- The Zone currently includes approximately 3,559 residents in 1,122 households. In addition, there are approximately 3,038 business establishments employing 54,196 persons.
- The Zone has shown growth of 24% since the census in 2000. The projection is that, over the next five years an additional 10% of growth can be expected in the Zone.
- The race and ethnicity of the Zone is mixed with 58% White, 33% African American, and 9% Asian and other.

Area and Subject TIRZ Overview

Primary Market Area

The Primary Market Area (PMA) for TIRZ #24 has been determined by CDS Market Research to be the Central Business District of the City of Houston. Downtown Houston primarily includes 1,178-acres, a 108-square-mile area whose boundaries are represented largely by the freeway ring around the central business core of Houston including Interstate 45, U.S. Highway 59, and Interstate 10. Several areas exist in Downtown Houston; they include Main Street Square, Skyline District, Sports & Convention, Theater District, and the Warehouse district. Developments within the PMA include some multifamily and single-family residential housing, retail and commercial developments, light industrial uses and special-use properties, such as entertainment, churches, parks and schools. A portion of the land in the area remains undeveloped or surface parking lots.

Primary Market Area



TIRZ 24 Location/Access/Size

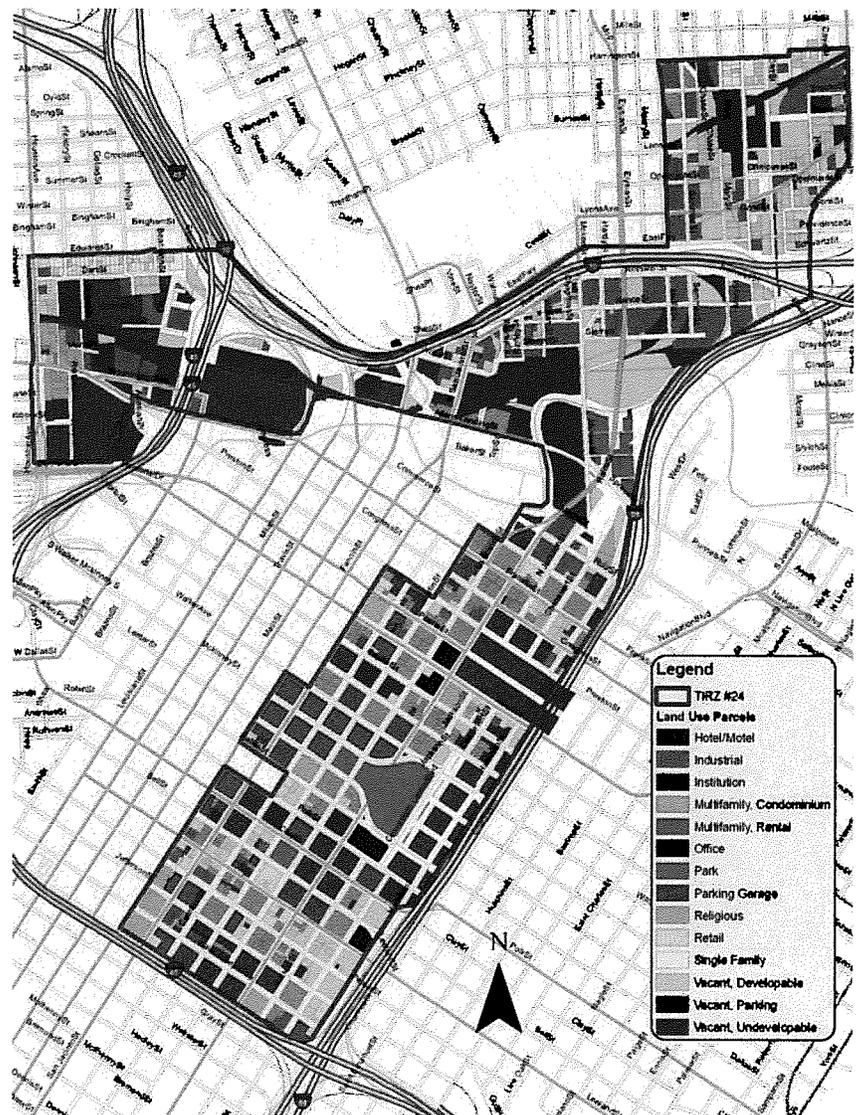
The ±462.5-acre tract (referred to as “The Zone”) is located in the northern and eastern portion of the Central Business District of the City of Houston, Harris County, Texas. The district is a contiguous irregular shaped zone comprised of approximately 1,280 parcels. Access to The Zone is through the north/south and east/west streets running throughout the Central Business District. Interstate 45, U.S. Highway 59, and Interstate 10 also provide access.

From the land use map below, it is apparent that there are currently few residential areas and few residents. Land uses include hotel/motel, industrial, institution, multifamily, office, religious, retail, single family, parks/green space, and vacant land.

Using the shape file provided by Knudson, LP, we estimate that there are 3,559 residents in 1,122 households. The source of the demographic information is PCensus for MapInfo, a reseller of Claritas demographic data.

According to this source, there are 3,038 business establishments employing 54,196 persons.

Central Houston TIRZ 24 Land Use Map



The basic demographics of the Zone are illustrated in the table below. The current population of the Zone has shown moderate growth of 709 persons over the past nine years. The projection is that, over the next five years an additional 370 persons will be added in the Zone.

The race and ethnicity of the Zone is mixed, African American (32.9%) Hispanic (26.7%)

Basic Demographics of the Zone

Compared with the CBD and City of Houston

	TIRZ #24		CBD of Houston		City of Houston	
	No.	%	No.	%	No.	%
Population						
2014 Projection	3,929		16,665		2,416,114	
2009 Estimate	3,559		15,072		2,236,732	
2000 Census	2,850		11,883		1,953,631	
1990 Census	2,891		7,029		1,697,610	
Growth 2009-2014	10.4%		10.6%		8.0%	
Growth 2000-2009	24.9%		26.8%		14.5%	
Growth 1990-2000	-1.4%		69.1%		15.1%	
2009 Estimated Population by Single Race Classification						
White Alone	2,850		11,883		1,953,631	
Non-Hispanic White	1,653	58.00%	6,737	56.70%	962,610	49.27%
Black or African American Alone	938	32.91%	4,865	40.94%	494,496	25.31%
American Indian and Alaska Native Alone	7	0.25%	12	0.10%	8,568	0.44%
Asian Alone	47	1.64%	132	1.11%	103,694	5.31%
Native Hawaiian and Other Pacific Islander Alone	1	0.04%	2	0.02%	1,182	0.06%
Some Other Race Alone	162	5.67%	58	0.49%	321,603	16.46%
Two or More Races	43	1.50%	76	0.64%	61,478	3.15%
2009 Estimated Population Hispanic or Latino by Origin*						
Not Hispanic or Latino	2,086	73.22%	9,195	77.38%	1,222,766	62.59%
Hispanic or Latino	763	26.78%	2,688	22.62%	730,865	37.41%

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

Other Demographic Characteristics

The households living in the Zone span a wide range of incomes. Overall, however, this area has significantly lower incomes than both the CBD and the City of Houston as a whole.

- Median household income is \$20,198, 47% below the CBD median of \$29,854. Approximately 19% of the households make above \$50,000 in the Zone.
- The average household size in the Zone (1.41) is lower to both the CBD (1.27) and the City of Houston at 2.72 persons per household.
- Similarly, the percentage of housing units in the Zone that are owner-occupied (6.06%) is the much lower than both the CBD (6.06%) and the City as a whole (45.4%)
- The value of housing units cover a broad range from under \$20,000 (6.56%) to \$750,000 (10.95%). Approximately 43% of the homes are between \$20,000 to \$99,999, 28% are valued at \$100,000 to \$399,999 and 21% are between \$400,000 and \$750,000.
- The median value of owner-occupied housing units in the Zone at \$101,602 is slightly lower than the City as a whole at \$114,676. The median value of the CBD housing unit is much lower at \$52,581

More detailed demographic tables are included in the appendix to this report.

Income Characteristics of the Zone

Compared with the City of Houston

2009 Estimated Household Income	TIRZ #24		CBD of Houston		City of Houston	
	No.	%	No.	%	No.	%
Total Households	1,122		2,199		808,317	
Less than \$15,000	467	41.66%	733	33.33%	126,157	15.60%
\$15,000 to \$24,999	180	16.06%	273	12.41%	99,416	12.30%
\$25,000 to \$34,999	120	10.70%	193	8.78%	103,968	12.90%
\$35,000 to \$49,999	144	12.80%	232	10.55%	133,808	16.60%
\$50,000 to \$74,999	60	5.32%	203	9.23%	138,678	17.20%
\$75,000 to \$99,999	65	5.82%	121	5.50%	75,216	9.30%
\$100,000 to \$149,999	31	2.77%	163	7.41%	75,445	9.30%
\$150,000 to \$249,999	45	3.99%	186	8.46%	36,533	4.50%
\$250,000 to \$499,999	9	0.85%	72	3.27%	12,472	1.50%
\$500,000 or more	0	0.03%	23	1.05%	6,624	0.80%
Average Household Income	\$37,820		\$66,178		\$63,425	
Median Household Income	\$20,198		\$29,845		\$43,365	
Estimated Per Capita Income	\$43,406		\$17,719		\$23,174	

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

Regional Economic and Employment Overview

History and Regional Background

The District is located in Harris County, one of ten counties that comprise the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA) (see exhibit). The MSA is centered around the city of Houston which was founded in 1836 following the Battle of San Jacinto where Texas won its independence from Mexico, ultimately joining the United States in 1845.

Following the Civil War, Houston became the commercial center for the export of cotton,

In 1901, oil was discovered at Spindletop near Beaumont launching the Texas petroleum industry.

In 1910, the city built the Houston Ship Channel which was opened in 1914 enabling the Port of Houston to become a leading Gulf Coast port.

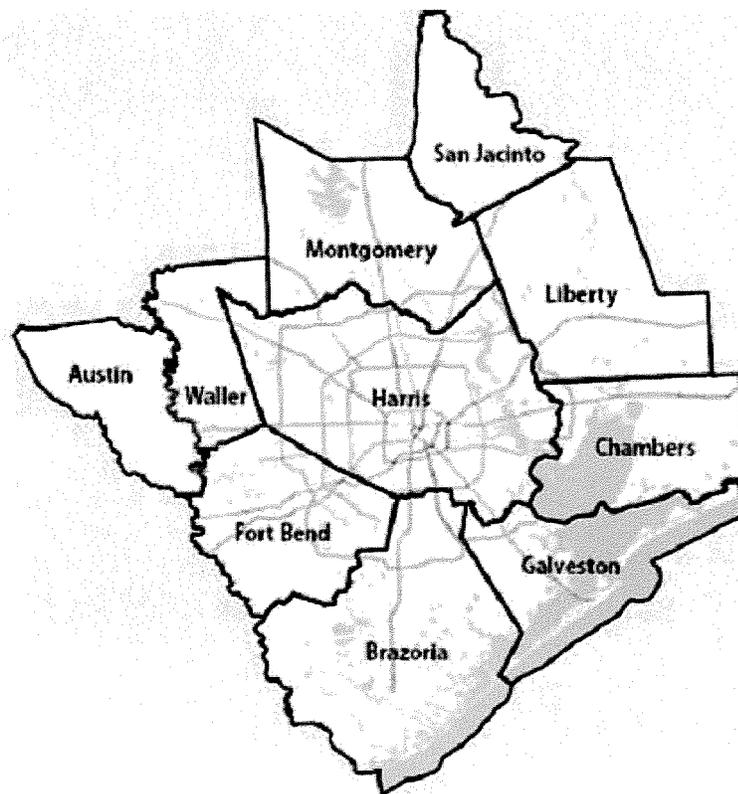
The Second World War brought heavy demand for petroleum and synthetic rubber products leading to the construction of petrochemical and manufacturing plants along the Ship Channel.

In 1945, the M.D. Anderson Foundation established the Texas Medical Center which created what would ultimately become the largest medical complex in the world.

In the early 50s, the development of modern air conditioning led to the location of many corporate headquarters, particularly in the energy sector, in Houston. Concurrently, Houston was annexing surrounding areas at a rapid rate which provided the means for continued growth in population and tax base thereby avoiding the constrictions of some other American cities that had become surrounded by other incorporated communities.

Houston's growth was further spurred by the establishment of the NASA Manned Spacecraft Center in 1961. (The complex was renamed the Johnson Space Center in 1973.)

Houston Sugar Land Baytown Metropolitan Statistical Area (MSA)

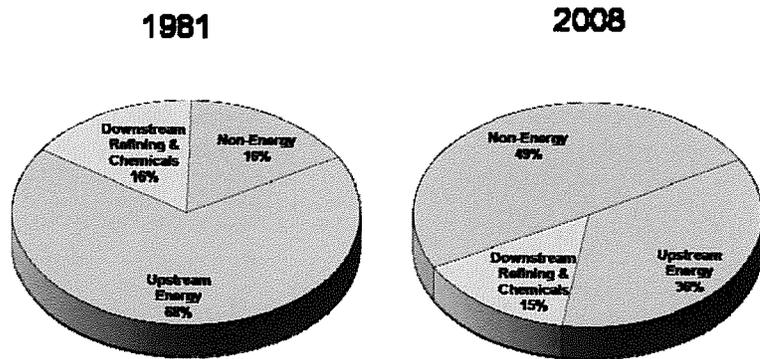


The Houston Area Economy

Houston’s preeminence in the energy industry led to a boom during the energy shortages of the 1970s. But after a period of rapid growth during the 1974-1981 period as crude oil prices climbed, a plunge in the world oil market had a devastating effect on the Houston economy. From 1982 to 1987 Houston lost 221,900 jobs, one out of seven. Of this number, 184,200 jobs were related to oil and gas exploration and production, oil field equipment manufacturing and sales, and pipeline transportation. But with the return to more normal supply/demand conditions in the industry, Houston was able to regain its lost jobs by 1990.

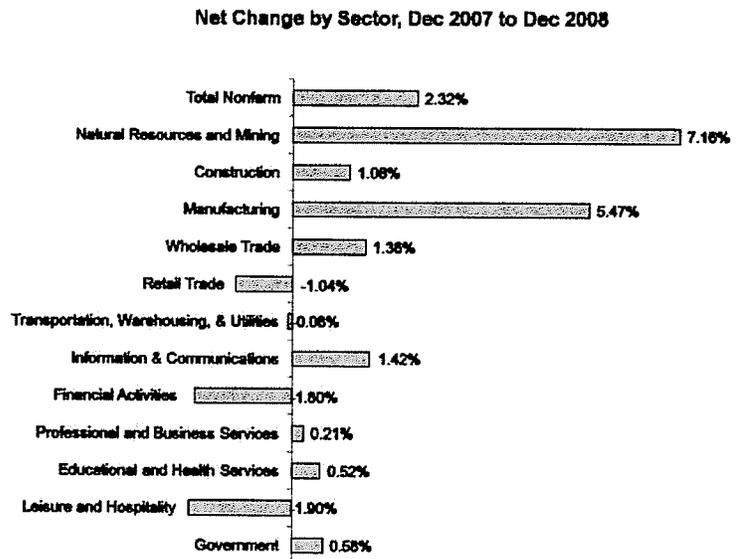
Since 1986, Houston’s economy has become diversified thereby lessening dependence on the energy industry as the economic engine for the metropolitan area. Today, upstream energy sectors account for roughly a third of Houston’s economic base jobs. Since 1986, the energy-insensitive sectors of Houston’s economic base have grown at an annual rate of 6.1%. As a result, Houston MSA employment in these sectors grew from less than 2.3% in 1986 to over 50% in 2007, while employment in both upstream energy (exploration and production) and downstream energy (refining and marketing) declined (see graph).

Houston MSA Economic Base Employment



Source: Institute for Regional Forecasting, University of Houston, Mar 2009. From Greater Houston Partnership

Industry Shares of Job Change



Source: Texas Workforce Commission, Oct 2009

Over the years, Houston’s economy has changed from a manufacturing economy to a services based economy. Service-providing organizations now account for 80% of Houston MSA jobs and represented 82% of net job growth over the 13 years leading up to 2008. More and more, Houston is evolving to an

economy based on engineering, computer, legal, accounting and administrative services. Houston’s diversification and growth in the services sector is reflected in the following charts depicting industry shares of new jobs and employment by industry.

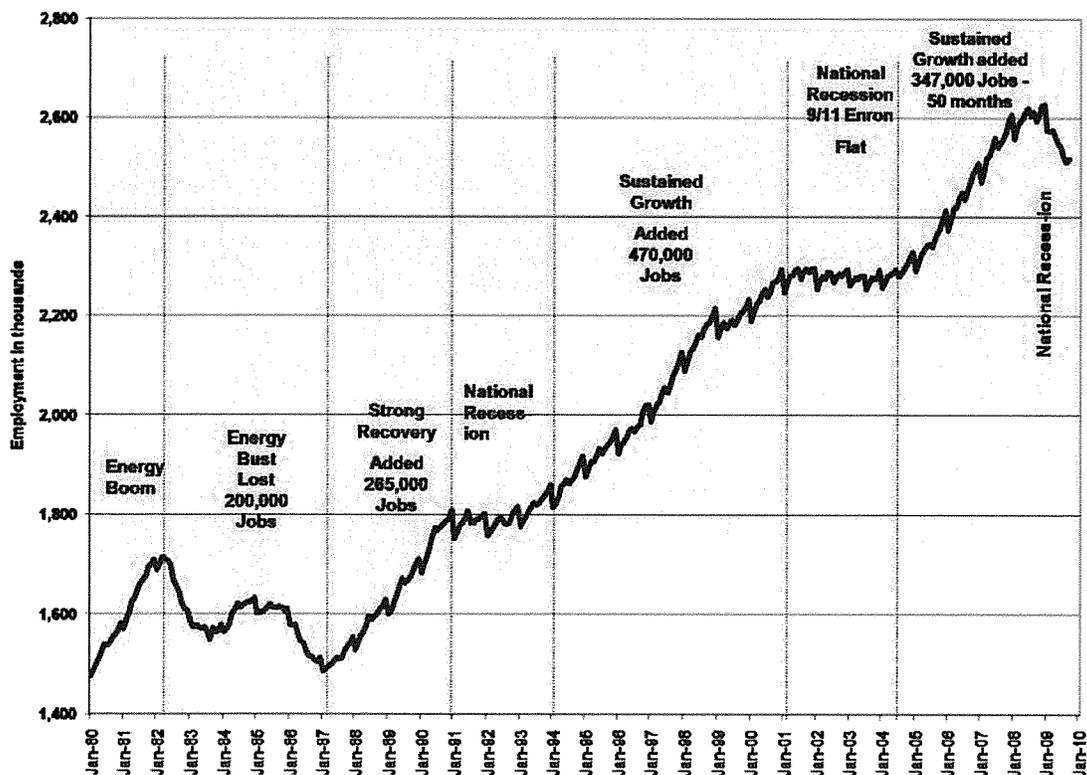
Houston’s economic breadth is further substantiated by the number of large employers in the Houston area. As of 2008, there were 116 companies in Houston with 1,000 employees or more. In order to grow, Houston’s employers rely on a substantial local college and university system. There are 17 community college campuses and 16 university campuses within the Houston MSA. Rice University has gained significant national attention with its recent discoveries in the field of nanotechnology.

As a result of the growth of the Houston economy, according to the Perryman Group, the Houston MSA’s Gross Area Product (GAP) reached \$435.9 billion in 2008. This exceeds the total GDPs of Belgium, Malaysia, Venezuela or Sweden. Only 28 nations have GDPs exceeding Houston’s GAP.

At the same time, diversification has brought about more susceptibility to national recessions.

As the chart on the following page, depicting Houston MSA job growth demonstrates, following the strong recovery after 1987, Houston’s economy was flat during national recessions in the early 90s and early 00s following the 9/11 attacks but very robust during the intervening and subsequent years.

Houston MSA Long-Term Employment Growth Trends



Source: Texas Workforce Commission, Oct 2009 from Greater Houston Partnership

Factors Affecting Future Regional Economic Growth

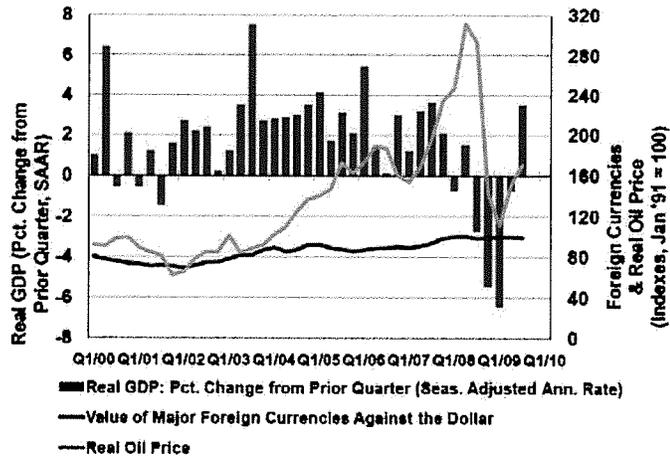
Three factors have governed the state of Houston's economy for the past 10 years

- the health of the national economy,
- the value of the U.S. dollar against foreign currencies and
- energy prices.

Recently all of the drivers of the economy have been in decline. Starting in mid 2008, real GDP began to drop, the value of the dollar began to rise and in oil prices began a sharp decline. These factors began to have an effect on the Houston economy. Year over year job losses in the Houston region peaked at 101,000 in August of 2009 and have since slowed.

Higher oil and gas prices stimulate demand for oil field equipment and services. Spot market closing prices for West Texas Intermediate began the 00s decade in the \$20-\$30/Bbl range and remained there until 2004 when they began a steady climb, with a brief downward pause in 2006, to a peak of over \$140/Bbl during the first half of 2008. The sharp rise was attributed to large increases in demand from China, India and the Middle East. However, with the beginning of the worldwide recession in the second half of 2008, accompanied by a fall-off in demand, crude oil prices subsided to levels below \$40/Bbl (see chart). Concurrently, natural gas remained under \$10/mm Btu, until September, 2005 when peaking again in early 2008 before falling to a low of \$2/mm BTU (see chart).

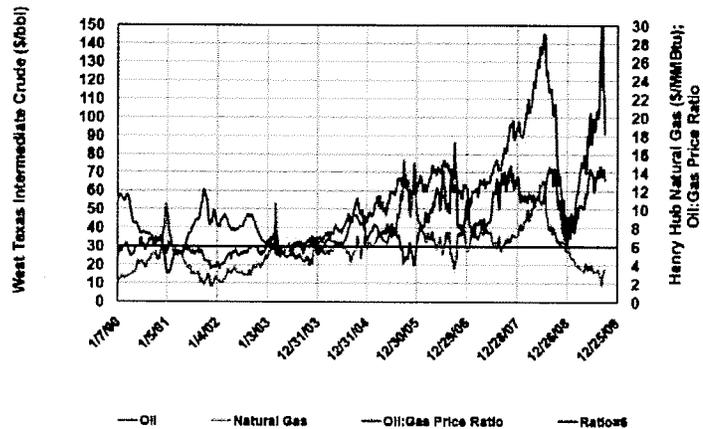
Drivers of the Houston Economy



Sources: U.S. Bureau of Economic Analysis; U.S. Energy Information Agency

Spot Market Crude Oil and Natural Gas Prices

Spot Market Crude Oil and Natural Gas Prices



Source: U.S. Energy Information Administration

Economic Projections

Even in light of the current recession and tough economic times for all Americans, Houstonians can take some comfort in the fact that economic growth will continue. Houston has a long history as a growth oriented community with conditions that are generally supportive of business expansion – low cost of living, low real estate prices, low unionization rates, and pro-business regulations.

The charts on the right illustrate two projections of Houston regional growth. The first is from the Perryman Group, a respected Texas economic research organization and Woods & Poole, a national economic research company.

The projections are similar. By the year 2030, Perryman is projecting 3.8 million jobs 8.7 million population. Woods & Poole is slightly less optimistic, projecting 7.8 million population by 2030. Using either forecast, the region will add almost 3 million new residents (over the 2005 level) by 2030.

Economic Geography

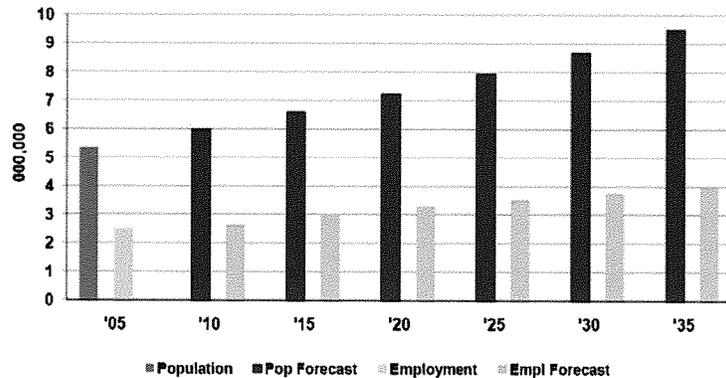
The Houston MSA has developed in a low-density suburban form, uninhibited by either natural geographic boundaries or man-made political regulation. Furthermore, the central city does not enforce zoning or any other form of land use regulation. The region’s central business district presently accounts for only about 6% of regional employment. Other loosely-defined ‘edge cities’ comprise a large portion of the region’s employment base. These typically are made up of a loose cluster of office, medical office, hotel, and supportive retail land uses. Examples within the

Economic Projections from Two Sources

From the Perryman Group

Population and Employment

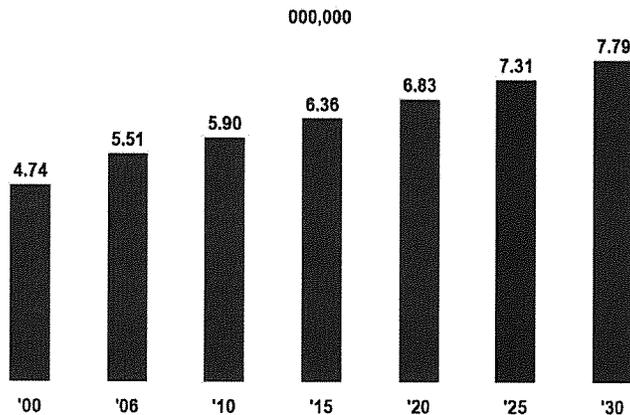
Houston-Sugar Land-Baytown MSA 2005-2035



Source: The Perryman Group, Spring/Summer 2009

From Woods & Poole Economics

Houston-Sugar Land-Baytown MSA Population 2000-2030

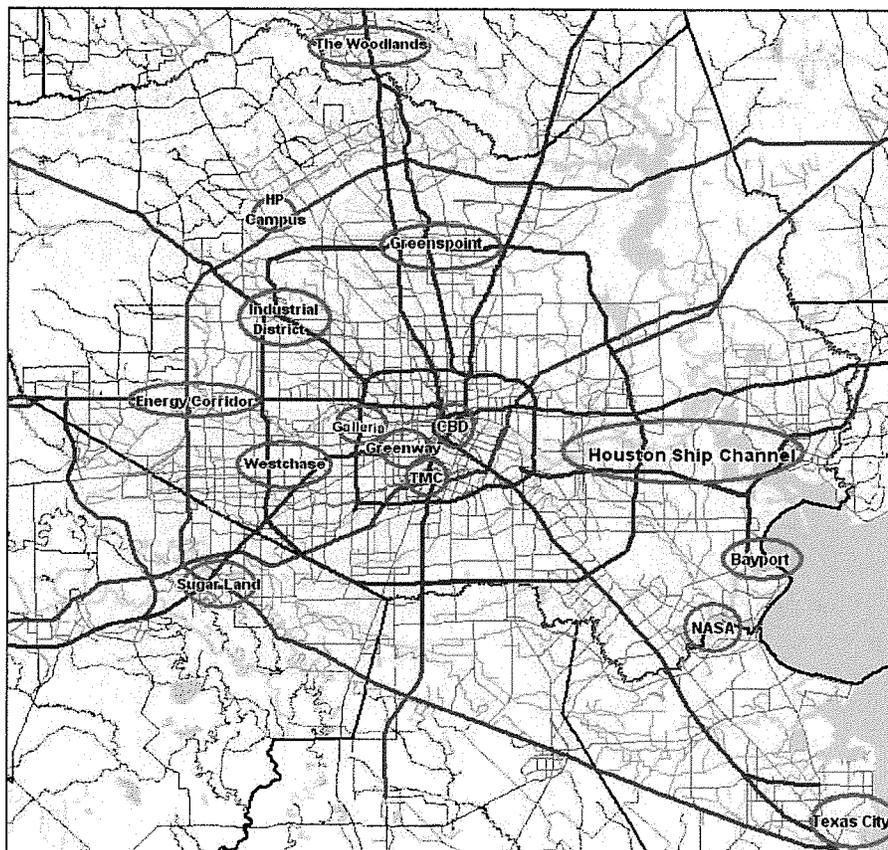


Source: Woods & Poole, 2008 MSA Profile

Houston area include the Uptown/Post Oak area, the Texas Medical Center, Greenway Plaza, Sugar Land, Westchase, and Greenspoint. The region's heavy industries are largely dependent upon access to highways and waterways, and are clustered around the Houston Ship Channel, stretching from just east of the Central Business District through Pasadena, Deer Park, La Porte, and Baytown, as well as in Texas City and Freeport. Additionally, a significant number of jobs are spread among Houston's suburbs in office parks, retail centers and light industrial facilities.

The following map illustrates the locations of the principal activity centers (in red) and industrial districts (in green) in the Houston MSA.

Major Regional Employment & Activity Centers



Houston's Central Business District

Downtown Houston features a world class Theater District that offers the second largest number of theater seats outside New York City, a growing residential population, a popular night club scene, a new light rail line, an expanded convention center and numerous hotels. Approximately 3,500 businesses are located in Downtown Houston employing 140,000 people. Since 1996, \$4 billion of new construction has been completed involving 110 private and public projects. Of this amount, \$500 million has been devoted to infrastructure improvements by the City of Houston, METRO, TxDOT and the Downtown

District. Over 3,800 people now live in downtown compared to 1,400 in the mid 1990s. Almost 150 restaurants and clubs have opened since 1997. During the same period, 3.2 million square feet of new Class A office space has been built and more is under construction or planned. The total inventory of office space is 41 million square feet. Eleven hotel projects with nearly 3,000 rooms have been completed bringing the Downtown total to 4,858 rooms in fifteen facilities.

The Texas Medical Center

The Texas Medical Center (TMC) with 46 member institutions is the largest medical complex in the world. The complex, situated on over 1,000 acres, includes 13 hospitals and two specialty institutions, two medical schools, four nursing schools, and schools of dentistry, public health, pharmacy and other health related careers. TMC employs 73,000 people, Another 10,000 work in nearby buildings. In 2006, the complex included over 100 buildings with 27 million square feet. In 2007, four multi-level buildings with 1.0 million square feet valued at \$469 million were completed. However, in accordance with a 1999 50-year master plan updated in 2006, extensive additional facilities are under construction or planned. By the start of 2008, 17 additional new hospital, clinic, research lab and medical office projects accounting for 7.4 million square feet and \$2.4 billion in capital expenditures had broken ground. An additional 26 projects costing \$1.9 billion were expected to be started by early 2009. Over the seven-year 2008-2014 period, a total of \$7.8 billion in construction is planned - \$6.3 billion for 12 million square feet of patient care facilities and \$1.5 billion for new research facilities. Whereas there were 6,000 patient beds at the end of 2007, 1,200-1,600 more beds are expected to be added by the end of 2014. The planned new research space will add 50% more space to these facilities. In terms of personnel, in addition to the 4,000 nurse shortfall that already exists, another 1,500-2,000 nurses will be needed. In addition, 1,200 doctors and 1,000 researchers are expected to be needed.

Ship Channel Industries and the Port of Houston

The 25-mile long Houston Ship Channel is home to a \$15 billion petrochemical complex – the largest in the nation and second largest in the world – and the Port of Houston. In 2005, the port authority completed a 5.5 year project to deepen the channel from 40 to 45 feet and widen it from 400 to 530 feet. As total tonnage climbs well over 200 million annually, the port remains the largest foreign tonnage port and the second largest total tonnage port in the U.S., and 10th largest in the world. A study of 2006 economic impacts concluded that the port accounted for 785,000 jobs, \$118 billion of total economic activity, \$39 billion of personal consumption expenditures and nearly \$4 billion in state and local taxes, in the state of Texas. In 2007, the port started operation of the first phase of a new container terminal on Galveston Bay – Bayport Terminal – which will ultimately occupy 1,043 acres, carry a total capital investment of \$1.4 billion and have an annual capacity of 2.34 million TEUs (20-foot equivalent container units). At the close of 2008, the port completed construction of a cruise terminal at the same location and was completing negotiations with a major cruise line to add Houston to its ports of call.

NASA/Johnson Space Center

From the early Gemini, Apollo and Skylab projects to the current Space Shuttle and International Space Station and Exploration programs, the center has been the headquarters for NASA's efforts in the field of human space exploration. NASA employs approximately 3,000 people, the majority of which are professional engineers and scientists including 110 astronauts. In addition, approximately 14,000 contractor

personnel, representing 50 companies, work onsite or nearby. Space Center Houston, JSC's public visitor center, employs 150 people. Of NASA's \$16.7 billion total budget in 2007, \$4.4 billion was allocated to JSC. For some years, NASA has been planning for a new program, called the Constellation Program to succeed the current Space Shuttle Program which was scheduled to be terminated in 2010, with the first Constellation Program vehicle – the Orion – scheduled to begin flight operations in 2013. However, the most recent forecast indicates that the Orion start-up may be delayed until 2013. If true, it is likely to mean that the Space Shuttle Program may be extended in order to minimize the number of years that the U.S. will need to depend on the Soyuz space craft for missions required to complete and conduct experiments at the International Space Station.

Population

Historic Growth and Projections

Population growth is one of the principal measures of the economic vitality of any Market Area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy. The United States Office of Management and Budget redefined the various geographical units used by the Bureau of the Census in 2005. The Houston area, defined as the Houston-Sugar Land-Baytown Metropolitan Statistical Area (Houston MSA) includes ten counties. The table entitled Population Growth Trends and Projections summarizes historic Census population counts for 1980, 1990 and 2000, estimated population for 2008 as of January 1, and current population projections for one year (2009), five years (2013) and ten years (2018) for the Houston-MSA and Harris County.

The Houston Metropolitan Statistical Area has undergone tremendous growth in recent decades – from 3.1 million in 1980 to 4.7 million in 2000. In 2009, total population is estimated to have reached 5.8 million.

As the table demonstrates, population growth in the Houston MSA and Harris County is projected to continue. From the 2009 estimate of 5.7 million, population in the MSA is projected to reach 7.08 million in 2019, equivalent to an annual average increase of 126,000. The annual compound growth rate is expected to be 2.0%. The compound annual growth over the 2009 -2019 period in Harris County is projected to be 1.7%. Population projections for 2019 are based on the assumption that the annual growth rates for the 2000-2009 period, as estimated by Claritas, would continue from 2014 to 2019.

Population Growth Trends and Projections

Selected Areas 1960 – 2019 (in thousands of persons)

Area	Historical Census Counts					Estimates		Projections	
	1960	1970	1980	1990	2000	2008	2009	2014	2019
Houston MSA	1,601	2,202	3,149	3,767	4,715	5,665	5,819	6,466	7,079
Harris County	1,243	1,742	2,410	2,818	3,401	3,945	4,041	4,421	4,775

Note: 2009 estimate and projection years as of January 1

Source: Bureau of the Census for historical. PCensus for Map Info (Claritas). CDS Market Research

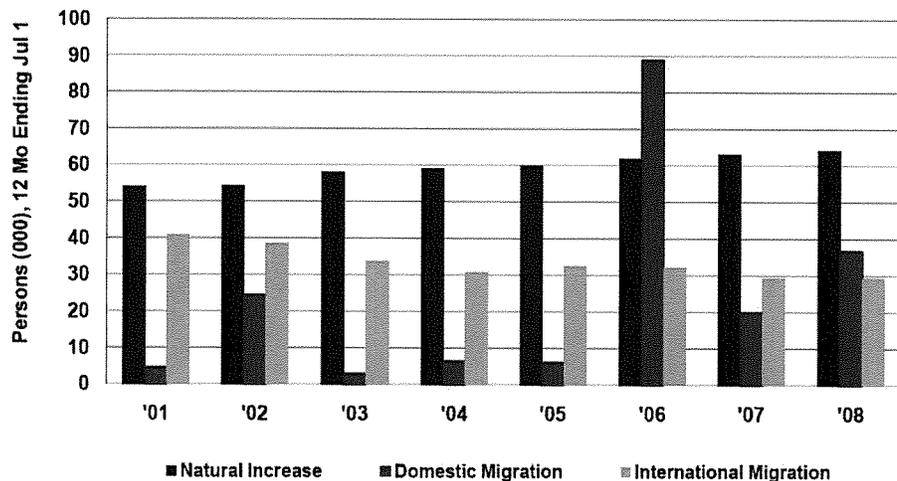
Population Growth Accounted for by In-Migration

Components of change in the population published by the Bureau of the Census are presented in the chart below. Net in-migration, which is calculated based on the number of persons moving in versus the number moving out, has accounted for almost 50% of the growth in MSA population over the 2000-2009 period. Approximately 60% of this net migration has come from outside the U.S., which is not surprising in view of Houston’s status as an international trading and business center. In Harris County, international

immigration accounted for 45% of population growth over the period, while there was an actual domestic outmigration, much of it to suburban counties. In the suburban counties, immigration was not a major factor. Net domestic migration on the other hand, accounted for 74%, 69% and 56% of total growth in the case of Montgomery, Fort Bend and Brazoria counties respectively.

Components of Population Change

Houston – Sugar Land Baytown MSA



Source: U.S. Bureau of the Census, Mar 2009

Basis for Projections

The foregoing population projections are based upon general economic health in the Houston Metropolitan Area and a moderate sustained rate of growth for the foreseeable future. The projections are based upon a review of long-range population growth rates forecast by Claritas, Inc., a nationally recognized population and demographics service.

The caveat in using population projections occurs in times of a rapid change in the population of the area being studied. Some methods of population projection presume a stable rate of change. If an area is in the midst of rapid change, such forecasts may overstate or understate the magnitude of the change. Often, it takes time for the impact of such change to show up in economic and demographic estimates and forecasts. CDS Market Research uses the estimates and projections of respected authorities in order to present a reasonable, conservative picture within its analyses but there are places in which the primary population data may be understated or overstated. In such instances, derivative forecast calculations would then be similarly affected.

Regional Housing Trends

Household Size Trends

The trends in average household size for the Houston MSA and the four primary counties are shown in the table on the right. In spite of the increasing numbers of one and two-person households due to longer life spans for empty nesters, later marriages among young professionals and a high divorce rate, average household size is actually increasing in the MSA, Harris County, and Montgomery County. This is due to the high birth rates and immigration rates on the part of the Hispanic component of the population. Household size in Brazoria County is forecast to decline slightly due in part to the large number of singles and couples without children that work in the Texas Medical Center. Meanwhile, Ft. Bend County persons per household remains constant.

Housing Type Trends

The following table presents trends in housing types for the Houston MSA between 1970 and 2009. As shown, in 1970, single-family homes, including mobile homes, accounted for 79.1% of the housing stock in the MSA, while 20.9% of the inventory was comprised of multi-family units.

Household Size Trends

1990 – 2009 and Projected 2014

Year	Household Size, persons/HH				
	Houston MSA	Harris County	Montgomery County	Ft. Bend County	Brazoria County
1990	2.75	2.72	2.84	3.14	2.86
2000	2.80	2.79	2.83	3.14	2.82
2009	2.84	2.84	2.89	3.14	2.81
2014	2.87	2.86	2.91	3.14	2.81

Source: PCensus for Map Info (Claritas, Inc.),

Housing Type Trends, 1970 – 2008

Houston MSA

	Single-Family *	Multi-Family	Total
1970 Housing Units	591,854	155,954	747,808
% of Total Units	79.1%	20.9%	100.0%
1980 Housing Units	849,330	395,535	1,244,865
% of Total Units	68.2%	31.8%	100.0%
Unit Change, 1970-1980	257,476	239,581	497,057
% of Total Change	51.8%	48.2%	100.0%
1990 Housing Units	1,003,085	509,863	1,512,948
% of Total Units	66.3%	33.7%	100.0%
Unit Change, 1980-1990	153,755	114,328	268,083
% of Total Change	57.4%	42.6%	100.0%
2000 Housing Units	1,215,015	575,983	1,790,998
% of Total Units	67.8%	32.2%	100.0%
Unit Change, 1990-2000	211,930	66,120	278,050
% of Total Change	76.2%	23.8%	100.0%
2009 Estimated Housing	1,600,872	626,931	2,227,803
% of Total Units	71.9%	28.1%	100.0%
Unit Change, 2000-2009	310,713	53,606	417,805
% of Total Change	93.1%	6.9%	100.0%

Between 1970 and 1980, 51.8% of the housing stock added in the MSA was single family, including mobile homes, and 48.2% was multi-family, decreasing single-family housing's share of the total inventory to 68.2% by 1980. Between 1980 and 1990, more than one-half of new housing construction added or 57.4% was single-family. By 1990, the single-family share of the total housing inventory had declined to 66.3% of the total housing inventory. Between 1990 and 2000, 76.2% of all new housing constructed was single-family. Single-family share of new housing units rose further through 2009 to 93.1%.

Housing Permit Trends

The table on the right provides a 33-year history of Houston MSA housing permits. From 2001 to 2005, single-family permits averaged 41,414 annually. In 2006, permits peaked at 55,130. But in 2007, as total permits declined by 12% from the previous year, single-family permits dropped 24% to 42,072. In 2008 permits declined by 49% from 2007. Local housing experts predict that there will be approximately 20,000 single-family starts in 2009. Nevertheless, compared to most other markets nationally, the Houston MSA fared well.

The multi-family housing market was significantly overbuilt during the early-to-mid 1980s. Less than 2,000 units were constructed annually between 1986 and 1990. Starts have rebounded since then. Multi-family unit starts averaged 10,660 units annually in 1996-2000 and 11,657 in 2001-2005 compared to 6,816 units in the early 1990s. Due to changes in the condition of the housing market a larger share of multifamily units were permitted during 2006 and 2007. The 21,158 total multifamily permits for 2007 represented a 28% gain from 2006 when 16,570 units were permitted. In 2008 permits declined to 14,526, a 45%

Historic Houston MSA Housing Starts*

1975 – 2008

Year	Multi Family	Single Family	SF Share	Total Permits	Annual %
1975	8,899	19,484	69%	28,383	-
1976	19,910	27,290	58%	47,200	66%
1977	32,200	29,470	48%	61,670	31%
1978	32,530	27,800	46%	60,330	-2%
1979	27,520	27,990	50%	55,510	-8%
1980	15,900	23,130	59%	39,030	-30%
1981	16,580	27,730	63%	44,310	14%
1982	35,170	31,180	47%	66,350	50%
1983	29,980	33,300	53%	63,280	-5%
1984	14,660	20,070	58%	34,730	-45%
1985	4,610	9,370	67%	13,980	-60%
1986	1,110	8,310	88%	9,420	-33%
1987	630	7,720	92%	8,350	-11%
1988	720	8,940	93%	9,660	16%
1989	1,370	12,260	90%	13,630	41%
1990	2,040	13,640	87%	15,680	15%
1991	3,340	14,190	81%	17,530	12%
1992	3,220	15,920	83%	19,140	9%
1993	3,730	16,880	82%	20,610	8%
1994	6,280	16,910	73%	23,190	13%
1995	3,840	17,230	82%	21,070	-9%
1996	3,880	20,500	84%	24,380	16%
1997	11,560	22,880	66%	34,440	41%
1998	18,280	29,030	61%	47,310	37%
1999	11,990	27,270	69%	39,260	-17%
2000	7,590	31,120	80%	38,710	-1%
2001	7,183	34,311	83%	41,494	7%
2002	12,401	34,640	74%	47,041	13%
2003	16,761	41,995	71%	58,756	25%
2004	10,858	45,039	81%	55,897	-5%
2005	11,080	51,085	82%	62,165	11%
2006	16,570	55,130	77%	71,700	15%
2007	21,158	42,072	67%	63,230	-12%
2008	14,526	28,111	66%	42,637	-33%

CMMSA includes eight counties: Harris, Fort Bend, Galveston, Liberty, Brazoria, Chambers, Montgomery and Waller.

*Starts necessarily based on building permit activity Source: Real Estate Center at Texas A&M University and CDS Market Research

decline from 2007. For 2009, predictions are for only 5,200 multi-family permits, a 65% decline from 2008. The huge decline is due primarily to the lack of mortgage loans in the capital markets.

Average Annual New Housing Starts Projections

Houston MSA, 2009 – 2019

Housing Permit Projections

The table below presents annual single-family and multi-family new housing permit projections for the Houston MSA for the 2010-2014 and 2015-2019 periods. Total permits are expected to decline further due to the current and forecasted 2008/2009 recession and possibly into 2010.

Single-family housing construction has accounted for 74% of new permits in the region over the past 10 years.

Projection Period	Average Annual		
	Single-Family	Multi-Family	Total
Range 2010-2014	22,000-28,000	8,000-12,000	30,000-40,000
% of Total	70%	30%	100%
Range 2015-2019	30,000-38,000	15,000-18,000	45,000-56,000
% of Total	67%	33%	100%

The table on the right presents CDS Market Research’s projection for new housing construction in the MSA for the next two 5-year periods.

2010-2014. CDS projects total annual average housing permits for the 2010-2014 period to be in the 30,000-40,000 range. Single-family unit permits are expected to decline from the 39,000 annual average during the 5-year period ending in 2009 to a range of 22,000 to 28,000. Single-family housing is expected to continue to account for the majority of housing permits, but due to tightened mortgage loan restrictions , its share is expected to decline to 70%.

2015-2019. Over the 2015-2019 period, CDS expects a return to a higher level of annual permits in the 45,000-56,000 range. When combined with the higher forecast share, annual average single-family permits will likely climb to 30,000-38,000 annually while multi-family permits increase somewhat to 15,000-18,000.

Growth Patterns

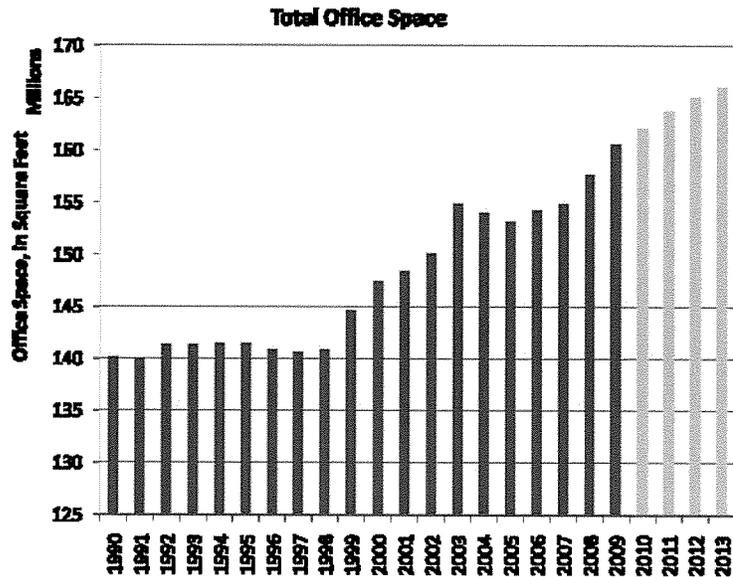
Three residential growth patterns, which had their inception in the 1980s, have been identified as trends, which seem certain to continue. First is the expansion of single-family development into counties surrounding Houston, especially Montgomery to the north, Fort Bend to the southwest and Brazoria County to the south. (The strong growth that also took place in the 90s and early 00s in Galveston County may or may not continue following the devastation of Hurricane Ike in September, 2008.) Second is the strong demand for housing located within and near master-planned communities. Third is the trend toward infill development of new housing, including high-rise projects, inside or located close to the urbanized core of the Houston Metro Area.

Regional Office Space Trends

Houston has, recent years, a strong office market dominated by major corporate users including most of the nation’s top energy companies.

There is currently approximately 162 million square feet of office space in the community

Houston Regional Office Space Trends



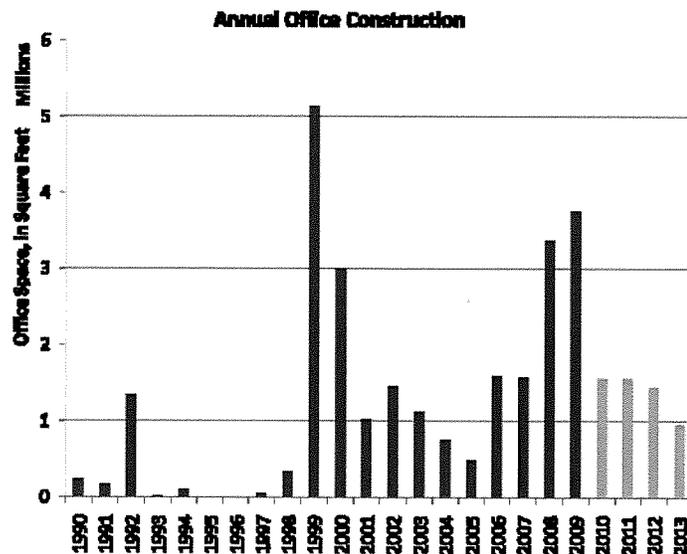
© Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

The region’s economic downturn of the mid-1980’s resulted in substantial amount of excess office space. As illustrated in the charts on the right, there was little office construction in the decade of the 1990’s.

In the late 80’s and 90’s, regional employment growth created a substantial amount of demand for office space which caught up with office supply in the late 1990’s.

Since 1999, the region has added an average of 1.2 million square feet of office space annually.

The real estate information service, Reis predicts the region will add an average of 1.2 million square feet annually 2010- 2013

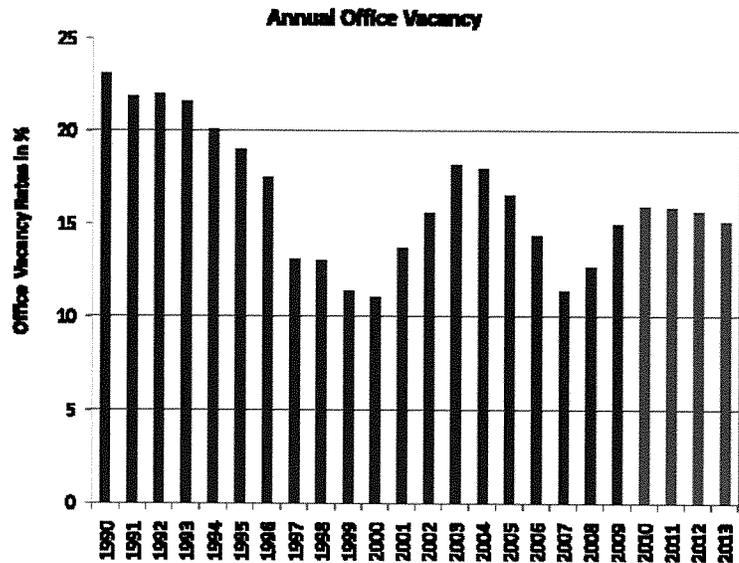


© Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

Houston Regional Office Performance Trends

Current office vacancy rates are approximately 15% which is in the normal range over the past decade.

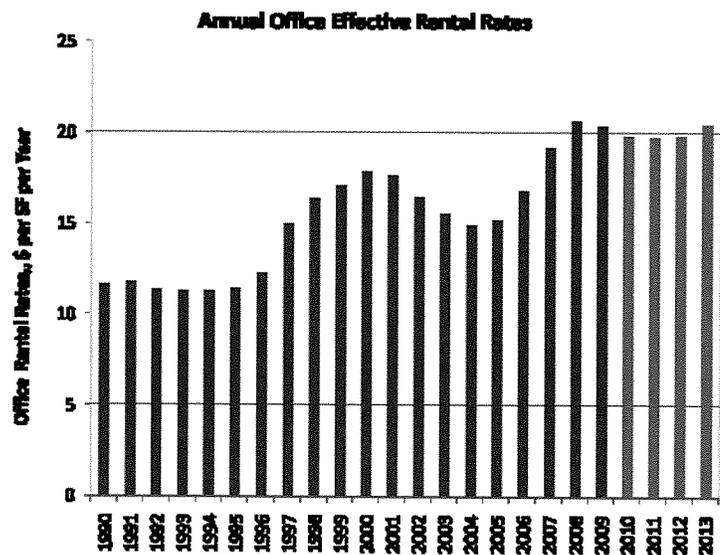
Reis predicts vacancy rates to increase slightly and then return to the 15% vacancy by 2013.



Asking office rents are currently in the \$24 range with effect rents (after accounting for free rent and other concessions) are slightly over \$20.

According to Reis, and consistent with the increasing vacancy rates and the current national recession, office rental rates in the region are expected to drop somewhat in 2010 through 2011 but then begin to pick up a bit in 2012 and 2013.

The Reis chart at the bottom of the page illustrates that Houston’s rent rate growth exceeded the growth of the Southwest market and the U.S. as a whole.



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

Regional Retail Trends

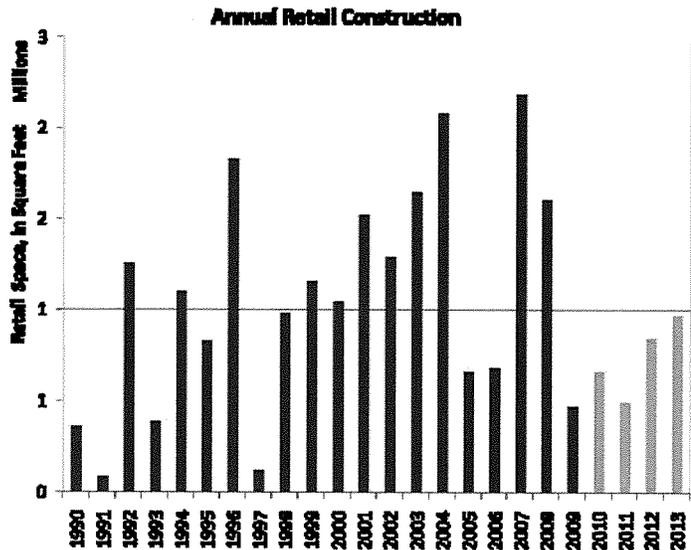
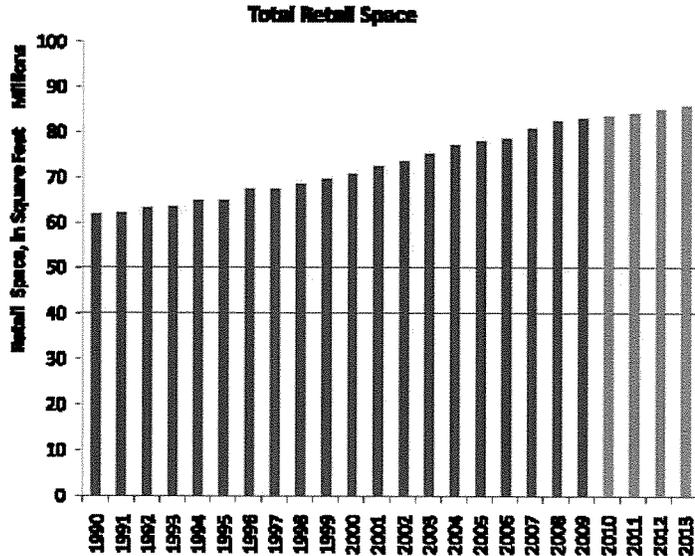
Retail space in the Houston region totals approximately 83 million square feet of space. According to Reis, that includes approximately 38 million square feet in larger “community” shopping centers and 45 million square feet in smaller, “neighborhood” centers.

Retail in the Houston region was not quite as overbuilt in the downturn of the mid-80’s so construction did not totally cease during the 90’s as did office buildings.

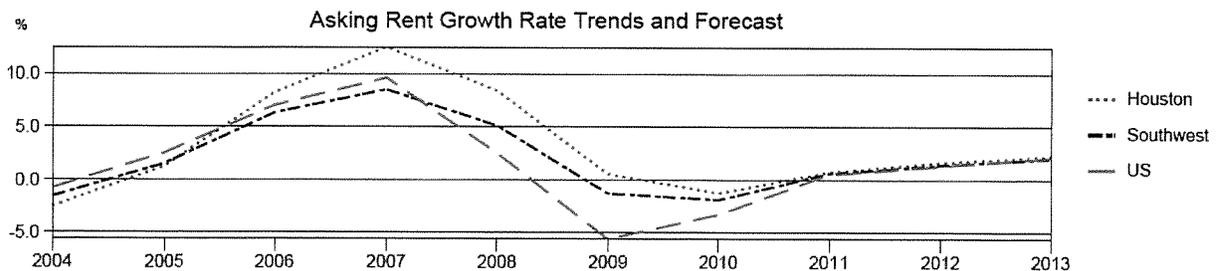
The current economic conditions have taken a toll on new retail development in the Houston region. In the ten years leading up to 2009 (1999-2008) the average annual retail constructed was just under 1.4 million square feet. In 2009, Reis estimates that only 473,000 square feet will be completed.

Reis predicts very slow retail development for the next four years averaging only 740,000 in 2010-2013.

Houston Regional Retail Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.



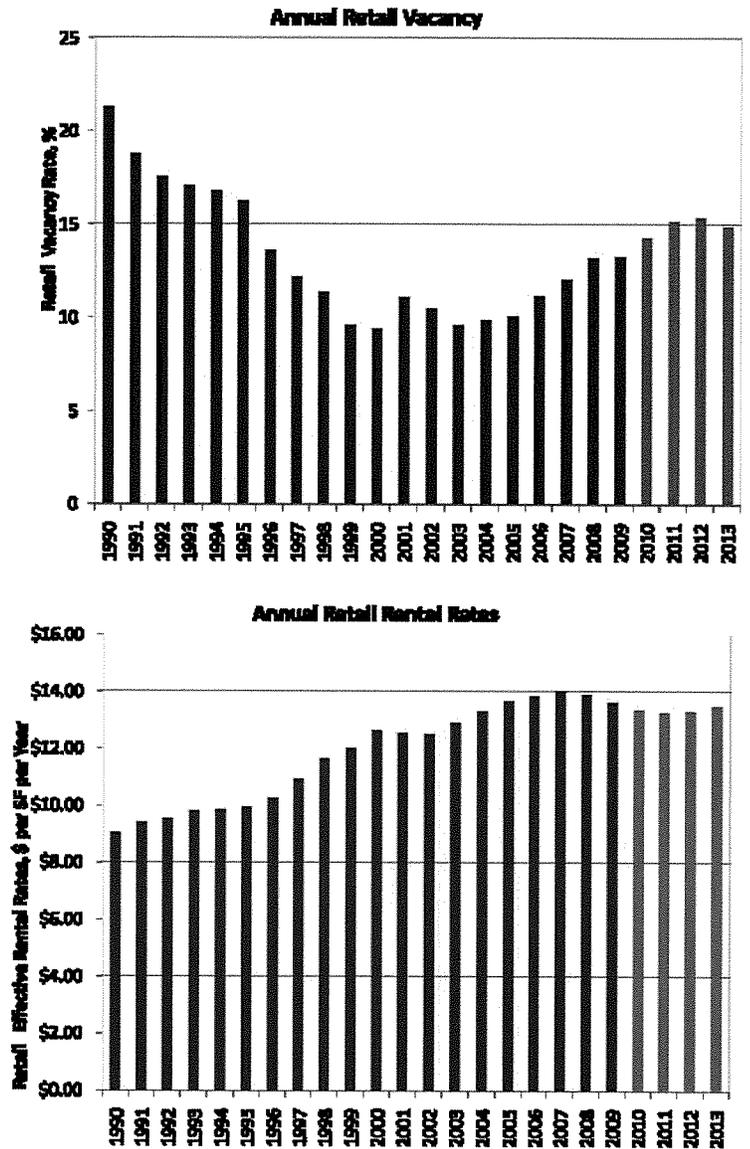
The strong retail construction over the past 10 years been accompanied by increasing vacancy rates. After reaching low vacancy rates under 10% in 2000, the rate of vacant space has climbed to the current estimate of 13%.

Reis estimates that Houston regional retail vacancy rates will continue to rise to 15% by 2012, before beginning to fall.

Even with the increasing vacancy rates, rental rates for retail space have not fallen significantly as older, lower quality properties have been supplanted by newer centers. Current rental rates are estimated at \$13.63 after reaching a peak in 2007 of \$14.00. These rental rates are triple net.

Reis expects a continued decline for the next couple of years before a turnaround in 2012.

Houston Regional Retail Performance Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

Regional Industrial Trends

Industrial data as defined in this section includes a variety of different development types including:

- Warehouses
- Distribution Centers
- Flex Office/Showrooms ; and
- Light Manufacturing

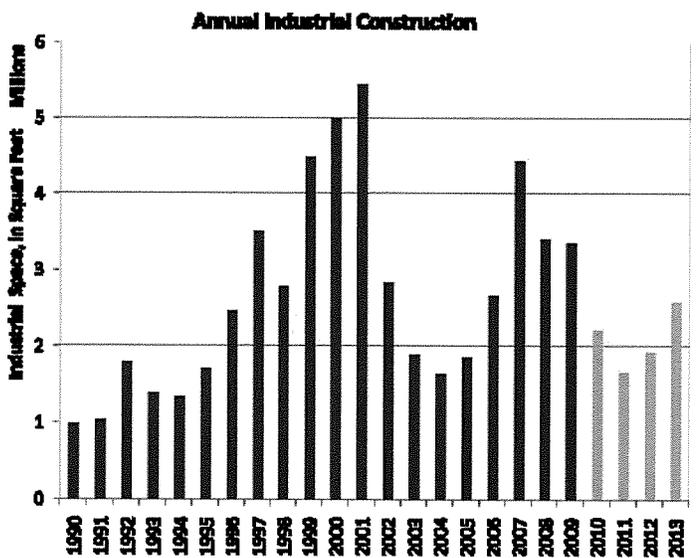
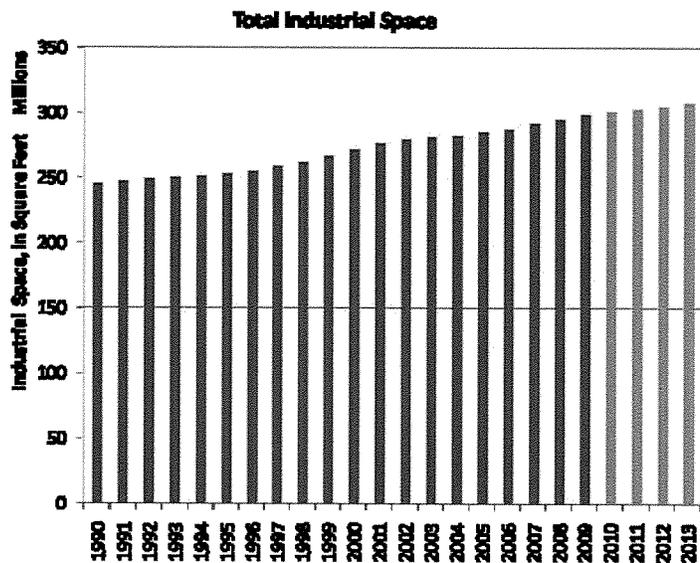
These development types are characterized by lower cost concrete or metal construction, tall bays, large free spans, and in some cases dock height loading docks. These products generally command lower rental rates.

The large amount of this type of development is consistent with Houston’s prominence as a manufacturing and distribution center, capitalizing on the regional location with access to highway and railroad networks as well as the Port of Houston.

Reis tracks just under 300 million square feet of industrial space in the Houston region. On average since 1990, approximately 2.7 million square feet of industrial space was completed annually.

Reis predicts continued industrial construction averaging 2.1 million square feet over the next 4 years.

Houston Regional Industrial Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

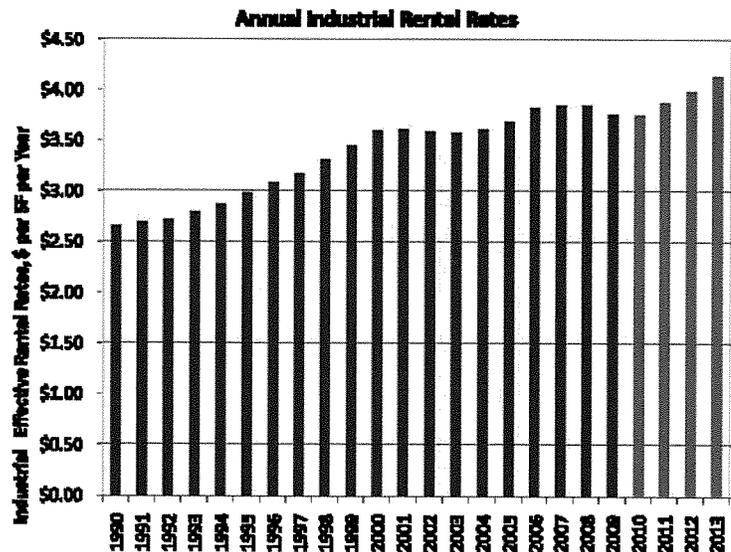
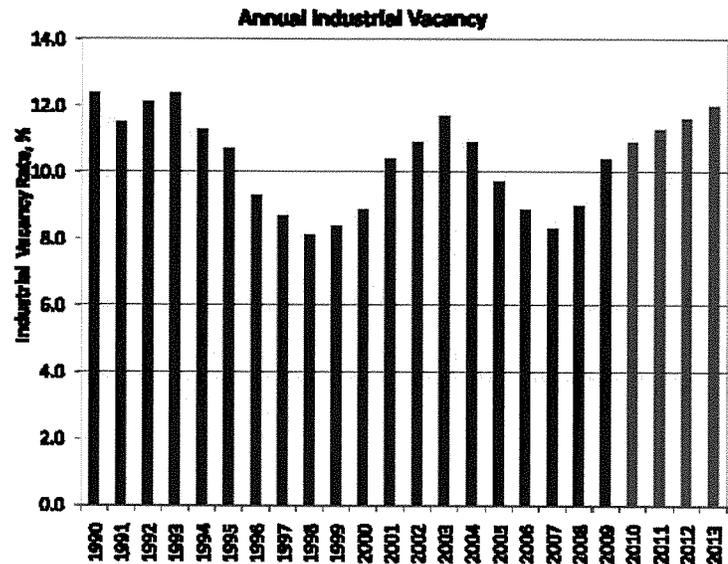
Industrial space vacancies have cycled over a range of 8% to 12%. Reis estimates that currently 10.4% of the industrial space for lease is vacant. That is a significant increase from the 8.3% rate in 2007. This increase was the result of 11.1 million square feet of new construction during the period 2007-2009.

Reis expects vacancies to increase over the next 4 years. But it is expected to not exceed 12%.

The effective rental rates for all forms of industrial space dropped slightly in 2009, but remain reasonably high at \$3.76 per square foot (triple net).

Reis expects rental rates to increase slightly over the next four years – topping out at \$4.14 in 2013.

Houston Regional Industrial Performance Trends



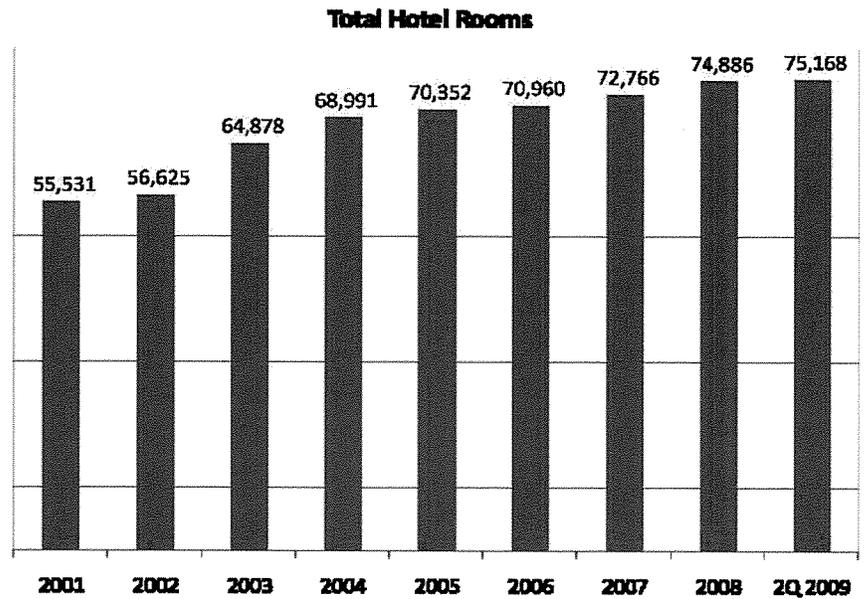
Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC. All rights reserved.

Regional Hotel Trends

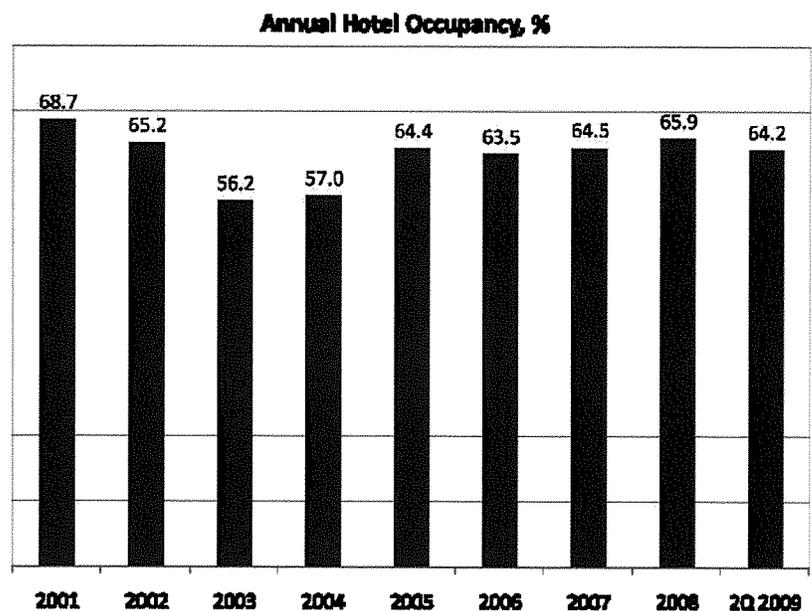
Hotel performance in Houston has been strong in recent years, matching the population and employment growth of the region.

- According to Source Strategies, 2,120 rooms were added in 2008. Since 2001 the region has averaged annual increase in hotel rooms of 2,765.

Houston Regional Hotel Trends



- Hotel occupancy has remained strong even with the new supply being added to the market. Current occupancy is at 64.2% down slightly from 2008 (which saw a short term spike in occupancy in the days and months following hurricane Ike. Current occupancy is on par with historical trends in the region.
- Generally in the hotel industry, occupancy rates in the range of 60-65% will result in profitability.

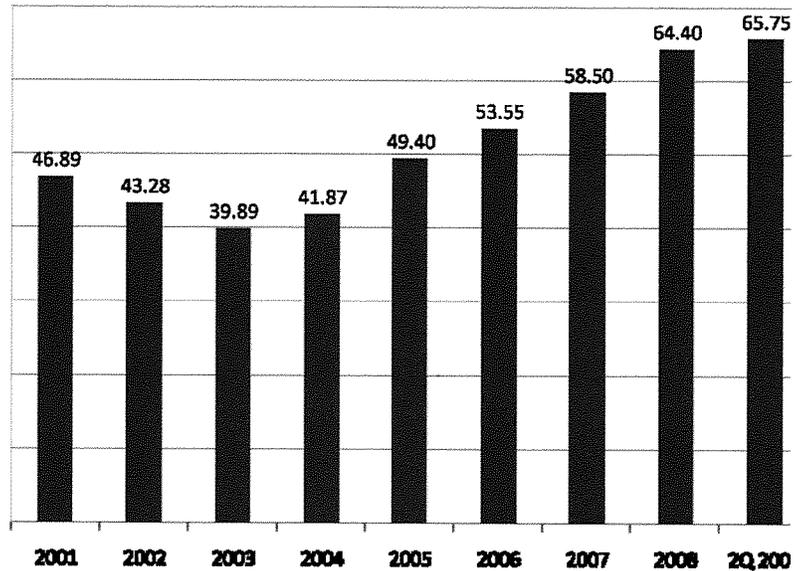


Source: Texas Hotel Performance Factbook, Source Strategies

- Hotel performance is most often measured as Revenue per Available Room (REVPAR).
- Houston regional REVPAR trends are on a positive path with the first second quarter of 2009 showing a slight increase over 2008. Given the national and regional economic situation and the strong 2008 performance (driven by Hurricane Ike) most analysts predicted declines in 2009.

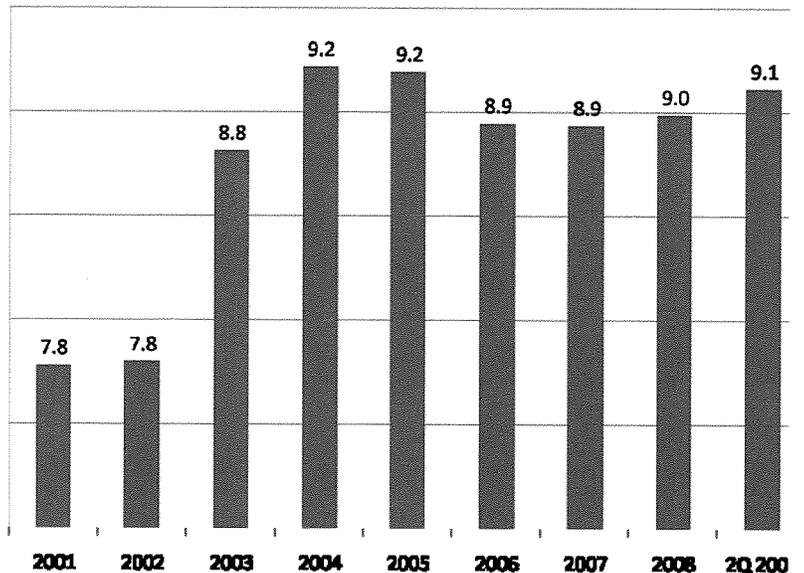
Houston Regional Hotel Performance Trends

Annual Hotel Revenue per Available Room, REVPAR \$



- Demand for hotel rooms comes from economic activity in the region including business meetings, tourism, conventions, and personal events.
- The chart on the bottom of the page illustrates the calculated per capita number of hotel rooms in Houston over the past 8 years.
- The current figure of approximately 9 rooms for every 100,000 (population + jobs) will be used in calculating future demand for new hotels.

Hotel Rooms per 100,000 Population + Employment



Source: Texas Hotel Performance Factbook, Source Strategies

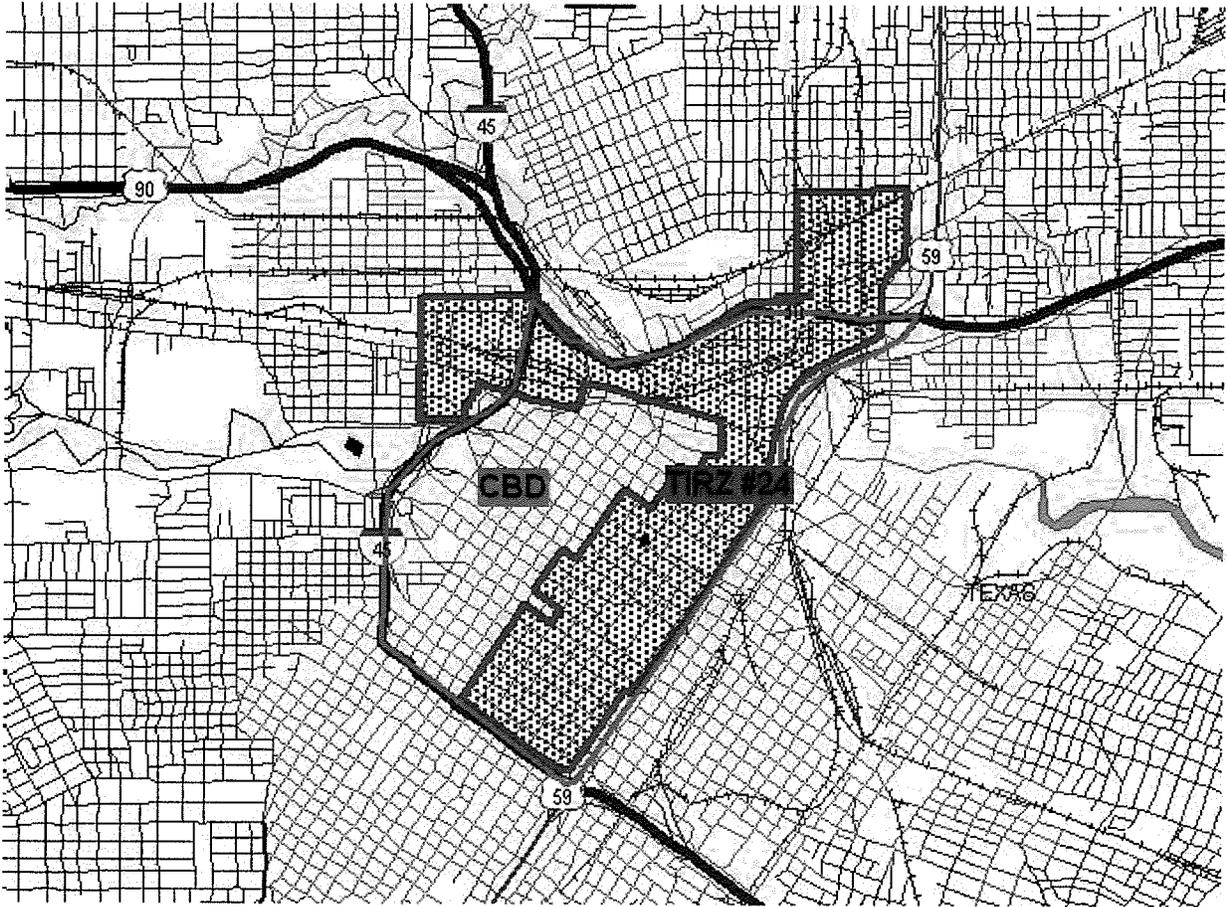
Trends in the Competitive Market Area and the TIRZ

The Competitive Market Area

The competitive market area is the area that includes the proposed TIRZ property and surrounding properties that comprise an area within which the proposed zone will compete for market share and also derive the bulk of its economic and demographic support.

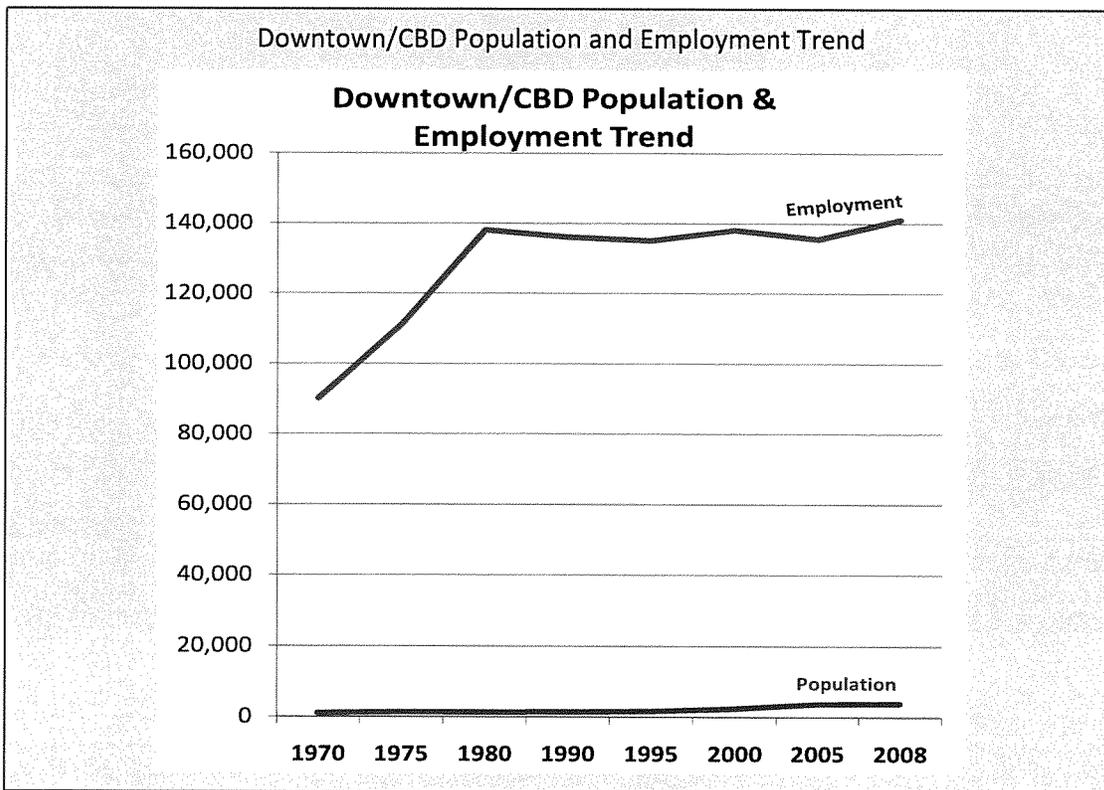
After analysis, it was concluded that the proposed TIRZ is competitive with the Houston CBD, also know as Downtown Houston. CDS Market Research determined that the CBD is in itself a unique market, therefore given that the proposed TIRZ is located in the CBD it was considered as the delineation for evaluation. The CBD is central to the business district of Houston providing employment, entertainment and shopping destinations for residents of the downtown area as well as the greater population of Houston and visitors alike. The CMA includes zip codes 77002 and 77010.

Competitive Market Area



Economic Demand Drivers

Downtown is the economic heart of Houston, with 23% of the city’s total office space and more than 150,000 workers. In the near term, the foremost driver of demand in both the CMA and the Zone will likely be the growth of the Central Business District. The growth of the CBD is largely contingent upon the growth of the greater Houston economy. Projections for metropolitan growth are highly favorable. Fourteen of Houston’s 23 Fortune 500 Companies are located in the downtown area. Houston’s Central Business District has been the center of the region’s economic activity since the city’s founding. The CBD has the highest concentration of jobs in Houston. Downtown added 50,000 jobs during Houston’s energy boom 1970 to 1980. But the oil bust of the early to mid-80s resulted in employment decline as shown in the graph below.



The Houston CBD’s strong office market activity reflects the underlying strength of the Houston economy, which continues to significantly outperform the national economy in terms of employment growth. With energy demand forecast to increase dramatically over the next quarter century, the Houston CBD is poised for continued strengthening.

Demographic Demand Drivers

One of the most impressive components of downtown Houston’s revitalization over the past decade is the residential development and growth of downtown population. As recently as the early 1990s, there were only a handful of downtown residences. At present, much of the new development in the CMA

still caters to a demographic cluster comprised of middle to high income households. The type of residents attracted to downtown loft and condominium units tend to be young urban professionals working downtown, empty nesters, and reverse commuters.

Units tend to be in the mid to upper income level range. Resale prices generally range from \$180 to \$270 per square foot, with penthouse prices starting at \$350 per square foot. Lease rates range from \$1.00 to \$1.90 per square foot.

Historical and Projected Residential Demand

During the 1980s, downtown Houston's population increased only slightly. In the 1990s, however, downtown's population nearly doubled, specifically due to loft renovation projects in the Historic District spurred by the renovation of the Rice Hotel.

Between 1995 and 2009, according to Census data, 2,011 housing units were built within the CMA. From 1990 to 1994 there was no residential development reported. Approximately 52% of the development has occurred within the past ten years. Currently, the Downtown Houston Management District reports 25 market rate residential developments in downtown Houston containing 2,711 housing units that range in size from two units at the Foley Building, 214 Travis Street, to 394 units at Houston House.

History

Downtown Houston primarily includes 1,178-acres, a 108-square-mile area bounded by Interstate 45, U.S. Highway 59, and Interstate 10. Several areas exist in Downtown Houston; they include Main Street Square, Skyline District, Sports & Convention, Theater District, and the Warehouse district.

Downtown Houston was the original founding point of the city of Houston. The city was granted incorporation by the state legislature on June 5, 1837. In 1840, the town was divided into four wards, each with different functions in the community. The wards are no longer political divisions, but their names are still used to refer to certain areas.

Downtown's growth can be attributed to two major factors. The first arose after the Galveston Hurricane of 1900, when investors began seeking a location close to the ports of Southwest Texas, but apparently free of the dangerous hurricanes. The second came a year later with the 1901 discovery of oil at Spindletop, just south of Beaumont. Shipping and oil industries began flocking to east Texas, many settling in Houston. From that point forward the area grew substantially.

Downtown Development

In the 1960s, downtown comprised a modest collection of mid-rise office structures, but has since grown into one of the largest skylines in the United States. In 1960, the central business district had 10 million square feet. The first major skyscraper to be constructed in Houston was the 50-floor One Shell Plaza in 1971. A succession of skyscrapers were built throughout the 1970s, culminating with Houston's tallest skyscraper, the 75-floor, JPMorgan Chase Tower (formerly the Texas Commerce Tower), which was completed in 1982. In 2002, it was the tallest structure in Texas, ninth-tallest building in the United

States and the 23rd tallest skyscraper in the world. In 1983, the 71-floor Wells Fargo Plaza was completed, which became the second-tallest building in Houston and Texas, and 11th-tallest in the country. Skyscraper construction in downtown Houston came to an end in the mid-1980s with the collapse of Houston's energy industry and the resulting economic recession. Twelve years later, the Houston-based Enron Corporation began construction of a 40-floor skyscraper in 1999 (which was completed in 2001). Since 2001, 5 Houston Center (27 stories), Reliant Energy Plaza, and 717 Texas (32 stories) have been added to the Houston skyline. Projects under construction include MainPlace, a 47-story, one million square-foot office tower by Hines and Hess Tower, a 29-story, 844,763-square-foot office tower by Trammell Crow;

Since 1996, almost \$4 billion of buildings, parks and infrastructure have been completed. Recently completed developments include One Park Place, a 346-unit high rise apartment building overlooking Discovery Green, a one-year-old 12-acre park; Houston Pavilions, a mixed-use entertainment, retail and office complex; CityView Lofts, a complete residential renovation of the Nabisco Cookie Factory including 57 units, and the Fire Super Station which replaced Stations 1 and 8. The Tellepson Family YMCA is currently under construction along with the Houston, Ballet Center for Dance, Harris County Jury Assembly Room and Transportation Plaza, and the Julia Idelson Building (library addition).

Until a few years ago, downtown Houston had four main hotels with fewer than 1,800 hotel rooms. Downtown Houston now has about 15 hotels with 5,000 rooms. The opening of the new Hilton Americas Hotel next to the convention center is the most significant development in downtown hospitality in years. In addition in the past four years there have been several smaller hotel redevelopments including the Magnolia Hotel, Hotel Icon, Club Quarters Hotel, and the Inn at the Ballpark. Currently under construction is the Embassy Suites Hotel, a 19 story, 262 room suites, 6,000 square feet of meeting space and a rooftop pool.

Downtown Houston includes approximately 300 restaurants and clubs, and 2.45 million square feet of retail shops. There are many new retailers in downtown Houston. The greatest change has occurred in the Historic District. Since 1998, 34 new restaurants and bars have opened filling over 361,000 square feet of retail space. Since 2001, an additional 284,910 square feet of retail space has been added to downtown Houston.

Venues

Downtown Houston has two major league sports venues. Minute Maid Park (formerly Enron Field), the 40,950-seat baseball stadium opened in March 2000 for the Houston Astros (National League). The stadium's most prominent design features are its retractable roof and views of downtown Houston. Since its opening year, attendance has averaged 2.8 million, and last year the park ranked 7th out of 16 for attendance in the league. The Toyota Center which opened in 2003 is home to the NBA Rockets, WNBA Comets, and AHL Aeros. The arena provides a stage for a wide array of other events from rock concerts to college sports (about 200 events annually). Toyota Center seats 18,300 for basketball, 17,800 for hockey, and 19,000 for concerts.

The Downtown Houston Theatre District is one of the largest in the country as measured by the number of theater seats. Houston is one of only five cities in the United States with permanent professional resident companies in all of the major performing art disciplines of opera, ballet, music, and theater. Venues in the theater district include the Wortham Center (opera and ballet), the Alley Theatre

(theater), the Hobby Center (resident and traveling musical theater, concerts, events), the Verizon Wireless Theater (concerts and events) and Jones Hall (symphony).

Entertainment attractions in the Theatre District are Bayou Place, a 130,000 square-foot entertainment complex, including the Angelika Film Center, Verizon Wireless Theatre and a variety of restaurants and clubs; Landry's Downtown Aquarium, The Heritage Society Museum, The Texas History Museum, and the Houston Public Library.

The George R. Brown Convention Center, with its 1,850,000 square feet of flexible exhibit, meeting, and registration space and adjacent hotel, is frequently used for conventions, trade shows, and community meetings.

Analysis of Trends

The following are selected highlights of the demographic findings for the primary competitive market area, provided by PCensus for MapInfo. PCensus is a re-seller of Claritas, Incorporated data. Claritas is a well-respected, nationally-recognized collector and supplier of detailed demographic and economic data for towns, cities, counties and MSAs across the United States. Detailed PCensus data for the CMA is included in Appendix 1 of this report.

Population/Household Trends,

Overall population and the number of households in the CMA have both shown tremendous growth over the past nine years, growing by approximately 27% and 82%, respectively during that time. Within the primary market, the population increased from 11,883 in 2000 to 15,072 in 2009 while the number of households grew from 1,210 in 2000 to 2,199 in 2009. Since 1990, the total population and number of households in the CMA have grown by 69% and 215%, respectively. According to the projections by PCensus, there will continue to be growth with both population and households expected to rise in total by approximately 11% and 24% over the next five years.

CMA Population and Household Trends and Forecasts

Pop Facts:	
Demographic Snapshot (Part 1)	CBD
Population	
2014 Projection	16,665
2009 Estimate	15,072
2000 Census	11,883
1990 Census	7,029
Growth 2009-2014	10.57%
Growth 2000-2009	26.84%
Growth 1990-2000	69.04%
Households	
2014 Projection	2,719
2009 Estimate	2,199
2000 Census	1,210
1990 Census	383
Growth 2009-2014	23.65%
Growth 2000-2009	81.74%
Growth 1990-2000	215.93%

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

Data from H-GAC

CMA	2009	2014	Growth 2009- 2014	% Chg	2019	Growth 2014- 2019	% Chg
Population	2,481	3,415	934	37.6%	4,816	1,401	41.0%
Households	1,443	1,813	370	25.6%	2,231	418	23.1%
Employment	145,417	148,599	3,182	2.2%	152,446	3,847	2.6%

Although both tables illustrate Population and Housing projections for the CMA (defined as CBD) the estimates on population vary greatly. Most of the differences in these projections can be explained via differences in the boundaries of the market area. In the case of the PCensus data, the boundaries are as defined on the map on page 32. In the case of the H-GAC forecasts, the regional analysis zones (RAZ) 1 was used. The key finding is that both of the forecasts are predicting a net gain in households over the next five years, with both H-GAC and PCensus showing a 23% increase.

Cultural Diversity

Approximately 60.53% of the population in the CMA is white. Over 22% of the local population is Hispanic in origin. Almost 37% of the people within the primary market area are of African American ethnic origin. In terms of households, 11.4% are of Hispanic or Latino descent.

Average Age

Approximately 52% of the population in the CMA is between the ages of 25 to 44, 25% are under the age of 25 and 24% are over the age of 44. The average age of the population is 36.27.

Education Level

CMA Educational Attainment

2009 Estimated Population Age 25 and Over by Educational Attainment*		
Total	11,395	
Less than 9th grade	1,314	11.53%
Some High School, no diploma	1,937	17.00%
High School Graduate (or GED)	3,828	33.60%
Some College, no degree	2,639	23.16%
Associate Degree	306	2.69%
Bachelor's Degree	655	5.75%
Master's Degree	409	3.59%
Professional School Degree	279	2.45%
Doctorate Degree	27	0.24%

As shown 34% of the population are high school graduates and 6% are college graduates. Over 28% of the population does not have a high school diploma.

Percentage of Renters/Housing Units

Approximately 95% of the households are renter occupied in the CMA. Of the 3,476 housing units, 83% are 50 units or more while 2.4% are single family units. Over 52% of the housing units were built in the past 10 years while 37% of the units were built before 1960.

Household Income

The median household income in the CMA is \$72,951 while the average is \$114,273. Approximately 20% of the household incomes are below \$15,000.

Healthcare Facilities

Since June 1, 1887, St. Joseph Medical Center has offered health care to generations of Houstonians. From Houston's first emergency care facility, to Houston's first OB department, to Houston's first teaching hospital, St. Joseph Medical Center has advanced patient care through technology, research and the experience of caring and dedicated physicians, nurses and staff.

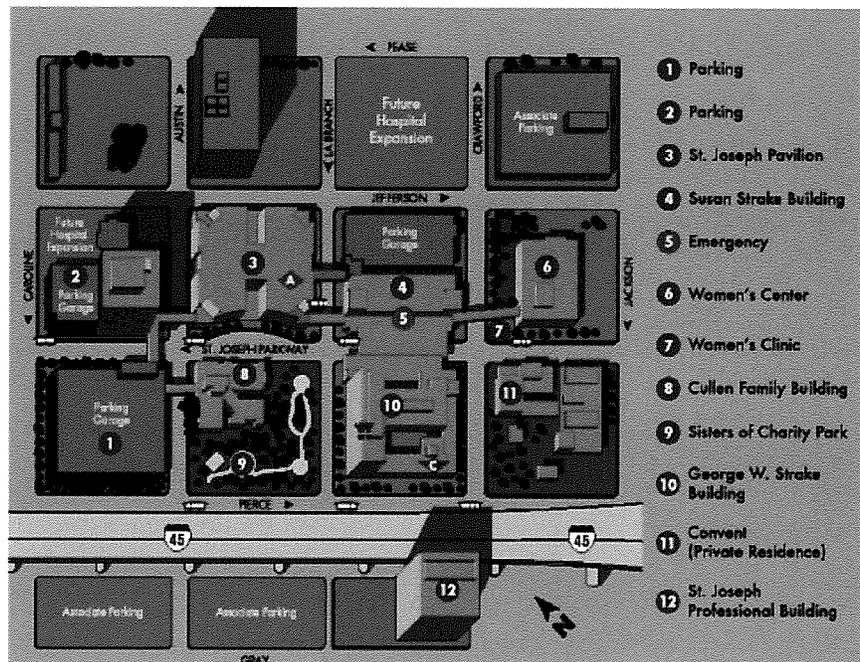
St. Joseph Medical Center provides a full range of comprehensive medical and surgical services, such as, cardiology, cancer care, behavioral health, intensive care/critical care, emergency care, neurosurgery, orthopedics and pediatrics.

St. Joseph Women's Medical Center, Houston's only full service women's hospital attached to a general acute care hospital, provides women's medical and surgical services, a family birthing center for moms and newborns, labor/delivery/recovery suites and a neonatal intensive care unit for premature or seriously ill newborns. The Level III Neonatal Intensive Care Unit is staffed by the Small Wonders Team of specially trained doctors, nurses and staff who provide the smallest patients with the best chance at life.

Specialty services provided by St. Joseph include an advanced wound care center, behavioral medicine, blood conservation and management services, occupational medicine, sports medicine and rehabilitation, inpatient and outpatient diagnostic imaging, and Corporate Healthcare Connection, a partnership with Houston's corporate businesses that provides expedited care to their employees.

St. Joseph Medical Center is staffed by over 500 board certified physicians and more than 1,500 medical professionals and staff. The hospital facility covers twelve city blocks in downtown Houston. The following indicates the location of the hospital's facilities within the CBD.

St. Joseph Medical Center



Education/Schools

The PMA lies within the Houston Independent School District. In February 2009, Houston ISD reported a total enrollment of 200,225. The Houston Independent School District, which encompasses 301 square miles, is the seventh-largest public-school system in the nation and the largest in Texas.

Within the PMA boundaries are three schools. They are the Gregory Lincoln Education Center, High School of the Performing Arts, and J Willis Elementary School.

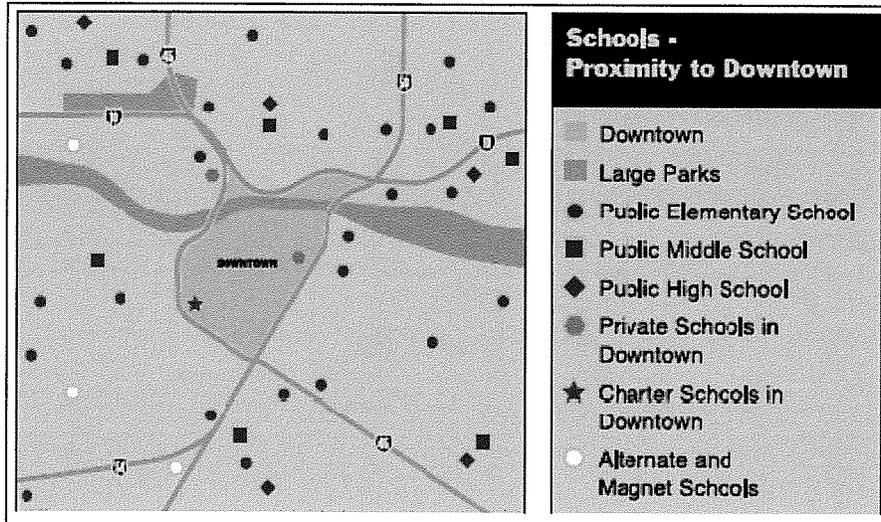
Three elementary schools have zoning boundaries that extend to areas of Downtown with residential areas; they are: Blackshear Elementary School (Third Ward), Bruce Elementary School (in the Fifth Ward), and Crockett Elementary School (northwest of Downtown),

E.O. Smith Education Center (in the Fifth Ward) takes most of Downtown's students at the middle school level. Marshall Middle School (in Northside) takes students at the middle school level from a small section of northern Downtown. Davis High School (north of Downtown) takes students from almost all of Downtown at the high school level. Reagan High School (in the Houston Heights) take students in the high school level from a small section of northwest Downtown.

There are eight private schools in the CBD ranging from pre-school to high school. They include Cathedral House Montessori, Concorde Preschool, Crème de la Crème, Incarnate Word Academy, Montessori School of Downtown, St. John's Academy, Trinity-Messiah Lutheran, and Young Scholars Academy.

The following illustrates the proximity of schools to downtown Houston.

Schools in Proximity to Downtown Houston



In the Houston PMA, there are 3 colleges, universities and other institutions of higher education. The principal institutions are listed below.

Institutions of Higher Education within Downtown Houston

Fall 2007

School	Total Fall 2007 Enrollment
Houston Community College System	36,032
South Texas Law	1,267
University of Houston – Downtown	11,793

Source: The Greater Houston Partnership

Employment

Downtown has approximately 146,783 workers employed by 6,397 businesses according to PCensus for MapInfo, a reseller of Claritas demographic data. Fourteen of Houston’s 23 Fortune 500 Companies are located in the downtown area. Major employers within the CBD are illustrated in the following table.

Downtown Houston Major Employers

COMPANY EMPLOYEES WITHIN DOWNTOWN

Company	Number of Employees	Company	Number of Employees
Shell Oil Company	7000	Waste Management, Inc	900
Harris County	6600	Houston Chronicle	880
Chevron Corporation	6590	KPMG International	840
City of Houston	5125	Metro	835
Exxon Mobil Corporation	3190	Hilton Americas-Houston	825
JPMorgan Chase	3100	Fulbright & Jaworski LLP	825
Continental Airlines	2865	Vinson and Elkins L.L.P.	820
KBR	2400	Calpine Corporation	800
US Government	2375	Bank of New York	760
US Post Office	1925	Baker Botts	690
El Paso Corporation	1850	Kinder Morgan	670
Reliant Energy	1810	Amegy	625
CenterPoint Energy	1760	Wells Fargo Bank	580
Deloitte & Touche L.L.P.	1550	Total Petrochemicals	520
St. Joseph Medical Center	1460	Bank of America	515
Lyondell Petrochemical	1415	Enbridge	505
Devon	1275	Andrews Kurth	490
Amerada Hess Corporation	1100	Bracewell & Giuliani	485
EPCO and related companies	1000	Dynegy	470
Ernst & Young	1000	EOG Resources	450
PricewaterhouseCoopers	1000	Plains and related companies	440
University of Houston-Downtown	950	Hyatt Regency Hotel	430
		Four Seasons Hotel	400

Source: Central Houston, Inc., March 2008

Existing Infrastructure

Roadways/Streets/Sidewalks

Since 1996 \$500 million of infrastructure improvements by the City of Houston, METRO, TxDOT and the Downtown District include the reconstruction of 23 streets. The District has led the redesign and partnered in funding of downtown's new streetscapes that has been built as a part of METRO, City or District street projects. These projects are transforming over 75% of all block faces in downtown, one of the most dramatic transformations of its kind in the nation. • Under contract with the City, the District has managed the development and construction of the Cotswold and Southeast Streetscape Projects.

Partnering with METRO, the Main Street Market Square Redevelopment Authority and Central Houston, it facilitated Main Street's redesign. The District has provided for the cleaning and care of downtown's sidewalks and streetscapes thereby reducing litter levels by over 80 percent. • The District now cares for over 1,500 new street trees, flower planters and beds and other landscaping as well as operating a street banner. It designed and supports the operation of a street light system that has significantly increased the quality of lighting on downtown's sidewalks.

Proposed roadway improvements to the Downtown area include:

- Extend Runnels St. as a new thoroughfare in the Union Pacific passenger main line alignment across the north end of Downtown
- Extend North San Jacinto Street across I-10 and the current Hardy rail yards to the Near Northside.
- Directly connect Commerce Street east to Navigation Boulevard and Jensen Drive via a new tunnel under the railroad tracks.
- Extend the Hardy Toll Road to the I-10/U.S. 59 interchange in Downtown and provide convenient secondary access via a reconfigured, at-grade Elysian Boulevard.
- Relocate Interstate Highway 45 west to public property and replace interchange ramps with landscaped access roads

Transportation

Buses and Rail

METRORail, Houston's light rail system created by Houston's Metropolitan Transit Authority of Harris County (Metro) opened on January 1, 2004. The 7.5-mile system traverses the full extent of downtown on Main Street providing access to most downtown office buildings and other locations. METRORail links downtown with Midtown, the Museum District, the Texas Medical Center, and Reliant Park.

Tunnel and Skywalk Systems

Downtown's pedestrian tunnel is a system of tunnels about 20 feet below Houston's downtown streets and more than 6 miles long. Having started out years ago as a tunnel between two downtown movie theaters, today it includes restaurants and service retail and connects 95 city blocks. The Harris County tunnel at the far north side of downtown is not connected to the rest of the system by either tunnels or skywalks. This portion connects Harris County courts, jails, and associated buildings totaling ten blocks. Six blocks of the St. Joseph Medical Center is connected via skywalks at the southeast corner of downtown near the Pierce elevated.

Utility and Public Services

Utility and Public Services within the PMA are provided by the City of Houston.

Residential Trends in the CMA and Zone

The table on the top right illustrates the mix of housing types in the market area compared with the Houston region. This demonstrates that the housing in the market area is mixed with 2.4% in single or two-family units and 97.1% in multi-family apartments and condominiums. Land prices and recent trends suggest that multi-family housing will make up the large preponderance of new housing constructed in the market area.

Overview of Housing in the Housing Market Area

	Housing Market Area	% of Total	City of Houston	% of Total
Total Units	3,476		913,232	
1 Unit Attached	23	0.66%	49,034	5.37%
1 Unit Detached	60	1.73%	415,525	45.50%
2 Units	80	2.30%	18,584	2.03%
3 to 19 Units	111	3.19%	169,510	18.56%
20 to 49 Units	302	8.69%	46,543	5.10%
50 or More Units	2,883	82.94%	204,135	22.35%
Mobile Home or Trailer	17	0.49%	9,443	1.03%
Boat, RV, Van, etc.	0	0.00%	458	0.05%

Housing Unit Tenure and Structure Trends

The table on the right illustrates the mix of new housing being created in the market area from 2000 to 2009. The CMA residential market has not changed significantly over the past 10 years. Approximately 938 renter occupied units have been added to the CMA (95% of the total market).

	Housing Units Trends			
	2000	2009	Change	%
Tenure of Occupied Housing Units	1,210	2,199	989	100.0%
Owner-Occupied	58	109	51	5.2%
Renter-Occupied	1,152	2,090	938	94.8%
Housing Units by Units in Structure	1,704	3,476	1,772	100.0%
1 Unit Attached	14	23	9	0.5%
1 Unit Detached	37	60	23	1.3%
2 Units	43	80	37	2.0%
3 to 19 Units	61	111	50	2.8%
20 to 49 Units	150	302	152	8.5%
50 or More Units	1,425	2,883	1,458	82.2%
Mobile Home or Trailer	7	17	10	0.5%
Boat, RV, Van, etc.	0	0	0	0.0%

Source: PCensus for Map Info, Version 8.05, Tetrad Computer Applications, Inc., 2009

Single-Family Home Trends

As shown in the table on the previous page, a very small percentage of homes in the CMA are free standing single family dwellings. Since 2000 the MLS reports two homes have sold in the CMA. The average sales price was \$171,250 and the median price was \$171,250.

Condominium Demand and Trends

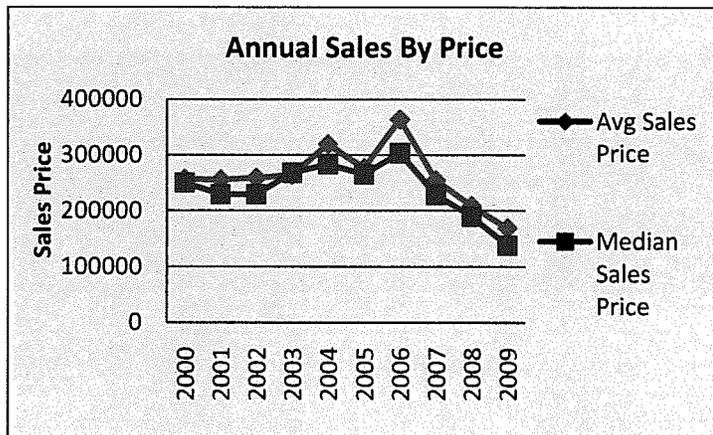
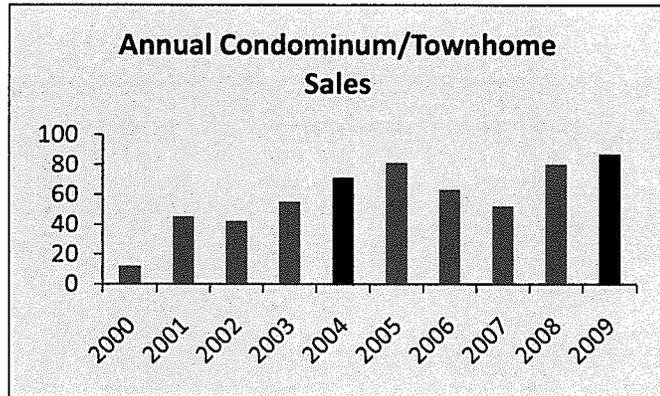
Condominiums and townhomes are any housing units which are listed for sale to the general public that are part of a multi-family structure on commonly owned land, whether it be a garden-style complex, a midrise, or a high-rise.

According to the MLS data, CDS has assembled the following descriptive statistics:

Approximately 588 units have sold since 2000 within the CMA, averaging approximately 58 units per year.

The median sale price of a new condominium was \$262,043; the average sale price was \$239,250.

Condominium Sales Trends



Source: Houston Association of Realtors, MLS.

In the 1990s, however, downtown's population nearly doubled, specifically due to loft renovation projects in the Historic District spurred by the renovation of the Rice Hotel. There are currently 25 market rate residential developments in downtown Houston containing 2,711 housing units that range in size from two units at the Foley Building, 214 Travis Street, to 394 units at Houston House.

Residents started moving into Downtown's first new high-rise luxury apartment residence in over 40 years, One Park Place, in March 2009. Centered on Discovery Green, the 37-story property will contain 346 rental units, 5 levels of parking and over 20,000 square feet of retail space on the pedestrian level. The building is 45% occupied and 52% leased. The developer, Finger Companies is currently negotiating with a gourmet grocer for the retail space.

At least two other downtown residential developments are in the advanced planning stages. Central Houston, Inc. estimates that approximately 12,300 residential units have been or are being built within a 2-mile radius of downtown within the past ten years. This includes the new units that lie within the freeway ring. While most of the new units in the area are market rate, it is estimated that over 1,400 units are affordable or very affordable.

A strong indicator of the resurgence of downtown and near-downtown residential value is the 2002 sale of the 198-unit Sabine Street Lofts for \$157,000 per unit, or about \$31 million. This downtown residential transaction represents the highest per unit transaction in Houston's history. The type of residents attracted to downtown loft and condominium units tend to be young urban professionals working downtown, empty nesters, and reverse commuters. Units tend to be in the mid to upper income level range. Resale prices generally range from approximately \$150,000 for a 700 square foot unit to \$450,000 for a 2,100 square foot unit (excluding penthouses). On a per square foot basis, housing resale prices are within \$185 to \$270 per square foot. Rents vary from \$1.00 to \$2.00 per square foot per month.

The following is a chart of residential units in the CMA including rental, sale and SRO units. There are approximately 3,227 units illustrated with an occupancy rate of 88%. Of these 1,737 are rental units with an overall occupancy rate of 80%. A map of the residential development in the CMA follows the chart.

Residential Market - Immediate Vicinity of the CMA

Name	Location	Rent Sale SRO	No. of Units	Occupied units	Occ Rate	Total Mrkt Rate Units	Occ units	Occu- panc y rate	Mrkt Rate Rent units	Occ rental units	Occ of rental units	Mrkt Rate Own units	Occ own units	Occ of owned units	Rate/sf or price/sf
Plaza & Peacock Apts	1414, 1416 Austin	R	32	29	91%	32	29	91%	32	29	91%				\$0.86
Houston House Apts	1617 Fannin	R	394	343	87%	394	343	87%	394	343	87%				\$1.56
Dakota Lofts	711 William	R	53	49	92%	53	49	92%	53	49	92%				\$1.12
Hogg Palace	401 Louisiana	R	79	77	97%	79	77	97%	79	77	97%				\$1.29
White Oak Lofts	1011 Wood	R	12	12	100%	12	12	100%	12	12	100%				N/A
Post Rice Lofts	909 Texas	R	308	292	95%	308	292	95%	308	292	95%				\$1.57
Lofts at the Ballpark	610 St. Emanuel	R	375	349	93%	375	349	93%	375	349	93%				\$1.25
Sabine Street Lofts	150 Sabine	R	198	90	45%	198	90	45%	198	90	45%				\$1.05
Humble Tower Apts	1212 Main	R	82	79	96%	82	79	96%	82	79	96%				\$1.68
Club Quarters	720 Fannin	R	70	11	11%	70	11	16%	70	11	16%				N/A
Eller Wagon Works	101 Crawford / 100 Jackson	R	32	40	125%	32	40	125%	32	40	125%				\$1.00
One Park Place	1400 McKinney	R	346	156	45%	346	156	45%	346	156	45%				N/A
Four Seasons	1300 Lamar	R & S	76	38	50%	50	50	100%	26	26	100%	50	50	100%	\$4.50
Commerce Towers	914 Main	R & S	132	79	60%	132	79	60%	10	10	100%	122	69	57%	\$200-\$350
Kirby Lofts on Main (est)	917 Main	R & S	65	5	8%	65	5	8%	65	5	8%				N/A
2016 Main	2016 Main	S	353	353	85%	353	353	100%				353	353	100%	\$0.73
Foley Building	214 Travis	S	2	2	100%	2	2	100%				2	2	100%	N/A

Central Houston TIRZ 24 Market Analysis

Houston, TX

Name	Location	Rent Sale SRO	No. of Units	Occupied units	Occ Rate	Total Mrkt Rate Units	Occ units	Occu-panc y rate	Mrkt Rate Rent units	Occ rental units	Occ of rental units	Mrkt Rate Own units	Occ own units	Occ of owned units	Rate/sf or price/sf
Hermann Lofts	204 Travis	S	26	26	100%	33	33	100%				33	26	100%	\$232
St. Germain Lofts & Condos	705 Main	S	108	108	100%	108	108	100%				108	108	100%	N/A
Bayou Lofts	915 Franklin	S	108	108	100%	108	108	100%				108	108	100%	\$228
Keystone Lofts	1120 Texas	S	31	31	100%	31	31	100%				31	31	100%	N/A
Capitol Lofts	711 Main	S	37	37	100%	37	37	100%				37	37	100%	\$192
San Jacinto Lofts	915 N. San Jacinto	S	16	16	100%	16	16	100%				16	16	100%	\$135-\$150
Franklin Lofts	201 Main	S	62	62	95%	62	62	100%				62	62	100%	\$235
Byrd's Lofts	919 Prairie	R & S	5	5	100%	5	5	100%	1	1	100%	4	4	100%	\$300
Beaconsfield Condos	1700 Main	S	19	19	89%	19	19	100%				19	19	100%	N/A
YMCA	1600 Louisiana	SRO	132	132	100%										N/A
Canal Street Apartments	2821 Canal	SRO	133	130	100%										\$1.59
New Hope I, II, III (SRO)	320 Hamilton	SRO	130	123	100%										\$1.73
1414 Congress (SRO)	1414 Congress	SRO	57												\$400/mo
D'George	1418 Preston	SRO	100	100	100%										\$381
Total			3,227	2,801	88.3%	2,656	2,435	87%	1,737	1,569	80.7%	945	885	96.7%	

Source: Central Houston Management District, 2009.

Map of Residential Market –Immediate Vicinity of the CMA



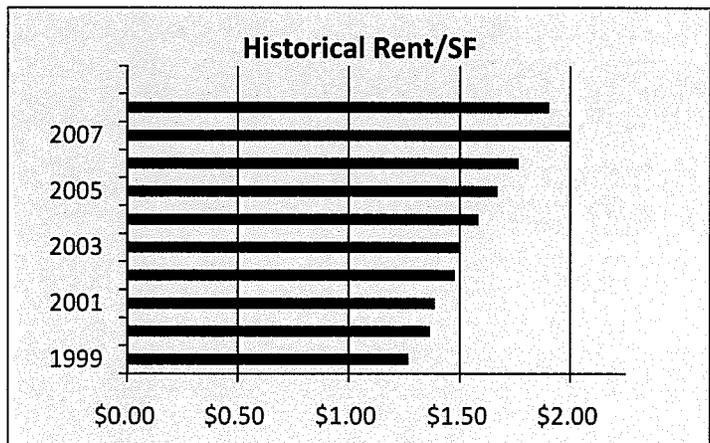
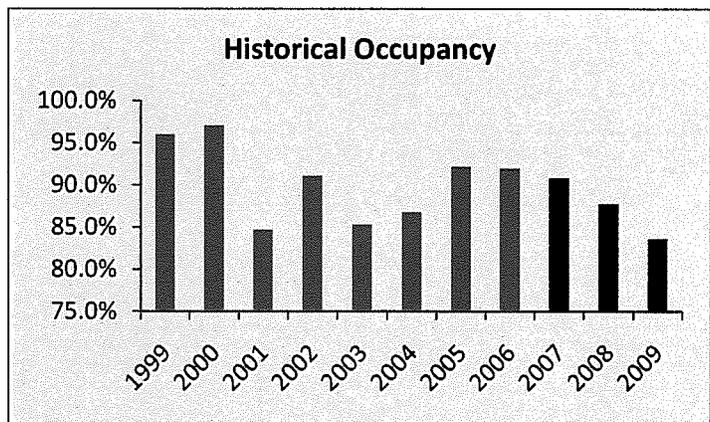
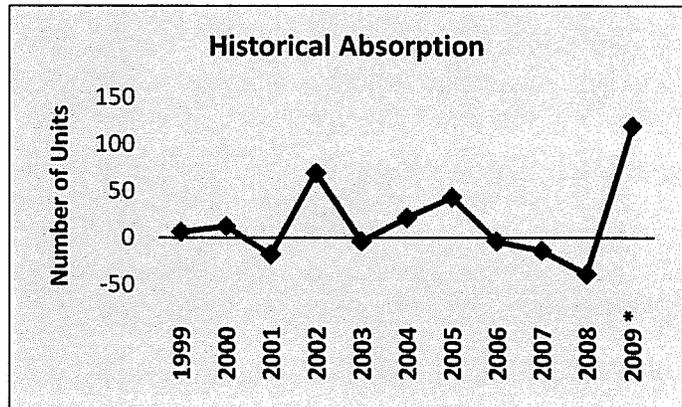
CMA Multifamily Residential Market

According to O'Connor and Associates, within the CMA there are approximately 1,652 market rate rental units. Occupancy is at 83.6% with average rent/sf at \$1.98.

Historically absorption within the CMA has ranged from a negative 39 to 69 units. As of October 2009 absorption was at an all time high with 119 units being absorbed. Occupancy was down in 2008 at 87%. Rents have steadily increased over the past ten years. In 2008 average rents/sf were at \$1.91/sf, slightly below \$1.99 reported in 2007.

Reportedly, there are 239 units proposed within the CMA to be located at 301 St. Joseph Parkway (City Center Phase II) and 126 planned units to be located at 100 Bagby Street (MidTown Square by Post III).

Historical CMA Performance



Residential Units in the Zone

There are approximately 98 single family residences within the Zone ranging in appraised value from \$9,993 to \$806,528. The average appraised value is \$194,343 and the average square footage is 2,101. The majority of these residential units are located in the far north section of the Zone.

According to O’Connor & Associates, HCAD, and Houston Downtown there are approximately 1,262 multifamily residential units within the Zone. The vacancy rate of residential buildings in the Zone is similar to that of the CMA as a whole. Rents in the Zone vary substantially with grade of the building (Class A through E).

As shown, only two buildings have been constructed in the past 10 years totaling 1,087,392 square feet. One Park Place, the first new high-rise luxury apartment residence in over 40 years, opened in March 2009 and is still under construction with completion expected in early 2010. City View Lofts are currently under construction in the Zone. This is a residential renovation of the Nabisco Cookie Factory/Purse Co., a historical landmark on the national register and is affordably priced from the low \$100’s to the mid \$400’s. There will be 57 units upon completion and they are 60% leased to date.

The Zone Multifamily/Condo Residential Development

Name	Address	Sale Rent SRO	# Units	Occupancy	Avg Rent/SF	Avg SF	Built	Renov.	Type
Dakota Lofts	711 William	Rent	53	92%	\$1.55	1,523	1911	1993	Loft
Four Seasons Place	1111 Caroline	R&S	64	70%	\$4.50	992	1982	2008	Highrise
Houston House	1617 Fannin	Rent	379	79%	\$1.64	640	1966	1999	Highrise
One Park Place	1400 McKinney	Rent	346	45%	\$2.42	1,402	2009	N/A	Highrise
White Oak Lofts	1011 Wood	Rent	12	100%	\$1.00	1,750	1923	1997	Loft
Eller Wagon Works	101 Crawford	Rent	32	100%	\$1.00		1910	2004	Loft
1414 Congress	1414 Congress	SRO	57	0%	Sub	Closed until 2010 for renovations			Single Room
New Hope I, II, III	320 Hamilton	SRO	130	100%	Sub	N/A		1999	Single Room
D’George	1418 Preston	SRO	100	100%	Sub	N/A		2000	Single Room
Plaza & Peacock	1414 Austin	Rent	32	91%					Highrise
City View Lofts	15 Chenevert	S&R	57	60%			U/C	N/A	Loft
Total/Average			1,262	84%	\$2.02	1,261			

HCAD indicates there are five additional properties with less than 40 units per property. The number of additional units is 51 bringing the total to 1,313. In addition the following units are proposed for the Zone:

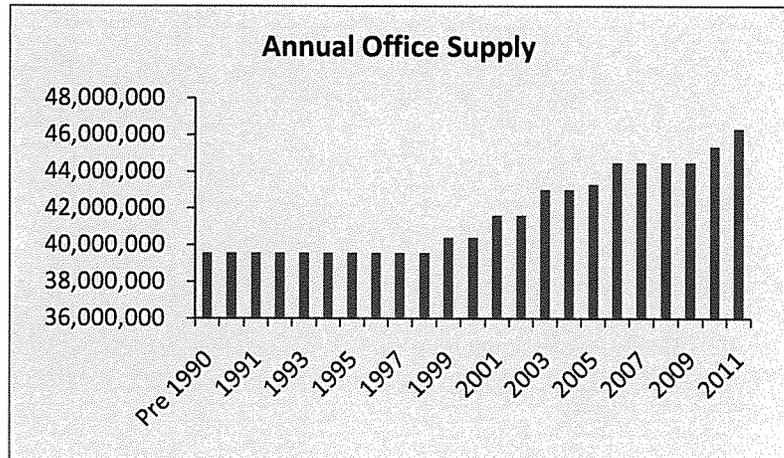
Name	Address	Sale Rent SRO	# Units	Occupancy	Avg Rent/SF	Avg SF	Built	Renov.	Type
MidTown Square by Post	100 Bagby	Rent	126	N/A	N/A	N/A	N/A	N/A	TBD

Office Trends in the CMA and Zone

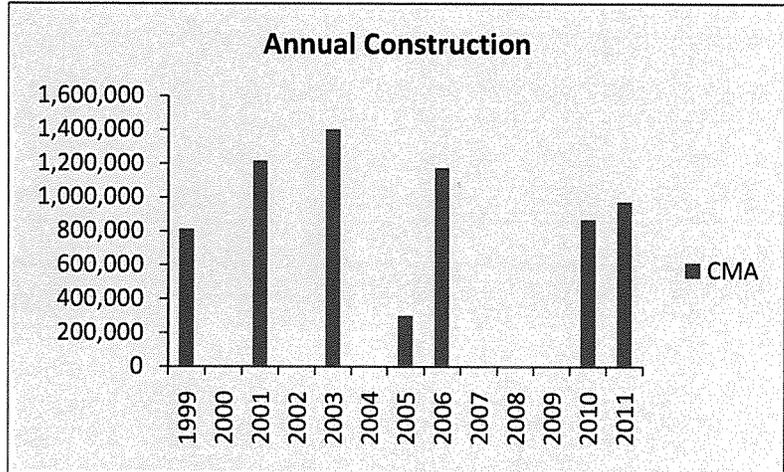
Office Trends in the CMA

Office Buildings in the CMA

The following charts illustrate the office space trends in the CMA. There is approximately 43.3 million gross square feet of office space in the CMA. With proposed construction of two buildings from 2010 to 2011, the office space is predicted to be 46,316,319 square feet.



As the chart on the right of the page illustrates, the construction has been spotty over the past 10 years. Trends over the past 10 years average to almost 500,000 square feet annually.



Source: Central Houston Management District and O'Connor and Associates

Overall, the multi-tenant office buildings in the CMA have performed better than the region as a whole.

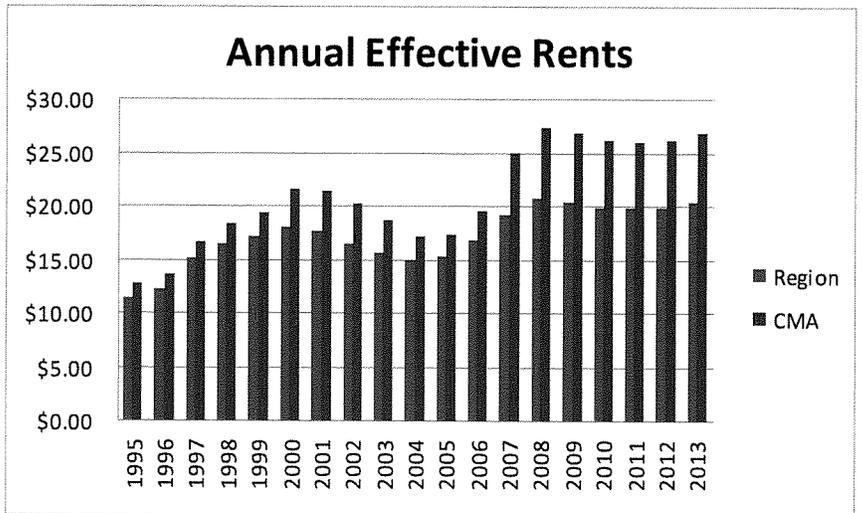
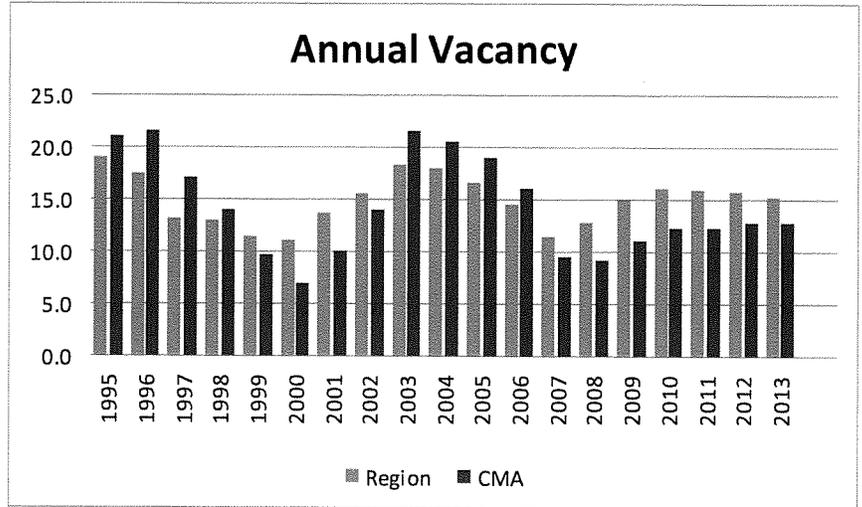
The chart on the right shows the vacancy rates in the Zone compared to the Houston region. From 2003 to 2006 vacancy rates in the CMA were significantly higher than the region. However, since 2007 vacancy rates below the region have been the norm for the buildings in the CMA – with the current vacancy rate at 9.2%.

CMA Class A office properties maintained occupancy above 90 percent, the current occupancy marked a decrease from 92.8% recorded twelve months earlier. CBD Class B office occupancy, in contrast, remained low 78.2% (from 78.9%).

Historically, rental rates in the CMA have been higher than the region as a whole.

CMA Class A average rental rates fell 2.3% to \$37.45 per sq. ft. (from \$38.35), while suburban Class A rental rates slipped 1.4% to \$27.31 per sq. ft. (from \$27.70). In contrast, CBD Class B average quoted rental rates plummeted 15.6% to \$23.62 per sq. ft.

Office Performance Trends in the CMA



Source: © Reis Services and O'Connor & Associates

Office Buildings in the CMA

Center	Street No.	Street Name	Year Built	Class	Gross SF	Occu pancy	Avg Rent
1500 Austin	1500	Austin St	1955	E	20,000	100.0	
Exxon Bldg	800	Bell St	1962	A	1,429,000	100.0	
Henry Henke Bldg	801	Congress St	1948	C	57,180	65.2	19
Heritage Plaza	1111	Bagby St	1986	A	1,408,900	89.9	28.55
Citizens Building	402	Main St	1920	C	43,840	100.0	
917 Franklin	917	Franklin St	1870	C	47,704	91.4	20.5
Chancery Galv-Hstn Diocese	1700	San Jacinto St	1961	B	41,212	100.0	
Seafarers Internatl	1221	Pierce	1970	C	23,616	100.0	
1301 Leeland St	1301	Leeland St	1930	D	11,220	51.0	10
1300 Texas St	1300	Texas St	1951	C	26,739	100.0	
Harris County Criminal Justice Ctr	1201	Franklin St	1999	A	800,000	100.0	
JPMorgan Chase Center	601	Travis	1982	B	424,276	100.0	22.57
RRI Energy Plaza	1000	Main St	2001	A	606,786	92.5	30
Chevron	1500	Louisiana	2003	A	700,000	100.0	
Battlestein's Bldg	812	Main St	1930	D	73,060	0.0	12
Houston Technology Ctr	410	Pierce Ave	1960	C	18,206	100.0	
St Joseph Pavilion	1919	La Branch	1940	A	212,000	100.0	
5 Houston Center	1401	McKinney	2001	A	606,786	92.5	30
Formerly Calpine Center	717	Texas St	2003	A	700,000	100.0	35.31
METRO Transit Center	1900	Main St	2005	B	300,000	100.0	
Medical Place One	1315	St Joseph	1985	A	300,000	80.5	23
Vacant Federal Reserve Bldg	1701	San Jacinto	1940	B	96,504	0.0	
Houston Technology Ctr	410	Pierce St	1960	B	25,000	100.0	
Harris County Courthouse	201	Caroline	2006	A	660,000	100.0	
Austin, 1521	1521	Austin St	1930	B	45,728	43.1	
1621 Milam St	1621	Milam	1923	C	59,109	100.0	14
Bayou Place Phase II	315	Capitol St	2006	A	200,000	100.0	28
Pillot Building, The	300	Fannin	1925	B	15,290	90.0	19
Isis Building	1000	Prairie St	1920	E	28,500	21.1	20.75
421 Fannin	421	Fannin	1920	D	20,000	0.0	18
Sterne and Stuart Building	300	Main St	1938	E	20,250	89.9	23
515 Louisiana	515	Louisiana	1900	E	13,700	100.0	
1210 Jefferson	1210	Jefferson	1950	E	12,500	0.0	12
Lawyers Title	617	Caroline St	1920	C	19,178	100.0	

Center	Street No.	Street Name	Year Built	Class	Gross SF	Occupancy	Avg Rent
800-806 Commerce	800	Commerce	1934	C	27,500	100.0	
1019 Congress	1019	Congress St	1985	B	49,000	100.0	
Americana Bldg	811	Dallas	1961	C	188,295	60.3	21
The Mafrige Building	411	Fannin	1935	D	22,000	9.1	20
Texas Tower	608	Fannin	1925	C	134,612		
2 Houston Center	909	Fannin	1975	A	1,102,279	94.2	38.80
First City Tower	1001	Fannin St	1980	A	1,365,801	94.3	39.91
Howell Corporation Bldg	1111	Fannin	1971	B	449,750	98.4	18.0
1415 Fannin	1415	Fannin	1968	C	43,615	100.0	
Younan Square	1010	Lamar St	1981	B	264,885	82.5	26.77
One Shell Plaza	910	Louisiana	1968	A	1,600,000	99.9	39.70
1100 Louisiana	1100	Louisiana	1980	A	1,407,375	98.8	43.31
Wedge International	1415	Louisiana	1983	B	536,626	83.4	30.79
Harris County Offices	1001	Preston St	1975	C	251,040	100.0	
Scanlan Building	405	Main St	1908	C	89,712	92.1	20.5
State National Bank Bldg	412	Main St	1923	C	55,844	53.1	12
Great Jones Bldg	708	Main St	1923	B	82,600	45.4	20.25
JP Morgan Chase Bank	712	Main St	1929	B	1,051,791	92.6	14
806 Main	806	Main St	1910	C	209,000	52.4	11
905 Main	905	Main St	1941	D	23,500	61.9	
1001 McKinney	1001	McKinney	1947	B	422,386	77.6	18
One City Centre	1021	Main St	1960	A	915,173	72.1	24.84
Travis Tower	1301	Travis St	1955	B	479,151	37.3	26.5
Southwest Bank of Texas	1801	Main St	1956	B	241,000	100.0	19
Kiam Bldg	320	Main St	1900	C	24,000	100.0	15.5
Wells Fargo Plaza	1000	Louisiana	1983	A	1,721,242	85.1	40.02
1 Houston Center	1221	McKinney	1977	A	1,103,424	95.8	38.25
Fulbright Tower	1301	McKinney	1982	A	1,311,133	92.2	38.25
4 Houston Center	1221	Lamar	1983	A	978,706	84.3	32.25
JP Morgan Chase Tower	600	Travis	1982	A	2,000,000	86.7	39
Pennzoil Place	711	Louisiana	1975	A	1,814,930	98.5	37.32
El Paso Energy Bldg	1001	Louisiana	1962	A	1,130,079	100.0	
Continental Center	1215	Prairie	1940	D	25,000	97.3	13.5
Lyric Centre	440	Louisiana	1983	B	408,200	94.4	21
Republic Bldg	1018	Preston St	1907	C	24,000	100.0	18.25
801 Louisiana	801	Louisiana	1978	B	106,449	46.6	26
Bank of America Center	700	Louisiana	1983	A	1,517,774	90.4	32

Center	Street No.	Street Name	Year Built	Class	Gross SF	Occupancy	Avg Rent
Continental Center I	1600	Smith St	1983	A	1,227,182	95.2	26
Four Allen Center	1400	Smith St	1984	A	1,266,714	100.0	22.38
Mickey Leland Federal	1919	Smith	1982	B	372,979	100.0	19.59
1114 Texas	1114	Texas St	1948	D	105,000	100.0	12
1301 Texas	1301	Texas St	1921	C	39,000	100.0	
Great Southwest Bldg	1314	Texas	1926	C	188,240	88.7	15
Old Cotton Exchange Bldg	202	Travis	1885	B	17,436	100.0	17
Houston Police Dept	1200	Travis	1967	B	575,000	100.0	
611 Walker	611	Walker	1968	A	663,352	100.0	
Two Shell Plaza	777	Walker	1971	A	624,000	97.0	37.04
San Jacinto Bldg	911	Walker	2006	D	312,000	100.0	8
1301 Fannin Street	1301	Fannin St	1984	A	797,460	80.7	21.67
917 Main St	917	Main St	1926	C	122,000	85.0	23.5
919 Milam/910 Travis	919	Milam St	1956	A	723,130	75.0	34.76
Calcara LP	1914	Caroline	1999		9,890		
1803 Pease	1803	Pease	1967		6,000		
Binz Building	1001	Texas	1982	A	126,975	80.8	25.03
Wells Fargo	801	Travis	1981	BC	224,735	49.7	27.70
700 Rusk	700	Rusk	1979	BC	98,229	18.0	16.13
1111 Louisiana	1111	Louisiana	1973	A	539,762	100.0	20.00
Total Plaza	1201	Louisiana	1971	A	835,766	94.4	30.61
Two Allen Center	1200	Smith	1978	A	995,623	98.0	39.56
One Allen Center	500	Dallas	1972	A	993,238	95.8	39.86
Three Allen Center	333	Clay	1980	A	1,191,254	93.6	39.55
Total/Average					43,304,494	82.9	26.6

There are two additional office buildings under construction in the CMA. MainPlace is estimated to be completed in early 2011 and Discovery Tower in spring 2010. The following information was reported by Houston Downtown Association:

Office Buildings Under Construction in the CMA

Center	Street No.	Street Name	Est Completion	Class	Gross SF	Occupancy
Discovery Tower	1501	McKinney	2010	A	972,000	Hess Corp. 100%
MainPlace	811	Main	2011	A	867,825	

Office Buildings in the Zone

The table on the bottom of the page provides statistics on office buildings in the Zone. The source of this information is HCAD. There are 43 buildings with a total of 9,353,167 square feet in the Zone. A large portion of the buildings are owner occupied. Rents in the Zone vary substantially with grade of the building (Class A through E).

Office construction in the Zone has also varied dramatically over time. According to O’Connor, only four buildings have been constructed in the past 20 years totaling 625,596 square feet.

Office Buildings in the Zone

Center	Street No.	Street Name	Year Built	Class	Gross SF	Occupancy
1500 Austin	1500	Austin St	1955	E	20,780	100
Chancery Galv-Hstn	1700	San Jacinto	1961	B	41,212	100
1301 Leeland St	1301	Leeland St	1930	D	11,220	51
1300 Texas St	1300	Texas St	1951	C	25,527	100
114 LaBranch	114	LaBranch	1985	E	4,896	
5 Houston Center	1401	McKinney	2001	A	606,786	92.5
415 Caroline	415	Caroline	1928	E	14,400	
Federal Reserve	1701	San Jacinto	1940	B	96,504	vacant
515 Caroline	515	Caroline	1930	E	5,000	
1310 Prairie	1310	Prairie	1924	E	210,580	
1300 McKinney	1300	McKinney	1983	A	978,706	
First City Tower	1001	Fannin St	1980	A	1,365,801	94.3
Howell Corp Bldg	1111	Fannin	1971	B	561,150	90.4
1415 Fannin	1415	Fannin	1968	C	46,875	100
1 Houston Center	1221	McKinney	1977	A	1,103,424	100
Fulbright Tower	1301	McKinney	1982	A	1,311,133	92
1515 Rusk	1515	Rusk	1945	E	5,000	
1601 Congress	1601	Congress	1898	E	5,000	
1301 Texas	1301	Texas St	1921	C	22,280	100
Great SW Bldg	1314	Texas	1926	C	188,240	88.7
1301 Fannin Street	1301	Fannin St	1984	A	766,950	80.7
901 Fannin	901	Fannin St	1975	A	1,102,279	
Lawyers Title	617	Caroline St	1920	C	18,168	100
1317 Austin	1317	Austin St	1950	E	4,462	
1407 Fannin	1407	Fannin St	1930	C	40,419	
1803 Pease	1803	Pease	1967	E	6,000	
1611 Caroline	1611	Caroline St	1952	E	656	
1100 Leeland	1100	Leeland St	1961	E	8,000	
1407 Jefferson	1407	Jefferson	1964	C	545,168	
St Joseph	1315	Calhoun	1984	A	208,287	
St Joseph	1217	St Joseph	1945	E	3,764	
1914 Hamilton	1914	Hamilton	1985	E	13,860	

Center	Street	Street Name	Year	Class	Gross SF	Occupancy
1221 Pierce	1221	Pierce	1970	E	23,616	
1914 Caroline	1914	Caroline St	1999	E	9,890	
Pappas	1901	San Jacinto	1971	E	9,000	
1002 Washington	1002	Washington		D	0	vacant
1112 Wood	1112	Wood	2005	E	4,320	
1010 San Jacinto	1010	San Jacinto	1921	E	6,710	
1016 Houston	1016	Houston	1900	E	7,650	
1505 Jensen	1505	Jensen	1937	E	6,434	
1301 Nance	1301	Nance	1964	E	1,680	
1204 Nance	1204	Nance	1910	E	2,728	
1200 Rothwell	1200	Rothwell	2004	E	4,600	
Crescent Realty	1200	McKinney			0	
1820 Franklin	1820	Franklin	1935	E	15,983	
TOTAL					9,435,138	

Office Buildings Under Construction in the ZONE

Center	Street No.	Street Name	Est Completion	Class	Gross SF	Occupancy
Discovery Tower	1501	McKinney	2010	A	972,000	Hess Corp. 100%

Retail Trends in the CMA and Zone

The table below illustrates the complete list of customers of retail and services in Houston's downtown.

Drivers of Downtown Demand

Sources of Downtown Demand	Measure	2006	2011
Downtown Residents	households	3,091	4,136
Midtown Residents	households	5,533	6,260
Other Inner Loop Residents	households	174,496	180,679
Downtown Workers	workers	145,318	160,443
Theater Patrons	annual visits	2,000,000	2,000,000
Movie Attendees	annual visits	219,000	219,000
Sporting Venue Attendees	annual visits	5,500,000	5,500,000
Overnight Convention Attendees	room nights	269,551	315,900
Other Hotel Guests	room nights	1,084,605	1,173,563
Day Use Convention Visitors	annual visits	607,340	730,000
Downtown Students	students	16,346	17,853
Special Events Visitors	annual visits	2,000,000	2,000,000
Other Visitors	annual visits	11,000,000	11,000,000

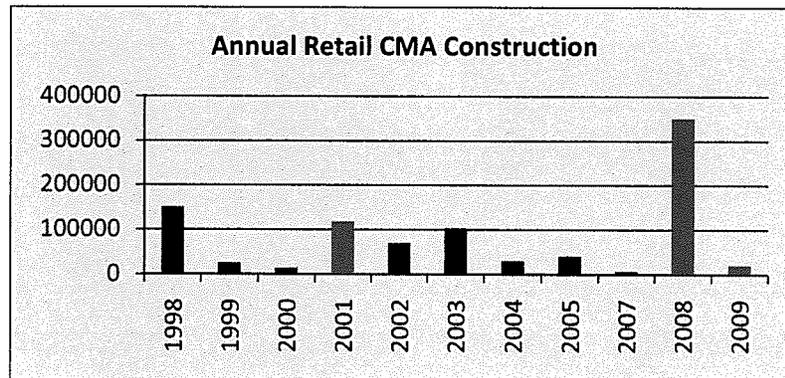
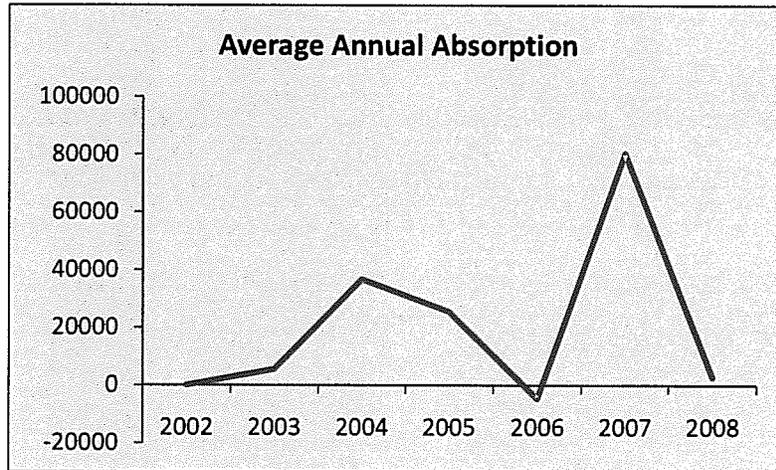
Using a rough conversion of daily demand, the downtown demand drivers equate to approximately 430,000 persons per week day by 2011.

O'Connor and Associates includes reports that the retail space in this submarket is 2.1 million gross square feet. This statistic underestimates the total amount of retail space because the data source, O'Connor & Associates includes only centers with greater than 10,000 square feet. Small center would not be included.

Annual absorption in the CMA has risen significantly over the past few years with the exception of 2006 with a negative absorption of 4,637 square feet.

CMA rents throughout the past 10 years construction has varied annually. The average annual retail construction is approximately 92,000 square feet. The most recent construction in the CMA is the Houston Pavilions located at 1201 Fannin. This development encompasses three city blocks.

Retail Performance Trends in the CMA

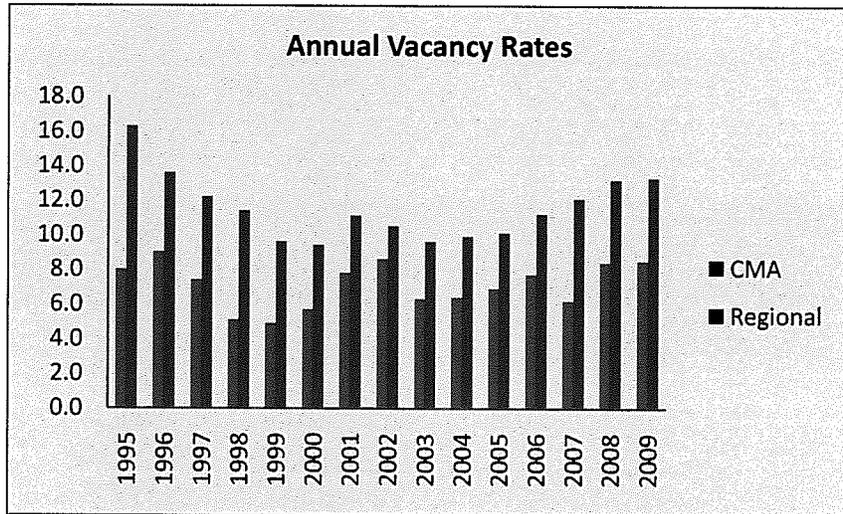


Source: Central Houston Management District and O'Connor and Associates

Overall, the multi-tenant office buildings in the CMA have performed better than the region as a whole.

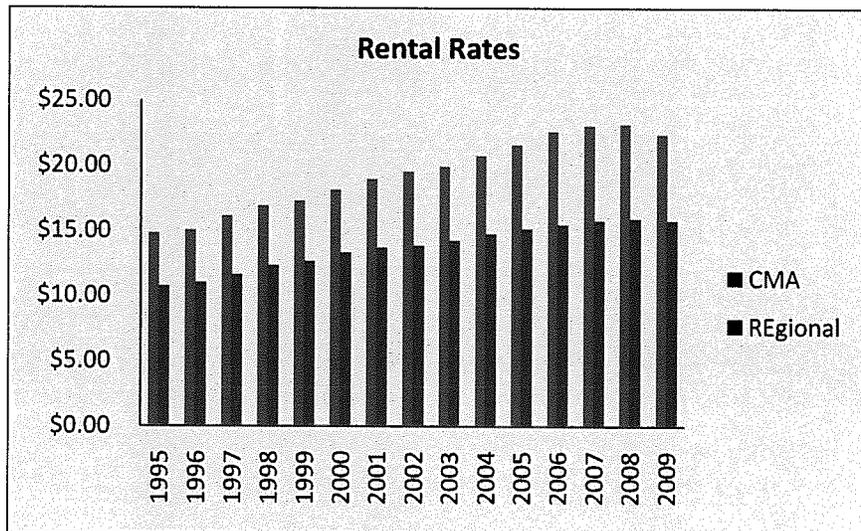
The chart on the right shows the vacancy rates in the Zone compared to the Houston region. Vacancy rates in the CMA have consistently been lower than that of the region. The current rates of 8.5% in the CMA and 13.3% in the region are similar to variances of the past 15 years.

Retail Performance Trends in the CMA



Historically, rental rates in the CMA have been higher than the region as a whole.

CMA Class A average rental rates are at \$22.36 in contrast, regional rental rates are at \$15.76 per sq. ft.



Source: © Reis Services

CMA Retail Development Trends

Per the Central Houston Management District and HCAD there are approximately 300 restaurants and clubs, and 2.8 million square feet of retail shops in Downtown Houston.

Since 2001 an additional 667,000 square feet of retail space has been added to downtown Houston, including 350,000 square feet in the Houston Pavilions retail entertainment complex that opened October 2008.

Retail Development Trends

Retail Occupancy 2008		
	SF	Occupancy
Street Level	2,800,000	67%
Tunnel Level	378,500	87%
TOTAL	3,178,500	

CDS Market Research and Downtown Houston, December 2008

Retail Development 2001-2009

Retail Name/Location	SF	Year Open
1001 McKinney	12,044	2001
1100 Louisiana Garage	36,000	2001
Bayou Lofts and Garage 913 Franklin	25,000	2001
McKinney Place Garage 930 Main Street	44,579	2001
Humble Building 1212 Main Street	6,000	2003
717 Texas Office Tower	6,000	2003
Franklin Lofts 201 Main Street	15,000	2003
Landry's Aquarium 410 Bagby	26,000	2003
Reliant Energy Plaza 1000 Main Street	50,000	2003
Hotel Icon 220 Main Street	12,000	2004
5 Houston Center 1400 McKinney	17,800	2004
Byrd's Lofts 420 Main Street	11,809	2005
Stowers Building 820 Fannin	20,000	2005
Kirby Lofts Main Street	8,500	2005
Walker @ Main Garage Walker @ Main	6,222	2007
Houston Pavillions 1201 Fannin	350,000	2008
One Park Place 1400 McKinney	20,000	2009
Total	666,954	

Source: Central Houston, Inc., March 2008

Retail Development in the Zone

According to HCAD, there is a total of 410,795 square feet of retail space within the Zone. The majority of the space was constructed before 1990. Approximately 25,729 square feet has been constructed in the Zone since 2001. Most of the centers in the zone did not report rental rates but it is likely that, on the whole, the rates are similar to the CMA as a whole.

Address	SF	Yr Built	Retail Use
216 LA BRANCH	8,064	1930	Retail Single-Occupancy
1421 PRESTON	7,000	1948	Bar/Lounge
1217 PRAIRIE	19,656	1940	Commercial Bldg. - Mixed Res.
417 SAN JACINTO	13,140	1904	Retail Multi-Occupancy
415 SAN JACINTO	609	1930	Restaurant
615 CAROLINE	14,800	1930	Retail Single-Occupancy
1510 TEXAS	18,818	2003	Restaurant
101 CRAWFORD	91,750	1925	Commercial Bldg. - Mixed Res.
209 JACKSON	7,044	1970	Night Club/Dinner Theater
1704 FRANKLIN	2,800	1950	Bar/Lounge
618 CHENEVERT	660	1982	Commercial Bldg. - Mixed Res.
1710 TEXAS	2,205	1943	Retail Single-Occupancy
1800 TEXAS	21,867	1949	Retail Multi-Occupancy
22 CHENEVERT	4,740	1950	Bar/Lounge
1515 DALLAS	0		Retail Single-Occupancy
1515 DALLAS	0		Retail Single-Occupancy
1311 POLK	1,250	1935	Retail Single-Occupancy
1211 CAROLINE	18,424	1935	Retail Single-Occupancy
1304 DALLAS	10,400	1900	Retail Multi-Occupancy
1409 CAROLINE	19,401	1930	Retail Multi-Occupancy
1521 AUSTIN	45,728	1930	Retail Single-Occupancy
0 LEELAND	12,936	1947	Retail Single-Occupancy
1604 LEELAND	5,170	1948	Restaurant
1514 LEELAND	0		Service Station (Full)
1515 PEASE	13,300	1955	Bar/Lounge
1502 LEELAND	0		Service Station (Full)
1620 AUSTIN	10,000	1950	Retail Single-Occupancy
1119 PEASE	3,016	1970	Fast Food
1602 SAN JACINTO	2,500	1940	Retail Single-Occupancy
1818 HAMILTON	6,911	2001	Convenience Food Market
1217 PIERCE	4,694	1973	Restaurant

Address		SF	Yr Built	Retail Use
101	FRANKLIN	13,216	1965	Retail Multi-Occupancy
1001	SAN JACINTO	1,728	1963	Service Station (Full)
1002	SAN JACINTO	2,860	1916	Retail Multi-Occupancy
1314	HOUSTON	10,303	1943	Retail Single-Occupancy
1400	WASHINGTON	2,266	1900	Retail Single-Occupancy
1420	WASHINGTON	1,170	1950	Retail Single-Occupancy
1230	HOUSTON	2,646	1938	Retail Single-Occupancy
1115	JENSEN	384	1952	Retail Single-Occupancy
901	MCKEE	1,455	1933	Commercial Bldg. - Mixed Res.
850	MCKEE	3,900	1966	Ice House
1403	NANCE	3,609	1980	Commercial Bldg. - Mixed Res.
1320	ROTHWELL	375	1994	Retail Single-Occupancy
TOTAL		410,795		

Industrial Trends in the CMA and Zone

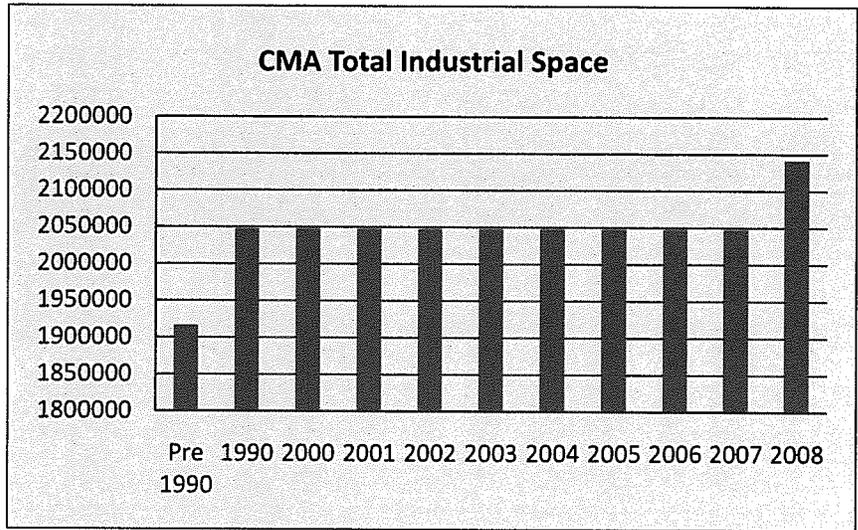
The CMA has a low concentration of “industrial uses” In the CMA, there is currently 2.14 million square feet of industrial space in 54 buildings. By type of use, it breaks down as follows:

Type	Square Feet	Build-ings
Office/Warehouse	388,207	9
Warehouse	1,477,499	42
Service Center	187,000	1
Manufacturing	88,500	2
Grand Total	2,141,206	54

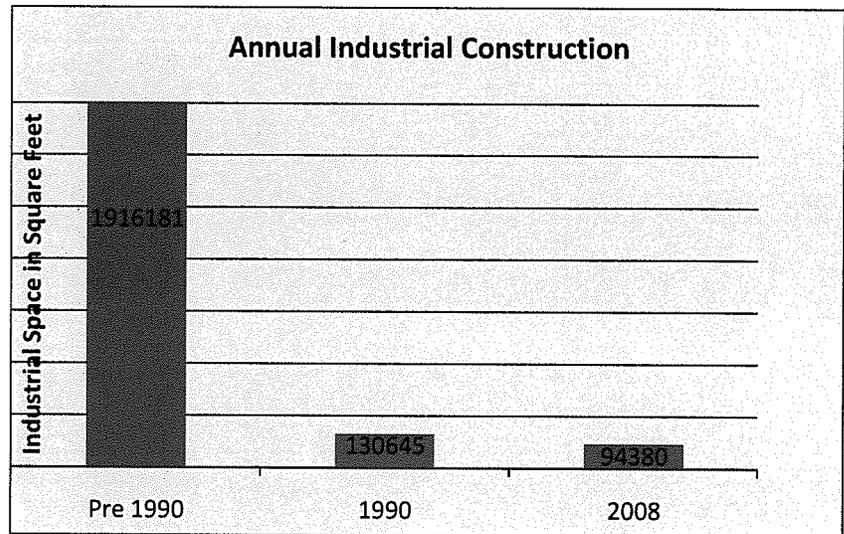
Most of the space (1.91 million square feet, 89%) in the CMA was built prior to 1990. Since that time, only three facilities have been constructed.

The chart on the right illustrates the industrial building in the CMA since 1990. The average annual new construction in the CMA is 22,500 square feet of space.

Industrial Trends in the CMA



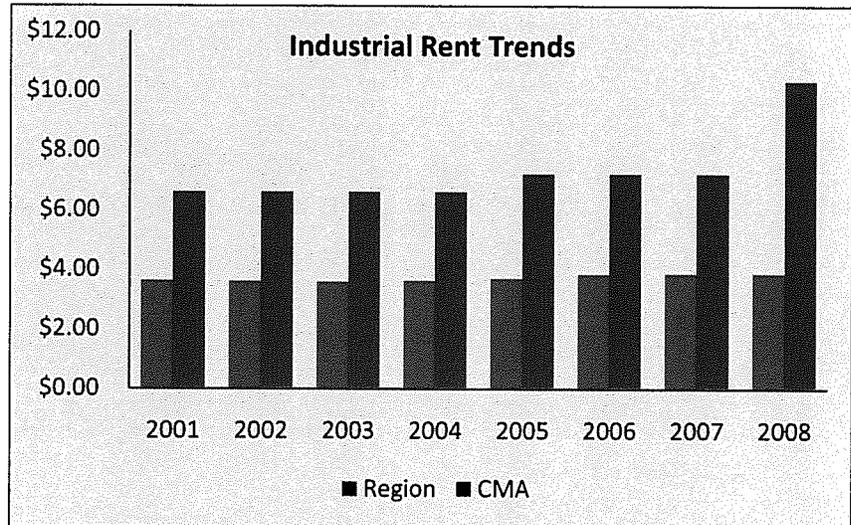
Source: © Reis Services and O'Connor & Associates



Source: © Reis Services and O'Connor & Associates

The chart on the right shows the annual rents of industrial space in the CMA as compared to the region. Overall the average annual rental rates of space since 2001 has been significantly higher than the region.

Industrial Performance Trends in the CMA

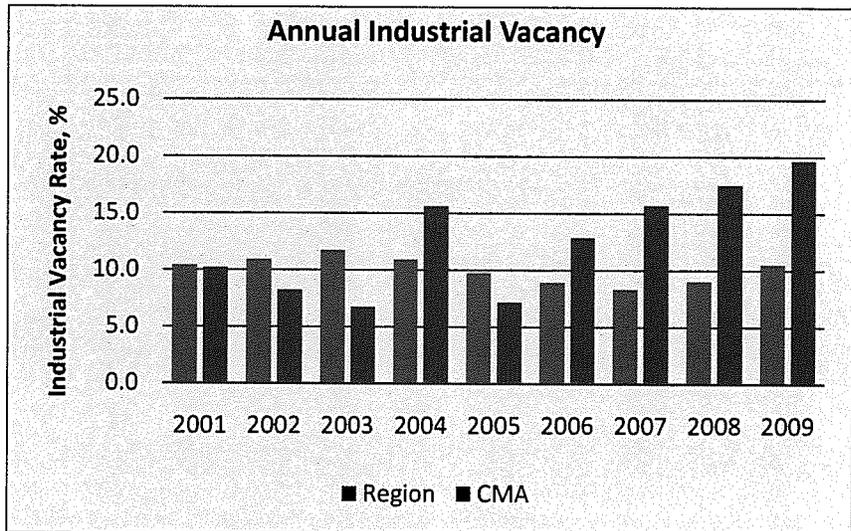


The vacancy chart shows that the buildings in the CMA have been performing slightly worse than industrial in the region as a whole. The current vacancy rate of 10.2% in the Region is approximately one half of the CMA's 19.6%.

Vacancy does vary by type of facility. The table below shows 3rd Quarter 2009 occupancy rates by type.

Type	Occupancy
Warehouse	85.7%
Office Warehouse	95.9%
Manufacturing	100.0%
Overall	80.3%

It appears that the current weakness is primarily in warehouse facilities.



Source: © Reis Services and O'Connor & Associates

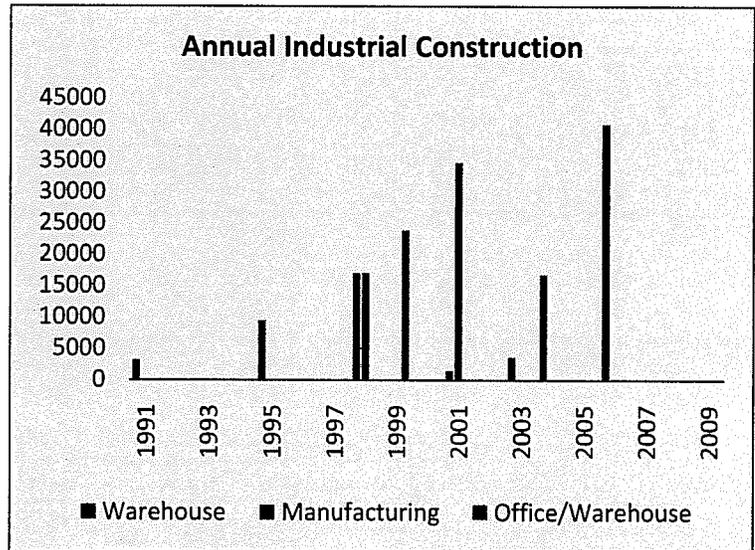
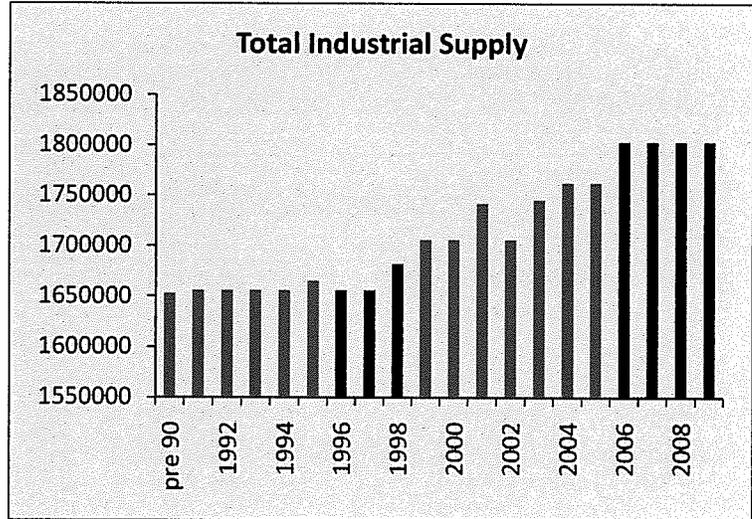
Industrial Facilities in the Zone

Within the Zone there are 69 Industrial facilities identified by the HCAD database. Those facilities total 1,802,744 million square feet (sf). Within that total are:

- 6 manufacturing facilities with 95,915 sf;
- 4 office/warehouse facilities with 77,854 sf;
- 59 warehouse facilities with 1,628,975 sf.

Most of the industrial was built prior to 1990 (1.65 million square feet, 92%). The chart on the right shows construction since 1990.

Industrial Construction in the Zone



Manufacturing Facilities

BLDG NAME	Address		Gross Sq. Ft.	YEAR BUILT
AMERICAN ENGINE & GRINDING	100	JACKSON	7,505	1979
WIESE AARON ETAL	913	MCKEE	4,500	1964
KURTZ PROPERTIES LTD	2001	OPELOUSAS	34,592	2001
KURTZ PROPERTIES LTD	2019	BROOKS	14,766	1950
KURTZ PROPERTIES LTD	2019	BROOKS	17,600	1950
KURTZ PROPERTIES LTD	2019	BROOKS	16,952	1998
		Total/Average	95,915	

Office/Warehouse

BLDG NAME	Address		Gross Sq. Ft.	YEAR BUILT
HOU PRO MUSICIANS ASSN	609	CHENEVERT	6,250	1949
HIBBERD LUCY REED ETAL	1701	COMMERCE	21,135	1930
HYPERION COMMUNICATION	2300	LYONS	23,805	1999
WILSON INDUSTRIES INC	1616	EAST	26,664	1976
		Total	77,854	

Warehouse Facilities

BLDG NAME	Address		Gross Sq. Ft.	YEAR BUILT
FKM PARTNERSHIP LTD 3-06	1420	COMMERCE	12,329	1940
TEXAS COMMUNITY DETENTION	1511	PRESTON	73,774	1929
HARRIS COUNTY ROW DEPT	1319	TEXAS	50,000	1923
OHRSTROM SALLY B	101	CRAWFORD	117,300	1950
LOOMIS FARGO & CO	103	JACKSON	18,600	1977
HENDLMYER JOHN A	607	CHENEVERT	4,468	1949
1901 PRESTON PARTNERS LLC	1901	PRESTON	7,705	1946
FRIEDMAN MAX	1811	SAN JACINTO	11,438	1945
FRIEDMAN MAX	1801	SAN JACINTO	25,500	1940
FRIEDMAN MAX	1210	JEFFERSON	12,200	1940
SISTERS OF CHARITY OF THE	1918	CHENEVERT	42,900	1965
PLUS4 CREDIT UNION	1003	WASHINGTON	5,202	1940
GOLDSTEIN LEON & PAULA	1100	ELDER	36,005	1940
MORIN ALBERT LEROY & DIANE	927	DART	6,065	1948
HYDRAULIC EQUIP SER INC	1011	SAN JACINTO	16,050	1928
HYDRAULIC EQPT SER INC	1020	WOOD	18,501	1979
HOUSTON STUDIOS INC	707	WALNUT	85,445	1900
EATON TRUST	1200	HOLLY	6,400	1930

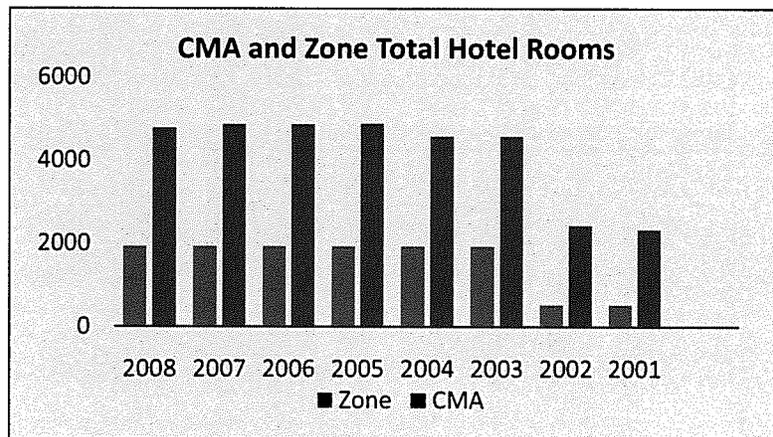
BLDG NAME	Address		Gross Sq. Ft.	YEAR BUILT
EATON TRUST	1201	HOLLY	27,024	1930
CITY OF HOUSTON	1300	MORIN	53,655	1940
TRINITY LUTHERAN CHURCH	1118	HICKORY	3,000	1965
TRINITY LUTHERAN CHURCH	1310	MORIN	1,416	1950
H BEN TAUB	1110	WASHINGTON	22,344	1966
ESTATE LAND CO	1224	HOUSTON	3,120	1991
PETERSON LONNY R & DONNY L	2117	OPELOUSAS	17,800	1977
SOUTHWELL PROPERTIES LLC	2303	NANCE	10,100	1981
DUNNAM TOM N	1020	WEST	16,740	2004
NFB RENTALS LTD	813	MCKEE	93,700	1939
WW FORD INC	2718	LYONS	6,000	1990
HARRIS COUNTY	2202	NANCE	127,568	1952
ESTATE LAND CO	2000	NANCE	65,740	1907
EPSTEIN J M & R B SISSON	1802	NANCE	68,487	1950
MADDEN JOHN	911	HARDY	16,600	1978
CORONADO LUPE LOUIS	1716	NANCE	1,440	2001
FAST EQUIPMENT RENTALS	805	HARDY	12,300	1968
GRENADER P G	0		20,226	1934
WIESE AARON	1702	ROTHWELL	25,288	1935
AQUINAS CORP	2000	ROTHWELL	25,596	1958
MILAM ST AUTO	2104	LYONS	9,264	1982
RC PROPERTIES LLC	2103	LYONS	126,412	1938
ARNOLD DAVID W	2001	LYONS	58,270	1958
ORTEGA BRUNO	2219	BROOKS	9,800	1981
ROBINSON IRON AND METAL	2735	BROOKS	5,710	1939
DEHOYOS RENE	1314	SEMMES	9,420	1995
KURKEL MANUFACTURING INC	2102	BROOKS	40,800	2006
LANGLEY PAUL D	1401	STERRETT	20,576	1934
HOFFERT LOUIS & SUSAN	1400	ROTHWELL	14,000	1952
WILDEN WAYNE	1318	NANCE	14,989	1940
PERLMUTTER ADELE	1214	STERRETT	19,726	1925
W G INTERESTS LTD	1140	ROTHWELL	6,651	1953
W G INTERESTS LTD	1136	ROTHWELL	4,446	1964
W G INTERESTS LTD	1102	SAN JACINTO	3,112	1924
ANITEL INVESTMENTS LLC	2305	LYONS	22,275	1967
THOMASON FAMILY CORP	2300	NANCE	20,732	1984
LOTT JESSE JR	2509	LYONS	3,545	2003
SILCO INC	0	CHENEVERT	22,876	1977
BETHEA W TRUSTEE	1500	SAN JACINTO	15,150	1963
AMERCO REAL ESTATE CO TEX	1622	CAROLINE	18,720	1960
MONTALBANO J T	1302	HOUSTON	14,475	1960
Total			1,628,975	

Hotel Trends in the CMA and Zone

Hotels and motels in the CMA have been on a steady increase since 2001. The Zone had an increase in 2004 and has remained constant for the past four years.

A large portion of the incline has been in the renovation of the former World Trade Center which is now the Inn at the Ballpark in 2004, increasing the number rooms from by 208. The Hotel Icon, a renovation of a bank built in 1911 also increased the rooms by 135.

Hotel Trends in the CMA and Zone



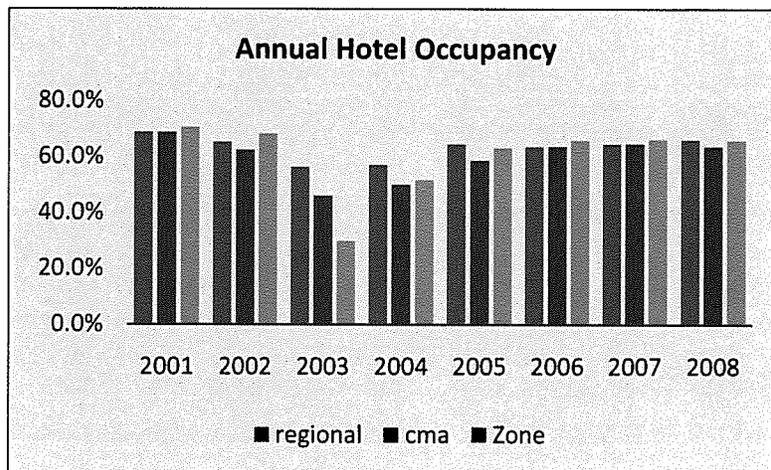
Source: Source Strategies, Inc.

Hotel Performance Statistics in the CMA and the Zone

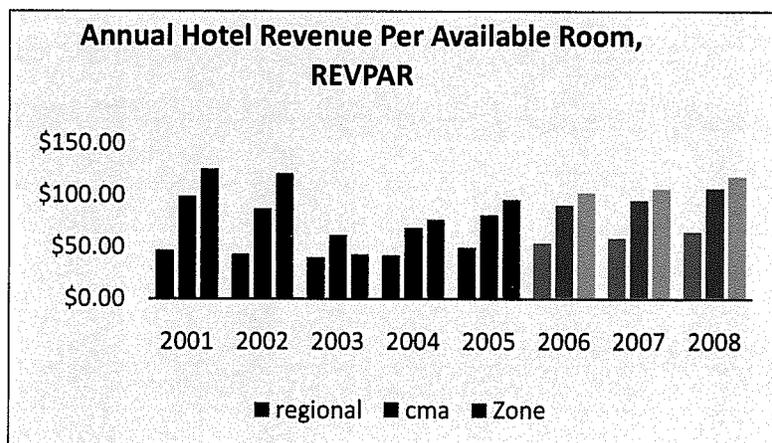
Occupancy in the Zone has exceeded the CMA and the region in recent years. With the exception of 2003, occupancy in the Zone has consistently been higher than the CMA. During 2003 the CMA increased hotel rooms by 2,265 of which 1,401 rooms were in the Zone.

Revenue per Available Room in the Zone has exceeded both the CMA and the region due to the location of several larger hotels. Room rents (REVPAR) are currently at \$64.40 in the region, \$106.74 in the CMA and \$117.76 in the Zone.

Annual Hotel Occupancy



Annual Hotel Revenue Per Available Room, REVPAR



Hotels in the Zone

The table, below, presents information on the hotels and motels in the Zone as presented by Source Strategies, the State of Texas leading source for hotel data. The current count of 1,917 rooms

List of Hotels Currently in the Zone

Hotel	Rooms	Revenue		ADR Estimated		Occupancy		REVPAR	
		2008	%Chg	2008	%Chg	2008	Chg	2008	\$ Chg
Hilton Americas	1,200	47,292,733	12.30%	166.10	11.8%	65.00%	0.3	\$107.97	\$11.85
Inn at the BallPark	201	7,353,848	20.30%	147.59	13.3%	64.00%	3.9	\$100.24	\$16.89
Four Seasons	404	24,315,266	7.40%	147.59	8.5%	68.40%	-0.7	\$164.89	\$11.40
Holiday Inn Express	112	3,436,170	12.50%	241.21	19.0%	68.90%	-4	\$84.06	\$9.31
Totals	1,917	82,398,017	13.13%	175.62	13.15%	66.58%	-0.13	\$114.29	\$12.36

Source: Source Strategies, Inc.

It should be noted that the American Liberty Hospitality's 262-room, 19-story Embassy Suites Hotel broke ground in May 2009 and construction is well under way. The property is adjacent to the George R. Brown Convention Center, the Hilton Americas Houston and Discovery Green. It is the first privately developed, full-service hotel built from the ground up in downtown for the past 25 years. The new hotel will open in March 2011. **Upon completion the total rooms in the Zone will be 2,179.**

Land Use Summary Proposed TIRZ 24

The Land Use Summary below should be considered the most accurate depiction of development in the Zone.

Land Use Summary for the Zone

Land Use	Housing	Parcels		Buildings		Land Area	
	Units	#	%	SF	%	Acres	%
Hotel/Motel	1,318	10	0.8%	1,178,889	5.7%	8	0.9%
Industrial		85	6.6%	1,804,292	8.7%	53	6.1%
Retail		46	3.6%	410,795	2.0%	12	1.4%
Office		46	3.6%	10,396,693	49.9%	26	2.9%
Subtotal Commercial	1,318	187	14.6%	13,790,669	66.2%	99	11.4%
Single Family	98	98	7.7%	205,880	1.0%	10	1.2%
Multifamily, Condominium	61	61	4.8%	90,599	0.4%	0	0.0%
Multifamily, Rental	970	15	1.2%	1,937,333	9.3%	7	0.8%
Subtotal Residential	1,129	174	13.6%	2,233,812	10.7%	18	2.0%
Institution		134	10.5%	1,692,755	8.1%	67	7.7%
Park		43	3.4%	34,650	0.2%	16	1.8%
Parking Garage		37	2.9%	2,808,810	13.5%	13	1.5%
Religious		37	2.9%	139,969	0.7%	14	1.6%
Vacant, Developable		341	26.7%	0	0.0%	92	10.5%
Vacant, Parking		146	11.4%	0	0.0%	50	5.7%
Vacant, Undevelopable		180	14.1%	127,990	0.6%	93	10.6%
Subtotal Other	0	918	71.8%	4,804,174	23.1%	345	39.4%
Grand Total	2,447	1,279	100.0%	20,828,655	100.0%	462	52.8%
Additional land area - street, highway, railroad ROW, Utilities						413	47.2%
Total Land Area						875	100.0%

Future Development Potential in the TIRZ

Residential - Single-and Multi-Family Markets

Housing Demand Projections

Future housing demand in the housing market area is based on the expected increase in households in the region. The table on following page presents the “trends” housing forecast for the Housing Market Area and the Zone. The results of the analysis is summarized by the table on the right for 5-year periods.

The overall forecast is predicated on the long term forecast of prosperity for the Houston region. While short-term forecast for housing construction is decidedly lower than recent trends, the longer term forecast is consistent with growth forecasts from the Houston-Galveston Area Council. Over the

twenty-year period from 2010 to 2030, this forecast has a total of 740,000 new housing units constructed. At an average household size of 2.8, that is adequate housing for 2.1 million new residents.

The summary table above illustrates that this trend forecast for housing in the Zone is reasonable yet somewhat optimistic. After the recent building of new units and the units currently under construction for 2010-2011, we have predicted a slow down in new units in the next ten year period. This forecast increases the number of new units in the Zone to 1,439 by the year 2014.

New Dwelling Unit Demand Forecast

Housing Market Area 2009-2030

	Housing Market Area			Zone Housing Units Added		
	M.F.	S.F.	Total	M.F.	S.F.	Total
2005 to 2009	1,205	0	1,205	121	0	121
2010 to 2014	365	0	365	126	0	126
2015 to 2019	150	0	150	17	0	17
2020 to 2024	310	0	310	53	0	53
2024 to 2029	480	0	480	74	0	74

Source: CDS Market Research

Housing Trends Forecast

Year	Housing Units Added						% of Region Housing Market Area		Percent of HMA		Pop.
	Houston Region		Housing Market Area		Zone		M.F.	S.F.	Zone		Zone Total
	M.F.	S.F.	M.F.	S.F.	M.F.	S.F.			M.F.	S.F.	
2004	70	0	32	0	32	0	0.6%	0.0%	45.7%	0.0%	2,895
2005	178	0	0	0	0	0	1.6%	0.0%	0.0%	0.0%	2,895
2006	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	2,895
2007	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	2,895
2008	274	0	64	0	64	0	1.9%	0.0%	23.4%	0.0%	2,985
2009	753	0	57	0	57	0	9.4%	0.0%	7.6%	0.0%	3,559
2010	365	0	126	0	126	0	4.3%	0.0%	34.5%	0.0%	3,737
2011	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	3,737
2012	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	3,737
2013	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	3,737
2014	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	3,737
2015	150	0	2	0	2	0	1.0%	0.0%	1.0%	0.0%	3,739
2016	160	0	2	0	2	0	1.0%	0.0%	1.0%	0.0%	3,741
2017	170	0	2	0	2	0	1.0%	0.0%	1.0%	0.0%	3,743
2018	175	0	2	0	2	0	1.0%	0.0%	1.0%	0.0%	3,746
2019	200	0	10	0	10	0	1.0%	0.0%	5.0%	0.0%	3,760
2020	160	0	8	0	8	0	1.0%	0.0%	5.0%	0.0%	3,771
2021	140	0	7	0	7	0	1.0%	0.0%	5.0%	0.0%	3,781
2022	160	0	8	0	8	0	1.0%	0.0%	5.0%	0.0%	3,792
2023	140	0	14	0	14	0	1.0%	0.0%	10.0%	0.0%	3,812
2024	160	0	16	0	16	0	1.0%	0.0%	10.0%	0.0%	3,835
2025	180	0	18	0	18	0	1.0%	0.0%	10.0%	0.0%	3,860
2026	140	0	14	0	14	0	1.0%	0.0%	10.0%	0.0%	3,880
2027	120	0	12	0	12	0	1.0%	0.0%	10.0%	0.0%	3,897
2028	140	0	14	0	14	0	1.0%	0.0%	10.0%	0.0%	3,917
2029	160	0	16	0	16	0	1.0%	0.0%	10.0%	0.0%	3,939
2030	200	0	20	0	20	0	1.0%	0.0%	10.0%	0.0%	3,967

Office Space Trends Forecast

Office Market

The table on the right presents the historical trends and trend forecast for office development in the CMA and in the Zone.

In preparing this trends forecast, the CMA and the zone are expected to share in the overall growth of the regional office growth by the shares presented in the three columns on the right of the table.

To drive this forecast, it was assumed that the region will grow slowly for the next four years and then rebound to a level consistent with long-term office trends by 2017.

The assumed annual office construction is summarized in the following table:

Year	Annual Construction
2000-9	1,818,400
2010	1,562,000
2011	1,553,000
2012	1,452,000
2013	956,000
2014	1,500,000
2015	1,600,000
2016	1,700,000
2017 +	1,800,000

In this trends forecast the Zone adds office space, for each 5 year period, as follows:

2010 to 2014	1,130,890
2015 to 2019	851,394
2020 to 2024	894,428
2024 to 2029	912,934

Year	Office Space, Square Feet			CMA % of		TIRZ % of	
	Region	CMA	TIRZ 23	Region	Region	CMA	
1990	96,514,109	37,900,508	8,809,542	39.27%	9.13%	23.24%	
1991	96,684,109	37,900,508	8,809,542	39.20%	9.11%	23.24%	
1992	98,018,109	37,900,508	8,809,542	38.67%	8.99%	23.24%	
1993	98,038,109	37,900,508	8,809,542	38.66%	8.99%	23.24%	
1994	98,138,109	37,900,508	8,809,542	38.62%	8.98%	23.24%	
1995	98,138,109	37,900,508	8,809,542	38.62%	8.98%	23.24%	
1996	98,138,109	37,900,508	8,809,542	38.62%	8.98%	23.24%	
1997	98,183,109	37,900,508	8,809,542	38.60%	8.97%	23.24%	
1998	98,526,109	37,900,508	8,809,542	38.47%	8.94%	23.24%	
1999	103,672,109	38,700,508	8,819,432	37.33%	8.51%	22.79%	
2000	106,684,109	38,700,508	8,819,432	36.28%	8.27%	22.79%	
2001	107,708,109	39,914,080	9,426,218	37.06%	8.75%	23.62%	
2002	109,167,109	39,914,080	9,426,218	36.56%	8.63%	23.62%	
2003	110,294,109	41,314,080	9,430,818	37.46%	8.55%	22.83%	
2004	111,050,109	41,314,080	9,430,818	37.20%	8.49%	22.83%	
2005	111,531,109	41,614,080	9,435,138	37.31%	8.46%	22.67%	
2006	113,121,109	42,476,080	9,435,138	37.55%	8.34%	22.21%	
2007	114,706,109	42,476,080	9,435,138	37.03%	8.23%	22.21%	
2008	118,089,109	42,476,080	9,435,138	35.97%	7.99%	22.21%	
2009	121,856,109	42,476,080	9,435,138	34.86%	7.74%	22.21%	
2010	123,418,109	43,343,905	9,435,138	35.12%	7.64%	21.77%	
2011	124,971,109	44,315,905	10,396,693	35.46%	8.32%	23.46%	
2012	126,423,109	44,480,905	10,396,693	35.47%	8.22%	23.00%	
2013	127,379,109	44,628,905	10,396,693	35.48%	8.16%	23.05%	
2014	128,879,109	45,740,381	10,566,028	35.49%	8.20%	23.10%	
2015	130,479,109	46,321,284	10,723,377	35.50%	8.22%	23.15%	
2016	132,179,109	46,938,018	10,889,620	35.51%	8.24%	23.20%	
2017	133,979,109	47,590,612	11,064,817	35.52%	8.26%	23.25%	
2018	135,779,109	48,243,567	11,240,751	35.53%	8.28%	23.30%	
2019	137,579,109	48,896,881	11,417,422	35.54%	8.30%	23.35%	
2020	139,379,109	49,550,556	11,594,830	35.55%	8.32%	23.40%	
2021	141,179,109	50,204,590	11,772,976	35.56%	8.34%	23.45%	
2022	142,979,109	50,858,984	11,951,861	35.57%	8.36%	23.50%	
2023	144,779,109	51,513,739	12,131,486	35.58%	8.38%	23.55%	
2024	146,579,109	52,168,853	12,311,849	35.59%	8.40%	23.60%	
2025	148,379,109	52,824,328	12,492,954	35.60%	8.42%	23.65%	
2026	150,179,109	53,480,162	12,674,798	35.61%	8.44%	23.70%	
2027	151,979,109	54,136,357	12,857,385	35.62%	8.46%	23.75%	
2028	153,779,109	54,792,911	13,040,713	35.63%	8.48%	23.80%	
2029	155,579,109	55,449,826	13,224,783	35.64%	8.50%	23.85%	
2030	157,379,109	56,107,100	13,409,597	35.65%	8.52%	23.90%	

Retail Market

The table on the right presents the historical trends and trend forecast for the development of retail centers in the CMA and in the Zone.

As with the other trends forecasts, the CMA and the zone are expected to share in the overall growth of the region as shown by the shares in the three columns on the far right.

The regional retail development assumption also assume that the region add retail centers slowly for the next four years and then rebound to a level consistent with long-term office absorption trends by 2017.

The assumed annual retail construction is summarized in the following table:

Year	Annual Construction
2000-9	1,318,800
2010	663,000
2011	493,000
2012	840,000
2013	965,000
2014	1,000,000
2015	1,150,000
2016	1,250,000
2017 +	1,310,000

In this trends forecast the Zone adds retail centers, in each 5 year period, as follows:

2010 to 2014	35,865
2015 to 2019	55,005
2020 to 2024	59,795
2024 to 2029	63,558

Retail Space Trends Forecast

Year	Retail Centers Space, Square Feet			CMA % of Region	TIRZ % of	
	Region	CMA	TIRZ 23		Region	CMA
1990	62,356,000	1,925,436	384,691	3.09%	0.62%	19.98%
1991	62,441,000	1,925,436	384,691	3.08%	0.62%	19.98%
1992	63,695,000	1,925,436	384,691	3.02%	0.60%	19.98%
1993	64,080,000	1,925,436	384,691	3.00%	0.60%	19.98%
1994	65,185,000	1,925,811	385,066	2.95%	0.59%	20.00%
1995	66,016,000	1,925,811	385,066	2.92%	0.58%	20.00%
1996	67,846,000	1,925,811	385,066	2.84%	0.57%	20.00%
1997	67,969,000	1,925,811	385,066	2.83%	0.57%	20.00%
1998	68,950,000	1,950,811	385,066	2.83%	0.56%	19.74%
1999	70,103,000	1,964,188	385,066	2.80%	0.55%	19.60%
2000	71,149,000	1,964,188	385,066	2.76%	0.54%	19.60%
2001	72,671,000	2,081,811	391,977	2.86%	0.54%	18.83%
2002	73,961,000	2,081,811	391,977	2.81%	0.53%	18.83%
2003	75,607,000	2,184,811	410,795	2.89%	0.54%	18.80%
2004	77,684,000	2,214,611	410,795	2.85%	0.53%	18.55%
2005	78,342,000	2,254,920	410,795	2.88%	0.52%	18.22%
2006	79,027,000	2,254,920	410,795	2.85%	0.52%	18.22%
2007	81,214,000	2,261,142	410,795	2.78%	0.51%	18.17%
2008	82,818,000	2,611,142	410,795	3.15%	0.50%	15.73%
2009	83,291,000	2,631,142	410,795	3.16%	0.49%	15.61%
2010	83,954,000	2,652,946	413,860	3.16%	0.49%	15.60%
2011	84,447,000	2,685,415	420,267	3.18%	0.50%	15.65%
2012	85,287,000	2,729,184	428,482	3.20%	0.50%	15.70%
2013	86,252,000	2,777,314	437,427	3.22%	0.51%	15.75%
2014	87,252,000	2,826,965	446,660	3.24%	0.51%	15.80%
2015	88,402,000	2,881,905	456,782	3.26%	0.52%	15.85%
2016	89,652,000	2,940,586	467,553	3.28%	0.52%	15.90%
2017	90,962,000	3,001,746	478,778	3.30%	0.53%	15.95%
2018	92,272,000	3,063,430	490,149	3.32%	0.53%	16.00%
2019	93,582,000	3,125,639	501,665	3.34%	0.54%	16.05%
2020	94,892,000	3,188,371	513,328	3.36%	0.54%	16.10%
2021	96,202,000	3,251,628	525,138	3.38%	0.55%	16.15%
2022	97,512,000	3,315,408	537,096	3.40%	0.55%	16.20%
2023	98,822,000	3,379,712	549,203	3.42%	0.56%	16.25%
2024	100,132,00	3,444,541	561,460	3.44%	0.56%	16.30%
2025	101,442,00	3,509,893	573,868	3.46%	0.57%	16.35%
2026	102,752,00	3,575,770	586,426	3.48%	0.57%	16.40%
2027	104,062,00	3,642,170	599,137	3.50%	0.58%	16.45%
2028	105,372,00	3,709,094	612,001	3.52%	0.58%	16.50%
2029	106,682,00	3,776,543	625,018	3.54%	0.59%	16.55%
2030	107,992,00	3,844,515	638,190	3.56%	0.59%	16.60%

Industrial Market

The table on the right presents the historical trends and trend forecast for the development of all forms of industrial space in the CMA and in the Zone.

The CMA and the zone are expected to share in the overall growth of the region as shown by the shares in the three columns on the far right. While it is expected that the CMA will increase its share of the region slightly, it is expected that the character of the Zone will become slightly less attractive for industrial and warehouse uses.

The regional growth assumptions follow a similar pattern to the office and retail described previously. The assumed annual office construction is summarized in the following table:

Year	Annual Construction
2000-9	3,249,500
2010	2,216,000
2011	1,662,000
2012	1,931,000
2013	2,585,000
2014	2,675,000
2015	2,775,000
2016	3,025,000
2017 +	3,250,000

In this trends forecast the Zone adds industrial, in each 5 year period, in the following amounts:

2010 to 2014	94,095
1015 to 2019	97,956
2020 to 2024	97,274
2024 to 2029	96,591

Industrial Space Trends Forecast

Year	Industrial Space, Square Feet			CMA % of Region	TIRZ % of Region	
	Region	CMA	TIRZ 23		Region	CMA
1990	244,660,000	1,916,181	1,653,878	0.78%	0.68%	86.31%
1991	245,640,000	2,046,826	1,653,878	0.83%	0.67%	80.80%
1992	246,684,000	2,046,826	1,656,998	0.83%	0.67%	80.95%
1993	248,476,000	2,046,826	1,656,998	0.82%	0.67%	80.95%
1994	249,865,000	2,046,826	1,656,998	0.82%	0.66%	80.95%
1995	251,204,000	2,046,826	1,656,998	0.81%	0.66%	80.95%
1996	252,902,000	2,046,826	1,666,418	0.81%	0.66%	81.41%
1997	255,374,000	2,046,826	1,666,418	0.80%	0.65%	81.41%
1998	258,882,000	2,046,826	1,666,418	0.79%	0.64%	81.41%
1999	261,662,000	2,046,826	1,683,370	0.78%	0.64%	82.24%
2000	266,140,000	2,046,826	1,707,175	0.77%	0.64%	83.41%
2001	271,135,000	2,046,826	1,707,175	0.75%	0.63%	83.41%
2002	276,567,000	2,046,826	1,743,207	0.74%	0.63%	85.17%
2003	279,397,000	2,046,826	1,743,207	0.73%	0.62%	85.17%
2004	281,282,000	2,046,826	1,746,752	0.73%	0.62%	85.34%
2005	282,923,000	2,046,826	1,763,492	0.72%	0.62%	86.16%
2006	284,778,000	2,046,826	1,763,492	0.72%	0.62%	86.16%
2007	287,440,000	2,046,826	1,804,292	0.71%	0.63%	88.15%
2008	291,869,000	2,046,826	1,804,292	0.70%	0.62%	88.15%
2009	295,271,000	2,141,206	1,804,292	0.73%	0.61%	84.27%
2010	298,635,000	2,141,206	1,804,292	0.78%	0.60%	84.00%
2011	300,851,000	2,330,592	1,804,292	0.77%	0.60%	84.00%
2012	302,513,000	2,341,954	1,967,241	0.77%	0.65%	84.00%
2013	304,444,000	2,355,381	1,978,520	0.77%	0.65%	84.00%
2014	307,029,000	2,373,845	1,994,030	0.77%	0.65%	84.00%
2015	309,704,000	2,392,979	2,010,102	0.77%	0.65%	84.00%
2016	312,479,000	2,412,858	2,026,801	0.77%	0.65%	84.00%
2017	315,504,000	2,434,638	2,045,096	0.77%	0.65%	84.00%
2018	318,754,000	2,458,124	2,064,824	0.77%	0.65%	84.00%
2019	322,004,000	2,481,577	2,084,524	0.77%	0.65%	84.00%
2020	325,254,000	2,504,997	2,104,197	0.77%	0.65%	84.00%
2021	328,504,000	2,528,385	2,123,843	0.77%	0.65%	84.00%
2022	331,754,000	2,551,740	2,143,462	0.77%	0.65%	84.00%
2023	335,004,000	2,575,063	2,163,053	0.77%	0.65%	84.00%
2024	338,254,000	2,598,353	2,182,617	0.77%	0.65%	84.00%
2025	341,504,000	2,621,611	2,202,154	0.77%	0.64%	84.00%
2026	344,754,000	2,644,837	2,221,663	0.77%	0.64%	84.00%
2027	348,004,000	2,668,030	2,241,145	0.77%	0.64%	84.00%
2028	351,254,000	2,691,190	2,260,600	0.77%	0.64%	84.00%
2029	354,504,000	2,714,318	2,280,027	0.77%	0.64%	84.00%
2030	357,754,000	2,737,413	2,299,427	0.77%	0.64%	84.00%

Hotel Market

As shown previously, the hotel and motel market is driven primarily by the population and employment within the market area. However, in the case of the Zone, hotel and motel demand is also driven by visitors/tourists, illustrated in the chart on the right. By 2011, it is estimated that approximately 4,137 visitors per day to the CMA will have overnight stays. Given that currently 40% of the hotel rooms in the CMA are in the Zone and by 2011 that percentage will increase to 43%, CDS has estimated that the Zone will capture 1,779 visitors per day.

Therefore the trend projection for the hotels and motel development in the region is based on the incremental growth in population, employment, and visitors.

Because the trend increments in hotel demand are small on an annual basis, it is unlikely that hotels will be constructed in the Zone more than one per each five-year period

The table on the right presents the five-year estimate of new hotel demand. There appears to be demand for several 80 room hotels in the next twenty year period.

Drivers of Downtown Hotel Demand

Sources of Downtown Demand	Measure	2006	2011
Overnight Convention Attendees	room nights	269,551	315,900
Other Hotel Guests	room nights	1,084,605	1,173,563

Source: Urban Marketing Collaborative

Hotel Market Trend Projections

Five-Year Period	Demand for Hotel Rooms
2005-2009 Actual	0
2010-2014	112
2015-2019	132
2020-2024	87
2025-2029	88

Three TIRZ Growth Scenarios

Scenario 1 – Modest Future Value Growth

The first growth scenario assumes that no new development will occur in the Zone and that all of the existing values will increase by 2% annually. Since the numbers in the table below are assumed to be current year dollars, this would assume that the 2% figure is roughly equivalent to low annual inflation rates.

Modest Growth Scenario Values

Property Values in Millions of Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	Overall Percent Change
	Hotel/Motel	Industrial	Office	Retail	M.F.	S.F.	Institution	Vacant Land		
2008	68.5	41.9	1,062.3	47.3	80.0	18.3	114.4	367.2	1,799.8	
2009	82.9	47.1	1,042.1	44.2	116.9	19.2	105.0	382.8	1,840.2	2.2%
2010	84.5	48.1	1,062.9	45.1	119.2	19.6	107.1	390.5	1,877.0	2.0%
2011	86.2	49.0	1,084.2	46.0	121.6	20.0	109.2	398.3	1,914.5	2.0%
2012	87.9	50.0	1,105.9	46.9	124.0	20.4	111.4	406.2	1,952.8	2.0%
2013	89.7	51.0	1,128.0	47.8	126.5	20.8	113.6	414.4	1,991.8	2.0%
2014	91.5	52.0	1,150.5	48.8	129.0	21.2	115.9	422.6	2,031.7	2.0%
2015	93.3	53.1	1,173.5	49.8	131.6	21.7	118.2	431.1	2,072.3	2.0%
2016	95.2	54.2	1,197.0	50.8	134.2	22.1	120.6	439.7	2,113.8	2.0%
2017	97.1	55.2	1,221.0	51.8	136.9	22.5	123.0	448.5	2,156.0	2.0%
2018	99.0	56.3	1,245.4	52.8	139.7	23.0	125.5	457.5	2,199.2	2.0%
2019	101.0	57.5	1,270.3	53.9	142.5	23.5	128.0	466.6	2,243.1	2.0%
2020	103.0	58.6	1,295.7	55.0	145.3	23.9	130.5	476.0	2,288.0	2.0%
2021	105.1	59.8	1,321.6	56.1	148.2	24.4	133.1	485.5	2,333.8	2.0%
2022	107.2	61.0	1,348.0	57.2	151.2	24.9	135.8	495.2	2,380.4	2.0%
2023	109.3	62.2	1,375.0	58.3	154.2	25.4	138.5	505.1	2,428.1	2.0%
2024	111.5	63.4	1,402.5	59.5	157.3	25.9	141.3	515.2	2,476.6	2.0%
2025	113.8	64.7	1,430.5	60.7	160.4	26.4	144.1	525.5	2,526.1	2.0%
2026	116.0	66.0	1,459.1	61.9	163.6	26.9	147.0	536.0	2,576.7	2.0%
2027	118.4	67.3	1,488.3	63.1	166.9	27.5	149.9	546.7	2,628.2	2.0%
2028	120.7	68.7	1,518.1	64.4	170.2	28.0	152.9	557.7	2,680.8	2.0%
2029	123.1	70.0	1,548.5	65.7	173.7	28.6	156.0	568.8	2,734.4	2.0%
2030	125.6	71.5	1,579.4	67.0	177.1	29.2	159.1	580.2	2,789.1	2.0%

Scenario 2 – Projected Growth Using Historical Trends

In this Zone growth scenario, the commercial, industrial, and residential trends forecasts previously described were used in the preparation of this forecast. The 2% rate of inflation of existing properties assumed in the previous scenario was maintained in this forecast. For new property projected to be completed in the Zone, the property unit values shown in the table on the right were used for 2009. They were adjusted upward by the same inflation rate over time.

Assumed Property Values for New Construction

Land Use	Value Per Square		Current per unit	New
	Current	New		
Hotel/Motel	\$84.26	\$85.00	\$70,179	\$72,000
Industrial	\$39.14	\$40.00		
Institution	\$100.09	\$105.00		
Multifamily,	\$254.00	\$255.00	\$364,894	\$365,000
Multifamily, Rental	\$41.00	\$42.00	\$59,629	\$60,000
Office	\$131.70	\$135.00		
Retail	\$194.12	\$195.00		
Single Family	\$84.26	\$85.00	\$70,179	\$72,000

Trend Growth Scenario Values

Property Values in Millions of Current Year Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	% Change
	Hotel/Motel	Industrial	Office	Retail	M.F.	S.F.	Institution	Vacant Land		
2008	68.48	41.89	1062.34	47.28	80.00	18.26	114.36	367.15	1799.77	2.4%
2009	82.87	47.14	1042.07	44.20	120.35	19.24	104.98	382.80	1843.65	2.5%
2010	84.53	48.08	1062.91	45.71	130.56	19.62	107.08	390.46	1888.94	10.8%
2011	106.24	55.96	1221.93	47.93	132.94	20.02	109.22	398.26	2092.50	1.9%
2012	107.96	57.43	1243.61	50.59	135.37	20.42	111.40	406.23	2133.01	2.4%
2013	118.62	59.12	1265.73	53.45	137.85	20.83	113.63	414.35	2183.58	3.1%
2014	120.42	60.86	1314.03	56.44	140.38	21.24	115.90	422.64	2251.91	3.0%
2015	122.25	62.67	1361.44	59.68	143.10	21.67	118.22	431.09	2320.12	3.1%
2016	124.11	64.59	1411.21	63.14	145.87	22.10	120.59	439.72	2391.32	3.6%
2017	137.37	66.62	1463.41	66.77	148.70	22.54	123.00	448.51	2476.92	3.1%
2018	139.32	68.68	1516.78	70.51	151.59	22.99	125.46	457.48	2552.80	3.1%
2019	141.30	70.79	1571.35	74.36	155.12	23.45	127.97	466.63	2630.96	3.0%
2020	143.32	72.93	1627.13	78.32	158.58	23.92	130.53	475.96	2710.69	3.0%
2021	145.38	75.12	1684.15	82.40	162.03	24.40	133.14	485.48	2792.09	3.3%
2022	155.75	77.35	1742.45	86.59	165.63	24.89	135.80	495.19	2883.64	3.0%
2023	157.89	79.62	1802.04	90.91	169.78	25.39	138.51	505.10	2969.25	3.0%
2024	160.08	81.94	1862.97	95.36	174.19	25.89	141.28	515.20	3056.91	2.9%
2025	162.31	84.30	1925.26	99.94	178.84	26.41	144.11	525.50	3146.67	2.9%
2026	164.58	86.71	1988.93	104.65	183.25	26.94	146.99	536.01	3238.06	3.2%
2027	176.13	89.16	2054.02	109.50	187.57	27.48	149.93	546.73	3340.53	2.9%
2028	178.50	91.66	2120.56	114.49	192.16	28.03	152.93	557.67	3436.00	2.8%
2029	180.91	94.21	2188.59	119.62	197.02	28.59	155.99	568.82	3533.76	2.8%
2030	183.38	96.81	2258.13	124.91	202.35	29.16	159.11	580.20	3634.04	2.4%

Scenario 3 –Enhanced Development Potential

Conversations with property owners in the area of the proposed TIRZ suggest that areas of the Zone close to the CBD core have substantial potential for development when the current recession is over. One impediment to more rapid development is land prices.

Discovery Green has been a substantial improvement within the Zone as more Houston residents visit the park.

The proposed Dynamo soccer stadium will also produce some spill over benefits to the Zone but, if history is repeated, the development of new ancillary commercial will be minimal.

For areas of the Zone surrounding the Toyota Center, Minute Maid Park and the Convention Center concurrently there is no substantial market for uses that can afford to pay the asking prices for vacant land in the zone. Current asking prices for vacant tracts in the Zone range from \$250 per square foot (PSF) near the office core to \$50 PSF for a small parcel on Bell at Caroline. Median land prices in the Zone appear to be in the \$85-90 PSF range.

Another impediment to substantial development is the number of property owners in the area which makes assembly of land for a large project more difficult. There have been rumors of a group trying to acquire 5-8 blocks on the east side of downtown for a mid-rise multi-family residential project.

The area south of Toyota Center and north of Minute Maid Park have little appeal for upscale development as key issues of security can only be addressed by a large development of a critical mass to create more activity in the area.

Following are some enhancements that might be considered to improve the marketability of the vacant land in the Zone

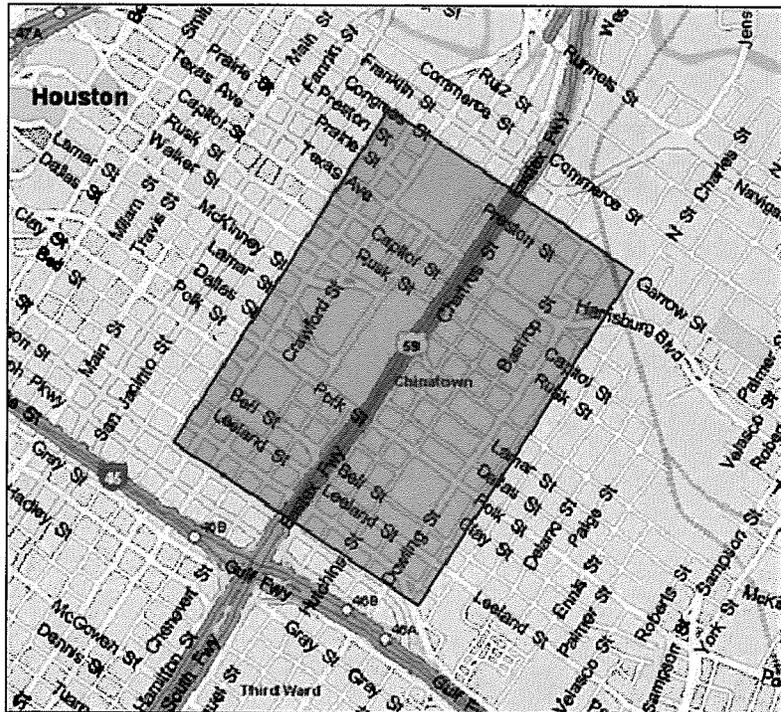
Improvements in the Public Realm

Most of the areas of the zone are not pedestrian friendly. Broken , narrow sidewalks, lack of lighting and unkempt vacant land make the area unattractive. The proposed Downtown Livable Center study described below will likely produce plans for streetscape, landscaping, lighting, security, and parking that, in combination can make that area more attractive for development.

Downtown Livable Center

The Houston-Galveston Area Council (H-GAC) has recently sponsored a number of special planning studies as part of the Livable Centers Program. The goal of this program is “to facilitate the creation of walkable, mixed-use places that provide multimodal

Downtown Livable Center



transportation options, improve environmental quality, and promote economic development.”

The Livable Centers planning studies create the groundwork for future implementation projects by identifying potential investments and generating implementation designs and plans.

One such project is planned for the “downtown” area described on the map at the right. This project is expected to get underway in early 2010 with recommendations likely in late 2010. If completed planning studies are indicative of this project, it will likely result in rich set of infrastructure and streetscape projects that will enhance the potential of the area to attract sustainable development projects.

The enhancement projects in this planning study will require substantially funding and would likely be implemented by a public-private partnership

including Harris County, the City of Houston and TIRZ 24.

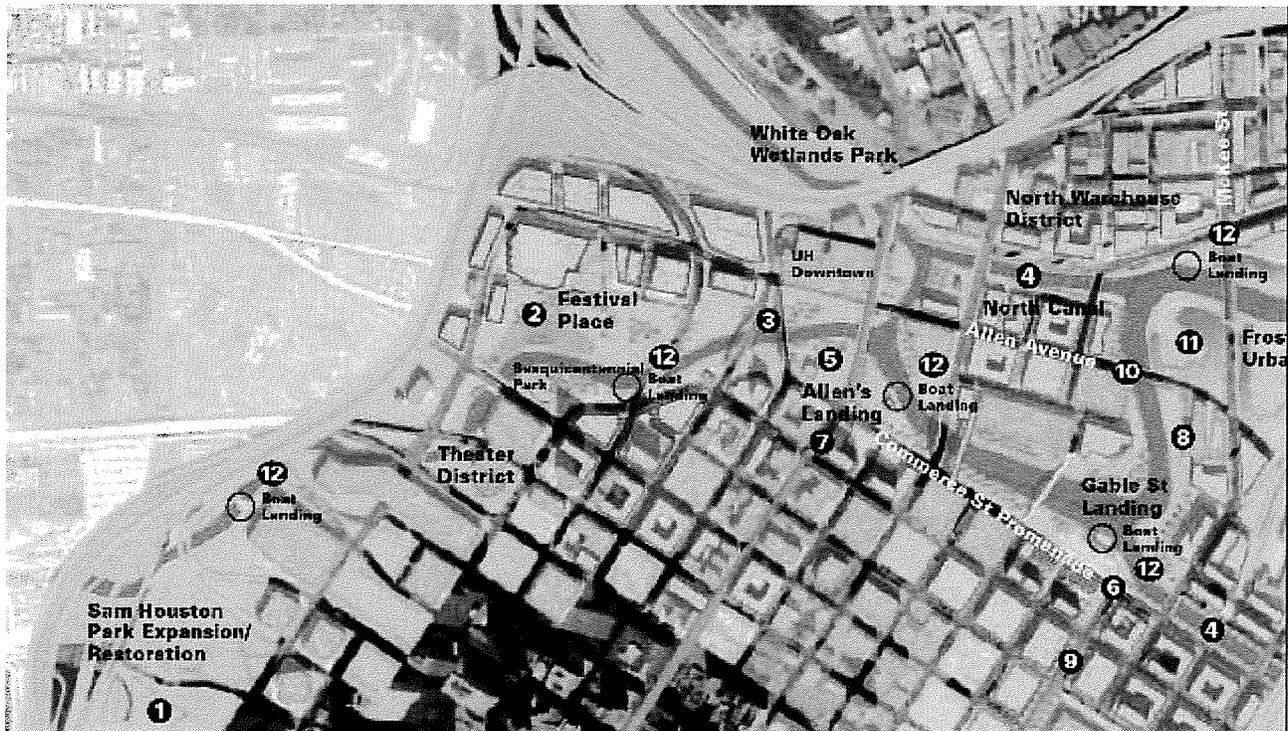
Buffalo Bayou Improvements

The master plan of the Buffalo Bayou Partnership are designed to enhance the area surrounding the bayou to encourage public use of the waterway and accelerated development of nearby properties. The map below illustrates planned projects along the area of the bayou near the north side of downtown.

According to the Master Plan, projects of specific interest to the Zone are: (numbers refer to map above)

4 – North and South Canals – Two new canals will provide supplementary floodwater capacity for the bayou and create new urban edges forming recreation and activity spines to vital new waterfront neighborhoods.

Buffalo Bayou Master Plan Downtown



6- Commerce Street Promenade – This proposed Promenade will connect Allen’s Landing – gateway to the Skyline District and Main Street Corridor – to the new Gable Street Landing, the northeast gateway to Minute Maid Field, Brown Convention Center and beyond.

8 - Gable Street Landing – this project is a proposed adaptive reuse of Reliant Energy’s Gable Street Power Station that will create an anchor at the edge of Downtown, directing development eastward along the Bayou. This key location at the head of Crawford Street forms an inviting link between the waterfront and Convention Center District. A great flight of steps will tie the park to the water’s edge, creating a natural stage and Bayou vista.

9 - Festival Streets – this project will create a network of pedestrian-friendly, tree-lined streets will connect Downtown waterfront destinations to the Theater District, Skyline District and Convention Center. These ‘pedestrian preserves’ occasionally can be closed to vehicular traffic, serving as a stage for major celebrations and festivals.

10 - Allen Avenue -- This project involves the realignment/removal of Union Pacific’s southern downtown rail line providing the opportunity for developing a new east – west transportation corridor, effectively linking Washington/Bagby Streets to the west with the new Festival Place performing arts complex (Post Office facility site) eastward, to San Jacinto and Runnels. This new avenue ultimately will connect to Navigation Boulevard, providing greater connectivity between North Downtown, Gable Street Landing and the East End.

11 - Frostown Urban Garden – This project will begin upon the removal of the adjacent Elysian Viaduct. The Garden expands James Bute Park into a 12-acre outdoor art environment.

12 - Boat Landings - To encourage recreational use of Buffalo Bayou, a program featuring enhanced waterfront activity and launching areas along the Bayou’s length are included in the Plan. Boat

landings, some coordinated with parking drop-offs, are being proposed at Sesquicentennial Park, Allen’s Landing, Gable Street Landing, McKee Street and US 59.

Implementation of these projects is ongoing and paced by available funding for the improvements. Support for all or most of these projects could be a key initiative of the TIRZ in cooperation with the City, Harris County and adjacent property owners.

Development Potential

CDS Market Research prepared a report for Buffalo Bayou Partnership regarding development potentials and timing in the Buffalo Bayou corridor (2006). Several findings in that report pertain to the Zone future development potential. There is also one significant tract of land available in the Zone. The developments that CDS sees as offering the greatest potential to the Zone are as follows:

401 Franklin, former US Post Office

The former US Postal Service Building, located at 401 Franklin is currently vacant and on the active market for sale. The value on the HCAD has been zero given the tax exempt status of the use. However, with the proposed sale of the land, the value to the ZONE could be an additional \$35,000,000 (land value at \$50psf) plus any additional improvements such as office, retail, residential or entertainment. A medium density townhome residential neighborhood, working with Fannie Mae and the corporate community to promote downtown living along with support from the City, Harris County and adjacent property owners for this project could be a key initiative of the TIRZ.

Franklin Towers

Plans for the construction of a high rise apartment building to be called Franklin Towers consisting of first floor retail, eight garage floors, one

reception/club floor and 22 residences floors (352 units) to be located on 1.54 acres (block) bounded by LaBranch, Commerce, Crawford, and Franklin.

Needed Improvements

Conversations with the property owners, developers and the Houston Downtown Development Framework within the zone have revealed some significant enhancements that could be made in the area to bring about additional development.

Following are some of the projects that might be considered by the new TIRZ to induce new development in the Zone:

Visitor Center near Minute Maid Park – Minute Maid Park is one of the major attractions of this Zone and is an economic engine that could drive more activity in the region. If the area around the park could be developed into a visitor center, it would add to the potential growth of the Zone. Various ideas have surfaced about the area around the ball park including the addition of a Sports Museum, Car Museum and hotel along with additional restaurants.

Center in the south end of Midtown, thereby serving the heavily developed west and east sides of Downtown and Midtown with an “urban center loop”

These projects would provide transit accessibility to all of the major projects mentioned previously and would be a healthy inducement to additional residential and commercial development in the Zone. A partnership between the private property owners, the TIRZ Board and Metro could produce the necessary impetuosity to move these projects forward.

Drainage and Flood Control – the area around the bayou suffers somewhat from poor drainage and regional drainage and detention projects might be the best solution. Consideration should be given to improving drainage in the Zone.

General Incentives – To make the development take off in the Zone, additional incentives might be needed.

Extension of Metro Light Rail –

- Extend the Main Street light rail line north, in conjunction with improved Park & Ride facilities along I-45.
- Serve the sports facilities/convention center, Main Street Square, City Hall/Theater District and the public safety campus with east/west rail lines.
- Develop a regional intermodal center north of Downtown that serves the Main Street line, future light rail lines, commuter rail, Amtrak (with possible high speed inter-city rail), regional and local bus service.
- North-south light rail lines linking the intermodal center with the Wheeler Transit

Enhanced Development Scenario Assumptions

CDS Market Research has recently studied the historical development of activity centers in the Houston area and is convinced that Central Houston is poised to be another strong activity center. It is driven by continued expansion of the CBD and is the City's core.

For this scenario, it will be assumed that, **in addition to the trends scenario described previously**, the two major developments proposed for the zone will achieve the entirety of their master plans by the year 2030. That entails adding the following development to the forecast:

Assumed Development Plans

Land Use	Amount	Units
Single-Family	100	Units
Multi-Family	1,500	Units
Hotel	450	Rooms
Office	3,000,000	Square Feet
Med/Institutional	N/A	Square Feet
Industrial	0	Square Feet
Retail	800,000	Square Feet

The resultant forecast is on the following page.

-

-

Enhanced Growth Scenario Values

Property Values in Millions of Current Year Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	% Change
	Hotel/Motel	Industrial	Office	Retail	M.F.	S.F.	Institution	Vacant Land		
2008	68.48	41.89	1062.34	47.28	80.00	18.26	114.36	367.15	1799.77	
2009	82.87	47.14	1042.07	44.20	120.35	19.24	104.98	382.80	1843.65	2.44%
2010	84.53	48.08	1062.91	45.71	130.56	19.62	107.08	390.46	1888.94	2.46%
2011	106.24	55.96	1221.93	47.93	132.94	20.02	109.22	398.26	2092.50	10.78%
2012	107.96	57.43	1243.61	50.59	135.37	20.42	111.40	406.23	2133.01	1.94%
2013	118.62	59.12	1302.99	64.22	137.85	37.39	113.63	411.13	2244.94	5.25%
2014	120.42	60.86	1351.29	78.18	164.03	37.80	115.90	417.68	2346.17	4.51%
2015	122.25	62.67	1437.47	92.62	166.75	38.23	118.22	423.64	2461.85	4.93%
2016	140.98	64.59	1526.78	107.50	169.52	38.66	120.59	428.87	2597.49	5.51%
2017	154.25	66.62	1619.32	122.79	193.86	39.10	123.00	433.98	2752.92	5.98%
2018	156.19	68.68	1672.69	138.41	196.75	39.55	125.46	442.36	2840.09	3.17%
2019	158.17	70.79	1769.22	154.38	200.29	40.01	127.97	448.81	2969.63	4.56%
2020	160.19	72.93	1825.00	170.71	203.74	59.51	130.53	456.57	3079.18	3.69%
2021	162.25	75.12	1925.68	187.40	230.48	59.99	133.14	462.11	3236.16	5.10%
2022	196.37	77.35	2028.51	204.46	234.08	60.47	135.80	467.76	3404.80	5.21%
2023	198.51	79.62	2133.53	221.91	238.23	60.97	138.51	474.74	3546.03	4.15%
2024	200.70	81.94	2194.46	239.74	267.34	61.48	141.28	482.94	3669.88	3.49%
2025	202.93	84.30	2304.00	257.97	272.00	62.00	144.11	490.19	3817.50	4.02%
2026	205.20	86.71	2415.88	276.61	276.41	62.53	146.99	497.60	3967.92	3.94%
2027	216.76	89.16	2530.14	281.46	302.58	63.06	149.93	504.77	4137.85	4.28%
2028	219.12	91.66	2596.68	300.93	307.17	63.61	152.93	514.98	4247.09	2.64%
2029	221.54	94.21	2715.86	320.85	312.03	64.17	155.99	522.83	4407.48	3.78%
2030	224.00	96.81	2785.40	326.13	317.36	64.75	159.11	534.21	4507.76	2.28%

The chart on the right summarizes the three growth scenarios produced in this analysis

The differences in the overall values within the zone increase from:

\$2.8 billion in the Modest (2%) Case to

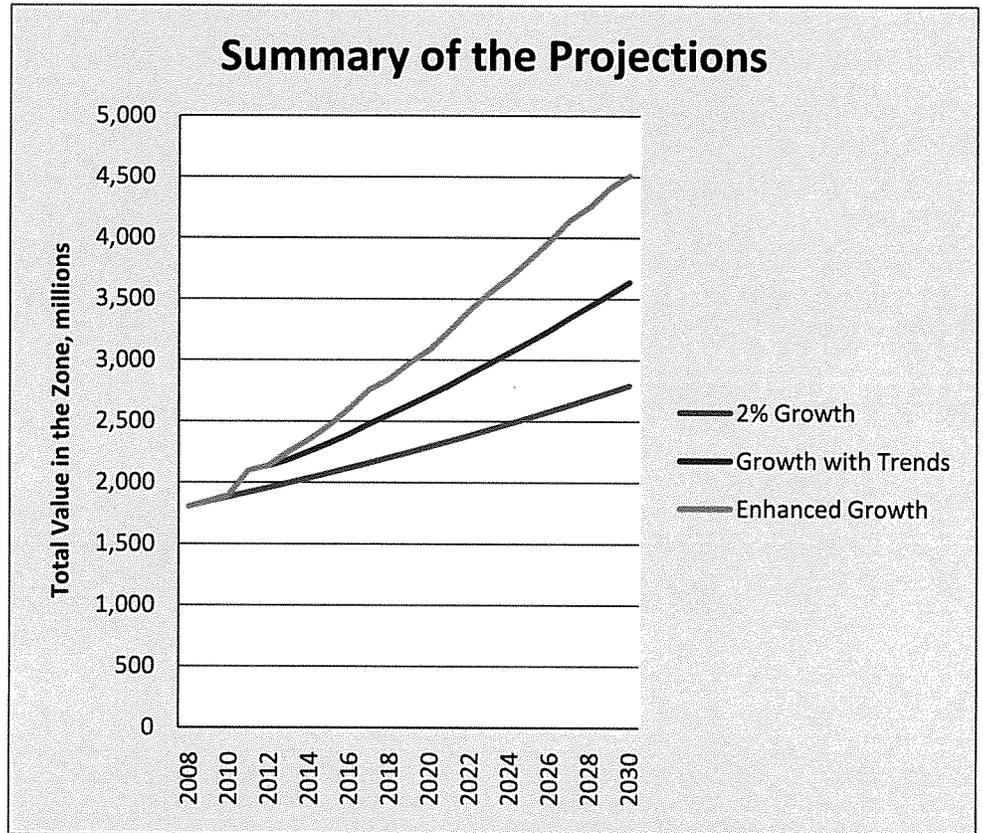
\$3.6 billion in the Trends Scenario to

\$4.5 billion in the Enhanced Case

Using the Trends Scenario compared with the Modest would produce an additional \$844 million in value 20 years into the TIRZ.

The enhanced would produce more than \$1.7 billion in value in the Zone.

Summary of the Projections



Independent statement of opinion

“But-for” Case

According to this analysis, the Central Houston TIRZ 24 area would increase in value at modest levels without the creation of the tax increment zone.

1. There is the potential for market support for development in most examined land uses (single-family and multifamily residential, office, industrial, hotel and retail) to justify creation of the TIRZ. Virtually all sectors with the exception of single-family have seen some growth within the zone.
2. The potential for enhancement to the taxable value of property within the proposed TIRZ is significant. As of the date of this report, 25% of the land in the zone was vacant, potentially developable property.
3. As discussed previously, the majority of recent development in the CMA (both residential and

commercial) has occurred in points west of the proposed Zone.

4. The key question of what would occur with respect to appraised values if no TIRZ is created can be answered based on CDS’s findings and analyses. Two major developments are proposed our analysis. These projects, along with others, hold the potential for high-end development that would be transformative for the CBD area. The Enhanced Scenario describes the potential enhancements in the Zone that could contribute to a \$2.3 billion increased in values.
5. Without the enhancements that could be brought about by a public-private partnership between the property owners, the TIRZ board, Harris County and the City of Houston, the area will not likely reach its full potential.

Statement of Opinion

In the opinion of CDS Market Research, the properties to be included in the Central Houston TIRZ will be substantially improved as a result of the creation of the Zone and the potential for enhancements in the area.

Moreover, it appears that there will be sufficient tax increments in the Enhanced Scenario to justify the issuance of TIRZ financed bonds to participate infrastructure improvements that will facilitate substantial future development.

Appendix - Detailed Demographics

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
Population						
2014 Projection	3,929		16,665		2,416,114	
2009 Estimate	3,559		15,072		2,236,732	
2000 Census	2,850		11,883		1,953,631	
1990 Census	2,891		7,029		1,697,610	
Growth 2009-2014	10.40%		10.57%		8.02%	
Growth 2000-2009	24.90%		26.84%		14.49%	
Growth 1990-2000	-1.43%		69.04%		15.08%	
2009 Estimated Population by Single Race Classification	3,559		15,072		2,236,732	
White Alone	2,329	65.44%	9,123	60.53%	1,051,903	47.03%
Black or African American Alone	957	26.88%	5,598	37.14%	543,085	24.28%
American Indian and Alaska Native Alone	8	0.22%	14	0.09%	11,688	0.52%
Asian Alone	60	1.68%	173	1.15%	121,095	5.41%
Native Hawaiian and Other Pacific Islander Alone	2	0.06%	5	0.03%	1,856	0.08%
Some Other Race Alone	146	4.09%	58	0.39%	427,551	19.11%
Two or More Races	58	1.64%	100	0.66%	79,554	3.56%
2009 Estimated Population Hispanic or Latino by Origin*	3,559		15,072		2,236,732	
Not Hispanic or Latino	2,444	68.68%	11,519	76.43%	1,251,147	55.94%
Hispanic or Latino	1,115	31.32%	3,553	23.57%	985,585	44.06%
Hispanic or Latino by Origin	1,115		3,553		985,585	
Mexican	971	87.12%	3,345	94.15%	704,670	71.50%
Puerto Rican	8	0.69%	23	0.65%	10,104	1.03%
Cuban	5	0.40%	13	0.37%	7,085	0.72%
All Other Hispanic or Latino	131	11.79%	172	4.84%	263,726	26.76%
2009 Estimated Hispanic or Latino by Single Race Classification	1,115		3,553		985,585	
White Alone	942	84.46%	3,443	96.90%	492,282	49.95%
Black or African American Alone	7	0.64%	30	0.84%	8,561	0.87%
American Indian and Alaska Native Alone	0	0.01%	1	0.03%	7,375	0.75%
Asian Alone	1	0.13%	2	0.06%	1,313	0.13%
Native Hawaiian and Other Pacific Islander Alone	0	0.00%	0	0.00%	673	0.07%
Some Other Race Alone	145	12.97%	57	1.61%	425,029	43.12%

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
Two or More Races	20	1.80%	20	0.56%	50,352	5.11%
2009 Estimated Population, Asian Alone Race by Category*	60		173		121,095	
Chinese, except Taiwanese	3	5.13%	10	5.78%	27,396	22.62%
Filipino	8	13.95%	7	4.05%	8,992	7.43%
Japanese	0	0.43%	1	0.58%	3,389	2.80%
Asian Indian	9	14.86%	28	16.19%	24,791	20.47%
Korean	4	6.08%	10	5.78%	6,901	5.70%
Vietnamese	22	37.59%	63	36.42%	34,609	28.58%
Cambodian	3	5.71%	4	2.31%	801	0.66%
Hmong	0	0.00%	0	0.00%	7	0.01%
Laotian	0	0.00%	0	0.00%	299	0.25%
Thai	1	1.16%	4	2.31%	889	0.73%
Other Asian	8	13.91%	45	26.00%	10,709	8.84%
Two or more Asian categories	1	1.17%	1	0.58%	2,312	1.91%
2009 Estimated Population by Ancestry	3,559		15,072		2,236,732	
Arab	8	0.21%	23	0.15%	12,170	0.54%
Czech	9	0.24%	24	0.16%	9,700	0.43%
Danish	5	0.14%	13	0.09%	2,371	0.11%
Dutch	7	0.20%	20	0.13%	7,037	0.31%
English	74	2.09%	254	1.69%	81,470	3.64%
French (except Basque)	13	0.38%	49	0.33%	25,568	1.14%
French Canadian	13	0.35%	37	0.25%	6,034	0.27%
German	59	1.67%	160	1.06%	96,892	4.33%
Greek	2	0.05%	8	0.05%	3,923	0.18%
Hungarian	0	0.00%	0	0.00%	2,605	0.12%
Irish	71	2.00%	208	1.38%	62,198	2.78%
Italian	7	0.19%	13	0.09%	30,059	1.34%
Lithuanian	0	0.00%	0	0.00%	883	0.04%
Norwegian	3	0.09%	10	0.07%	6,547	0.29%
Polish	13	0.37%	36	0.24%	16,480	0.74%
Portuguese	0	0.00%	0	0.00%	1,118	0.05%
Russian	1	0.04%	0	0.00%	7,192	0.32%
Scottish	7	0.20%	23	0.15%	16,213	0.72%
Scotch-Irish	35	0.98%	110	0.73%	19,684	0.88%
Slovak	0	0.00%	0	0.00%	693	0.03%
Subsaharan African	3	0.10%	11	0.07%	31,355	1.40%
Swedish	15	0.41%	43	0.29%	6,509	0.29%
Swiss	0	0.00%	0	0.00%	1,684	0.08%
Ukrainian	0	0.00%	0	0.00%	1,614	0.07%

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
United States of America	48	1.34%	132	0.88%	83,095	3.72%
Welsh	2	0.07%	15	0.10%	3,318	0.15%
West Indian (exc Hisp groups)	0	0.00%	0	0.00%	7,041	0.31%
Other	754	21.20%	944	6.26%	1,355,894	60.62%
Ancestry Unclassified	2,409	67.69%	12,939	85.85%	337,385	15.08%
2009 Estimated Population Age 5+ by Language Spoken At Home	3,460		14,922		2,042,596	
Speak Only English	2,462	71.16%	11,533	77.29%	1,204,836	58.99%
Speak Asian or Pacific Island Language	72	2.09%	106	0.71%	82,911	4.06%
Speak IndoEuropean Language	35	1.01%	131	0.88%	62,720	3.07%
Speak Spanish	874	25.25%	3,102	20.79%	668,852	32.75%
Speak Other Language	17	0.50%	50	0.34%	23,277	1.14%
2009 Estimated Population by Sex	3,559		15,072		2,236,732	
Male	2,444	68.67%	12,300	81.61%	1,126,189	50.35%
Female	1,115	31.33%	2,772	18.39%	1,110,543	49.65%
Male/Female Ratio	2.19		4.44		1.01	
2009 Estimated Population by Age	3,559		15,072		2,236,732	
Age 0 to 4	99	2.78%	150	1.00%	194,136	8.68%
Age 5 to 9	60	1.70%	69	0.46%	171,703	7.68%
Age 10 to 14	69	1.94%	53	0.35%	161,755	7.23%
Age 15 to 17	99	2.77%	274	1.82%	88,455	3.95%
Age 18 to 20	168	4.72%	1,443	9.57%	90,796	4.06%
Age 21 to 24	232	6.51%	1,688	11.20%	118,677	5.31%
Age 25 to 34	764	21.46%	4,064	26.97%	362,188	16.19%
Age 35 to 44	823	23.12%	3,783	25.10%	338,518	15.13%
Age 45 to 49	319	8.96%	1,180	7.83%	153,240	6.85%
Age 50 to 54	263	7.38%	816	5.41%	141,325	6.32%
Age 55 to 59	198	5.55%	529	3.51%	120,148	5.37%
Age 60 to 64	140	3.92%	366	2.43%	94,586	4.23%
Age 65 to 74	177	4.99%	398	2.64%	113,566	5.08%
Age 75 to 84	99	2.77%	186	1.23%	63,408	2.83%
Age 85 and over	51	1.42%	72	0.48%	24,231	1.08%
Age 16 and over	3,302	92.78%	14,784	98.09%	1,680,297	75.12%
Age 18 and over	3,232	90.81%	14,526	96.38%	1,620,683	72.46%
Age 21 and over	3,064	86.09%	13,083	86.80%	1,529,887	68.40%
Age 65 and over	327	9.18%	656	4.35%	201,205	9.00%
2009 Estimated Median Age	38.26		34.51		33.14	
2009 Estimated Average Age	39.72		36.27		34.32	

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
2009 Estimated Male Population by Age	2,444		12,300		1,126,189	
Age 0 to 4	52	2.14%	78	0.63%	98,208	8.72%
Age 5 to 9	32	1.30%	37	0.30%	88,706	7.88%
Age 10 to 14	35	1.44%	29	0.24%	83,357	7.40%
Age 15 to 17	73	3.01%	257	2.09%	45,444	4.04%
Age 18 to 20	125	5.10%	1,317	10.71%	47,303	4.20%
Age 21 to 24	172	7.06%	1,511	12.29%	61,714	5.48%
Age 25 to 34	524	21.46%	3,286	26.72%	190,023	16.87%
Age 35 to 44	591	24.20%	3,065	24.92%	175,422	15.58%
Age 45 to 49	244	9.97%	982	7.98%	78,167	6.94%
Age 50 to 54	188	7.70%	654	5.32%	70,478	6.26%
Age 55 to 59	146	5.96%	412	3.35%	58,044	5.15%
Age 60 to 64	93	3.79%	277	2.25%	44,757	3.97%
Age 65 to 74	110	4.50%	277	2.25%	51,841	4.60%
Age 75 to 84	43	1.74%	97	0.79%	25,255	2.24%
Age 85 and over	16	0.64%	20	0.16%	7,470	0.66%
2009 Estimated Median Age, Male	38.3		33.9		32.37	
2009 Estimated Average Age, Male	39.21		35.5		33.36	
2009 Estimated Female Population by Age	1,115		2,772		1,110,543	
Age 0 to 4	47	4.19%	72	2.60%	95,928	8.64%
Age 5 to 9	29	2.56%	32	1.16%	82,997	7.47%
Age 10 to 14	34	3.03%	24	0.87%	78,398	7.06%
Age 15 to 17	25	2.26%	17	0.61%	43,011	3.87%
Age 18 to 20	43	3.90%	126	4.55%	43,493	3.92%
Age 21 to 24	59	5.32%	177	6.38%	56,963	5.13%
Age 25 to 34	239	21.46%	778	28.07%	172,165	15.50%
Age 35 to 44	231	20.76%	718	25.90%	163,096	14.69%
Age 45 to 49	75	6.75%	198	7.14%	75,073	6.76%
Age 50 to 54	74	6.68%	162	5.84%	70,847	6.38%
Age 55 to 59	52	4.66%	117	4.22%	62,104	5.59%
Age 60 to 64	47	4.21%	89	3.21%	49,829	4.49%
Age 65 to 74	68	6.06%	121	4.36%	61,725	5.56%
Age 75 to 84	56	5.02%	89	3.21%	38,153	3.44%
Age 85 and over	35	3.14%	52	1.88%	16,761	1.51%
2009 Estimated Median Age, Female	38.16		36.97		34	
2009 Estimated Average Age, Female	40.83		39.67		35.29	
2009 Estimated Population Age 15 and Over by Marital Status*	3,331		14,800		1,709,138	
Total, Never Married	977	29.33%	2,119	14.32%	548,777	32.11%
Married, Spouse present	295	8.86%	529	3.58%	754,317	44.13%

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
Married, Spouse absent	1,568	47.06%	10,276	69.43%	145,386	8.51%
Widowed	217	6.53%	886	5.99%	91,003	5.32%
Divorced	274	8.22%	989	6.68%	169,655	9.93%
Males, Never Married	600	18.03%	1,169	7.90%	305,107	17.85%
Males, Previously Married	382	11.48%	1,690	11.42%	89,144	5.22%
Females, Never Married	377	11.30%	950	6.42%	243,670	14.26%
Females, Previously Married	109	3.27%	185	1.25%	171,514	10.04%
2009 Estimated Population Age 25 and Over by Educational Attainment*	2,832		11,395		1,411,210	
Less than 9th grade	393	13.88%	1,314	11.53%	208,260	14.76%
Some High School, no diploma	548	19.34%	1,937	17.00%	207,137	14.68%
High School Graduate (or GED)	784	27.69%	3,828	33.60%	287,292	20.36%
Some College, no degree	577	20.36%	2,639	23.16%	269,948	19.13%
Associate Degree	82	2.89%	306	2.69%	56,293	3.99%
Bachelor's Degree	209	7.39%	655	5.75%	245,269	17.38%
Master's Degree	138	4.88%	409	3.59%	84,002	5.95%
Professional School Degree	94	3.32%	279	2.45%	36,027	2.55%
Doctorate Degree	7	0.24%	27	0.24%	16,982	1.20%

Pop Facts: Demographic Snapshot (Part 2)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
Households						
2014 Projection	1,297		2,719		868,572	
2009 Estimate	1,122		2,199		808,317	
2000 Census	753		1,210		717,945	
1990 Census	509		383		641,561	
Growth 2009-2014	15.57%		23.65%		7.45%	
Growth 2000-2009	48.96%		81.74%		12.59%	
Growth 1990-2000	48.12%		215.93%		11.91%	
2009 Estimated Households by Household Type	1,122		2,199		808,317	
Family Households	182	16.23%	306	13.92%	509,527	63.04%
Non-family Households	940	83.77%	1,893	86.08%	298,790	36.96%
2009 Estimated Group Quarters Population	2,059		12,288		39,427	
2009 Households by Ethnicity: Hispanic or Latino	206	18.33%	250	11.37%	269,233	33.31%

2009 Estimated Households by Household Income	1,122		2,199		808,317	
Less than \$15,000	467	41.66%	733	33.33%	126,157	15.61%
\$15,000 to \$24,999	180	16.06%	273	12.41%	99,416	12.30%
\$25,000 to \$34,999	120	10.70%	193	8.78%	103,968	12.86%
\$35,000 to \$49,999	144	12.80%	232	10.55%	133,808	16.55%
\$50,000 to \$74,999	60	5.32%	203	9.23%	138,678	17.16%
\$75,000 to \$99,999	65	5.82%	121	5.50%	75,216	9.31%
\$100,000 to \$149,999	31	2.77%	163	7.41%	75,445	9.33%
\$150,000 to \$249,999	45	3.99%	186	8.46%	36,533	4.52%
\$250,000 to \$499,999	9	0.85%	72	3.27%	12,472	1.54%
\$500,000 or more	0	0.03%	23	1.05%	6,624	0.82%
2009 Estimated Average Household Income	\$37,820		\$66,178		\$63,425	
2009 Estimated Median Household Income	\$20,198		\$29,845		\$43,365	
2009 Estimated Per Capita Income	\$43,406		\$17,719		\$23,174	
2009 Estimated Households by Type and Presence of Own Children*	1,122		2,199		808,317	
Single Male Householder	632	56.30%	1,231	55.98%	115,673	14.31%
Single Female Householder	215	19.19%	476	21.65%	121,646	15.05%
Married-Couple Family	125	11.14%	263	11.96%	346,148	42.82%
With own children	29	2.62%	17	0.77%	177,423	21.95%
No own children	96	8.53%	246	11.19%	168,725	20.87%
Male Householder	23	2.06%	18	0.82%	41,796	5.17%
With own children	5	0.44%	3	0.14%	16,813	2.08%
No own children	18	1.63%	15	0.68%	24,983	3.09%
Female Householder	34	3.03%	25	1.14%	121,583	15.04%
With own children	18	1.57%	17	0.77%	70,358	8.70%
No own children	16	1.46%	8	0.36%	51,225	6.34%
Nonfamily: Male Householder	75	6.72%	135	6.14%	38,150	4.72%
Nonfamily: Female Householder	18	1.56%	51	2.32%	23,321	2.89%
2009 Estimated Households by Household Size*	1,122		2,199		808,317	
1-person household	847	75.48%	1,707	77.63%	237,319	29.36%
2-person household	205	18.27%	449	20.42%	220,771	27.31%
3-person household	23	2.09%	22	1.00%	126,552	15.66%
4-person household	20	1.77%	9	0.41%	102,727	12.71%
5-person household	13	1.12%	8	0.36%	61,384	7.59%
6-person household	6	0.49%	2	0.09%	31,053	3.84%
7 or more person household	9	0.77%	2	0.09%	28,511	3.53%

2009 Estimated Average Household Size	1.41		1.27		2.72	
2009 Estimated Households by Presence of People*	1,122		2,199		808,317	
Households with 1 or more People under Age 18	59	5.25%	40	1.82%	301,364	37.28%
Married-Couple Family	31	2.75%	19	0.86%	190,204	23.53%
Other Family, Male Householder	8	0.70%	5	0.23%	22,202	2.75%
Other Family, Female Householder	20	1.78%	16	0.73%	85,902	10.63%
Nonfamily, Male Householder	0	0.02%	0	0.00%	2,217	0.27%
Nonfamily, Female Householder	0	0.00%	0	0.00%	839	0.10%
Households no People under Age 18	1,063	94.75%	2,159	98.18%	506,953	62.72%
Married-Couple Family	94	8.39%	244	11.10%	155,944	19.29%
Other Family, Male Householder	15	1.37%	13	0.59%	19,594	2.42%
Other Family, Female Householder	14	1.24%	9	0.41%	35,681	4.41%
Nonfamily, Male Householder	707	63.00%	1,366	62.12%	151,606	18.76%
Nonfamily, Female Householder	233	20.75%	527	23.97%	144,128	17.83%
2009 Estimated Households by Number of Vehicles*	1,122		2,199		808,317	
No Vehicles	399	35.60%	542	24.65%	92,518	11.45%
1 Vehicle	527	46.93%	1,257	57.16%	358,998	44.41%
2 Vehicles	147	13.12%	302	13.73%	271,140	33.54%
3 Vehicles	34	3.03%	83	3.77%	65,204	8.07%
4 Vehicles	13	1.19%	13	0.59%	15,576	1.93%
5 or more Vehicles	2	0.14%	2	0.09%	4,881	0.60%
2009 Estimated Average Number of Vehicles*	0.88		0.99		1.47	
Family Households						
2014 Projection	202		376		545,322	
2009 Estimate	182		306		509,527	
2000 Census	141		170		457,549	
1990 Census	134		59		405,473	
Growth 2009-2014	10.97%		22.88%		7.03%	
Growth 2000-2009	29.16%		80.00%		11.36%	
Growth 1990-2000	5.11%		188.14%		12.84%	
2009 Estimated Family Households by Household Income	182		306		509,527	
Less than \$15,000	48	26.40%	61	19.93%	62,500	12.27%
\$15,000 to \$24,999	24	13.07%	10	3.27%	58,314	11.44%
\$25,000 to \$34,999	16	8.84%	5	1.63%	62,005	12.17%

\$35,000 to \$49,999	12	6.53%	21	6.86%	77,952	15.30%
\$50,000 to \$74,999	31	17.11%	61	19.93%	92,260	18.11%
\$75,000 to \$99,999	30	16.44%	38	12.42%	56,089	11.01%
\$100,000 to \$149,999	4	2.01%	22	7.19%	56,596	11.11%
\$150,000 to \$249,999	16	8.68%	61	19.93%	29,076	5.71%
\$250,000 to \$499,999	2	0.92%	19	6.21%	9,700	1.90%
\$500,000 or more	0	0.00%	8	2.61%	5,035	0.99%
2009 Estimated Average Family Household Income	\$57,859		\$114,273		\$71,062	
2009 Estimated Median Family Household Income	\$38,883		\$72,951		\$48,844	
2009 Estimated Families by Poverty Status*	182		306		509,527	
Income At or Above Poverty Level	158	86.66%	290	94.77%	428,438	84.09%
Married-Couple Family	115	63.30%	258	84.31%	309,651	60.77%
With own children	33	17.85%	32	10.46%	164,215	32.23%
No own children	83	45.44%	226	73.86%	145,436	28.54%
Male Householder	19	10.19%	14	4.58%	33,635	6.60%
With own children	3	1.84%	4	1.31%	16,665	3.27%
No own children	15	8.35%	10	3.27%	16,970	3.33%
Female Householder	24	13.17%	18	5.88%	85,152	16.71%
With own children	21	11.34%	17	5.56%	55,465	10.89%
No own children	3	1.83%	1	0.33%	29,687	5.83%
Income Below Poverty Level	24	13.34%	16	5.23%	81,089	15.91%
Married-Couple Family	10	5.35%	5	1.63%	36,497	7.16%
With own children	7	3.81%	4	1.31%	28,106	5.52%
No own children	3	1.55%	1	0.33%	8,391	1.65%
Male Householder	5	2.52%	4	1.31%	8,161	1.60%
With own children	3	1.46%	3	0.98%	5,726	1.12%
No own children	2	1.06%	1	0.33%	2,435	0.48%
Female Householder	10	5.47%	7	2.29%	36,431	7.15%
With own children	9	5.06%	6	1.96%	31,672	6.22%
No own children	1	0.41%	1	0.33%	4,759	0.93%
2009 Estimated Population Age 16 and Over by Employment*	3,302		14,784		1,680,297	
In Armed Forces	0	0.00%	0	0.00%	1,118	0.07%
Civilian - Employed	931	28.20%	2,252	15.23%	986,293	58.70%
Civilian - Unemployed	161	4.88%	385	2.61%	80,352	4.78%
Not in Labor Force	2,210	66.92%	12,147	82.17%	612,534	36.45%
2009 Estimated Civilian Employed	931		2,252		986,293	

Population Age 16 and Over by Class of Worker*						
For-Profit Private Workers	643	69.02%	1,629	72.37%	756,037	76.65%
Non-Profit Private Workers	146	15.65%	265	11.77%	56,607	5.74%
Local Government Workers	49	5.21%	72	3.20%	54,892	5.57%
State Government Workers	26	2.76%	45	2.00%	37,540	3.81%
Federal Government Workers	14	1.52%	9	0.40%	17,843	1.81%
Self-Employed Workers	54	5.83%	231	10.26%	61,049	6.19%
Unpaid Family Workers	0	0.00%	0	0.00%	2,325	0.24%
2009 Estimated Employed Population Age 16 and Over by Occupation*						
	931		2,252		986,293	
Management, Business, and Financial Operations	137	14.73%	473	21.01%	132,375	13.42%
Professional and Related Occupations	303	32.55%	795	35.31%	204,790	20.76%
Service	124	13.27%	221	9.82%	153,599	15.57%
Sales and Office	157	16.90%	503	22.34%	260,773	26.44%
Farming, Fishing, and Forestry	0	0.00%	0	0.00%	1,366	0.14%
Construction, Extraction, and Maintenance	78	8.36%	85	3.78%	107,208	10.87%
Production, Transportation, and Material Moving	132	14.18%	174	7.73%	126,182	12.79%
2009 Estimated Civilian Employed Population Age 16 and Over by Occupation Classification*						
	931		2,252		986,293	
Blue Collar	210	22.54%	259	11.51%	233,390	23.66%
White Collar	598	64.19%	1,771	78.67%	597,572	60.59%
Service & Farm	124	13.27%	221	9.82%	155,331	15.75%
2009 Estimated Workers Age 16 and Over by Transportation To Work*						
	922		2,197		965,167	
Drove Alone	472	51.26%	1,047	47.68%	695,116	72.02%
Car Pooled	36	3.87%	24	1.09%	152,268	15.78%
Public Transportation	146	15.83%	376	17.13%	56,296	5.83%
Walked	189	20.47%	431	19.62%	22,361	2.32%
Motorcycle	0	0.00%	0	0.00%	760	0.08%
Bicycle	11	1.15%	7	0.32%	4,258	0.44%
Other Means	13	1.38%	91	4.14%	11,328	1.17%
Worked at Home	56	6.05%	220	10.02%	22,780	2.36%
2009 Estimated Workers Age 16 and Over by Travel Time to Work*						
	866		1,977		942,387	
Less than 15 minutes	280	32.30%	641	32.44%	195,842	20.78%
15 to 29 Minutes	355	40.95%	879	44.48%	349,604	37.10%
30 to 44 Minutes	137	15.85%	249	12.60%	245,829	26.09%

45 to 59 Minutes	52	5.98%	83	4.20%	79,749	8.46%
60 or more Minutes	43	4.93%	124	6.28%	71,363	7.57%
2009 Estimated Average Travel Time to Work in Minutes*	23.82		23.51		29.55	
2009 Estimated Tenure of Occupied Housing Units	1,122		2,199		808,317	
Owner-Occupied	68	6.06%	109	4.96%	366,741	45.37%
Renter-Occupied	1,054	93.94%	2,090	95.04%	441,576	54.63%
2009 Owner-Occupied Housing - Average Length of Residence	4		3		7	
2009 Estimated All Owner-Occupied Housing Units by Value	68		109		366,741	
Less than \$20,000	4	6.56%	3	2.75%	6,626	1.81%
\$20,000 to \$39,999	11	16.66%	32	29.36%	19,221	5.24%
\$40,000 to \$59,999	9	13.27%	31	28.44%	39,250	10.70%
\$60,000 to \$79,999	7	10.14%	17	15.60%	45,447	12.39%
\$80,000 to \$99,999	2	3.29%	0	0.00%	47,343	12.91%
\$100,000 to \$149,999	2	2.74%	0	0.00%	86,822	23.67%
\$150,000 to \$199,999	10	14.83%	7	6.42%	35,508	9.68%
\$200,000 to \$299,999	7	10.62%	3	2.75%	40,536	11.05%
\$300,000 to \$399,999	0	0.00%	0	0.00%	17,282	4.71%
\$400,000 to \$499,999	7	10.95%	8	7.34%	9,986	2.72%
\$500,000 to \$749,999	7	10.95%	8	7.34%	11,795	3.22%
\$750,000 to \$999,999	0	0.00%	0	0.00%	3,622	0.99%
\$1,000,000 or more	0	0.00%	0	0.00%	3,303	0.90%
2009 Estimated Median Owner-Occupied Housing Unit Value	\$101,602		\$52,581		\$114,676	
2009 Estimated Housing Units by Units in Structure*	1,595		3,476		913,232	
1 Unit Attached	33	2.06%	23	0.66%	49,034	5.37%
1 Unit Detached	131	8.24%	60	1.73%	415,525	45.50%
2 Units	65	4.10%	80	2.30%	18,584	2.03%
3 to 19 Units	97	6.10%	111	3.19%	169,510	18.56%
20 to 49 Units	170	10.66%	302	8.69%	46,543	5.10%
50 or More Units	1,098	68.85%	2,883	82.94%	204,135	22.35%
Mobile Home or Trailer	0	0.00%	17	0.49%	9,443	1.03%
Boat, RV, Van, etc.	0	0.00%	0	0.00%	458	0.05%
Dominant structure type	50 or More Units		50 or More Units		1 Unit Detached	

2009 Estimated Housing Units by Year Structure Built	1,595		3,476		913,232	
1999 to 2009	613	38.46%	1,821	52.39%	165,302	18.10%
1995 to 1998	168	10.51%	190	5.47%	34,630	3.79%
1990 to 1994	0	0.00%	0	0.00%	30,146	3.30%
1980 to 1989	69	4.31%	75	2.16%	138,314	15.15%
1970 to 1979	83	5.22%	101	2.91%	213,892	23.42%
1960 to 1969	425	26.62%	447	12.86%	144,688	15.84%
1950 to 1959	50	3.13%	123	3.54%	101,410	11.10%
1940 to 1949	40	2.51%	61	1.75%	45,732	5.01%
1939 or Earlier	147	9.25%	658	18.93%	39,118	4.28%
2009 Estimated Median Year Structure Built**	1988		1999		1976	
Dominant Year Structure Built	1999 to March 2009		1999 to March 2009		1970 to 1979	

Qualifications of the Analyst

Brenda G. Persons

Senior Market Analyst

Brenda Persons joined CDS Market Research in 2008 as a Senior Market Analyst. Prior to her affiliation with CDS, Ms. Persons was an independent contractor in the commercial real estate appraisal industry for a number of years. She began her career at Weingarten Realty in Houston, Texas in 1985 as a Site Location Analyst. She assessed land acquisitions for market feasibility, financial feasibility, and business plan fit of new commercial developments. In 1988 she moved to Bank One Corporation/FDIC Bonnet Resources in Houston. There she was a Portfolio Analyst of approximately 80 commercial properties held for disposition by the FDIC. She routinely prepared budgets, variance and financial reports, and lease agreements while working closely with brokers and asset managers. She also served as Chief Financial Officer of Infopros, Inc. for several years before pursuing her appraisal career.

Over the years, Ms. Persons has gained a diversity of experience. She has performed appraisal assignments on commercial and industrial real estate properties throughout the state of Texas. Her expertise includes multifamily housing, hotels and motels, urban/CBD office buildings, retail centers, industrial properties and religious facilities. She has appraised over 400 properties including the retail development "Market Street" in the Woodlands. Her career experiences afforded her significant interaction with various lenders, developers, property owners, leasing and sales agents and asset managers, as well as government officials.

As a Senior Market Analyst, Ms. Persons is responsible for managing a wide variety of market and economic studies. In addition to assignments that pertain to demand or market feasibility for single use income properties, she works on multi-use developments where the issue may be highest and best use, optimizing the mix of uses to best suit market trends and conditions or timing for bringing land use components on line. In this regard she has conducted the research and analysis required for development planning and ultimately the creation of special districts including municipal utility districts and tax increment investment zones. She has successfully completed market analyses leading to recommendations for market supported development for both private sector and public sector projects.

Ms. Persons has a Bachelor of Business Degree in Finance/Real Estate from University of Texas in Arlington, Texas. Her technical training includes Real Estate and Appraisal Principles, Investment Management, Real Estate Finance, Real Estate Law, Land Development, USPAP, Income Property Appraisal, and Report Writing. She has significant experience and an extensive background in accounting, business management, finance, and real estate, which has provided her with the analytical tools required to excel in her current position at CDS. Ms. Persons has held her Texas Real Estate Salesman License since 1990 and her Appraisal License since 2004. She is an active member of the Houston Association of Realtors, Urban Land Institute, Commercial Real Estate Montgomery County (CREAM) and Commercial Real Estate Women (CREW).

CDS Market Research

1250 Wood Branch Park Drive, Suite 100
Houston, TX 77079

713- 465-8866 (Phone)

713-465-6975 (Fax)

www.cdsmr.com

Independent Market Analysis DRAFT

South Loop TIRZ #23

Houston, TX



Prepared for:

Knudson , LP
8588 Katy Freeway,
Houston, TX 77024



December 2009

Table of Contents

Table of Contents	iii
Table of Exhibits	v
Executive Summary of Findings	1
Introduction	3
Proposed TIRZ Description	3
Objectives	4
Purpose of the Research	4
Scope of the Research.....	4
TIRZ 23 Proposal.....	4
Area and Subject TIRZ Overview	5
General Market Area	5
Demographics	6
Other Demographic Characteristics	7
TIRZ – Location	8
Regional Economic and Employment Overview	9
History and Regional Background	9
The Houston Area Economy.....	9
Factors Affecting Future Regional Economic Growth	12
Economic Projections.....	13
Economic Geography	13
Population.....	16
Historic Growth and Projections	16
Population Growth Accounted for by In-Migration	17
Basis for Projections.....	17
Regional Housing Trends	18
Household Size Trends	18
Housing Type Trends.....	18
Housing Permit Trends.....	19
Housing Permit Projections.....	20
Growth Patterns.....	20
Regional Office Space Trends	21
Regional Retail Trends	23
Regional Industrial Trends	25
Regional Hotel Trends.....	27
Trends in the Competitive Market Area and the TIRZ.....	29
Defining the Competitive Market Area (CMA)	29
Economic Demand Drivers.....	29

Demographic Demand Drivers	32
Residential Trends in the CMA and Zone	33
Single-Family Home Trends.....	35
Platting Activity	37
Condominium Demand and Trends	38
Apartment Demand and Trends	39
Apartments in the Zone	42
Office Space Trends in the CMA and Zone	43
Office Buildings in the CMA	43
Office Buildings in the Zone	45
Retail Space Trends in the CMA and Zone	46
Retail Buildings in the CMA.....	46
Retail Centers in the Zone.....	48
Industrial Trends in the CMA and Zone	49
Industrial Facilities in the Zone	51
Hotel Trends in the CMA and Zone.....	55
Hotels in the Zone	56
Land Use Summary Proposed TIRZ 23	57
Future Development Potential in the TIRZ	58
Residential - Single-and Multi-Family Markets.....	58
Housing Demand Projections.....	58
Office Market	60
Retail Market	61
Industrial Market	62
Hotel Market.....	63
Three TIRZ Growth Scenarios.....	64
Scenario 1 – Modest Future Value Growth	64
Scenario 2 – Projected Growth Using Historical Trends	65
Scenario 3 –Enhanced Development Potential	66
Improvements underway in the Zone.....	69
Needed Improvements	69
Independent statement of opinion	73
“But-for” Case	73
Statement of Opinion	73
Appendix - Detailed Demographics.....	74
Qualifications of the Analyst.....	86

Table of Exhibits

Aerial Map of the Proposed South Loop TIRZ 23	3
Land Use Map of the Proposed South Loop TIRZ 23	5
Basic Demographics of the Zone	6
Income Characteristics of the Zone	7
Proposed TIRZ 23 Vicinity Map	8
Houston Sugar Land Baytown Metropolitan Statistical Area (MSA).....	9
Houston MSA Economic Base Employment.....	10
Industry Shares of Job Change	10
Houston MSA Long-Term Employment Growth Trends	11
Drivers of the Houston Economy	12
Spot Market Crude Oil and Natural Gas Prices	12
Economic Projections from Two Sources.....	13
Major Regional Employment & Activity Centers	14
Population Growth Trends and Projections.....	16
Components of Population Change	17
Household Size Trends	18
Housing Type Trends, 1970 – 2008	18
Historic Houston MSA Housing Starts*	19
Average Annual New Housing Starts Projections	20
Houston Regional Office Space Trends	21
Houston Regional Office Performance Trends	22
Houston Regional Retail Trends.....	23
Houston Regional Retail Performance Trends	24
Houston Regional Industrial Trends.....	25
Houston Regional Industrial Performance Trends.....	26
Houston Regional Hotel Trends	27
Houston Regional Hotel Performance Trends	28
TIRZ 23 Competitive Market Area (CMA).....	29
Texas Medical Center Campus Map.....	30
Residential Distribution of TMC Employees	31
Residential Density of TMC Employees in the CMA and Zone.....	32
Housing Market Area	33
Overview of Housing in the Housing Market Area	34
Housing Unit Tenure and Structure Trends	34
Recent New Home Sales	35
New Homes in the Housing Market Area and the Zone	35
Summary of Single Family Home Sales in the Housing Market Area.....	36
Single-Family Platting Activity and Development Trends	37
Condominium Pricing in the PMA.....	38
Housing Market Area Apartment Trends.....	39
Apartment Performance Trends	40
Proposed and Under Construction Multi-family Development.....	41

Apartment Construction in the Zone	42
List of Apartments in the Zone.....	42
Office Trends in the CMA.....	43
Office Performance Trends in the CMA.....	44
Office Buildings Currently in the Zone	45
Retail Trends in the CMA	46
Retail Performance Trends in the CMA	47
Retail Centers Currently in the Zone.....	48
Industrial Trends in the CMA	49
Industrial Performance Trends in the CMA	50
Industrial Construction in the Zone	51
Hotel Performance Statistics in the CMA and the Zone	55
Hotel Trends in the CMA and Zone.....	55
List of Hotels Currently in the Zone	56
Comparison of HCAD with O’Connor Data.....	57
Land Use Summary for the Zone.....	57
New Dwelling Unit Demand Forecast	58
Housing Trends Forecast.....	59
Office Space Trends Forecast.....	60
Retail Space Trends Forecast	61
Industrial Space Trends Forecast	62
Hotel Market Trend Projections	63
Modest Growth Scenario Values	64
Assumed Property Values for New Construction	65
Trend Growth Scenario Values	65
Map of Major Development Projects in the Zone	66
Buffalo Lakes Master Plan.....	67
Europa Green	67
Fannin Station Master Plan.....	68
South Point Master Plan	68
2006 – 2010 Street Projects in the Zone.....	69
Enhanced Growth Scenario Values	71
Summary of the Projections.....	72

Executive Summary

- The purpose of this feasibility study is to provide an independent opinion concerning market and economic support available to new development and to redevelopment of functionally obsolete properties within the proposed Zone both with and without assistance afforded by the Tax Increment Reinvestment Zone.
- The proposed South Loop Tax Increment Reinvestment Zone 23 (the “Zone”) is located in the south central area of the City of Houston. It covers approximately 7,000 acres in the vicinity of the I-610 South Loop.
- North of the Zone is the Texas Medical Center which, while not within the boundaries, is a key driving force of the development of the Zone.
- Within the Zone is Harris County’s Reliant Park complex including the Reliant Stadium, Astrodome, Center and Arena.
- Overall, 68% of the land in the Zone is vacant. The developed portion has a mix of land uses -- the predominate land use being industrial.
- The Zone currently includes approximately 10,000 residents in 3,850 households. In addition, there are approximately 985 businesses employing 22,475 persons.
- The Zone has been increasing in population in recent years – adding 5,000 new residents (a 101% increase) since the 2000 Census.
- The race and ethnicity of the population in the Zone is mixed – 44% African American, 37% Hispanic, 10% White and 9% Asian and other.
- The income of the residents in the Zone is also mixed but on the whole, lower than the region.
- The Zone is proximate to major employment centers in the Houston region including the Texas Medical Center, the UH/TSU university complex, Greenway Plaza, and the Central Business District.
- Development in the Zone will be, in large part dependent on the continued strength of the Houston regional economy which has a long history and tradition of growth.
- Using various forecasts, it is safe to assume that the Houston region is expected to add 3 million residents between 2005 and 2030.
- Regional development trends, while currently experiencing low performance because of the national recession, show a strong history of sustained growth. In the period 2000-2009, average annual new development was:
 - 45,000 housing units,
 - 1.8 million square feet of office space,
 - 1.3 million square feet of retail centers,
 - 3.2 million square feet of industrial/warehouse space, and
 - 2,200 hotel rooms.
- The Competitive Market Area (CMA) for the analysis in this research includes 9 zip codes in southwest Houston and encompasses the Texas Medical Center.
- The Texas Medical Center (TMC)’s continual expansion is a key driver of the growth in the Zone. The Texas Medical Center currently employs 72,600 persons and there are projects under construction and in the planning stage what will add 25,000 new jobs by 2014. 17% of TMC employees live in the CMA.
- The CMA and Housing Market Areas have also experienced growth in recent years (2000-2008) averaging:
 - 1,500 single-family housing units (HMA),
 - 1,950 multi-family units (HMA)
 - 400,000 square feet of office space (CMA),
 - 75,000 square feet of retail centers (CMA),
 - 200,000 square feet of industrial/warehouse space (CMA), and
 - 150 hotel rooms (since 2005) (CMA).

- Using historical trends and expected future growth of the Houston region and the CMA, a “trend” forecast of new development was completed. The summary of the results of this analysis is as follows:

“Trends” Residential Development in the Zone

5-Year Period	M.F.	S.F.	Hotel Rooms
2005 to 2009	1,103	1,438	88
2010 to 2014	839	971	77
1015 to 2019	1,859	1,298	83
2020 to 2024	1,843	1,557	89
2024 to 2029	1,969	1,438	89

Trends Commercial Development in the Zone

5-year Period	Office	Retail	Industrial
2005 to 2009	248,000	176,643	366,938
2010 to 2014	375,230	306,150	263,325
1015 to 2019	387,531	413,628	346,634
2020 to 2024	437,685	453,029	376,080
2024 to 2029	477,815	460,889	376,759

- Three growth scenarios were prepared as part of this analysis:
 - Modest future value growth in the Zone
 - “Trends” growth as described above, and
 - Enhanced growth with stimulation of new development.

- The Enhanced Scenario focused on four properties that have been or are in the process of master planning: Those projects are Buffalo Lakes, Europa Green, Fannin Station, and South Pointe. In total those projects encompass 947 acres, 12,000 housing units (primarily multi-family) and 10 million square feet of commercial uses.

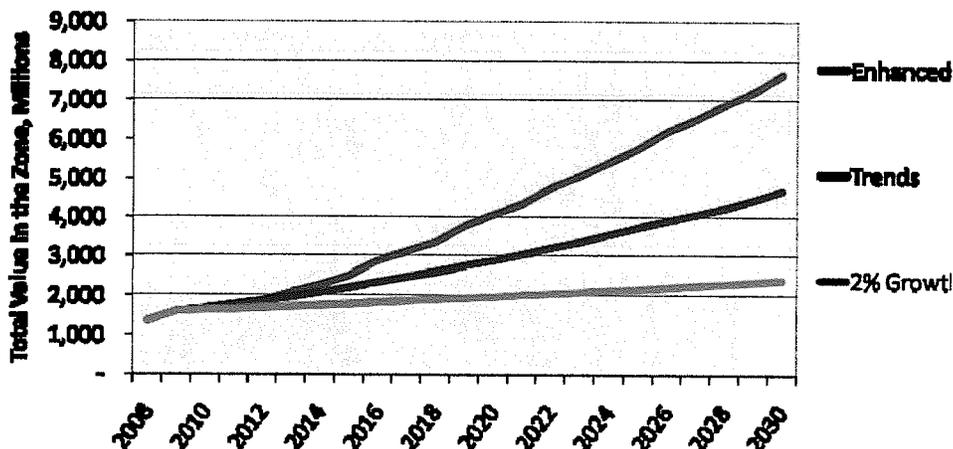
- In the Enhanced Scenario, it was assumed that public-private partnerships including the involvement of the TIRZ, Harris County and the City of Houston will collaborate to make substantial improvements in the Zone including all or most of the following:

- o Extension of Metro Light Rail
- o Completion of the Sanitary Sewer Trunk Line
- o Extension of Buffalo Speedway over Holmes
- o Drainage and Flood Control Projects
- o Area Identity / Branding
- o General Incentives

- The resultant three projections of value within the Zone are presented in the chart below.

- The differences in the overall values within the zone increase from:

- o \$2.40 billion in the Modest (2%) Case to
- o \$4.66 billion in the Trends Scenario to
- o \$7.56 billion in the Enhanced Case



Introduction

Proposed TIRZ Description

The proposed South Loop Tax Increment Reinvestment Zone (TIRZ) Number 23 (the “Zone”) is located in the south central area of the City of Houston. The map on the right illustrates the boundary of the Zone.

In general, Old Spanish Trail/Main Street/US-90A form the north and west boundaries on the northern portion, while Almeda forms the west boundary in the southern portion. SH-288 is the east boundary and a combination of roadways (W. Airport, Feldman, Reed and Almeda Genoa) make up the southern boundary.

North of the Zone is the Texas Medical Center which, while not within the boundaries is a key driving force of the development.

Within the Zone is Harris County’s Reliant Park complex including the Reliant Stadium, Astrodome, Center and Arena.

Overall, the Zone includes 7,000 acres of land in a wide variety of existing uses summarized below.

Use	Area, Acres	Buildings, SF or Units
Residential	342	3,702 units
Office	142	3.7 million sf
Retail	198	1.4 million sf
Hotel	39	1,409 rooms
Industrial	980	7.9 million sf
Institutional	486	.8 million sf
Other/vacant	4,813	

Aerial Map of the Proposed South Loop TIRZ 23



Objectives

Purpose of the Research

The purpose of this feasibility study is to provide an independent opinion concerning market and economic support available to new development and to redevelopment of functionally obsolete properties within the proposed Zone both with and without assistance afforded by the Zone.

Three development scenarios were evaluated including:

- Limited new construction of residential, commercial, and industrial facilities within the zone relying on annual appreciation in value of existing property;
- Continuation of historical and current development patterns and trends assuming no incentives or inducements to development by the TIRZ; and,
- Enhanced development activity if selected incentives are offered, and infrastructure improvements are made, to encourage transformative private investment within the zone.

TIRZ 23 Proposal

The City of Houston and Harris County are proposing to create this tax increment reinvestment zone for the purpose of stimulating the development of this area which has been historically of low value and with low development potential. Tax Increment Financing (TIF) is an economic development tool available to Texas cities to promote both new development and redevelopment within a specific geographic area inside the corporate city limits. The incremental tax proceed from this Zone, as new development and

Scope of the Research

Specifically the following issues are addressed in this analysis:

- Is there sufficient market demand and economic support to establish market feasibility and justify formation of the proposed Zone?
- Based on market conditions, trends and other factors, when are currently announced new development and redevelopment plans likely to proceed and what scale of build-out is reasonable and achievable?
- In addition to known projects, what additional development can be supported within the Zone given financial incentives from the County and/or City?
- Will real estate improvements to be developed within the proposed Zone significantly enhance the value of all taxable real property in the Zone and therefore be of general benefit to Harris County and the City of Houston?
- But for creation of the Zone, are the existing properties and land parcels likely to be significantly improved within the foreseeable future?
-

value is added, is expected to be used for improvements to area infrastructure and facilities that will be needed to stimulate further growth of housing opportunities and commercial development.

Area and Subject TIRZ Overview

General Market Area

The Zone includes a mix of high quality existing development (primarily on the north) and low value vacant, industrial (predominately on the south).

From the land use map on the right, it is apparent that there are currently few residential areas and few residents. Using the shape file provided by Knudson, LP, we estimate that there are 10,000 residents in 3,850 households.

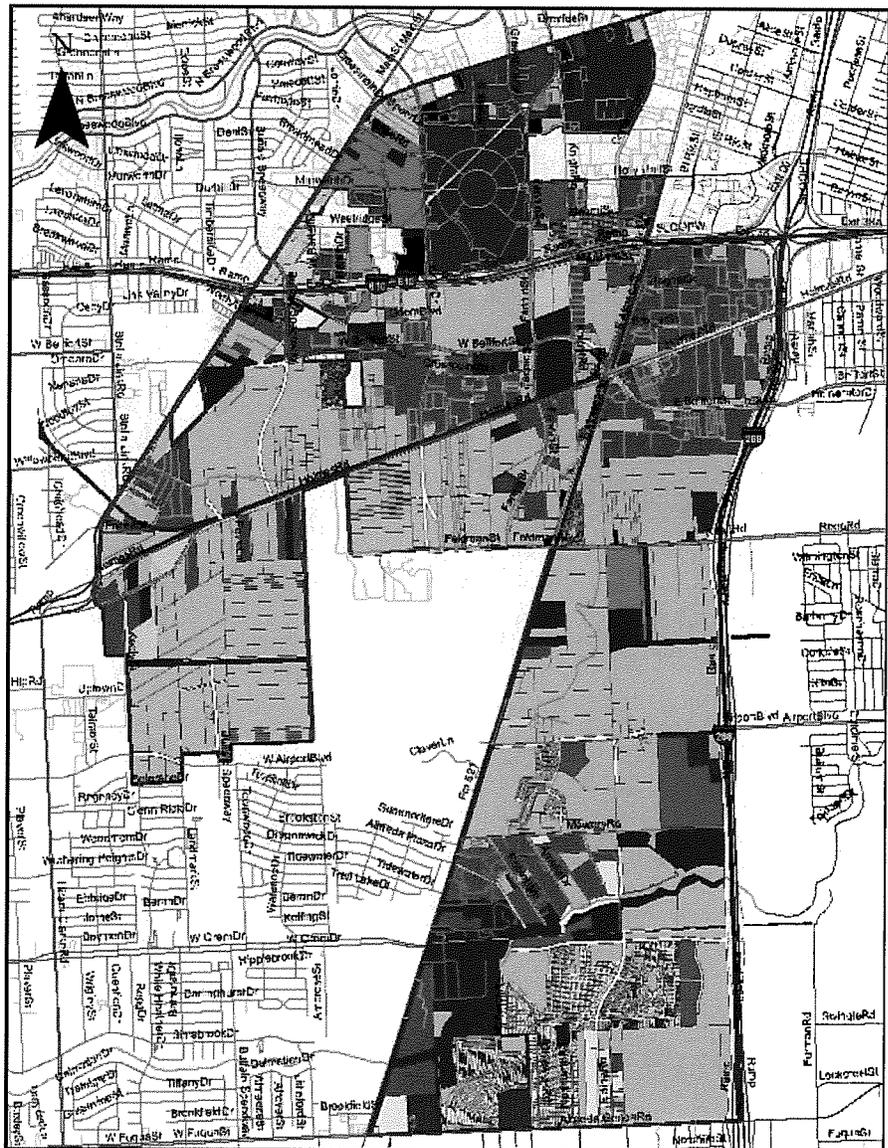
The source of the demographic information used in this report is from PCensus for MapInfo, a reseller of Claritas demographic data. According to this source, there are 985 business establishments employing 22,475 persons.

The dominant economic sectors represented in the Zone are:

- Health services
- Business services
- Personal services
- Engineering & management
- Wholesale: durable goods
- Real estate
- Eating & drinking places
- General building contractors

Industrial type uses: warehouse, distribution, service centers and light industrial plants (purple on the map) dominate developed land. A large proportion of the zone is undeveloped land.

Land Use Map of the Proposed South Loop TIRZ 23



Source: Harris County Appraisal District, CDS Market Research

Demographics

- The basic demographics of the Zone are illustrated in the table on the right.
- The current population of the Zone has been growing in recent years – starting from a very low base in 1990.
- According to this source, the area added over 5,000 new residents since the 2000 census, doubling the population.
- The projection is that, over the next five years an additional 2,637 persons will be added in the Zone.
- The race and ethnicity of the Zone is mixed:
 - Hispanic (37.1%)
 - Non-Hispanic:
 - African American (43.7%)
 - Whites (10.4%)
 - Asian (7.4%)
 - Other/Mixed Race (1.4%)

Basic Demographics of the Zone

Compared with the City of Houston

	Zone		City of Houston	
	No.	%	No.	%
Population				
2014 Projection	12,728		2,416,11	
2009 Estimate	10,091		2,236,73	
2000 Census	5,018		1,953,63	
1990 Census	4,082		1,697,61	
Growth 2009-2014	26.1%		8.0%	
Growth 2000-2009	101.1%		14.5%	
Growth 1990-2000	22.9%		15.1%	
2009 Estimated Population by Single Race Classification				
White Alone	2,715	26.9%	1,051,90	47.0%
Non-Hispanic White	1,049	10.4%	559,621	25.0%
Black or African American Alone	4,408	43.7%	543,085	24.3%
American Indian and Alaska	27	0.3%	11,688	0.5%
Asian Alone	749	7.4%	121,095	5.4%
Native Hawaiian & Other Pacific	6	0.1%	1,856	0.1%
Some Other Race Alone	1,783	17.7%	427,551	19.1%
Two or More Races	403	4.0%	79,554	3.6%
2009 Estimated Population Hispanic or Latino by Origin*				
Not Hispanic or Latino	6,346	62.9%	1,251,14	55.9%
Hispanic or Latino	3,745	37.1%	985,585	44.1%

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

Other Demographic Characteristics

The households living in the Zone span a wide range of incomes. Overall, however, this area has slightly lower incomes than the City of Houston as a whole. In general the income of residents is higher in the northern part of the zone and tends to be lower as you move further south.

- Median household income is \$35,378 19% below the City median of \$43,365.
- The average household size in the Zone is identical to the City of Houston at 2.72 persons per household.
- Similarly, the percentage of housing units in the Zone that are owner-occupied (45.8%) is the same as the City as a whole (45.4%)
- The value of housing units cover a broad range from under \$20,000 to \$750,000.
- The median value of owner-occupied housing units in the Zone at \$67,689, is substantially lower than the City as a whole at \$114,676.
-
- More detailed demographic tables are included in the appendix to this report.

Income Characteristics of the Zone

Compared with the City of Houston

2009 Estimated Household Income	Zone		City of Houston	
	No.	%	No.	%
Total Households	3,854		808,317	
Less than \$15,000	702	18.2%	126,157	15.6%
\$15,000 to \$24,999	550	14.3%	99,416	12.3%
\$25,000 to \$34,999	657	17.0%	103,968	12.9%
\$35,000 to \$49,999	705	18.3%	133,808	16.6%
\$50,000 to \$74,999	666	17.3%	138,678	17.2%
\$75,000 to \$99,999	255	6.6%	75,216	9.3%
\$100,000 to \$149,999	237	6.1%	75,445	9.3%
\$150,000 to \$249,999	62	1.6%	36,533	4.5%
\$250,000 to \$499,999	14	0.4%	12,472	1.5%
\$500,000 or more	7	0.2%	6,624	0.8%
Average Household Income	\$46,261		\$63,425	
Median Household Income	\$35,378		\$43,365	
Estimated Per Capita Income	\$17,779		\$23,174	

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

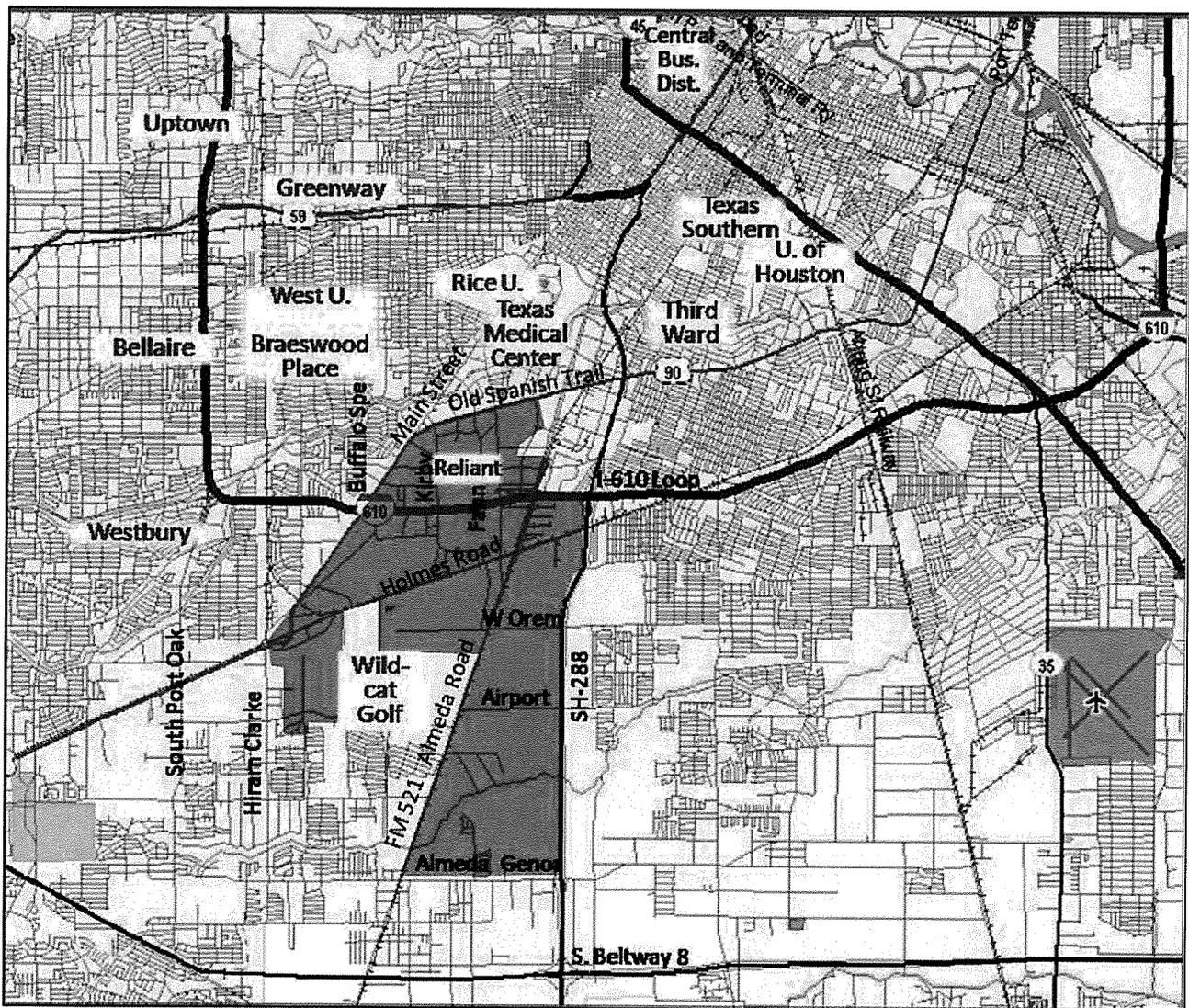
TIRZ – Location

The map below illustrates the location of the Zone in the context of the south area of the City of Houston.

The Zone is in close proximity to major employment centers in Houston including: the Texas Medical Center (3.5 miles), Greenway Plaza (6 miles), University of Houston/Texas Southern University (7

miles), Houston’s Central Business District (7 miles) and Uptown/Galleria (8.5 miles). The Zone is south and east of established Houston neighborhoods of Bellaire, West University Place, Braeswood Place and Westbury. It is north of established neighborhoods of Cambridge Village, Brentwood, Windsor Village, Almeda Plaza and Pamela Heights.

Proposed TIRZ 23 Vicinity Map



Regional Economic and Employment Overview

History and Regional Background

The District is located in Harris County, one of ten counties that comprise the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA) (see exhibit). The MSA is centered around the city of Houston which was founded in 1836 following the Battle of San Jacinto where Texas won its independence from Mexico, ultimately joining the United States in 1845.

Following the Civil War, Houston became the commercial center for the export of cotton,

In 1901, oil was discovered at Spindletop near Beaumont launching the Texas petroleum industry.

In 1910, the city built the Houston Ship Channel which was opened in 1914 enabling the Port of Houston to become a leading Gulf Coast port.

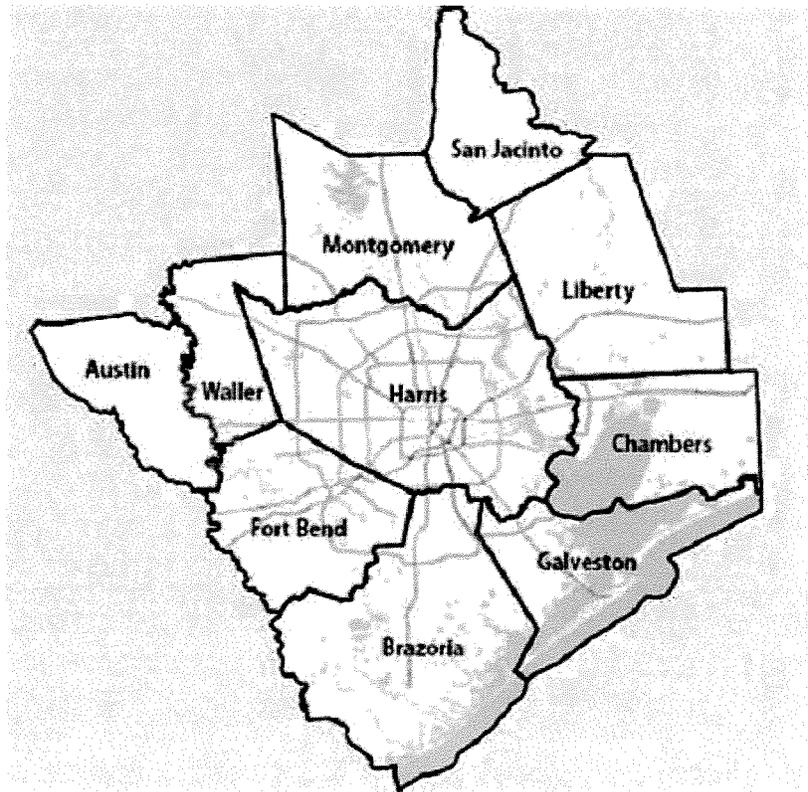
The Second World War brought heavy demand for petroleum and synthetic rubber products leading to the construction of petrochemical and manufacturing plants along the Ship Channel.

In 1945, the M.D. Anderson Foundation established the Texas Medical Center which created what would ultimately become the largest medical complex in the world.

In the early 50s, the development of modern air conditioning led to the location of many corporate headquarters, particularly in the energy sector, in Houston. Concurrently, Houston was annexing surrounding areas at a rapid rate which provided the means for continued growth in population and tax base thereby avoiding the constrictions of some other American cities that had become surrounded by other incorporated communities.

Houston's growth was further spurred by the establishment of the NASA Manned Spacecraft Center in 1961. (The complex was renamed the Johnson Space Center in 1973.)

Houston Sugar Land Baytown Metropolitan Statistical Area (MSA)



The Houston Area Economy

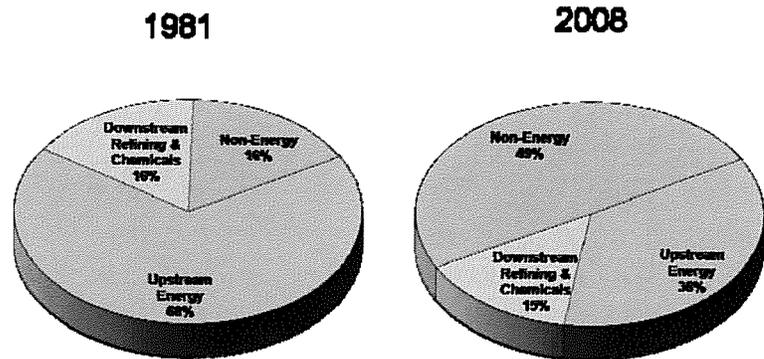
Houston’s preeminence in the energy industry led to a boom during the energy shortages of the 1970s. But after a period of rapid growth during the 1974-1981 period as crude oil prices climbed, a plunge in the world oil market had a devastating effect on the Houston economy. From 1982 to 1987 Houston lost 221,900 jobs, one out of seven. Of this number, 184,200 jobs were related to oil and gas exploration and production, oil field equipment manufacturing and sales, and pipeline transportation. But with the return to more normal supply/demand conditions in the industry, Houston was able to regain its lost jobs by 1990.

Since 1986, Houston’s economy has become diversified thereby lessening dependence on the energy industry as the economic engine for the metropolitan area. Today, upstream energy sectors account for roughly a third of Houston’s economic base jobs. Since 1986, the energy-insensitive sectors of Houston’s economic base have grown at an annual rate of 6.1%. As a result, Houston MSA employment in these sectors grew from less than 2.3% in 1986 to over 50% in 2007, while employment in both upstream energy (exploration and production) and downstream energy (refining and marketing) declined (see graph).

Over the years, Houston’s economy has changed from a manufacturing economy to a services based economy.

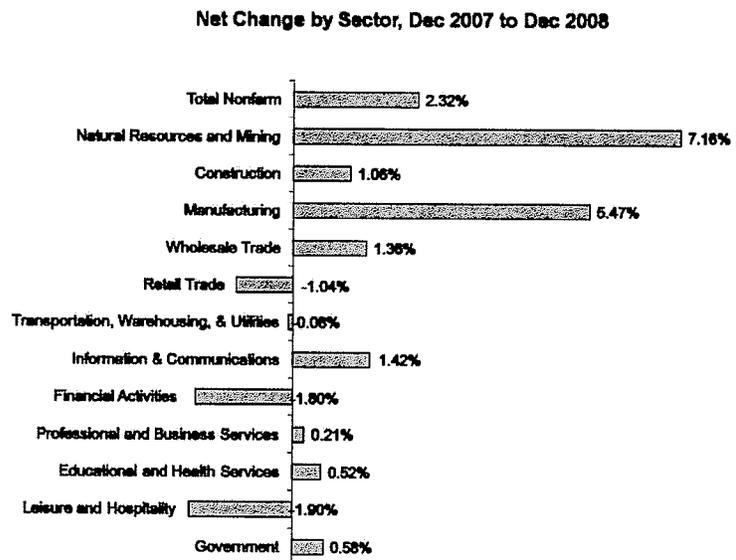
Service-providing organizations now account for 80% of Houston MSA jobs and represented 82% of net job growth over the 13 years leading up to 2008. More and more, Houston is evolving to an economy based on engineering, computer, legal, accounting and administrative services. Houston’s diversification and growth in the services sector is reflected in the following charts depicting industry shares of new jobs and employment by industry.

Houston MSA Economic Base Employment



Source: Institute for Regional Forecasting, University of Houston, Mar 2009. From Greater Houston Partnership

Industry Shares of Job Change



Source: Texas Workforce Commission, Oct 2009

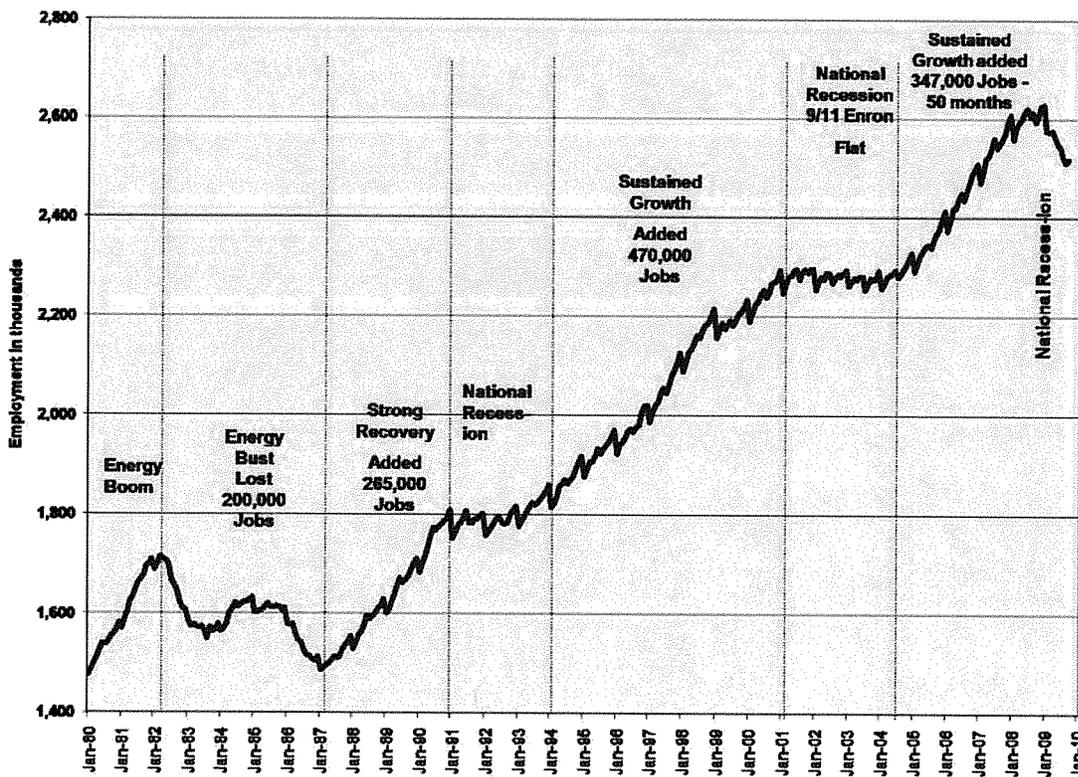
Houston’s economic breadth is further substantiated by the number of large employers in the Houston area. As of 2008, there were 116 companies in Houston with 1,000 employees or more. In order to grow, Houston’s employers rely on a substantial local college and university system. There are 17 community college campuses and 16 university campuses within the Houston MSA. Rice University has gained significant national attention with its recent discoveries in the field of nanotechnology.

As a result of the growth of the Houston economy, according to the Perryman Group, the Houston MSA’s Gross Area Product (GAP) reached \$435.9 billion in 2008. This exceeds the total GDPs of Belgium, Malaysia, Venezuela or Sweden. Only 28 nations have GDPs exceeding Houston’s GAP.

At the same time, diversification has brought about more susceptibility to national recessions.

As the chart on the following page, depicting Houston MSA job growth demonstrates, following the strong recovery after 1987, Houston’s economy was flat during national recessions in the early 90s and early 00s following the 9/11 attacks but very robust during the intervening and subsequent years.

Houston MSA Long-Term Employment Growth Trends



Source: Texas Workforce Commission, Oct 2009 from Greater Houston Partnership

Factors Affecting Future Regional Economic Growth

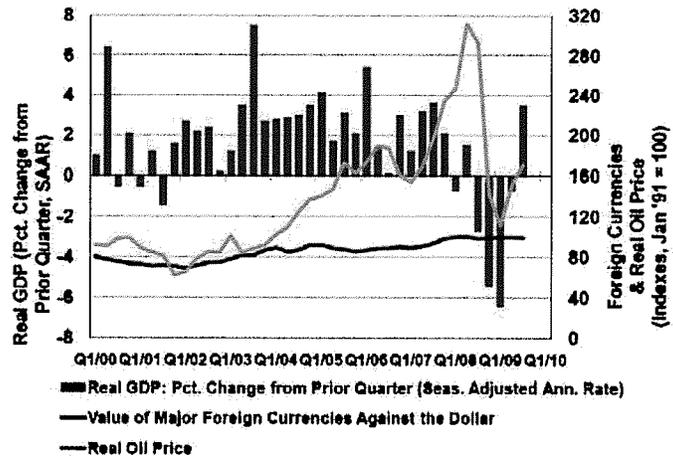
Three factors have governed the state of Houston’s economy for the past 10 years

- the health of the national economy,
- the value of the U.S. dollar against foreign currencies and
- energy prices.

Recently all of the drivers of the economy have been in decline. Starting in mid 2008, real GDP began to drop, the value of the dollar began to rise and in oil prices began a sharp decline. These factors began to have an effect on the Houston economy. Year over year job losses in the Houston region peaked at 101,000 in August of 2009 and have since slowed.

Higher oil and gas prices stimulate demand for oil field equipment and services. Spot market closing prices for West Texas Intermediate began the 00s decade in the \$20-\$30/Bbl range and remained there until 2004 when they began a steady climb, with a brief downward pause in 2006, to a peak of over \$140/Bbl. during the first half of 2008. The sharp rise was attributed to large increases in demand from China, India and the Middle East. However, with the beginning of the worldwide recession in the second half of 2008, accompanied by a fall-off in demand, crude oil prices subsided to levels below \$40/Bbl (see chart). Concurrently, natural gas remained under \$10/mm Btu, until September, 2005 when peaking again in early 2008 before falling to a low of \$2/mm BTU (see chart).

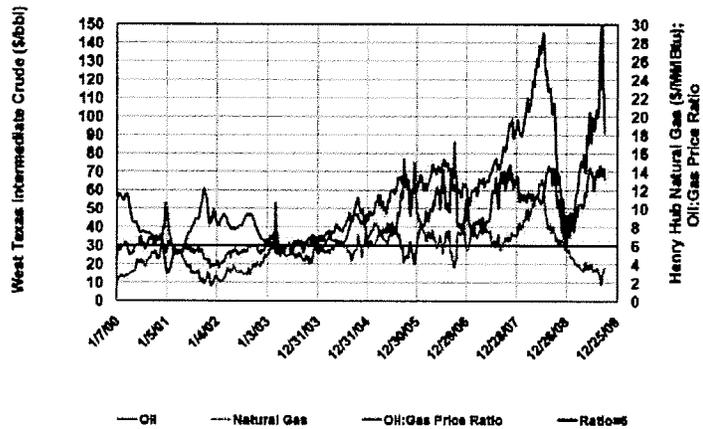
Drivers of the Houston Economy



Sources: U.S. Bureau of Economic Analysis; U.S. Energy Information Agency

Spot Market Crude Oil and Natural Gas Prices

Spot Market Crude Oil and Natural Gas Prices



Source: U.S. Energy Information Administration

Economic Projections

Even in light of the current recession and tough economic times for all Americans, Houstonians can take some comfort in the fact that economic growth will continue. Houston has a long history as a growth oriented community with conditions that are generally supportive of business expansion – low cost of living, low real estate prices, low unionization rates, and pro-business regulations.

The charts on the right illustrate two projections of Houston regional growth. The first is from the Perryman Group, a respected Texas economic research organization and Woods & Poole, a national economic research company.

The projections are similar. By the year 2030, Perryman is projecting 3.8 million jobs 8.7 million population. Woods & Poole is slightly less optimistic, projecting 7.8 million population by 2030. Using either forecast, the region will add almost 3 million new residents (over the 2005 level) by 2030.

Economic Geography

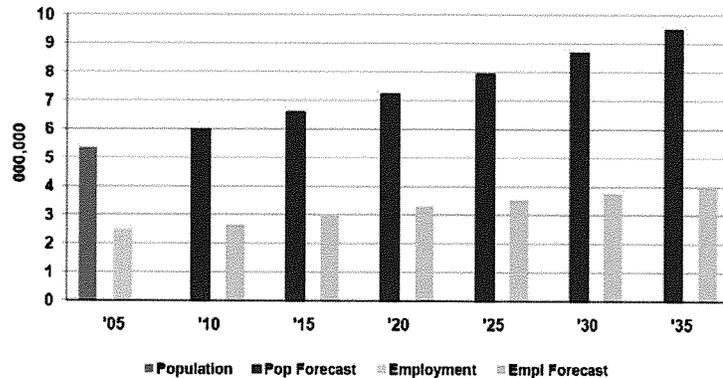
The Houston MSA has developed in a low-density suburban form, uninhibited by either natural geographic boundaries or man-made political regulation. Furthermore, the central city does not enforce zoning or any other form of land use regulation. The region’s central business district presently accounts for only about 6% of regional employment. Other loosely-defined ‘edge cities’ comprise a large portion of the region’s employment base. These typically are made up of a loose cluster of office, medical office, hotel, and supportive retail land uses. Examples within the Houston area include the Uptown/Post Oak area, the Texas Medical Center, Greenway Plaza, Sugar Land, Westchase, and Greenspoint. The region’s heavy industries are largely dependent upon access to highways and waterways, and are clustered around the Houston Ship Channel, stretching from just east of the Central Business District through Pasadena,

Economic Projections from Two Sources

From the Perryman Group

Population and Employment

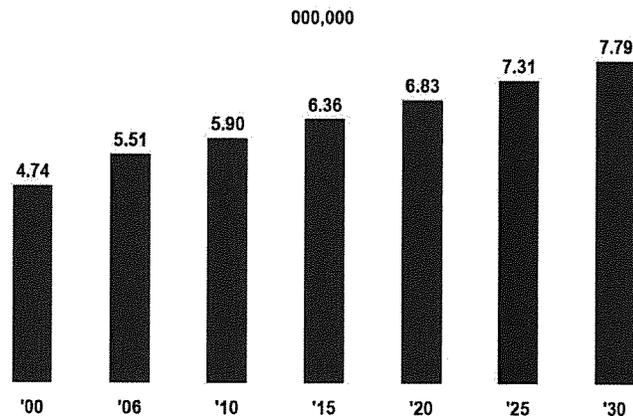
Houston-Sugar Land-Baytown MSA 2005-2035



Source: The Perryman Group, Spring/Summer 2009

From Woods & Poole Economics

Houston-Sugar Land-Baytown MSA Population 2000-2030



Source: Woods & Poole, 2008 MSA Profile

Deer Park, La Porte, and Baytown, as well as in Texas City and Freeport. Additionally, a significant number of jobs are spread among Houston's suburbs in office parks, retail centers and light industrial facilities.

The following map illustrates the locations of the principal activity centers (in red) and industrial districts (in green) in the Houston MSA.

Houston's Central Business District

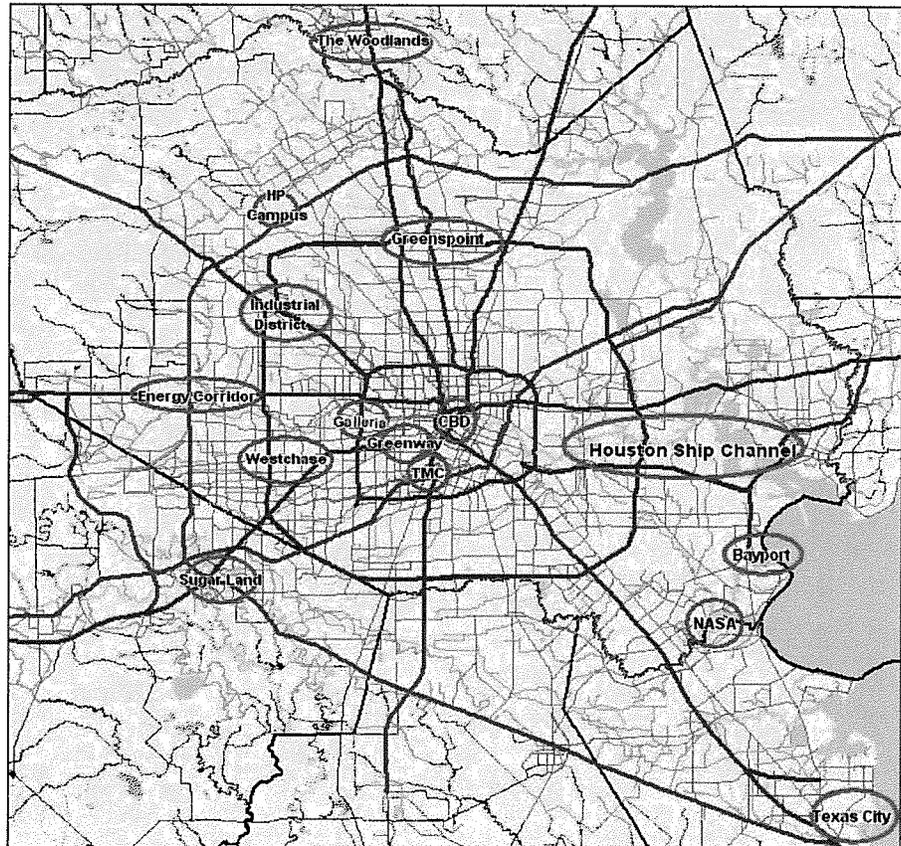
Downtown Houston features a world class Theater District that offers the second largest number of theater seats outside New York City, a growing residential population, a popular night club scene, a new light rail line, an expanded convention center and numerous hotels. Approximately 3,500 businesses are located in Downtown Houston employing 140,000 people. Since 1996, \$4 billion of new construction has been completed involving 110 private and public projects. Of this amount, \$500 million has been devoted to infrastructure improvements by the City of Houston, METRO, TxDOT and the Downtown District. Over 3,800 people now live in downtown compared to 1,400

in the mid 1990s. Almost 150 restaurants and clubs have opened since 1997. During the same period, 3.2 million square feet of new Class A office space has been built and more is under construction or planned. The total inventory of office space is 41 million square feet. Eleven hotel projects with nearly 3,000 rooms have been completed bringing the Downtown total to 4,858 rooms in fifteen facilities.

The Texas Medical Center

The Texas Medical Center (TMC) with 46 member institutions is the largest medical complex in the world. The complex, situated on over 1,000 acres, includes 13 hospitals and two specialty institutions, two medical schools, four nursing schools, and schools of dentistry, public health, pharmacy and other health related careers. TMC employs 73,000 people, Another 10,000 work in nearby buildings. In 2006, the complex included over 100 buildings with 27 million square feet. In 2007, four multi-level buildings with 1.0 million square feet valued at

Major Regional Employment & Activity Centers



\$469 million were completed. However, in accordance with a 1999 50-year master plan updated in 2006, extensive additional facilities are under construction or planned. By the start of 2008, 17 additional new hospital, clinic, research lab and medical office projects accounting for 7.4 million square feet and \$2.4 billion in capital expenditures had broken ground. An additional 26 projects costing \$1.9 billion were expected to be started by early 2009. Over the seven-year 2008-2014 period, a total of \$7.8 billion in construction is planned - \$6.3 billion for 12 million square feet of patient care facilities and \$1.5 billion for new research facilities. Whereas there were 6,000 patient beds at the end of 2007, 1,200-1,600 more beds are expected to be added by the end of 2014. The planned new research space will add 50% more space to these facilities. In terms of personnel, in addition to the 4,000 nurse shortfall that already exists, another 1,500-2,000 nurses will be needed. In addition, 1,200 doctors and 1,000 researchers are expected to be needed.

Ship Channel Industries and the Port of Houston

The 25-mile long Houston Ship Channel is home to a \$15 billion petrochemical complex – the largest in the nation and second largest in the world – and the Port of Houston. In 2005, the port authority completed a 5.5 year project to deepen the channel from 40 to 45 feet and widen it from 400 to 530 feet. As total tonnage climbs well over 200 million annually, the port remains the largest foreign tonnage port and the second largest total tonnage port in the U.S., and 10th largest in the world. A study of 2006 economic impacts concluded that the port accounted for 785,000 jobs, \$118 billion of total economic activity, \$39 billion of personal consumption expenditures and nearly \$4 billion in state and local taxes, in the state of Texas. In 2007, the port started operation of the first phase of a new container terminal on Galveston Bay – Bayport Terminal – which will ultimately occupy 1,043 acres, carry a total capital investment of \$1.4 billion and have an annual capacity of 2.34 million TEUs (20-foot equivalent container units). At the close of 2008, the port completed construction of a cruise terminal at the same location and was completing negotiations with a major cruise line to add Houston to its ports of call.

NASA/Johnson Space Center

From the early Gemini, Apollo and Skylab projects to the current Space Shuttle and International Space Station and Exploration programs, the center has been the headquarters for NASA's efforts in the field of human space exploration. NASA employs approximately 3,000 people, the majority of which are professional engineers and scientists including 110 astronauts. In addition, approximately 14,000 contractor personnel, representing 50 companies, work onsite or nearby. Space Center Houston, JSC's public visitor center, employs 150 people. Of NASA's \$16.7 billion total budget in 2007, \$4.4 billion was allocated to JSC. For some years, NASA has been planning for a new program, called the Constellation Program to succeed the current Space Shuttle Program which was scheduled to be terminated in 2010, with the first Constellation Program vehicle – the Orion – scheduled to begin flight operations in 2013. However, the most recent forecast indicates that the Orion start-up may be delayed until 2013. If true, it is likely to mean that the Space Shuttle Program may be extended in order to minimize the number of years that the U.S. will need to depend on the Soyuz space craft for missions required to complete and conduct experiments at the International Space Station.

Population

Historic Growth and Projections

Population growth is one of the principal measures of the economic vitality of any Market Area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy. The United States Office of Management and Budget redefined the various geographical units used by the Bureau of the Census in 2005. The Houston area, defined as the Houston-Sugar Land-Baytown Metropolitan Statistical Area (Houston MSA) includes ten counties. The table entitled Population Growth Trends and Projections summarizes historic Census population counts for 1980, 1990 and 2000, estimated population for 2008 as of January 1, and current population projections for one year (2009), five years (2013) and ten years (2018) for the Houston-MSA and Harris, County.

The Houston Metropolitan Statistical Area has undergone tremendous growth in recent decades – from 3.1 million in 1980 to 4.7 million in 2000. In 2009, total population is estimated to have reached 5.8 million.

Population Growth Trends and Projections
Selected Areas 1960 – 2019 (in thousands of persons)

Area	Historical Census Counts					Estimates		Projections	
	1960	1970	1980	1990	2000	2008	2009	2014	2019
Houston MSA	1,601	2,202	3,149	3,767	4,715	5,665	5,819	6,466	7,079
Harris County	1,243	1,742	2,410	2,818	3,401	3,945	4,041	4,421	4,775

Note: 2009 estimate and projection years as of January 1

Source: Bureau of the Census for historical, PCensus for Map Info (Claritas), CDS Market Research

As the table demonstrates, population growth in the Houston MSA and Harris County is projected to continue. From the 2009 estimate of 5.7 million, population in the MSA is projected to reach 7.08 million in 2019, equivalent to an annual average increase of 126,000. The annual compound growth rate is expected to be 2.0%. The compound annual growth over the 2009 -2019 period in Harris County is projected to be 1.7%. Population projections for 2019 are based on the assumption that the annual growth rates for the 2000-2009 period, as estimated by Claritas, would continue from 2014 to 2019.

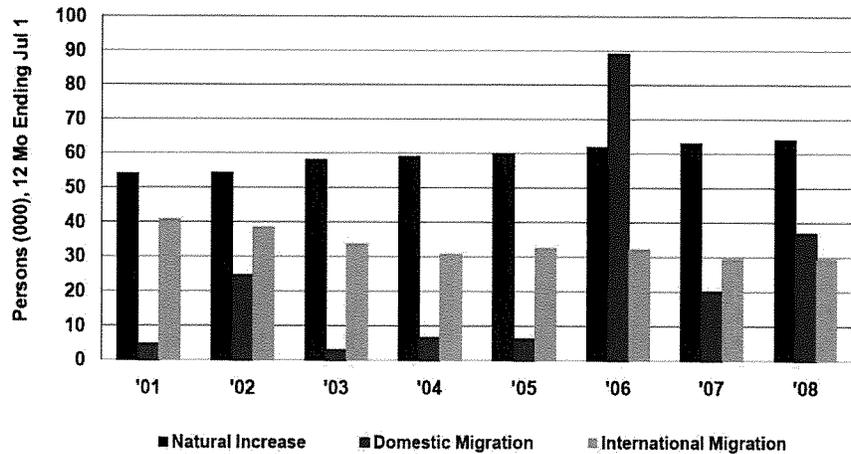
Population Growth Accounted for by In-Migration

Components of change in the population published by the Bureau of the Census are presented in the chart below. Net in-migration, which is calculated based on the number of persons moving in versus the number moving out, has accounted for almost 50% of the growth in MSA population over the 2000-2009 period. Approximately 60% of this net migration has come from outside the U.S., which is not surprising in view of Houston’s status as an international trading and business center. In Harris

County, international immigration accounted for 45% of population growth over the period, while there was an actual domestic outmigration, much of it to suburban counties. In the suburban counties, immigration was not a major factor. Net domestic migration on the other hand, accounted for 74%, 69% and 56% of total growth in the case of Montgomery, Fort Bend and Brazoria counties respectively.

Components of Population Change

Houston – Sugar Land Baytown MSA



Source: U.S. Bureau of the Census, Mar 2009

Basis for Projections

The foregoing population projections are based upon general economic health in the Houston Metropolitan Area and a moderate sustained rate of growth for the foreseeable future. The projections are based upon a review of long-range population growth rates forecast by Claritas, Inc., a nationally recognized population and demographics service.

The caveat in using population projections occurs in times of a rapid change in the population of the area being studied. Some methods of population projection presume a stable rate of change. If an area is in the midst of rapid change, such forecasts may overstate or understate the magnitude of the change. Often, it takes time for the impact of such change to show up in economic and demographic estimates and forecasts. CDS Market Research uses the estimates and projections of respected authorities in order to present a reasonable, conservative picture within its analyses but there are places in which the primary population data may be understated or overstated. In such instances, derivative forecast calculations would then be similarly affected.

Regional Housing Trends

Household Size Trends

The trends in average household size for the Houston MSA and the four primary counties are shown in the table on the right. In spite of the increasing numbers of one and two-person households due to longer life spans for empty nesters, later marriages among young professionals and a high divorce rate, average household size is actually increasing in the MSA, Harris County, and Montgomery County. This is due to the high birth rates and immigration rates on the part of the Hispanic component of the population. Household size in Brazoria County is forecast to decline slightly due in part to the large number of singles and couples without children that work in the Texas Medical Center. Meanwhile, Ft. Bend County persons per household remains constant.

Housing Type Trends

The following table presents trends in housing types for the Houston MSA between 1970 and 2009. As shown, in 1970, single-family homes, including mobile homes, accounted for 79.1% of the housing stock in the MSA, while 20.9% of the inventory was comprised of multi-family units.

Household Size Trends

1990 – 2009 and Projected 2014

Year	Household Size, persons/HH				
	Houston MSA	Harris County	Montgomery County	Ft. Bend County	Brazoria County
1990	2.75	2.72	2.84	3.14	2.86
2000	2.80	2.79	2.83	3.14	2.82
2009	2.84	2.84	2.89	3.14	2.81
2014	2.87	2.86	2.91	3.14	2.81

Source: PCensus for Map Info (Claritas, Inc.),

Housing Type Trends, 1970 – 2008

Houston MSA

	Single-Family *	Multi-Family	Total
1970 Housing Units	591,854	155,954	747,808
% of Total Units	79.1%	20.9%	100.0%
1980 Housing Units	849,330	395,535	1,244,865
% of Total Units	68.2%	31.8%	100.0%
Unit Change, 1970-1980	257,476	239,581	497,057
% of Total Change	51.8%	48.2%	100.0%
1990 Housing Units	1,003,085	509,863	1,512,948
% of Total Units	66.3%	33.7%	100.0%
Unit Change, 1980-1990	153,755	114,328	268,083
% of Total Change	57.4%	42.6%	100.0%
2000 Housing Units	1,215,015	575,983	1,790,998
% of Total Units	67.8%	32.2%	100.0%
Unit Change, 1990-2000	211,930	66,120	278,050
% of Total Change	76.2%	23.8%	100.0%
2009 Estimated Housing	1,600,872	626,931	2,227,803
% of Total Units	71.9%	28.1%	100.0%
Unit Change, 2000-2009	310,713	53,606	417,805
% of Total Change	93.1%	6.9%	100.0%

Between 1970 and 1980, 51.8% of the housing stock added in the MSA was single family, including mobile homes, and 48.2% was multi-family, decreasing single-family housing's share of the total inventory to 68.2% by 1980. Between 1980 and 1990, more than one-half of new housing construction added or 57.4% was single-family. By 1990, the single-family share of the total housing inventory had declined to 66.3% of the total housing inventory. Between 1990 and 2000, 76.2% of all new housing constructed was single-family. Single-family share of new housing units rose further through 2009 to 93.1%.

Housing Permit Trends

The table on the right provides a 33-year history of Houston MSA housing permits. From 2001 to 2005, single-family permits averaged 41,414 annually. In 2006, permits peaked at 55,130. But in 2007, as total permits declined by 12% from the previous year, single-family permits dropped 24% to 42,072. In 2008 permits declined by 49% from 2007. Local housing experts predict that there will be approximately 20,000 single-family starts in 2009. Nevertheless, compared to most other markets nationally, the Houston MSA fared well.

The multi-family housing market was significantly overbuilt during the early-to-mid 1980s. Less than 2,000 units were constructed annually between 1986 and 1990. Starts have rebounded since then. Multi-family unit starts averaged 10,660 units annually in 1996-2000 and 11,657 in 2001-2005 compared to 6,816 units in the early 1990s. Due to changes in the condition of the housing market a larger share of multifamily units were permitted during 2006 and 2007. The 21,158 total multifamily permits for 2007 represented a 28% gain from 2006 when 16,570 units were permitted. In 2008 permits declined to 14,526, a 45% decline from 2007. For 2009, predictions are for only 5,200 multi-family permits, a 65% decline from 2008. The huge decline is due primarily to the lack of mortgage loans in the capital markets.

Historic Houston MSA Housing Starts*
1975 – 2008

Year	Multi Family	Single Family	SF Share	Total Permits	Annual %
1975	8,899	19,484	69%	28,383	-
1976	19,910	27,290	58%	47,200	66%
1977	32,200	29,470	48%	61,670	31%
1978	32,530	27,800	46%	60,330	-2%
1979	27,520	27,990	50%	55,510	-8%
1980	15,900	23,130	59%	39,030	-30%
1981	16,580	27,730	63%	44,310	14%
1982	35,170	31,180	47%	66,350	50%
1983	29,980	33,300	53%	63,280	-5%
1984	14,660	20,070	58%	34,730	-45%
1985	4,610	9,370	67%	13,980	-60%
1986	1,110	8,310	88%	9,420	-33%
1987	630	7,720	92%	8,350	-11%
1988	720	8,940	93%	9,660	16%
1989	1,370	12,260	90%	13,630	41%
1990	2,040	13,640	87%	15,680	15%
1991	3,340	14,190	81%	17,530	12%
1992	3,220	15,920	83%	19,140	9%
1993	3,730	16,880	82%	20,610	8%
1994	6,280	16,910	73%	23,190	13%
1995	3,840	17,230	82%	21,070	-9%
1996	3,880	20,500	84%	24,380	16%
1997	11,560	22,880	66%	34,440	41%
1998	18,280	29,030	61%	47,310	37%
1999	11,990	27,270	69%	39,260	-17%
2000	7,590	31,120	80%	38,710	-1%
2001	7,183	34,311	83%	41,494	7%
2002	12,401	34,640	74%	47,041	13%
2003	16,761	41,995	71%	58,756	25%
2004	10,858	45,039	81%	55,897	-5%
2005	11,080	51,085	82%	62,165	11%
2006	16,570	55,130	77%	71,700	15%
2007	21,158	42,072	67%	63,230	-12%
2008	14,526	28,111	66%	42,637	-33%

CMMSA includes eight counties: Harris, Fort Bend, Galveston, Liberty, Brazoria, Chambers, Montgomery and Waller.

* Starts necessarily based on building permit activity Source: Real Estate Center at Texas A&M University and CDS Market Research

Housing Permit Projections

The table below presents annual single-family and multi-family new housing permit projections for the Houston MSA for the 2010-2014 and 2015-2019 periods. Total permits are expected to decline further due to the current and forecasted 2008/2009 recession and possibly into 2010.

Single-family housing construction has accounted for 74% of new permits in the region over the past 10 years.

The table on the right presents CDS Market Research’s projection for new housing construction in the MSA for the next two 5-year periods.

2010-2014. CDS projects total annual average housing permits for the 2010-2014 period to be in the 30,000-40,000 range. Single-family unit permits are expected to decline from the 39,000 annual average during the 5-year period ending in 2009 to a range of 22,000 to 28,000. Single-family housing is expected to continue to account for the majority of housing permits, but due to tightened mortgage loan restrictions , its share is expected to decline to 70%.

2015-2019. Over the 2015-2019 period, CDS expects a return to a higher level of annual permits in the 45,000-56,000 range. When combined with the higher forecast share, annual average single-family permits will likely climb to 30,000-38,000 annually while multi-family permits increase somewhat to 15,000-18,000.

Average Annual New Housing Starts Projections

Houston MSA, 2009 – 2019

Projection Period	Average Annual		
	Single-Family	Multi-Family	Total
Range 2010-2014	22,000-28,000	8,000-12,000	30,000-40,000
% of Total	70%	30%	100%
Range 2015-2019	30,000-38,000	15,000-18,000	45,000-56,000
% of Total	67%	33%	100%

Growth Patterns

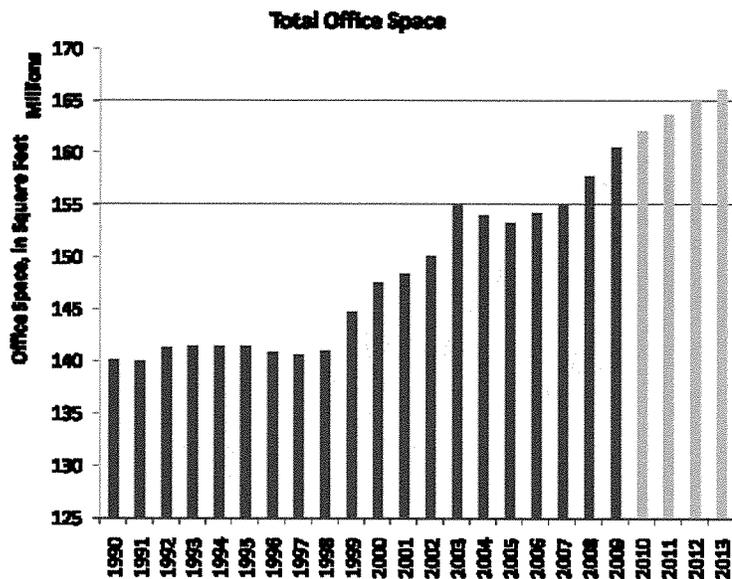
Three residential growth patterns, which had their inception in the 1980s, have been identified as trends, which seem certain to continue. First is the expansion of single-family development into counties surrounding Houston, especially Montgomery to the north, Fort Bend to the southwest and Brazoria County to the south. (The strong growth that also took place in the 90s and early 00s in Galveston County may or may not continue following the devastation of Hurricane Ike in September, 2008.) Second is the strong demand for housing located within and near master-planned communities. Third is the trend toward infill development of new housing, including high-rise projects, inside or located close to the urbanized core of the Houston Metro Area.

Regional Office Space Trends

Houston has, recent years, a strong office market dominated by major corporate users including most of the nation’s top energy companies.

There is currently approximately 162 million square feet of office space in the community

Houston Regional Office Space Trends



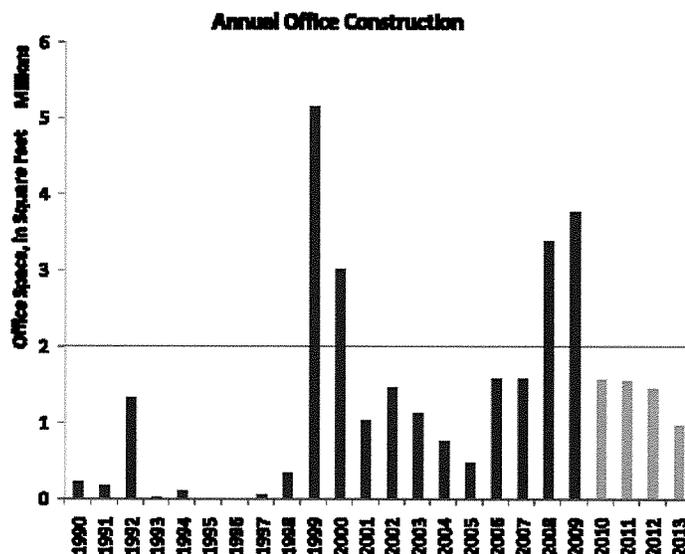
© Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

The region’s economic downturn of the mid-1980’s resulted in substantial amount of excess office space. As illustrated in the charts on the right, there was little office construction in the decade of the 1990’s.

In the late 80’s and 90’s, regional employment growth created a substantial amount of demand for office space which caught up with office supply in the late 1990’s.

Since 1999, the region has added an average of 1.2 million square feet of office space annually.

The real estate information service, Reis predicts the region will add an average of 1.2 million square feet annually 2010-2013



© Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

Current office vacancy rates are approximately 15% which is in the normal range over the past decade.

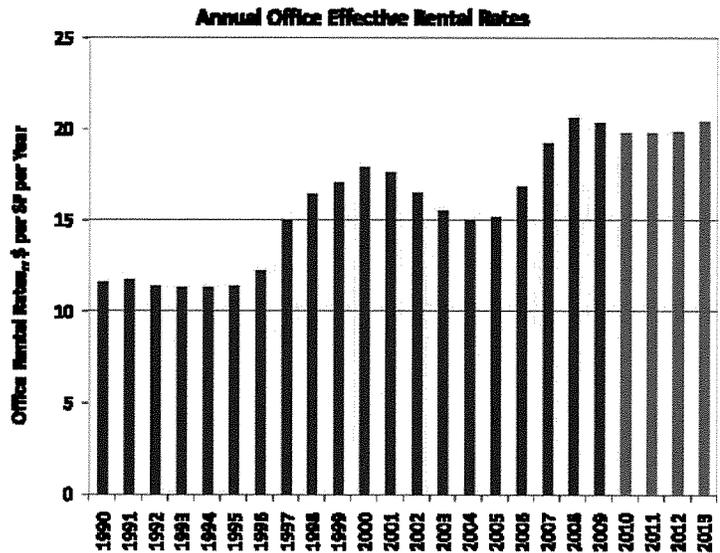
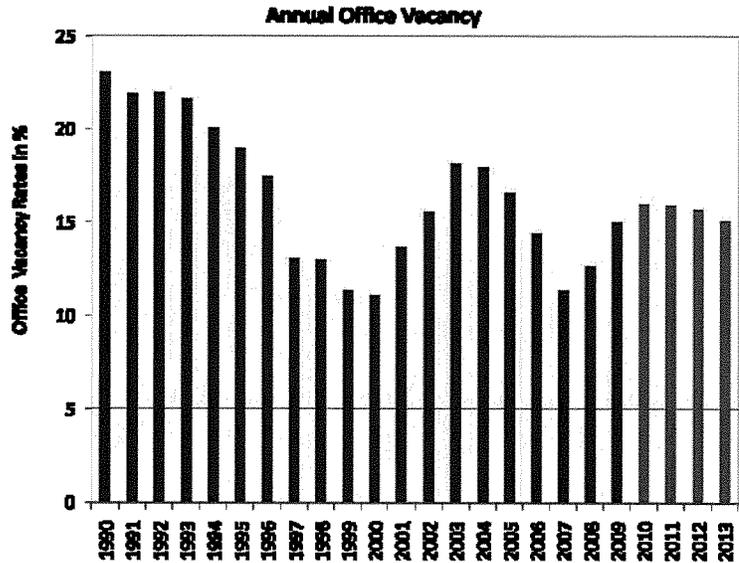
Reis predicts vacancy rates to increase slightly and then return to the 15% vacancy by 2013.

Asking office rents are currently in the \$24 range with effect rents (after accounting for free rent and other concessions) are slightly over \$20.

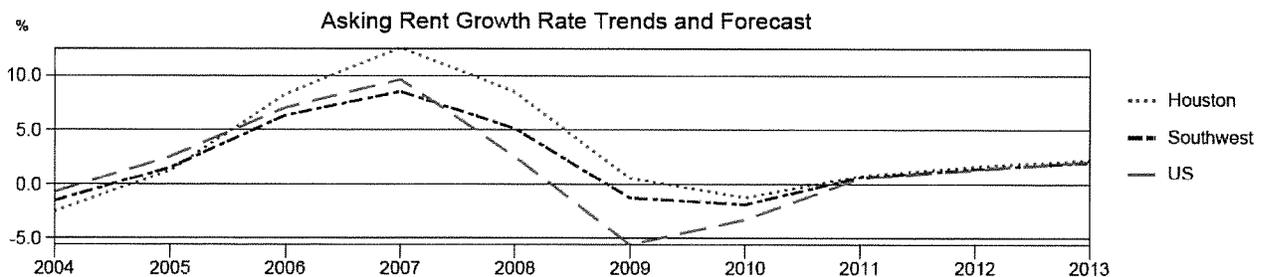
According to Reis, and consistent with the increasing vacancy rates and the current national recession, office rental rates in the region are expected to drop somewhat in 2010 through 2011 but then begin to pick up a bit in 2012 and 2013.

The Reis chart at the bottom of the page illustrates that Houston's rent rate growth exceeded the growth of the Southwest market and the U.S. as a whole.

Houston Regional Office Performance Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.



Regional Retail Trends

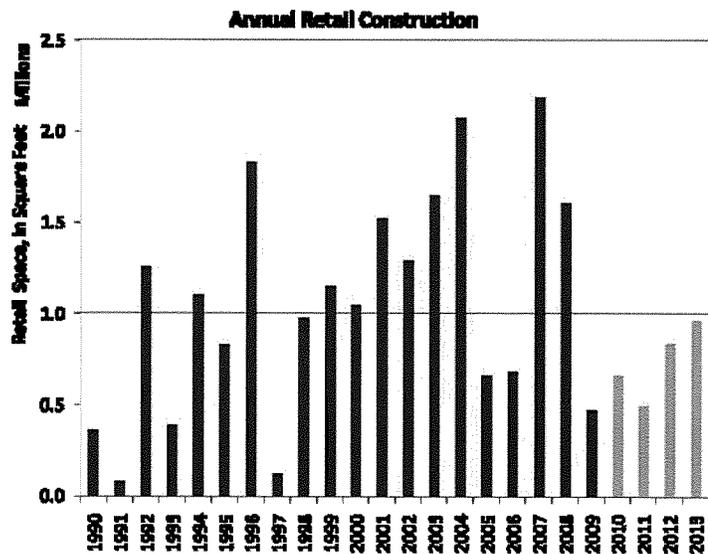
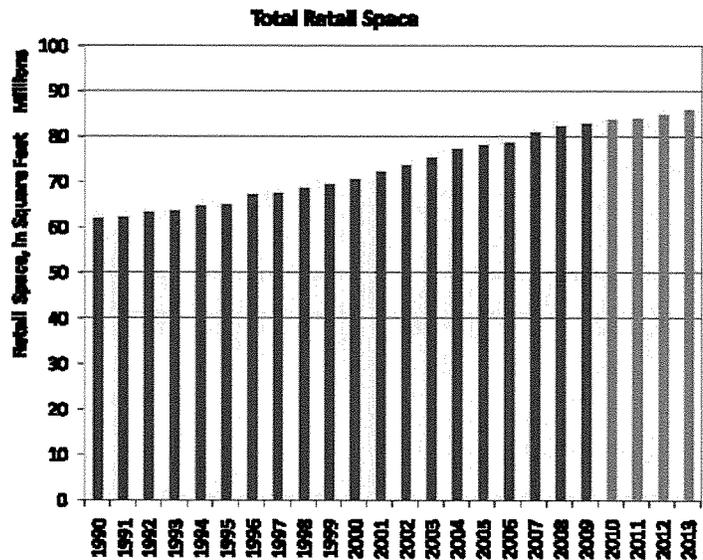
Retail space in the Houston region totals approximately 83 million square feet of space. According to Reis, that includes approximately 38 million square feet in larger “community” shopping centers and 45 million square feet in smaller, “neighborhood” centers.

Retail in the Houston region was not quite as overbuilt in the downturn of the mid-80’s so construction did not totally cease during the 90’s as did office buildings.

The current economic conditions have taken a toll on new retail development in the Houston region. In the ten years leading up to 2009 (1999-2008) the average annual retail constructed was just under 1.4 million square feet. In 2009, Reis estimates that only 473,000 square feet will be completed.

Reis predicts very slow retail development for the next four years averaging only 740,000 in 2010-2013.

Houston Regional Retail Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

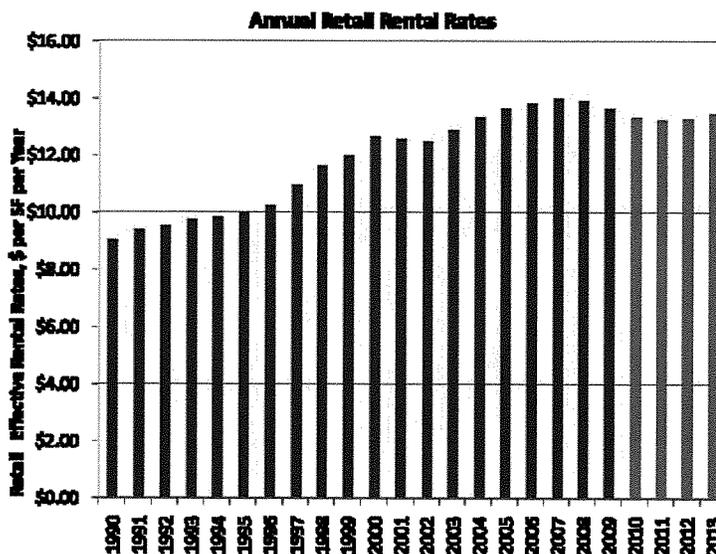
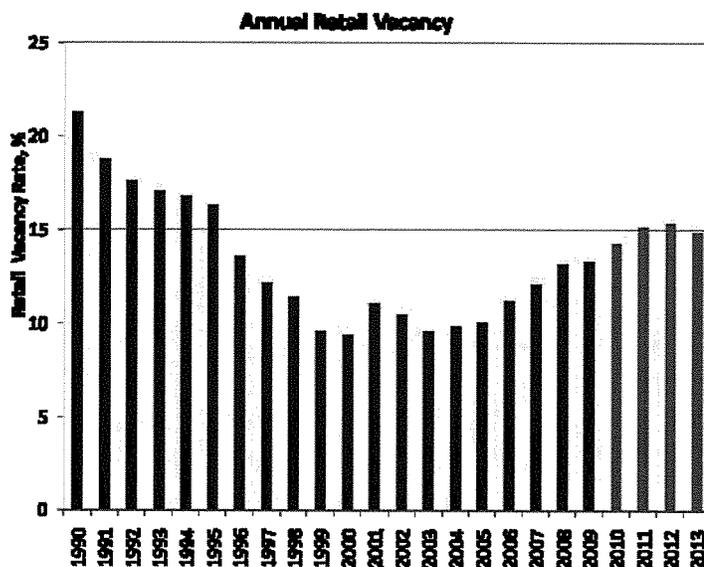
The strong retail construction over the past 10 years been accompanied by increasing vacancy rates. After reaching low vacancy rates under 10% in 2000, the rate of vacant space has climbed to the current estimate of 13%.

Reis estimates that Houston regional retail vacancy rates will continue to rise to 15% by 2012, before beginning to fall.

Even with the increasing vacancy rates, rental rates for retail space have not fallen significantly as older, lower quality properties have been supplanted by newer centers. Current rental rates are estimated at \$13.63 after reaching a peak in 2007 of \$14.00. These rental rates are triple net.

Reis expects a continued decline for the next couple of years before a turnaround in 2012.

Houston Regional Retail Performance Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

Regional Industrial Trends

Industrial data as defined in this section includes a variety of different development types including:

- Warehouses
- Distribution Centers
- Flex Office/Showrooms ; and
- Light Manufacturing

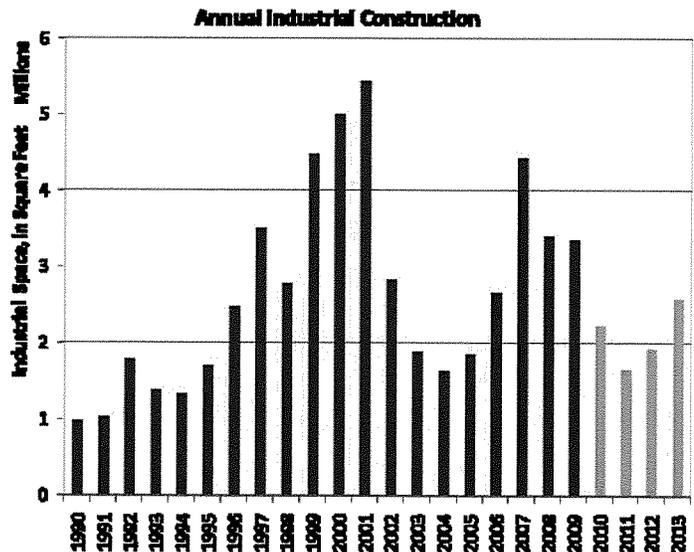
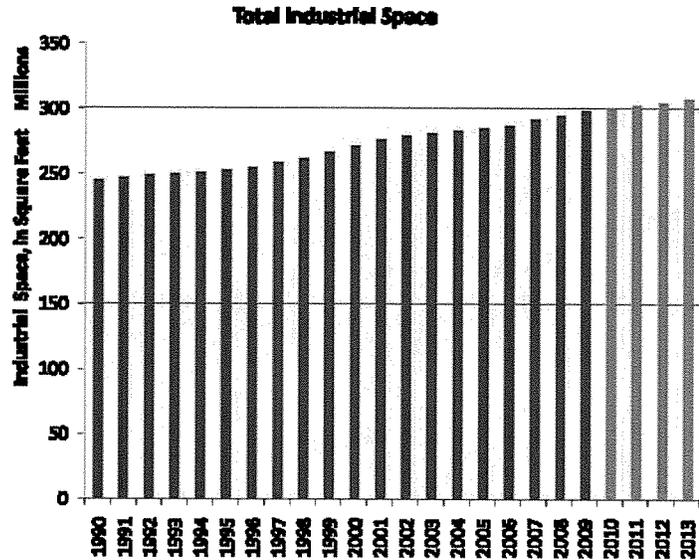
These development types are characterized by lower cost concrete or metal construction, tall bays, large free spans, and in some cases dock height loading docks. These products generally command lower rental rates.

The large amount of this type of development is consistent with Houston’s prominence as a manufacturing and distribution center, capitalizing on the regional location with access to highway and railroad networks as well as the Port of Houston.

Reis tracks just under 300 million square feet of industrial space in the Houston region. On average since 1990, approximately 2.7 million square feet of industrial space was completed annually.

Reis predicts continued industrial construction averaging 2.1 million square feet over the next 4 years.

Houston Regional Industrial Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

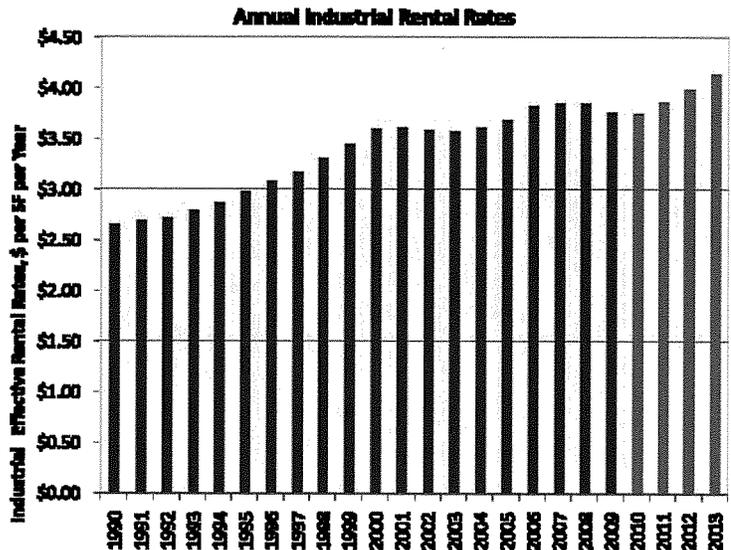
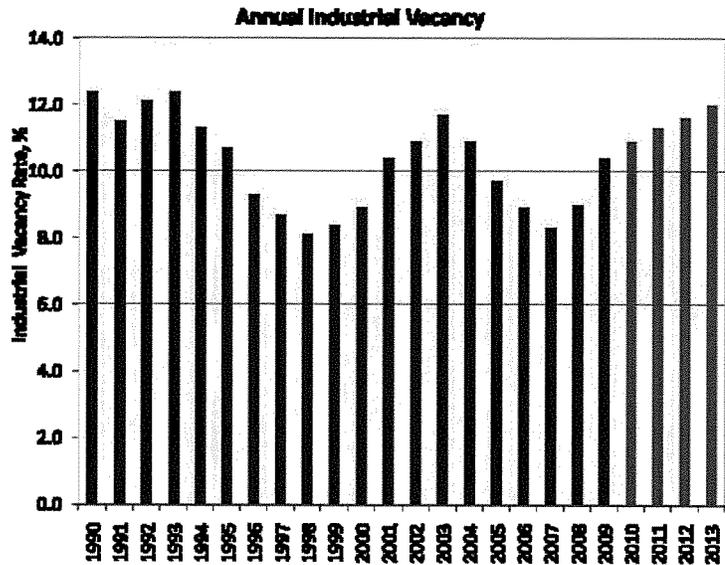
Industrial space vacancies have cycled over a range of 8% to 12%. Reis estimates that currently 10.4% of the industrial space for lease is vacant. That is a significant increase from the 8.3% rate in 2007. This increase was the result of 11.1 million square feet of new construction during the period 2007-2009.

Reis expects vacancies to increase over the next 4 years. But it is expected to not exceed 12%.

The effective rental rates for all forms of industrial space dropped slightly in 2009, but remain reasonably high at \$3.76 per square foot (triple net).

Reis expects rental rates to increase slightly over the next four years – topping out at \$4.14 in 2013.

Houston Regional Industrial Performance Trends



Source: © Reis Services, LLC, Reprinted with the permission of Reis Services, LLC, All rights reserved.

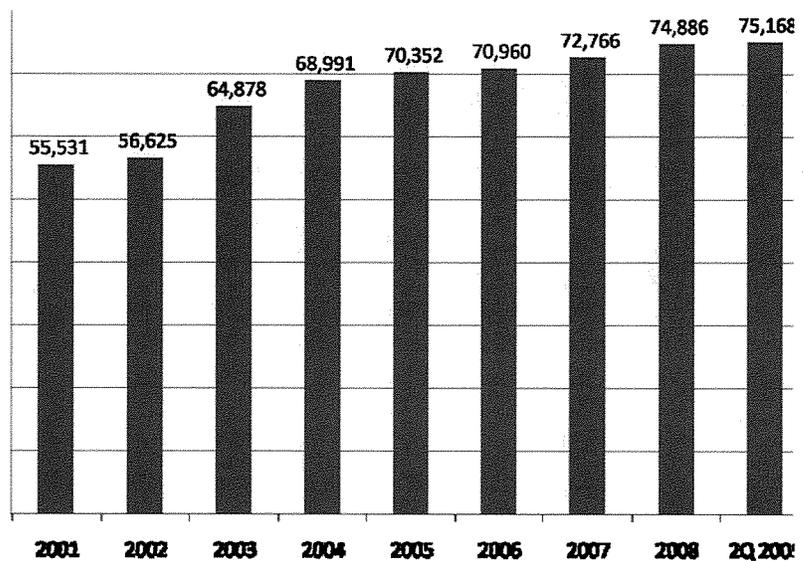
Regional Hotel Trends

Hotel performance in Houston has been strong in recent years, matching the population and employment growth of the region.

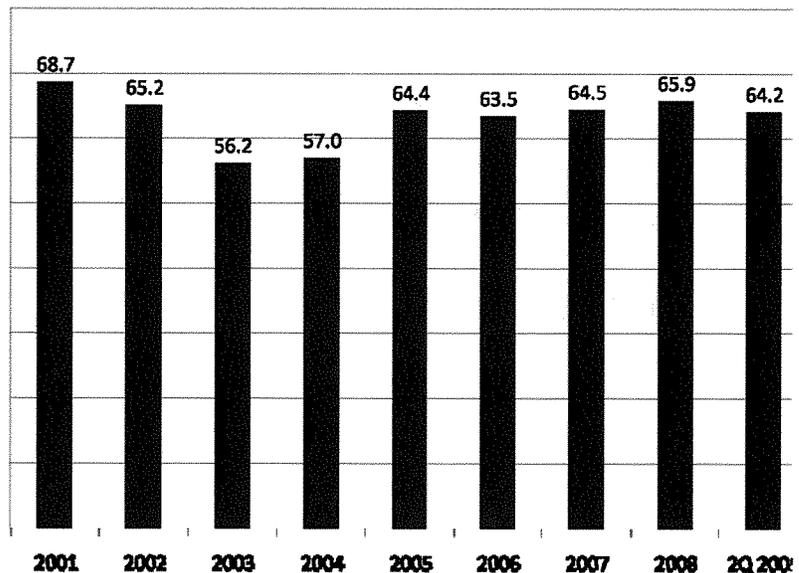
- According to Source Strategies, 2,120 rooms were added in 2008. Since 2001 the region has averaged annual increase in hotel rooms of 2,765.
- Hotel occupancy has remained strong even with the new supply being added to the market. Current occupancy is at 64.2% down slightly from 2008 (which saw a short term spike in occupancy in the days and months following hurricane Ike. Current occupancy is on par with historical trends in the region.
- Generally in the hotel industry, occupancy rates in the range of 60-65% will result in profitability.

Houston Regional Hotel Trends

Total Hotel Rooms



Annual Hotel Occupancy, %

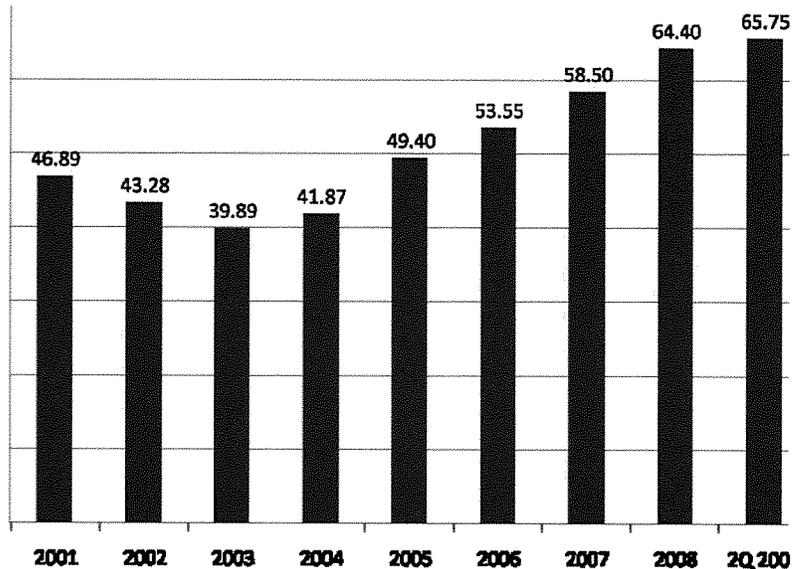


Source: Texas Hotel Performance Factbook, Source Strategies

- Hotel performance is most often measured as Revenue per Available Room (REVPAR).
- Houston regional REVPAR trends are on a positive path with the first second quarter of 2009 showing a slight increase over 2008. Given the national and regional economic situation and the strong 2008 performance (driven by Hurricane Ike) most analysts predicted declines in 2009.

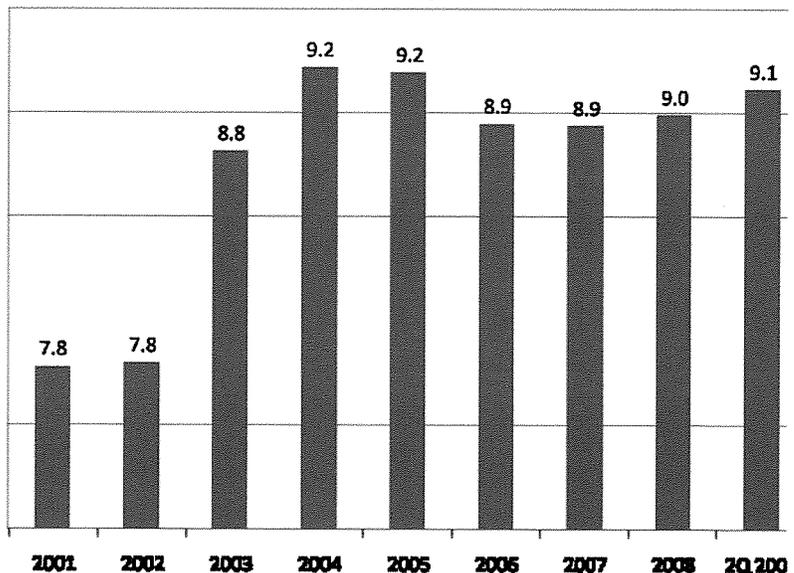
Houston Regional Hotel Performance Trends

Annual Hotel Revenue per Available Room, REVPAR \$



- Demand for hotel rooms comes from economic activity in the region including business meetings, tourism, conventions, and personal events.
- The chart on the bottom of the page illustrates the calculated per capita number of hotel rooms in Houston over the past 8 years.
- The current figure of approximately 9 rooms for every 100,000 (population + jobs) will be used in calculating future demand for new hotels.
-

Hotel Rooms per 100,000 Population + Employment



Source: Texas Hotel Performance Factbook, Source Strategies

Trends in the Competitive Market Area and the TIRZ

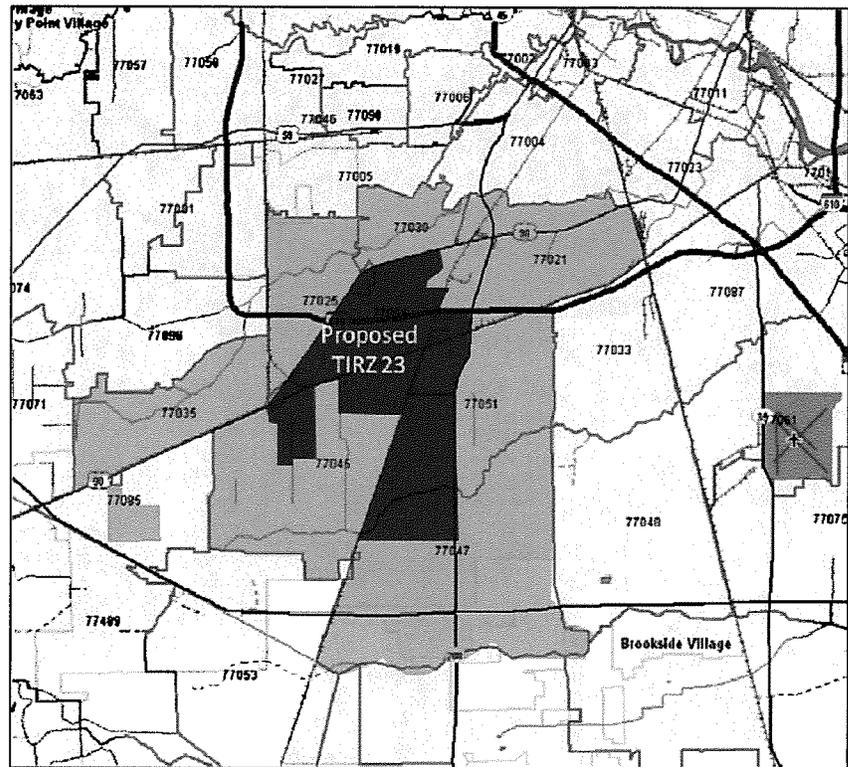
Defining the Competitive Market Area (CMA)

The competitive market area is the area that includes the proposed TIRZ property and surrounding properties that comprise an area within which the proposed zone will compete for market share and also derive the bulk of its economic and demographic support.

After analysis, it was concluded that the proposed TIRZ is competitive with an area of southwest and southern Houston which extends from the Texas Medical Center area on the north down past the South Belt (Beltway 8) on the south. For these purposes the CMA is shown on the map on the right and is defined by nine zip codes which include:

77021
77025
77030
77035
77045
77047
77051
77054
77085

TIRZ 23 Competitive Market Area (CMA)

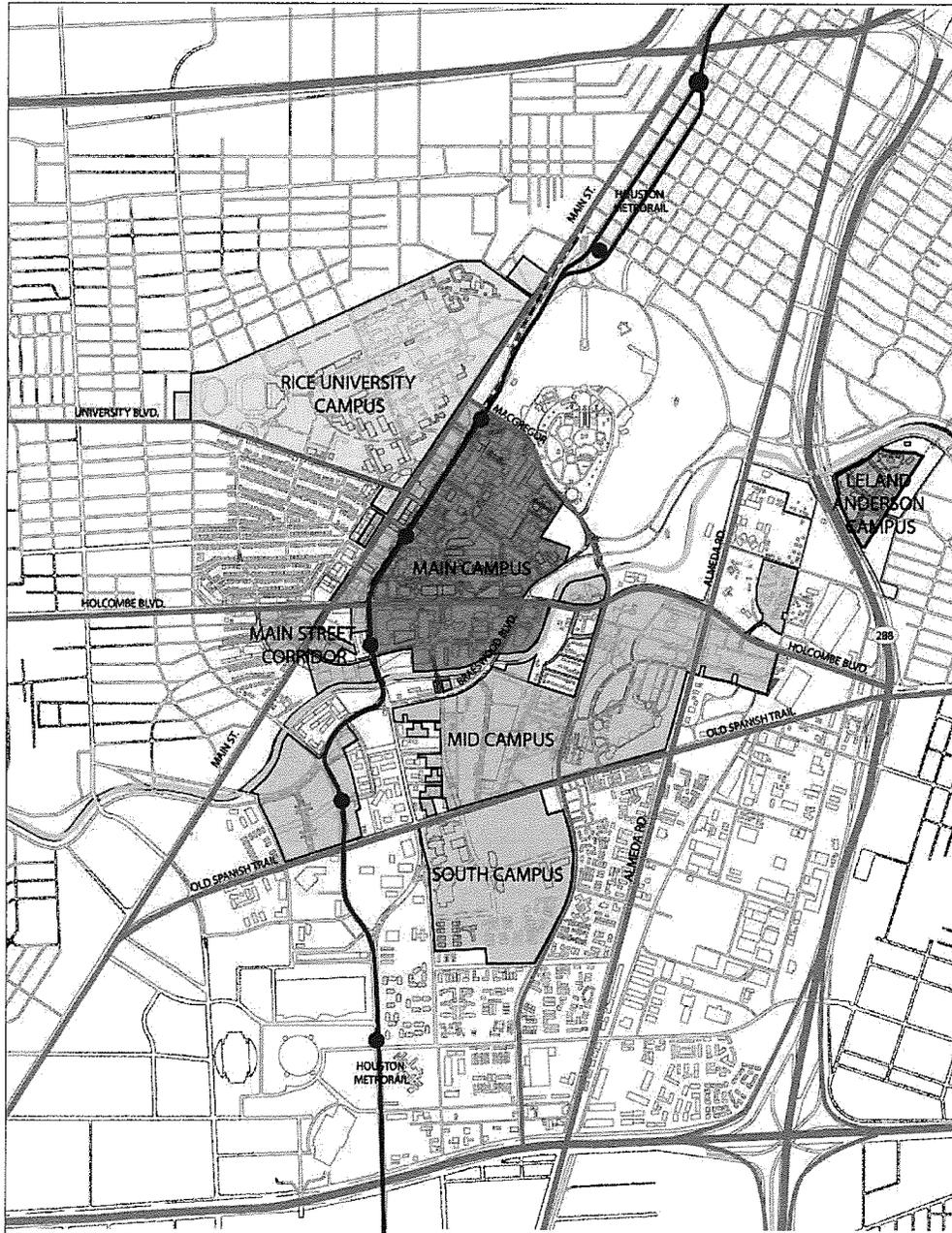


Economic Demand Drivers

In the near term, the foremost driver of demand in both the CMA and the Zone will likely be the growth of the Texas Medical Center (TMC) institutions and those private-sector firms that operate on its periphery. These firms are planning and constructing more than nine million square feet of new construction, which will likely translate to approximately 20,000 net employees by 2014.

The growth of the TMC and other firms within the SMA is largely contingent, however, upon the growth of the greater Houston economy. Projections for metropolitan growth are highly favorable in both the near and long term, with continued population and employment growth forecast for the region after 2011.

Texas Medical Center Campus Map



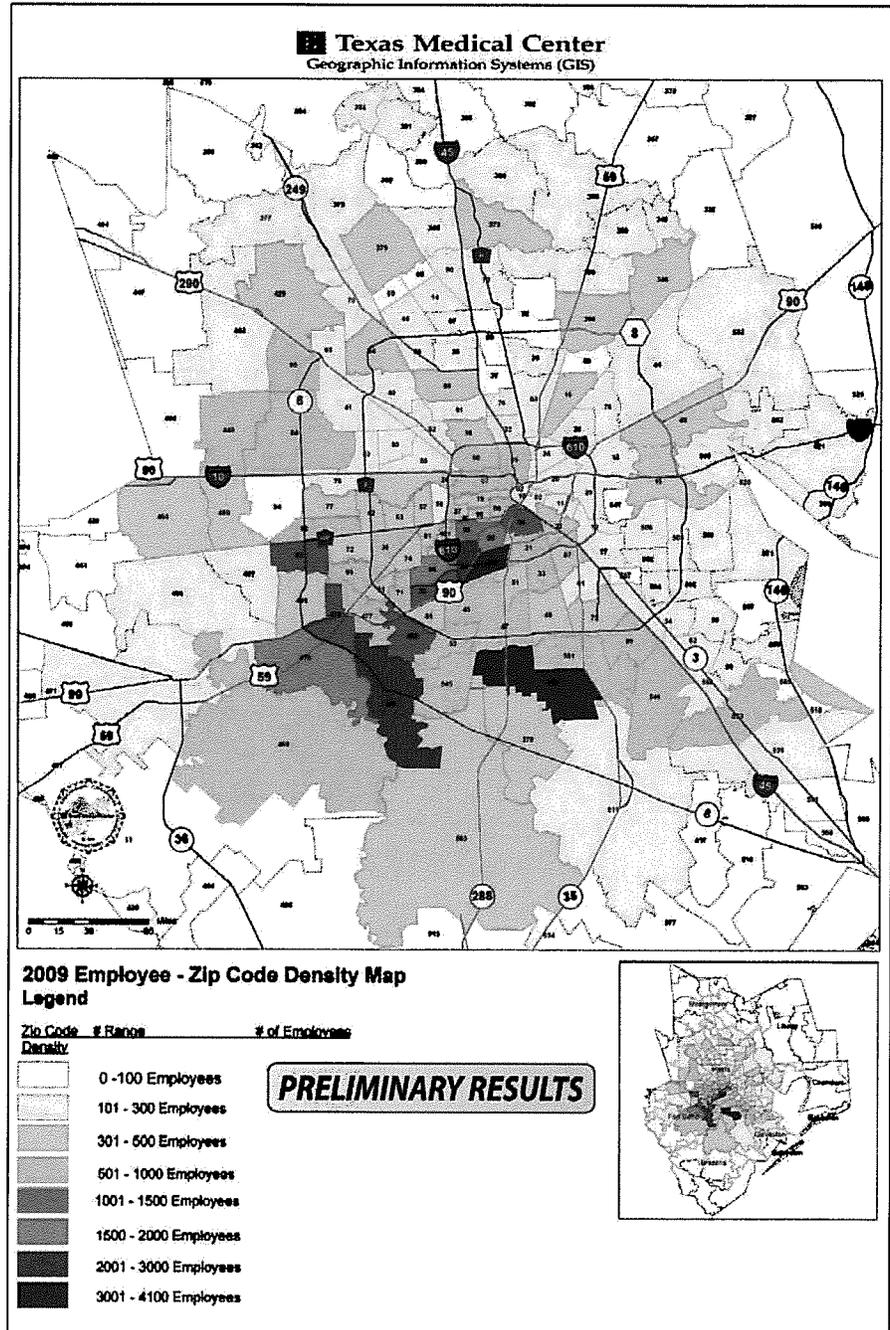
Source: Texas Medical Center, Inc.

The Texas Medical Center currently employs 72,600 persons – one-half the size of Houston’s Central Business District employment of 145,000 persons. The map on the right illustrates the distribution of the residential location of those employees.

Employment growth within the Texas Medical Center is among the strongest of Houston’s various employment centers, as reflected by the volume of new construction. Approximately 3,680,000 net square feet were absorbed by TMC institutions between 2001 and 2005, and another nine million square feet were completed or planned to be completed from 2007 to 2014.

The Texas Medical Center has also stimulated a substantial amount investment in medical office, retail, and residential projects in the immediate area.

Residential Distribution of TMC Employees



Source: Texas Medical Center, Inc.

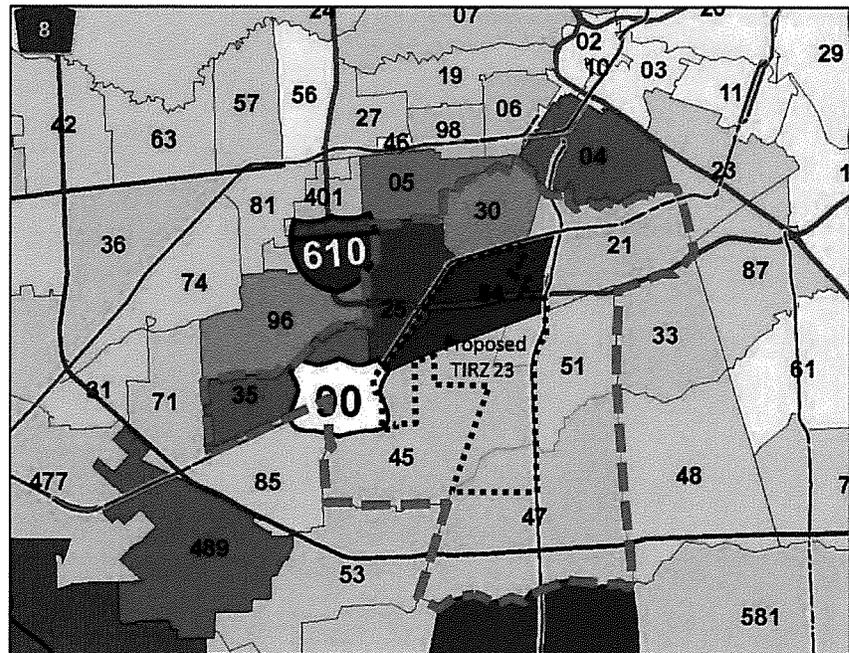
Assuming that the 2006 ratio of 359 square feet of non-parking space per employee remains constant as new buildings in the Texas Medical Center area are completed, and that all of the current proposed buildings are built, approximately 25,000 jobs would be created by 2014. As one household is created for every 1.18 jobs, those projects would be supportive of 21,400 new households.

The distribution of these new households would likely resemble the existing distribution, depicted on the map on the previous page and this close up view of the areas of the CMA (orange dotted line and Zone (black dotted line) in the map on the right.

Based on this map, approximately 12,100 employees live in the CMA (17% of the total) and at least 5,000 live in the Zone.

However, higher concentrations should be expected in areas where there vacant land remains within the CMA and within the Zone.

Residential Density of TMC Employees in the CMA and Zone



Source: Texas Medical Center, Inc.

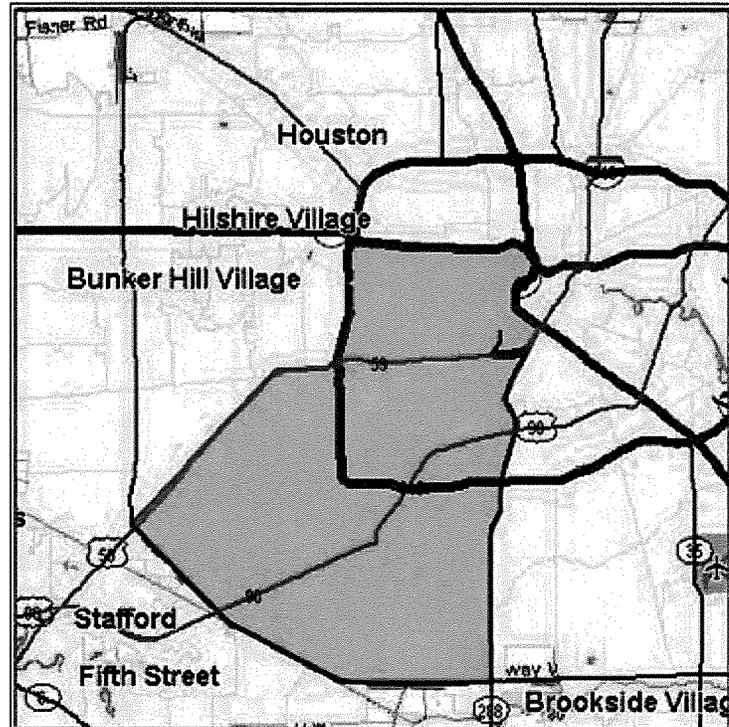
Demographic Demand Drivers

At present, much of the new development in the southwestern portion of the CMA still caters to a demographic cluster comprised of less affluent ethnically-mixed households, frequently with children. Although the market for housing products catering to this group is well-established and historically proven, CDS believes that a unique opportunity exists in the Zone to cater to young professionals and empty-nested couples seeking shorter commutes and urban lifestyles.

Residential Trends in the CMA and Zone

For the analysis of housing trends, a slightly different market area was chosen (see map at the right) to conform to available data. The major difference is that this area extends farther north into the inner southwest area of Houston south of I-10.

Housing Market Area



Important Note:

The residential trends analysis for the housing market area and the Zone were hampered substantially by the unavailability of permit data from the City of Houston. The permit data was requested from the City's Department of Public Works and Engineering, Code Enforcement branch one month prior to the completion of this report.

Within PWE-CE, this request was treated as a freedom of information request and estimates of time of completion ranged from 30 to 45 days. Repeated calls and emails to PWE-CE officials brought no response.

The table on the right illustrates the mix of housing types in the market area compared with the Houston region. This demonstrates that the housing in the market area is mixed with 45.5% in single or two-family units and 53.5% in multi-family apartments and condominiums. However, land prices and recent trends suggest that multi-family housing will make up the large preponderance of new housing constructed in the market area.

The table on the bottom right illustrates the mix of new housing being created in the market area from 2000 to 2009. The new home mix is shifting more to multi-family and townhomes and to fewer single-family detached homes. There is also an apparent shift toward homeownership rather than rental.

Overview of Housing in the Housing Market Area

2009 Estimated Housing Units by Units in Structure

	Housing Market Area	% of Total	Houston MSA	% of Total
Total Units	226,480		2,227,803	
1 Unit Attached	13,009	5.7%	76,470	3.4%
1 Unit Detached	84,322	37.2%	1,345,509	60.4%
2 Units	5,762	2.5%	28,266	1.3%
3 to 19 Units	39,718	17.5%	276,631	12.4%
20 to 49 Units	13,373	5.9%	69,375	3.1%
50 or More Units	68,174	30.1%	280,925	12.6%
Mobile Home or Trailer	1,978	0.9%	146,233	6.6%
Boat, RV, Van, etc.	144	0.1%	4,394	0.2%

Source: PCensus for Map Info, Version 8.05, Tetrad Computer Applications, Inc., 2009

Housing Unit Tenure and Structure Trends

Housing Market Area

	Housing Units Trends			
	2000	2009	Change	%
Tenure of Occupied Housing Units	173,815	199,551	25,736	100.0 %
Owner-Occupied	72,568	82,846	10,278	39.9%
Renter-Occupied	101,248	116,705	15,457	60.0%
Housing Units by Units in Structure	189,551	226,480	36,929	100.0 %
1 Unit Attached	10,726	13,009	2,283	6.2%
1 Unit Detached	71,738	84,322	12,584	34.1%
2 Units	4,877	5,762	885	2.4%
3 to 19 Units	33,805	39,718	5,913	16.0%
20 to 49 Units	11,178	13,373	2,195	5.9%
50 or More Units	55,714	68,174	12,460	33.7%
Mobile Home or Trailer	1,371	1,978	607	1.6%
Boat, RV, Van, etc.	88	144	56	0.2%

Source: PCensus for Map Info, Version 8.05, Tetrad Computer Applications, Inc., 2009

Single-Family Home Trends

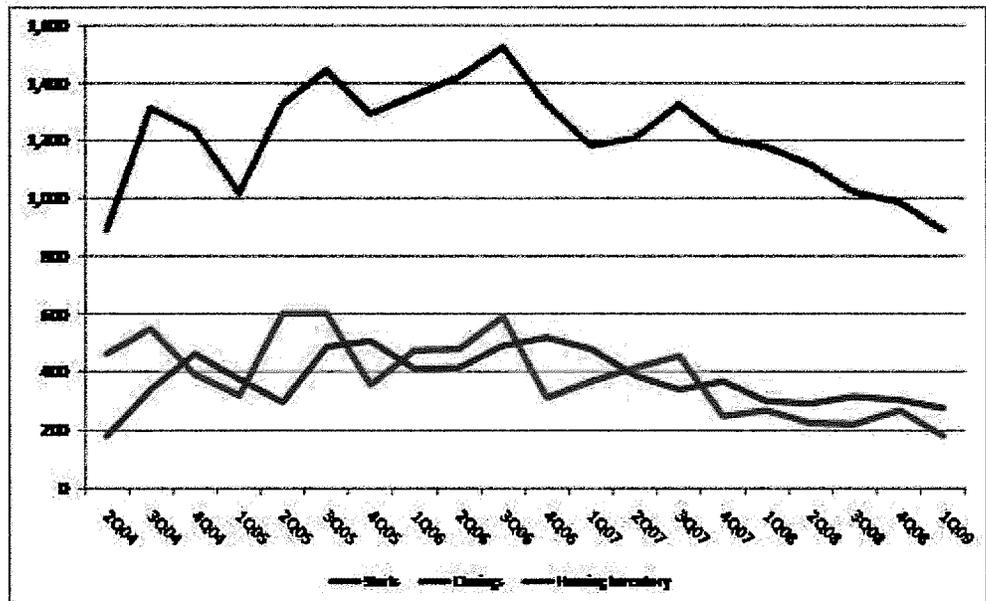
Home sales in the Housing Market Area have fallen slightly since the beginning of 2008. The following illustrates the recent trends of new home starts, closings, and housing inventory.

Over the past 5 years, new home closings have averaged 378 per quarter and new home starts have averaged 390 per quarter.

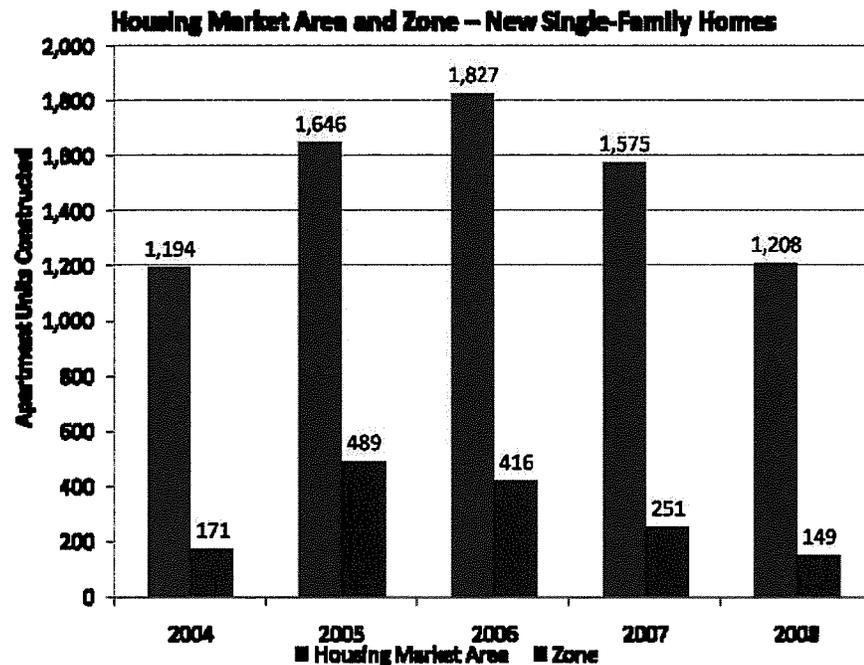
The comparison of new homes within the Housing Market Area and the Zone is shown in the chart on the lower right.

New home construction in the Zone accounted for between 12% and 30% of the total single-family in the Housing Market Area.

Recent New Home Sales
Housing Market Area



New Homes in the Housing Market Area and the Zone



Source: CDS Market Research

Summary of Single Family Home Sales in the Housing Market Area

Price Points	2, 3,4Q 2004	2005	2006	2007	2008	1Q 2009	3 year 2Q 2006- 1Q 2009	5 year 2Q 2004-1Q 2009
SUBTOTAL LESS THAN \$200,000	531	829	1,016	788	500	89	2,171	3,753
MARKET SHARE	59.3%	50.4%	55.6%	50.0%	41.4%	32.2%	48.5%	50.5%
SUBTOTAL \$200,000- \$300,000	101	286	266	160	63	13	428	889
MARKET SHARE	11.3%	17.4%	14.6%	10.2%	5.2%	4.7%	9.6%	12.0%
SUBTOTAL \$301,000- \$400,000	94	165	185	166	155	15	484	780
MARKET SHARE	10.5%	10.0%	10.1%	10.5%	12.8%	5.4%	10.8%	10.5%
SUBTOTAL \$401,000 + ABOVE	170	366	360	461	490	159	1,391	2,006
MARKET SHARE	19.0%	22.2%	19.7%	29.3%	40.6%	57.6%	31.1%	27.0%
GRAND TOTAL	896	1,646	1,827	1,575	1,208	276	4,474	7,428
ANNUAL SHARE OF 5 YEAR SALES	12.1%	22.2%	24.6%	21.2%	16.3%	3.7%	60.2%	100.0%

For the second quarter of 2004 through the first quarter of 2009, over 600 subdivisions were identified within the Market Area. These subdivisions span all phases of the development life cycle. Given the diversity of housing price ranges in the Market Area and the intention to offer housing at different price points, four price segments were defined for the analysis. The segments are “below \$200,000”, “\$200,000 - \$300,000”, “\$301,000 - \$400,000” and “\$401,000 and above”.

Given the quantity of subdivisions and the diversity of the pricing mix, the data indicates buyers have a reasonably diverse set of choices for their housing, and that subdivisions offer housing product over a wide price range. This behavior means that subdivisions in any price segment may offer product extending into another segment and the segments

were chosen to correspond with the average price that the developer expects housing to be priced in the proposed District, not because the price segments stood out on their own.

The acceptance of the Market Area to new housing is readily apparent when looking at the overall number of house closings. A total of 7,428 units were absorbed in the Market Area from Q2 2004 through Q1 2009. Roughly 60% of all units closed in the Market Area occurred during the last three years (4,474 units). The annual average number of home closings in the CMA over the past five years is 1,486. That number of new households would have added an estimated single-family population of more than 4,220 per year (assuming a household size of 2.84 as indicated in PCensus).

Platting Activity

Single-family housing development has been strong in the Market Area and is expected to remain so over the foreseeable future. The next table presents data about platting activity in 21 subdivisions that are under construction or are active in the Market Area.

Single-Family Platting Activity and Development Trends

Market Area, 2009 to 2019

Single-Family Housing	Total Units/Lots	Total Occupied 1Q 2009	Future Planned Lots	Total Inventory	Total VDL	2Q2008-1Q2009 Closings	2009-2014	2014-2019
Avondale	155	1	74	5	75	1	65	89
Bayou Oaks at West Orem 50 Ft.	70	0	70	0	0	0	50	20
Brentwood, Villas at	81	1	0	2	78	1	75	5
Caceres THs	156	7	54	19	76	7	120	29
City of Bellaire	1,511	1,418	0	93	0	228	93	0
City of West University	895	825	0	70	0	65	70	0
City Park - A	225	125	0	6	94	9	45	55
City Park - B 36 Ft.	319	198	0	7	114	25	95	26
City Park West 40 Ft.	312	28	204	15	65	28	170	114
City Park West 50 Ft.	419	195	75	22	127	49	170	54
Park City Village 40 Ft.	164	0	110	0	54	0	125	39
Parkway Manor	145	0	145	0	0	0	45	100
Pierce Junction Village	187	90	0	2	95	35	97	0
Post Oak Place II	245	152	0	5	88	0	35	58
Regal Oaks	634	441	0	3	190	45	115	78
Rhone at Vineyards	145	0	145	0	0	0	65	80
Skyline Ranch	452	0	452	0	0	0	230	222
Skyline Ranch 30/35 Ft.	139	0	139	0	0	0	45	94
Skyline Ranch Twin Villas	223	0	223	0	0	0	115	108
South Post Oak Manor	91	0	91	0	0	0	55	36
Summerlyn	510	328	76	15	91	40	70	112
All Others (226 Subdivisions)	2,949	1,496	390	628	429	410	775	672
Single-Family Totals	10,027	5,305	2,248	892	1,576	943	2,725	1,991

Source: CDS Market Research and Houston Residential Survey, 1st Qtr. 2009

Condominium Demand and Trends

Condominiums and townhomes are any housing units which are listed for sale to the general public that are part of a multi-family structure on commonly owned land, whether it be a garden-style complex, a midrise, or a high-rise.

According to the MLS data, since 2005, sales of new condos within the PMA have averaged approximately 160 units per year.

CDS has assembled the following descriptive statistics:

The median sale price of a new condominium was \$290,000; the average sale price was \$314,225. About 90% of condominiums are priced below \$500,000, 52% are priced under \$300,000, and 19% are priced under \$200,000.

Condominium Pricing in the PMA

Condo						
Year	Units		Value in Thousands			
	Active	Sold	0-150	150-250	250-500	above 500
2005	597	236	7	133	89	7
2006	497	184	3	81	88	12
2007	404	143	1	40	86	16
2008	331	98	0	27	50	21
2009	218	63	0	16	32	15
High						
Year	Units		Value in Thousands			
	Active	Sold	0-150	150-250	250-500	above 500
2005	92	23	0	0	22	1
2006	99	36	0	7	20	9
2007	56	16	0	1	10	5
2008	39	1	0	0	1	0
2009	26	0	0	0	0	0

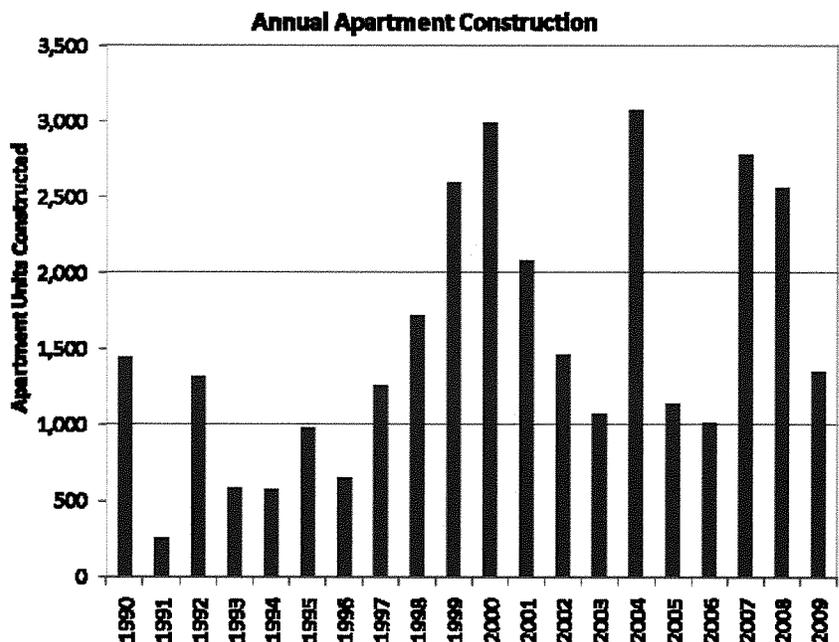
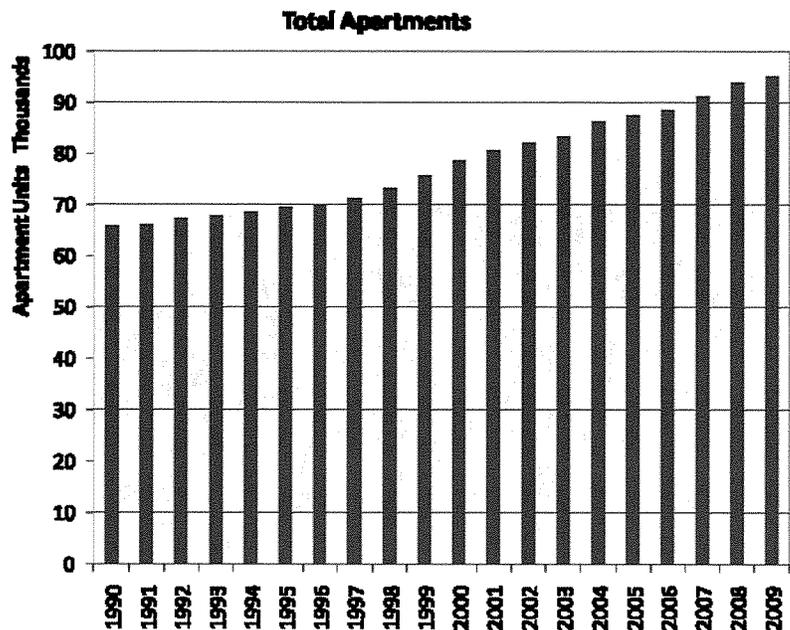
Source: Houston Association of Realtors (HAR)

Apartment Demand and Trends

CDS has access to a comprehensive dataset with histories of all apartment complexes with more than 20 units in the Houston area, as provided by O'Connor & Associates. There are a total of 421 apartment projects in the Housing Market area with a total of 95,278 units. Of those, there are 112 Class A apartment projects operating within the PMA. These complexes lease a total of 32,275 units, of which 86.1% are occupied.

With 61% of the current under-construction pipeline currently pre-leasing and approximately 10% of those properties positioned to deliver to market within the next two to three months, look for overall occupancy to continue to decline and for Class A properties to rejoin the downward trend. This influx of properties will have its positive benefits as area rents should continue to rise.

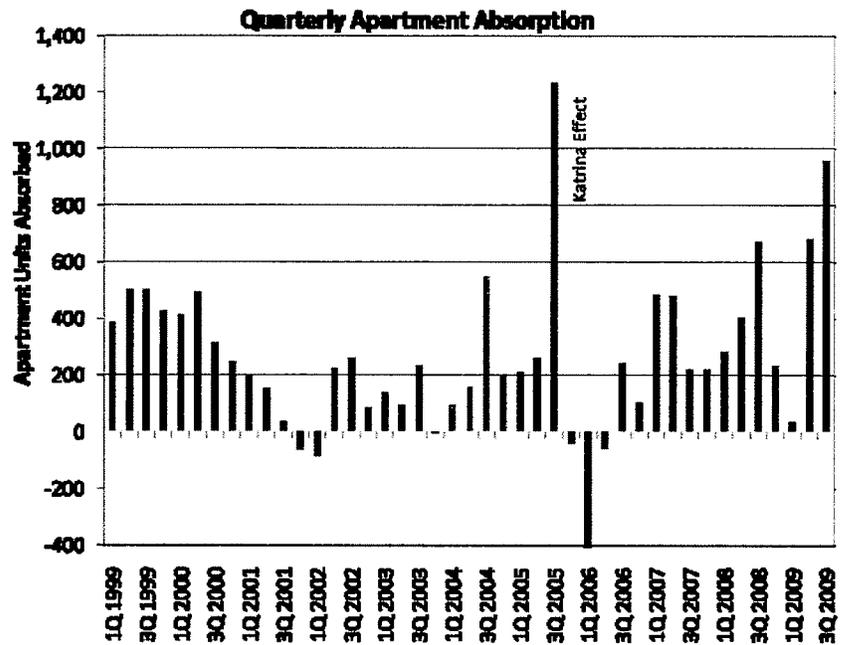
Housing Market Area Apartment Trends



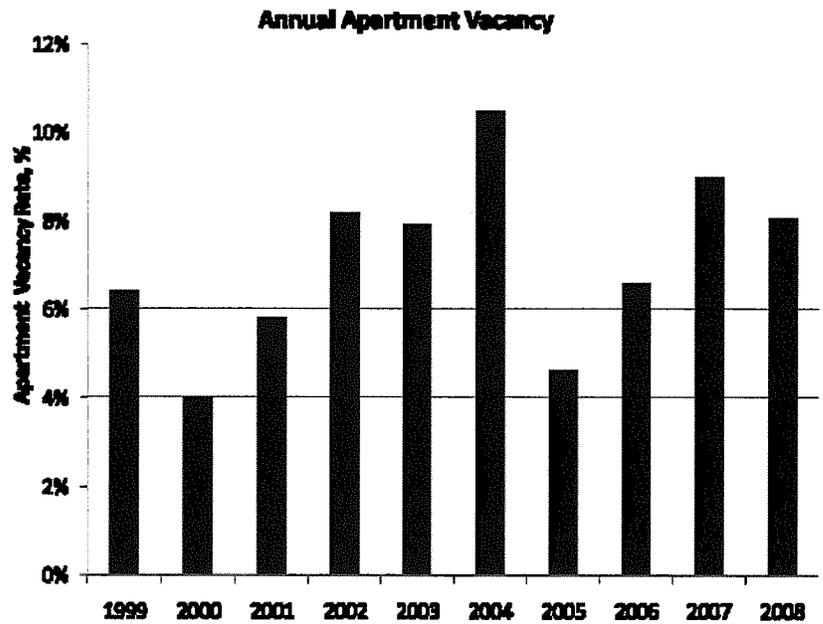
Source: O'Connor & Associates

The table on the right illustrates absorption rates by quarter back to the first quarter of 1999.

Housing Market Area Apartment Performance Trends



Apartment vacancy rates in the Housing Market Area have varied in recent years but a relatively low compared with the region as a whole.



Source: O'Connor & Associates

Overall, there are 12 announced, and under construction, multi-family residential projects in the housing market area– totaling 3,498 units. The table on the right illustrates the projects.

Proposed and Under Construction Multi-family Development
Housing Market Area

Name	Address	Res. Units	Completion	Type	Status
Collection at Greenway, The	3333 Wesleyan	528	2009	A	UC
Gables West Ave	2800 Kirby	390	2009	A	UC
Domain at Kirby	1333 Old Spanish Tr	293	2009	A	UC
Camden Travis Street	2700 Travis St	253	2009	A	UC
Legacy at Memorial	3131 Memorial Court	330	2009	A	UC
Gables Memorial Hills	4200 Scotland	305	2009	A	UC
La Maison at River Oaks	2727 Revere St	423	2009	A	UC
Venue Museum District	5353 Fannin St	224	2009	A	UC
Belle Meade at River Oaks, The	2929 Westheimer	119	2009	A	UC
Cambridge Tower	1920 Woodbury St	200	2009	A	Prop
CitiPlace	306 McGowan	183	2009	A	Prop
Fairmont Museum District Ph II	4310 Dunlavy St.	250	2007	A	Prop
GRAND TOTAL		3,498			

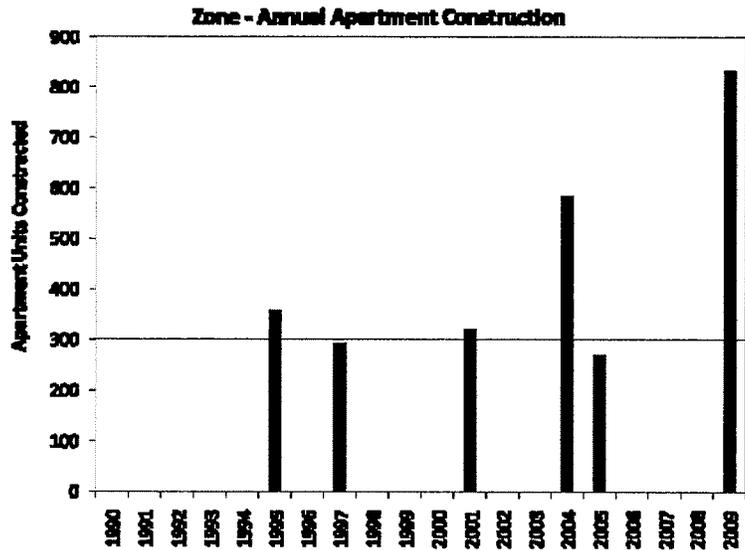
Apartments in the Zone

The table below lists the apartment complexes within the Zone as identified in the apartment data base of O'Connor & Associates.

There are 5,611 apartment units in 19 apartment communities within the overall general area within the Zone. Over the past 15 years, apartment construction has averaged 177 units per year (see chart at right).

However, in the creation of the Zone, some apartment communities were specifically excluded. Therefore only 5 apartment communities, with approximately 1,298 units are actually within the Zone's boundaries. For the market analysis, the entire group of apartments with construction shown in the chart above will be included in the analysis.

Apartment Construction in the Zone



Source: O'Connor & Associates

List of Apartments in the Zone

Property	Num	Street	Class	Units	Occ.	Rent/sf	Built	Constr
<u>Fountains at Alameda</u>	9000	Alameda Rd.	A	252	80%	\$1.25	2009	Garden Style
<u>Oakmoor Apartments</u>	11900	Oakmoor	B	218	97%	\$0.84	2007	Garden Style
<u>Landmark at City Park</u>	2201	West Orem Dr	A	288	84%	\$1.05	2009	Garden Style
<u>Ranch at City Park</u>	11900	City Park Central Ln.	A	270	95%	\$1.13	2005	Garden Style
<u>Stonebridge @ City Park</u>	11800	City Park Central Ln.	A	240	90%	\$1.02	2004	Garden Style
				1,298	89%	\$ 1.06		

Source: O'Connor & Associates

Office Space Trends in the CMA and Zone

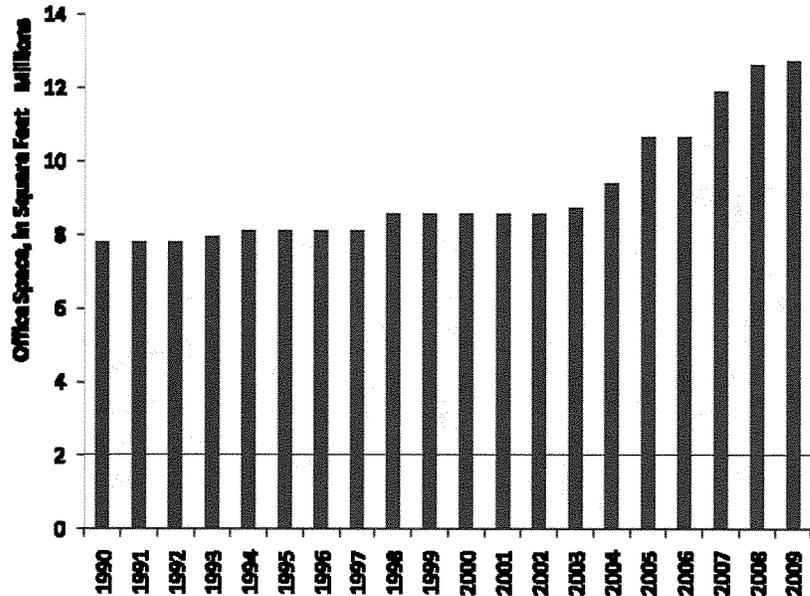
Office Buildings in the CMA

The charts on the right illustrate the office space trends in the CMA. There is approximately 12.2 million square feet of office space in the CMA. It is important to note that this total does not include the institutional buildings in the Texas Medical Center but does include medical office buildings.

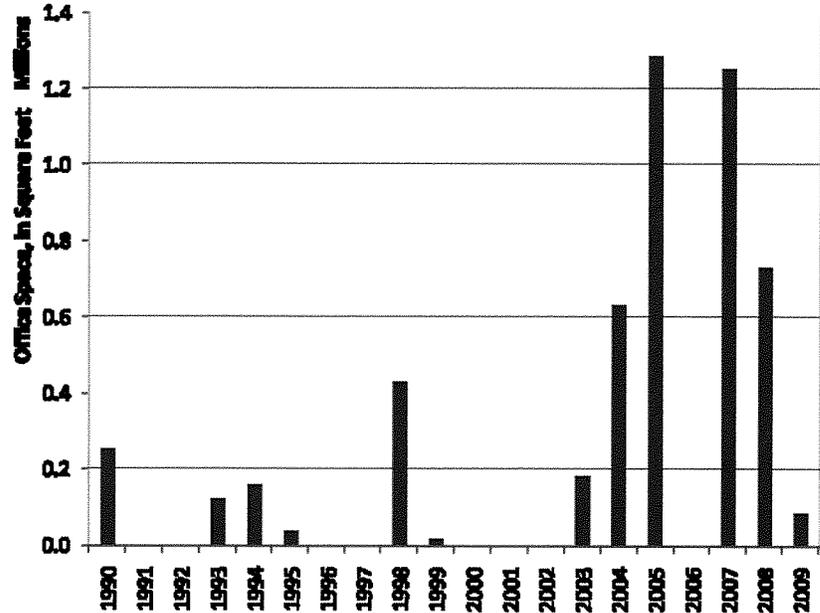
As the chart on the bottom of the page illustrates, the construction has been spotty over the past 20 years but the recent trends 2004 to 2008 averages almost 1 million square feet annually.

Office Trends in the CMA

CMA - Total Office Space



CMA - Annual Office Construction

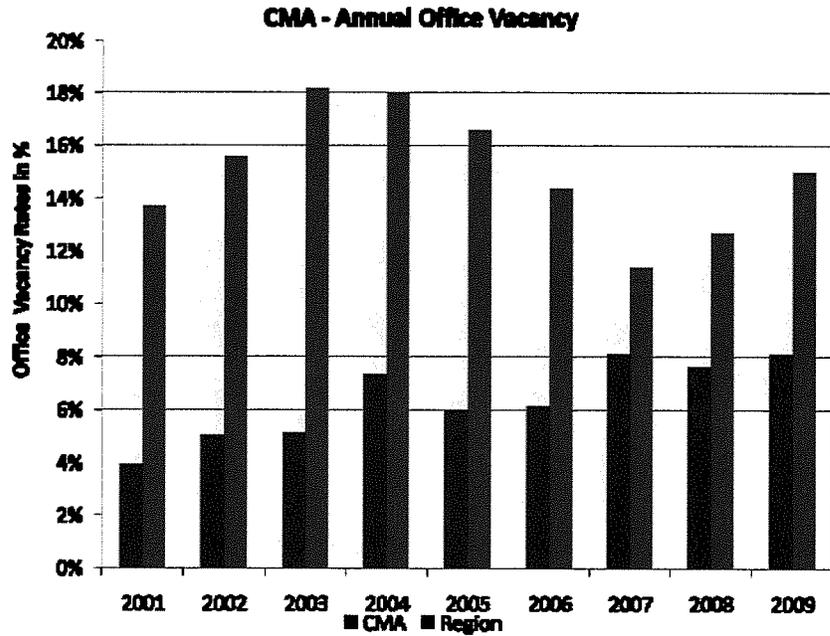


Source: © Reis Services and O'Connor & Associates

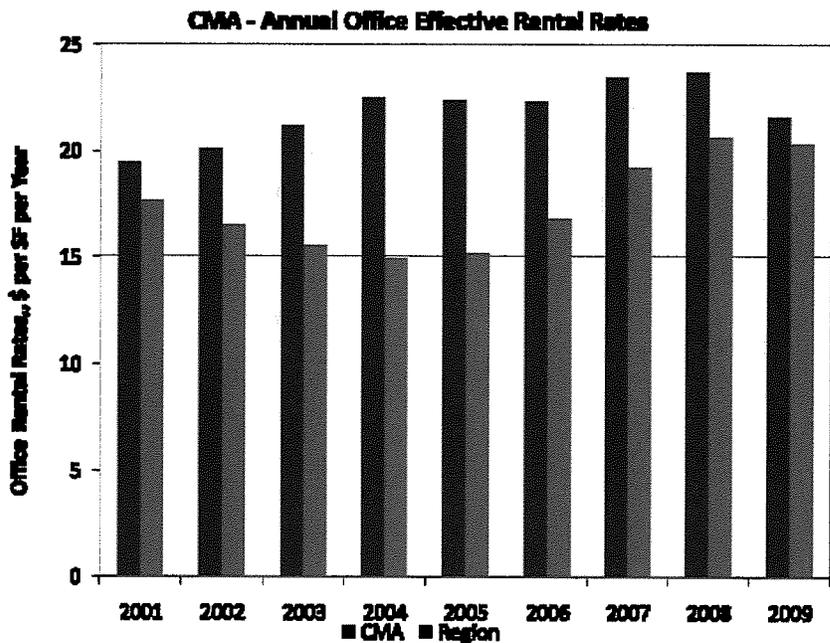
Overall, the multi-tenant office buildings in the CMA have performed better than the region as a whole.

The chart on the top, right, shows the vacancy rates in the CMA compared to the Houston region. Vacancy rates below 10% have been the norm for the buildings in the CMA – with the current vacancy rate at 8%.

Office Performance Trends in the CMA



Similarly, rental rates in the CMA have been higher than the region as a whole in the recent past – but the advantage in rental rates has been declining in recent year to the point that they are virtually identical in 2009.



Source: © Reis Services and O'Connor & Associates

Office Buildings in the Zone

The table on the bottom of the page provides statistics on office buildings in the Zone. The source of this information is the real estate data service, O'Connor & Associates. There are 28 buildings with a total of 2,090,367 square feet in the Zone. The vacancy rate of office buildings in the Zone is substantially higher than the CMA as a whole, 19.7% vs. 8.1% in the CMA. Rents in the Zone vary

substantially with grade of the building (Class A through E). Recent multi-tenant class A medical office buildings are getting rents above \$22 per square foot annually.

Office construction in the Zone has also varied dramatically over time. According to O'Connor, only five buildings have been constructed in the past 20 years totaling 467,000 square feet.

Office Buildings Currently in the Zone

Center	Street No.	Street Name	Built/ Renovated	Class	Gross SF	Vacancy	Avg Rent
10501 E Alameda	10501	E Alameda St	1958/1999	D	15,800	0.0%	9.50
American Medical Equipment	1841	Old Spanish Tr.	1958/2003	E	40,325	0.0%	
2525 Murworth	2525	Murworth	1964/1990	D	205,000	0.0%	
Sterling Bank	13300	Alameda Rd	1970/1983	C	16,651	0.0%	
Fannin South Professional Bldg	7707	Fannin	1972	B	70,346	13.6%	21.00
Texas Women's Hospital	7550	Fannin	1972	B	57,588	0.0%	21.00
Fannin Medical Plaza	7505	Fannin St	1974/2003	B	98,894	4.9%	21.00
8100 Greenbriar	8100	Greenbriar St	1975	B	65,000	0.0%	
1325 La Concha Lane	1325	La Concha Ln	1978/1992	C	21,500	0.0%	
Houston Tri-Atrium	2600	S Loop W	1979	C	81,007	26.3%	15.00
Dialysis Access Management	1415	La Concha Ln	1979	B	10,365	0.0%	
Quad Atrium Building	2616	S Loop W	1980	D	82,019	18.3%	15.00
Atrium 2626	2626	South Loop W	1980	C	114,268	18.4%	16.00
Washington Mutual	3003	S Loop W	1980	C	70,336	6.5%	15.00
1425 La Concha Ln	1425	La Concha Ln	1980	B	12,505	0.0%	
Gulf Coast Regional Blood Ctr	1400	La Concha Ln	1980	C	117,000	0.0%	
8181 N Stadium	8181	N Stadium Dr	1980	D	14,705	45.0%	18.00
Atrium 2656	2656	South Loop W	1981	C	108,129	55.9%	15.00
Atrium building	2646	S Loop W	1982	C	108,000	0.0%	11.64
2575 W Bellfort	2575	W Bellfort St	1983	C	58,291	0.0%	19.00
VT 2 Studios	2401	W Bellfort	1984	D	24,252	0.0%	
2636 South Loop W	2636	South Loop W	1985	C	231,152	87.7%	16.50
8900 Lakes @ 610 Dr	8900	Lakes @ 610 Dr	1993	A	119,527	0.0%	
Plaza Del Oro Prof Bldg	8111	N Stadium Dr	1999	B	15,000	0.0%	
University Medical Plaza	7501	Fannin St	2004	A	204,000	29.1%	26.00
Main Medical Plaza	10019	Main St	2004	A	44,000	13.6%	22.00
Gulf Coast Regional Blood Center	9990	Fannin	2009	A	84,707	0.0%	
					2,090,367	19.7%	

Source: O'Connor & Associates

Retail Space Trends in the CMA and Zone

Retail Buildings in the CMA

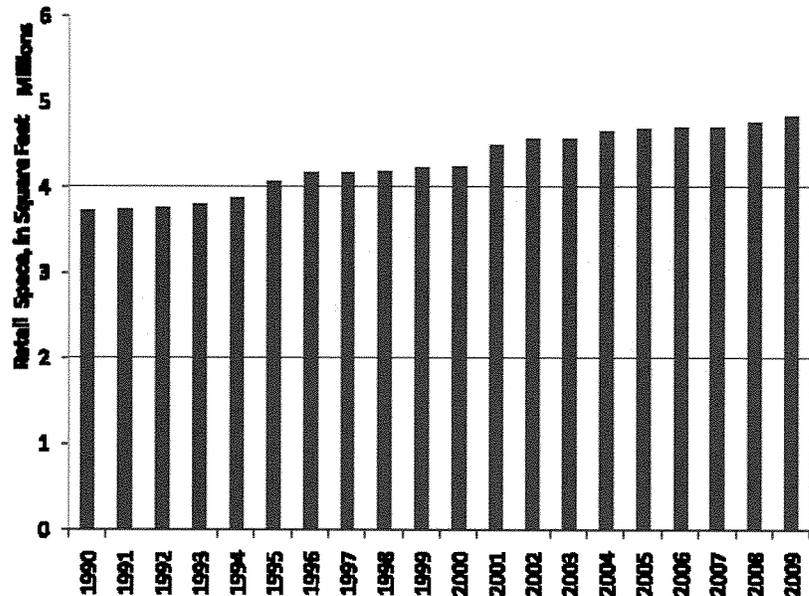
The charts on the right illustrate the retail space trends in the CMA. There is approximately 4.8 million square feet of space in retail centers in the CMA. This statistic underestimates the total amount of retail space because the data source, O'Connor & Associates includes only centers with greater than 10,000 square feet. Small center would not be included.

Most of the retail space (3.7 million square feet) in the CMA was built prior to 1990. Since that time only 1.1 million square feet have been built (55,000 square feet annually).

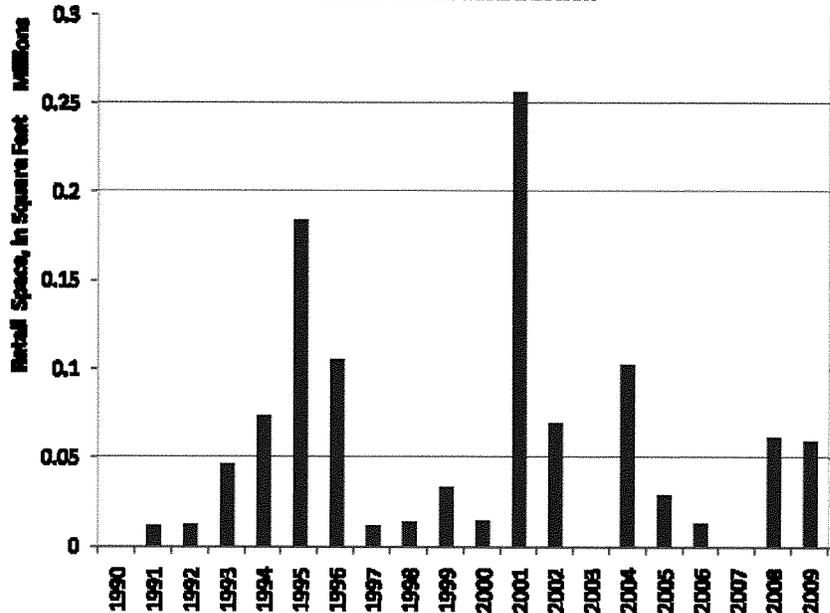
As the chart on the bottom of the page illustrates, the construction has been spotty over the past 20 years 2008 saw a spike in construction in 2008 when averages almost 1 million square feet annually.

Retail Trends in the CMA

CMA - Total Retail Space



CMA - Annual Retail Construction

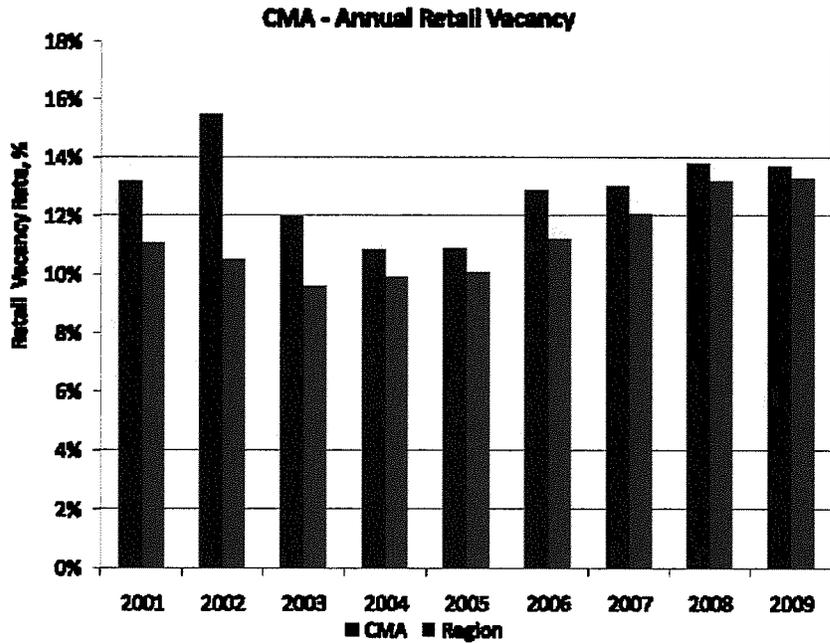


Source: © Reis Services and O'Connor & Associates

Overall, the retail centers in the CMA have on par with centers in the region as a whole.

The chart on the top, right, shows the vacancy rates in the CMA compared to the Houston region. Vacancy rates below 14% have been the norm for the buildings in the CMA – with the current vacancy rate at 13.2% slightly higher than the regional vacancy rate of 13%. As is typical, the current vacancies of CMA centers which are anchored by a major retailer are lower (9.7%) than unanchored centers (24.6%). Those anchored by grocery stores perform the best among the anchored centers with a current average vacancy rate of only 4.9%.

Retail Performance Trends in the CMA

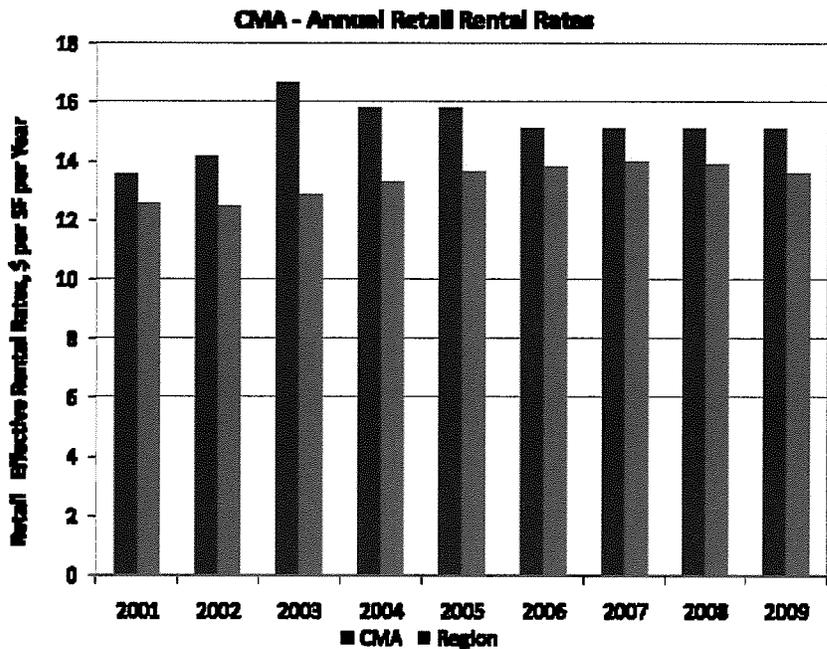


Retail center rental rates in the CMA have been higher than the region as a whole in the recent past – but the advantage in rental rates has been declining in recent year to the point that they are only slightly above the region in 2009.

Current rental rates various types of centers vary substantially:

Current Annual Rental Rates

Overall Rate	\$13.56/sf
Grocery Anchor	\$16.80/sf
All Anchored	\$14.28/sf
Unanchored	\$11.52/sf



Source: © Reis Services and O'Connor & Associates

Retail Centers in the Zone

According to O’Connor & Associates, there are only 9 centers with more than 10,000 square feet of space within the Zone, totaling 696,488 square feet. The table below lists the Zone’s centers with key operating and physical statistics. There are many more retail establishments in the Zone, particularly restaurants and free standing banks along the 610 South Loop. The largest center in the Zone is the Shops at Three Corners at the southwest corner of South Main and Kirby. Following closely behind is the freestanding Sam’s Club at 610 and Fannin.

Three retail center, including a Super Target are just outside the Zone on the north side of South Main.

In addition, two community centers, Meyerland Plaza and Meyer Park Shopping Center are just west of the Zone.

The weighted average vacancy in the Zone is low at 10.6% -- even with some of the centers along South Main having high vacancy rates. However, one of those centers, Main street & Old Spanish Trail is new and in the initial lease up phase..

Most of the centers in the zone did not report rental rates but it is likely that, on the whole, the rates are similar to the CMA as a whole.

Retail Centers Currently in the Zone

Center	Address		Built	ST/ MT	Type	Gross SF	Vac- ancy	Avg Rent \$/sf/mo.
Main Street South Shopping Center	9207	S Main St	1984	MT	Neighborhood	37,285	15.1%	0.83
Loop I & II	9405	S Main St	1980	MT	Neighborhood	144,529	45.8%	0.75
Holly Knight II (2110-2132)	2122	Holly Hall St	1980	MT	Strip Center	20,015	0.0%	0.95
Buffalo Crossing Shopping Center	9838	Buffalo	2002	MT	Strip Center	21,319	0.0%	
Shops at Three Corners, The	8100	Kirby	1988	MT	Community	252,140	0.0%	
Sam's Club	1615	South Loop	1987	ST	Single Tenant	138,702	0.0%	
Kroger	1990	Old Spanish	1982	ST	Single Tenant	53,061	0.0%	
Main Street & Old Spanish Trail	8505	S Main St	2009	MT	Strip Center	13,900	15.4%	
Klein Plaza	8551	Almeda Rd	2008	MT	Strip Center	15,537	0.0%	
						696,488	10.6%	

Source: O’Connor & Associates

Industrial Trends in the CMA and Zone

The CMA has a heavy concentration of “industrial uses” In the CMA, there is currently 16.8 million square feet of industrial space in 198 buildings. By type of use, it breaks down as follows:

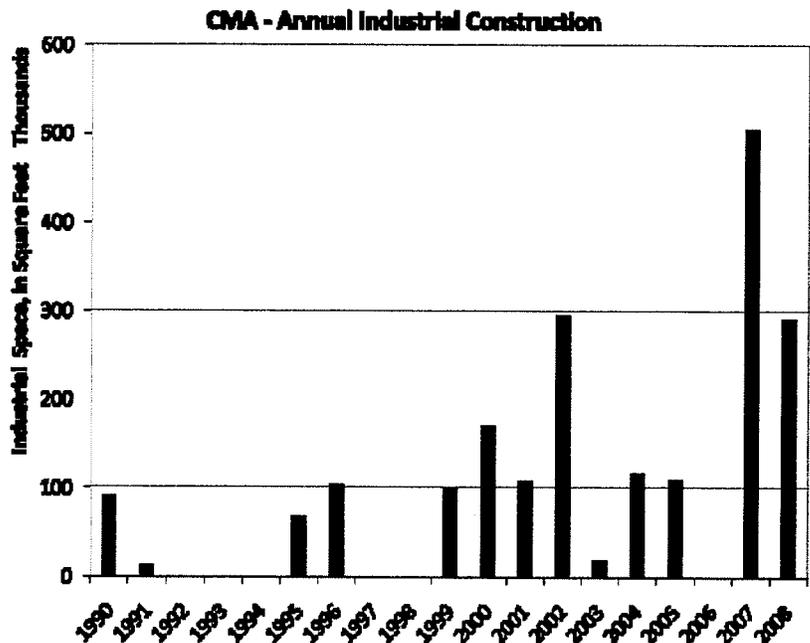
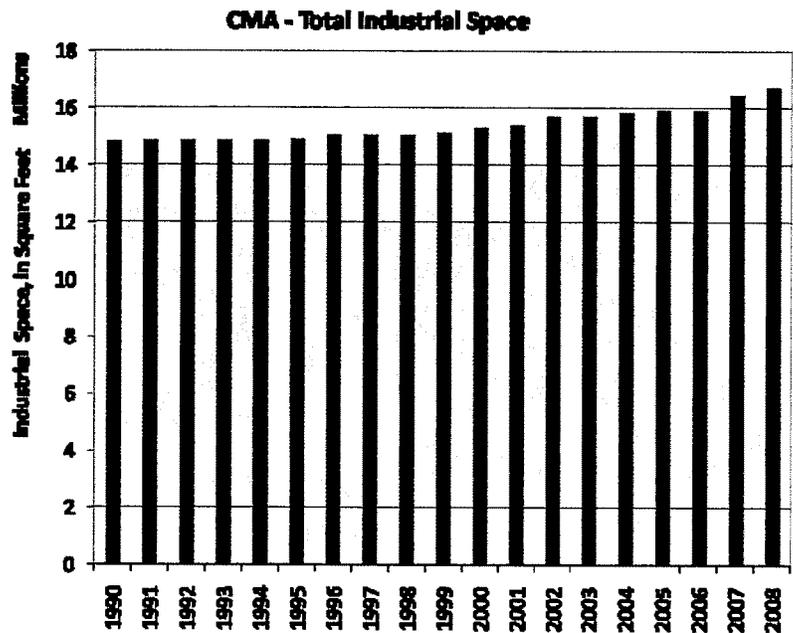
Type	Square Feet	Build-ings
Distribution Center	935,561	10
Manufacturing Facility	1,380,167	19
Mini Warehouse	794,324	7
Office/Warehouse	4,789,762	47
Research & Development	59,849	1
Service Center	253,316	4
Warehouse	8,567,516	110
Grand Total	16,780,495	198

In addition two new projects totaling over 1.5 million square feet are proposed in the CMA.

Most of the space (14.8 million square feet, 88%) in the CMA was built prior to 1990. Since that time, new facilities have been constructed.

The chart on the right illustrates the industrial building in the CMA since 1990. The average annual new construction in the CMA is 153,000 square feet of space.

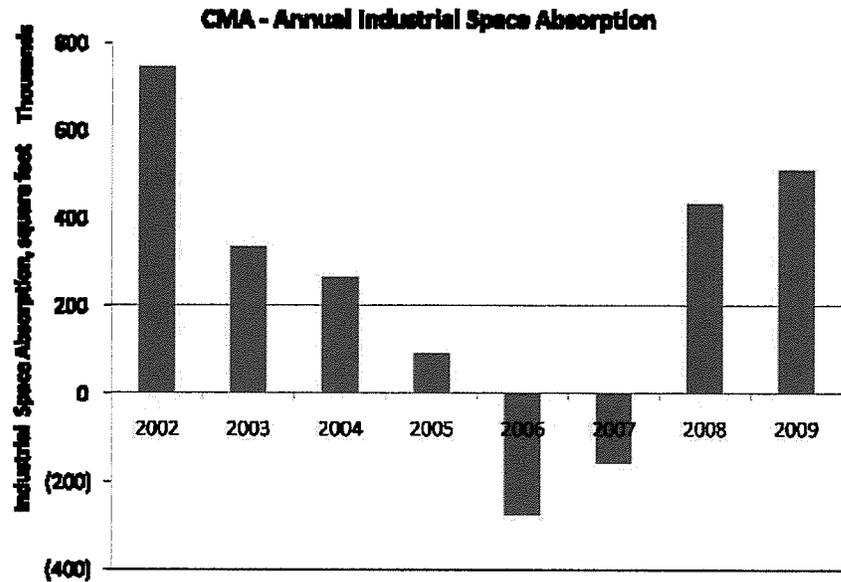
Industrial Trends in the CMA



Source: © Reis Services and O'Connor & Associates

The chart on the right shows the annual absorption of industrial space in the CMA. Overall the average annual absorption of space since 2001 has been 243,000 square feet as vacancies have gone down slightly.

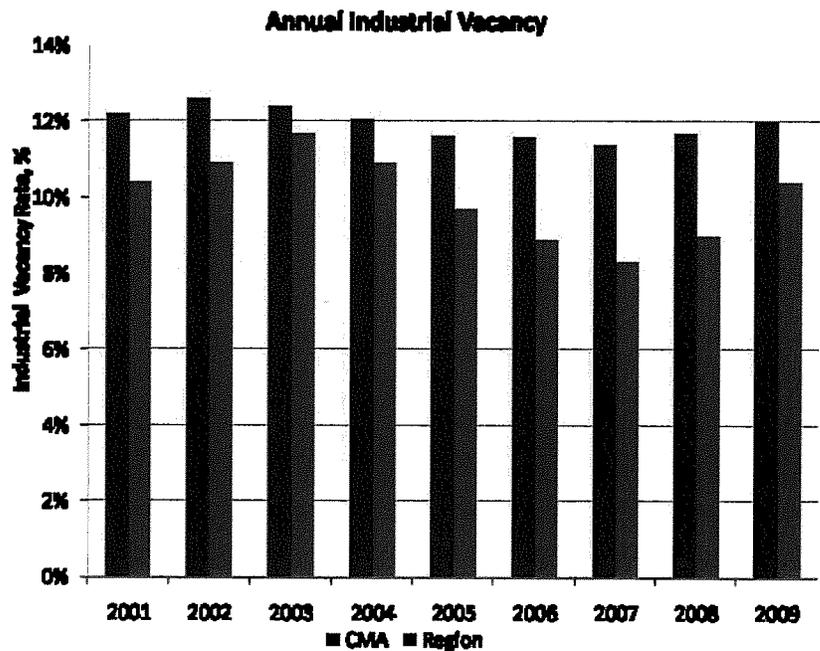
Industrial Performance Trends in the CMA



The vacancy chart shows that the buildings in the CMA are performing slightly worse than industrial in the region as a whole. The current vacancy rate of 12% is higher than the region's 10.4%. Vacancy does vary by type of facility. The table below shows 3rd Quarter 2009 vacancy rates by type.

Type	Vacancy
Warehouse	9.4%
Office Warehouse	15.5%
Manufacturing Facility	13.1%
Mini Warehouse	2.2%
Service Center	5.4%
Distribution Center	7.8%
R&D facility	0.0%
Overall	11.1%

It appears that the current weakness is primarily in office warehouse and manufacturing facilities.



Source: © Reis Services and O'Connor & Associates

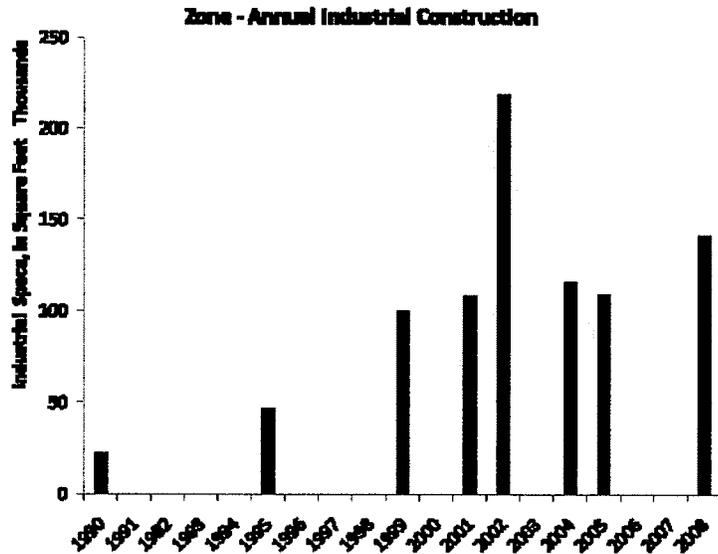
Industrial Facilities in the Zone

Within the Zone there are 92 Industrial facilities identified by the O’Connor database. Those facilities total almost 6.7 million square feet (sf). Within that total are:

- 7 distribution centers with 720,181 sf;
- 10 manufacturing facilities with 489,081 sf;
- 21 office/warehouse facilities with 1,758,569 sf;
- 3 service centers with 240,156 sf; and
- 52 warehouse facilities with 3,448,570 sf.

Most of the industrial was built prior to 1990 (5.7 million square feet, 85%). The chart on the right shows construction since 1990.

Industrial Construction in the Zone



Distribution Centers

BLDG NAME	Address	Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
Almeda-Genoa Rd, 750	750 Almeda Genoa Rd	232,000	100.0%	MT	1975
Astro Business Center 1	8701 Knight Rd	30,000	100.0%	MT	1979
Astro Business Center 2	8725 Knight Rd	30,000	83.3%	MT	1982
Astro Business Center 3	8801 Knight Rd	30,000	100.0%	MT	1982
Plaza Del Oro 1	8272 El Rio	179,215	94.2%	MT	1982
Corporate Centre @ Fannin	10001 Fannin	218,966	100.0%	MT	2002
Total/Average		720,181	97.9%		

Manufacturing Facilities

BLDG NAME	Address	Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
2434 Holmes Rd	2434 Holmes Rd	33,000	100.0%	ST	1951
Gulf States Paint Co	12230 Robins Blvd	40,560	100.0%	ST	1955
12221 Almeda Rd	12221 Almeda Rd	110,000	0	MT	1957
Almeda Rd, 9011	9011 Almeda Rd	20,800	100.0%	ST	1962
South Loop W, 405	405 South Loop W	53,167	0	MT	1965
Hydrotreat Inc	12311 Amelia Dr	18,800	100.0%	ST	1965
East Point Dr, 9351	9351 East Point Dr	43,350	100.0%	ST	1979
2650 Belfort W	2650 Belfort W	136,404	100.0%	ST	1987
Holmes Rd, 2020	2020 Holmes Rd	22,500	100.0%	ST	1990
Holmes Rd, 2030	2030 Holmes Rd	10,500	100.0%	ST	1999
Total/Average		489,081	66.6%		

Office/Warehouse

BLDG NAME	Address		Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
Holmes Rd., 2906	2906	Holmes Rd	51,230	100.0%	MT	1940
England, 6105	6105	England	20,700	100.0%	ST	1961
Alameda Rd E, 9103	9103	Alameda Rd, E	64,577	100.0%	ST	1965
Southland 2	2702	Holmes Rd	163,900	100.0%	ST	1977
Main S, 11515	11515	Main, S	377,980	13.2%	MT	1979
Center Point, 9401	9401	Center Point Dr	24,000	100.0%	ST	1979
Interchange A, The	8820	Interchange Dr	73,834	100.0%	MT	1980
Main Park Service Ctr	3605	Willowbend Blvd	242,056	66.1%	MT	1980
Interchange, The	8911	Interchange Dr	134,584	100.0%	MT	1981
1900 Crosspoint Ave	1900	Crosspoint Ave	56,342	100.0%	ST	1981
Edwina, 12303	12303	Edwina	30,000	100.0%	ST	1981
10201 S Main	10201	Main S	127,600	100.0%	ST	1983
Kirby, 8968	8968	Kirby	87,660	100.0%	MT	1983
Kirby Business Center VII	9251	Kirby	33,923	65.8%	MT	1983
4311 Town Plaza Dr	4311	Town Plaza Dr	22,800	100.0%	MT	1983
Town Park Office Warehouse	4300	Town Plaza	36,000	77.8%	MT	1983
Town Plaza Business Park	4350	Town Plaza Dr	58,320	100.0%	MT	1984
Lakes At 610 Technical Center	9000	Kirby	29,123	100.0%	MT	1985
Holly Hall Business Park	8317	Knight Rd	30,000	100.0%	MT	1986
South Loop W, 911	911	South Loop W	13,860	100.0%	ST	1995
Opus Fannin Center Ph 1 Bldg C	9424 C	Fannin	80,080	100.0%	MT	2004
		Total/Average	1,758,569	75.6%		

Service Centers

BLDG NAME	Address		Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
Main Park Business Center(II)	3610	Willowbend Blvd	94,706	69.3%	MT	1981
Town Plaza Dr, 4300	4300	Town Plaza Dr	36,000	71.5%	MT	1983
Corporate Centre Kirby Ph II	9220	Kirby	109,450	100.0%	MT	2005
		Total/Average	240,156	83.6%		

Warehouse Facilities

BLDG NAME	Address		Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
922,Holmes Rd	922	Holmes Rd	49,513	100.0	ST	1940
Holmes Rd, 2910	2910	Holmes Rd	11,732	100.0	ST	1952
Almeda Rd, 13131	13131	Almeda Rd	227,000	80.5	MT	1954
Robin Blvd 12233	12233	Robin Blvd	16,080	0.0	ST	1955
Amelia, 12300	12300	Amelia Dr	171,000	84.7	MT	1956
Mowery Rd 2425	2425	Mowery Rd	76,684	13.0	MT	1956
Texas Brine Corp	235	Fariss St	12,000	100.0	ST	1960
South Loop W, 1222	1222	South Loop W	16,570	100.0	ST	1960
South Loop Warehouse	1015	South Loop W	30,500	0.0	ST	1960
2621 Holmes Rd	2621	Holmes Rd	13,957	100.0	ST	1961
Amelia Dr, 12303	12303	Amelia Dr	15,912	100.0	MT	1962
Almeda Rd, 9000	9000	Almeda Rd	15,784	100.0	ST	1965
2116 Almeda Genoa Rd	2116	Almeda Genoa Rd	10,820	100.0	ST	1965
220 Fariss	220	Fariss St	20,000	100.0	ST	1970
4340,Griggs Rd	4340	Griggs Rd	20,000	100.0	ST	1970
Southland Industrial Park I	2774	Holmes Rd	341,784	100.0	MT	1977
450 Holmes Rd	450	Holmes Rd	21,006	100.0	MT	1977
1320 Almeda-Genoa Rd	1320	Almeda-Genoa Rd	17,500	100.0	ST	1978
Astro Business Ctr 4 - 9	8825	Knight Rd	203,742	80.5	MT	1979
Texas Pipe & Supply Co	2330	Holmes Rd	30,000	100.0	MT	1979
Robins Blvd, 12245	12245	Robins Blvd	20,000	100.0	ST	1979
Englemohr, 2004	2004	Englemohr	13,000	100.0	MT	1980
South Loop Distr Ctr 4	9433	Kirby	98,097	100.0	MT	1980
Kirby Business Center	9350	South Point Dr	125,904	76.4	MT	1980
Magnet, 2510	2510	Magnet	180,000	100.0	MT	1980
Southland Industrial Park	2708	Holmes Rd	161,626	100.0	MT	1980
Kirby Business Center	9454	Kirby	61,707	100.0	MT	1981
G & K Services	9201	Center Point Dr	33,743	100.0	ST	1981
Main Park Distribution [F,G,H,I]	3639	Willowbend Blvd	411,726	100.0	MT	1981
Kirby Business CenterBldg 1	9400	Kirby	52,999	100.0	MT	1981
Kirby Distribution Center	9300	South Point Dr	60,036	68.7	MT	1981
South Point, 9344	9344	South Point	18,268	100.0	MT	1981
10621 Main S	10621	Main St	10,800	100.0	ST	1982
Crosspoint Warehouse	1701	Crosspoint	72,525	100.0	MT	1982
Plaza Del Oro 4	900	South Loop Fwy W	28,257	92.9	MT	1982
200 Holmes Rd	200	Holmes Rd	13,247	100.0	ST	1982
Plaza del Oro 6	8275	El Rio	35,829	100.0	MT	1982
Plaza del Oro 5	8285	El Rio St	28,257	100.0	MT	1982
Elaine Rd, 13001	13001	Elaine Rd	20,000	100.0	ST	1982
Koch Lab	11155	Main St	25,080	100.0	MT	1983
8505 Holt	8505	Holt St	13,860	100.0	ST	1983
Town Park Office Warehouse II	4301	Town Plaza	22,800	100.0	MT	1983

BLDG NAME	Address		Gross Sq. Ft.	Occupancy	ST/MT	YEAR BUILT
Main Park II	11205	S Main St	18,704	100.0	ST	1983
Lakes @ 610 Loop	2525	Bellfort, W	66,240	88.5	MT	1984
Commerce Park Medical Center	9303	Kirby	49,175	84.0	MT	1985
2010 Naomi	2010	Namoi	16,760	100.0	MT	1985
Holly Hall Business Park	8303	Knight Rd	60,860	100.0	MT	1986
Buffalo Speedway, 16650	16650	Buffalo Speedway	33,000	100.0	MT	1995
FedEx World Service Center	2795	Holly Hall St	89,144	100.0	ST	1999
Corporate Centre Kirby Ph I	9300	Kirby	107,934	100.0	MT	2001
1107 South Loop W	1107	South Loop W	36,000	100.0	ST	2004
Corporate Centre Kirby Ph IV	9310	Kirby Dr	141,408	17.8	MT	2008
		Total/ Average	3,448,570	88.2		

Hotel Trends in the CMA and Zone

Hotels and motels in the CMA and the Zone have been on a “roller coaster” ride, seeing overall rooms decline for the first half of the decade and then a steady increase since 2005.

A large portion of the decline has been in the renovation of the original AstroWorld Hotel which is now the Grand Plaza Reliant Center, shut down one wing in 2005, reducing the number rooms from 600 to 300. Other hotels also declined in the period.

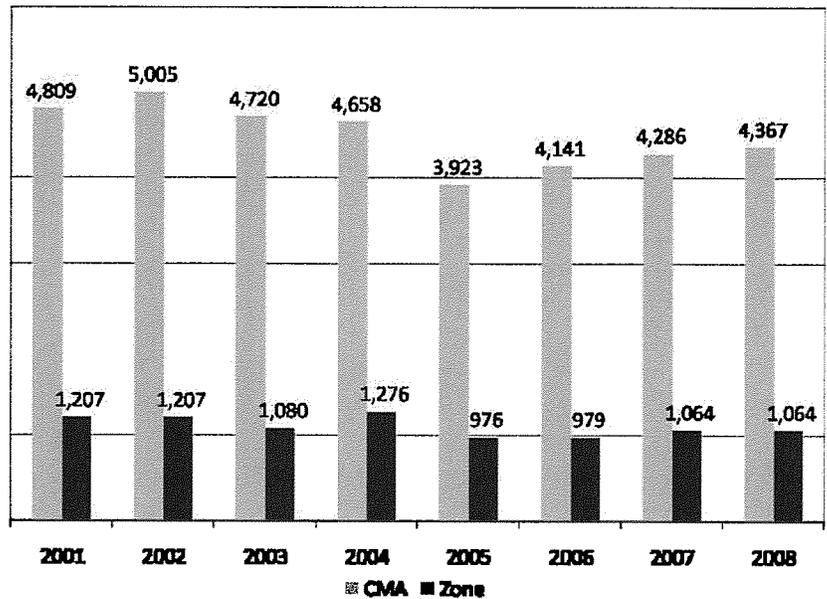
Since 2005, hotels in the CMA have increase by an average of 148 rooms per year. Hotels in the Zone increased with the Extended Stay America Medical Center Hotel’s 85 rooms.

Occupancy in the CMA has exceeded the Zone and the region in recent years. Occupancy in the Zone is the same as the region. Revenue per

Available Room in the Zone has trailed both the CMA and the region due to the location of many small limited service, hotels. However, 2008 saw a substantial increase in room rents (REVPAR increased by \$13.27).

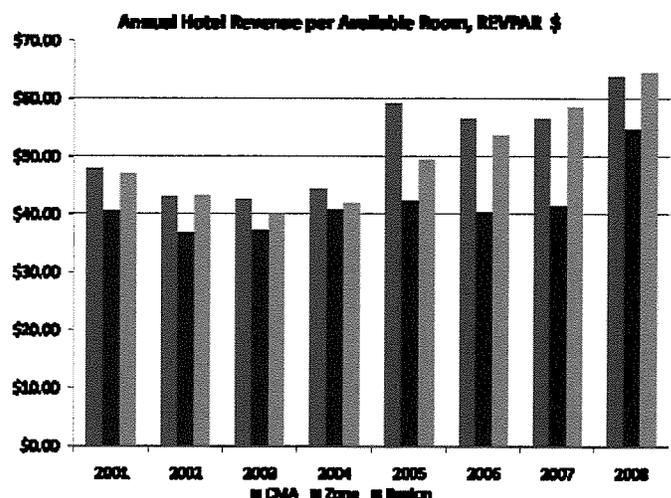
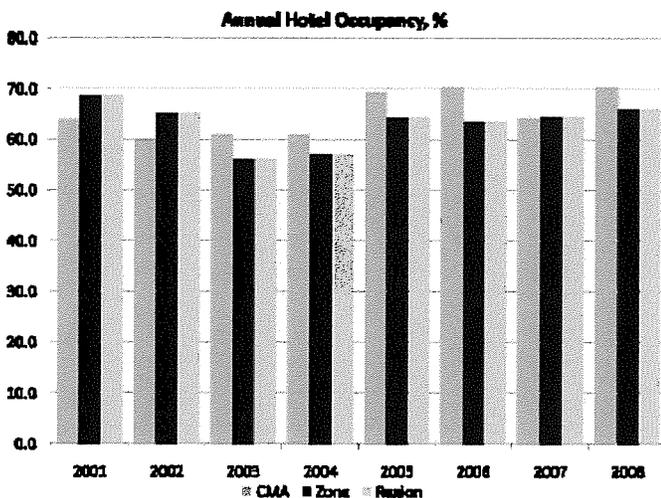
Hotel Trends in the CMA and Zone

CMA and Zone - Total Hotel Rooms



Source: Source Strategies, Inc.

Hotel Performance Statistics in the CMA and the Zone



Hotels in the Zone

The table, below, presents information on the hotels and motels in the Zone as presented by Source Strategies, the State of Texas leading source for hotel data. The current count of 1,064 rooms

List of Hotels Currently in the Zone

Hotel	Rooms	Revenue		ADR Estimated		Occupancy		REVPAR	
		2008	%Chg	2008	%Chg	2008	Chg	2008	\$ Chg
Rose Garden Inn	29	429,603	13.3%	59.22	14.1	68.5%	(0.5)	\$40.59	\$4.75
Tweety's	15	125,450	6.4%	40.55	(2.2)	56.5%	4.5	\$22.91	\$1.37
Tweety 9 Diamond Inn	28	216,186	6.6%	36.75	2.9	57.6%	2.0	\$21.15	\$1.30
Deluxe Inn	19	270,686	7.0%	56.45	3.1	69.1%	2.5	\$39.03	\$2.55
Extended Stay America Med	85	2,635,164	10.2%	105.23	8.8	80.7%	1.1	\$84.94	\$7.86
Comfort Suites	54	1,433,273	7.7%	103.08	13.9	70.5%	(4.0)	\$72.72	\$5.20
Holiday Inn Astrodome	238	5,344,151	6.6%	102.35	13.2	60.1%	(3.8)	\$61.52	\$3.79
Grand Plaza Reliant Center	300	6,450,427	143.3%	83.14	21.2	70.9%	35.5	\$58.91	\$34.69
La Quinta Inn #690	113	1,985,540	17.0%	69.80	1.6	69.0%	9.1	\$48.14	\$6.99
Homestead Village	154	2,254,861	13.5%	53.83	8.9	74.5%	3.1	\$40.11	\$4.78
Summit Inn	29	142,829	28.3%	22.07	5.3	61.2%	11.0	\$13.49	\$2.97
Totals	1,064	21,288,170	31.9%	79.94	12.5%	68.6%	10.9	\$54.82	\$13.27

Source: Source Strategies, Inc.

Land Use Summary Proposed TIRZ 23

The table below presents the summary of land uses in the zone from the Harris County Appraisal District. This data is the most inclusive overview of the development within the Zone as of September of 2009. The data presented on the previous pages, primarily from O'Connor and Associates includes all major development but is not inclusive.

The table on the right compares the data from HCAD with the data from O'Connor. What O'Connor does not pick up are small single tenant buildings and shopping centers with fewer than 10,000 square feet. The Land Use Summary below should be considered the most accurate depiction of development in the Zone.

Comparison of HCAD with O'Connor Data

Square Feet of Existing Buildings

Use	HCAD	O'Connor	Difference
Office	3,693,455	2,090,367	1,603,088
Industrial	7,893,365	6,656,557	1,236,808
Retail	1,361,977	696,488	665,489

Land Use Summary for the Zone

Land Use	Housing	Parcels		Buildings		Land Area	
	Units	#	%	SF	%	Acres	%
Hotel/Motel	1,409	14	0.3%	901,877	4.5%	39	0.6%
Industrial		178	3.6%	7,893,365	39.1%	980	14.0%
Institution		16	0.3%	767,110	3.8%	486	6.9%
Retail		67	1.3%	1,361,977	6.7%	198	2.8%
Office		47	0.9%	3,693,455	18.3%	142	2.0%
Subtotal Commercial		322	6.5%	14,617,784	72.4%	1,845	26.4%
Single Family	1,846	1,846	37.2%	3,166,315	15.7%	253	3.6%
Single Family-Townhome	137	137	2.8%	0	0.0%	0	0.0%
Multifamily, Condominium	405	405	8.2%	461,143	2.3%	0	0.0%
Multifamily, Rental	1,314	7	0.1%	1,498,842	7.4%	88	1.3%
Subtotal Residential	3,702	2,395	48.3%	5,126,300	25.4%	342	4.9%
Park		3	0.0%	0	0.0%	82	1.2%
Religious		1	0.0%	44,176	0.2%	3	0.0%
Vacant, Developable		2,099	42.3%	309,747	1.5%	3,163	45.2%
Vacant, Parking		25	0.5%	0	0.0%	135	1.9%
Vacant, Undevelopable		118	2.4%	95,695	0.5%	588	8.4%
Subtotal Other		2,246	45.3%	449,618	2.2%	3,972	56.7%
Grand Total		4,963	100.0%	20,193,702	100.0%	6,159	88.0%
Additional land area - street, highway, railroad ROW, Utilities						842	12.0%
Total Land Area						7,001	100.0%

Source: Harris County Appraisal District, GIS data file, CDS Market Research

Future Development Potential in the TIRZ

Residential - Single-and Multi-Family Markets

Housing Demand Projections

Future housing demand in the housing market area is based on the expected increase in households in the region. The table on following page presents the “trends” housing forecast for the Housing Market Area and the Zone. The results of that analysis is summarized by the table on the right for 5-year periods.

The overall forecast is predicated on the long term forecast of prosperity for the Houston region. While short-term forecast for housing construction is decidedly lower that recent trends, the longer term forecast is consistent with growth forecasts from the Houston-Galveston Area Council. Over the

twenty-year period from 2010 to 2030, this forecast has a total of 740,000 new housing units constructed. At an average household size of 2.8, that is adequate housing for 2.1 million new residents.

The summary table above illustrates that this trend forecast for housing in the Zone is reasonable yet somewhat optimistic. After a slow down in new units in the next five year period (to 1,810), this forecast increases the number of new units to in the Zone to 3,150 which is higher than the last five-year period (2,541). Over the twenty-year forecast period, the average number of new units added in the trends forecast is 2,943, only 15% above the 2005-2009 period.

An important element in producing this forecast is the assumption that the Texas Medical Center will continue to expand the number of jobs. And it has been shown that the Zone is currently, and expected to be the future, residential choice of a significant percentage of the employees in the TMC. According to sources within the TMC, they expect to add approximately 25,000 jobs by 2014. Currently 7% of the TMC employees live in the Zone. Simply maintaining that 7% share, it would suggest that 1,750 TMC employees would choose the Zone for their residential location by 2014. That accounts for most of the projected growth over the next five years. It is likely that the percentage choosing the Zone for residential location will increase over time.

New Dwelling Unit Demand Forecast

Housing Market Area 2009-2030

	Housing Market Area			Zone Housing Units Added		
	M.F.	S.F.	Total	M.F.	S.F.	Total
2005 to 2009	8,839	7,356	16,195	1,103	1,438	2,541
2010 to 2014	5,030	5,675	10,705	839	971	1,810
1015 to 2019	6,920	5,705	12,625	1,859	1,298	3,156
2020 to 2024	8,120	5,970	14,090	1,843	1,557	3,400
2024 to 2029	9,020	6,500	15,520	1,969	1,438	3,407

Source: CDS Market Research

Housing Trends Forecast

Year	Houston Region		Housing Units Added				Percent of Region		Percent of HMA		Population
	M.F.	S.F.	Housing Market Area		Zone		Housing Market Area		Zone		Zone
			M.F.	S.F.	M.F.	S.F.	M.F.	S.F.	M.F.	S.F.	Total
2004	10,858	45,039	3,074	1,194	584	171	28.3%	2.7%	19.0%	14.3%	6,563
2005	11,080	51,085	1,140	1,646	270	489	10.3%	3.2%	23.7%	29.7%	8,369
2006	16,570	55,130	1,009	1,827	-	416	6.1%	3.3%	0.0%	22.8%	9,492
2007	21,158	42,072	2,781	1,575	-	251	13.1%	3.7%	0.0%	15.9%	10,170
2008	14,526	28,111	2,555	1,208	-	149	17.6%	4.3%	0.0%	12.3%	10,572
2009	8,000	20,000	1,354	1,100	833	133	6.0%	10.0%	61.5%	12.1%	12,431
2010	8,500	22,000	510	1,320	61	198	6.0%	6.0%	12.0%	15.0%	13,076
2011	9,000	23,500	720	1,175	86	188	8.0%	5.0%	12.0%	16.0%	13,739
2012	10,000	25,000	800	1,000	144	170	8.0%	4.0%	18.0%	17.0%	14,457
2013	11,000	26,500	1,320	1,060	211	191	12.0%	4.0%	16.0%	18.0%	15,352
2014	12,000	28,000	1,680	1,120	336	224	14.0%	4.0%	20.0%	20.0%	16,562
2015	15,000	30,000	2,400	1,350	480	297	16.0%	4.5%	20.0%	22.0%	18,228
2016	16,000	32,000	1,920	1,440	346	259	12.0%	4.5%	18.0%	18.0%	19,550
2017	17,000	34,000	1,700	1,530	289	245	10.0%	4.5%	17.0%	16.0%	20,731
2018	17,500	42,000	2,100	1,890	336	227	12.0%	4.5%	16.0%	12.0%	21,948
2019	20,000	40,000	2,400	1,800	408	270	12.0%	4.5%	17.0%	15.0%	23,411
2020	16,000	38,000	2,240	1,710	358	274	14.0%	4.5%	16.0%	16.0%	24,795
2021	14,000	36,000	1,960	1,620	333	275	14.0%	4.5%	17.0%	17.0%	26,139
2022	16,000	38,000	2,400	1,710	432	308	15.0%	4.5%	18.0%	18.0%	27,747
2023	14,000	36,000	2,170	1,620	347	324	15.5%	4.5%	16.0%	20.0%	29,247
2024	16,000	38,000	2,480	1,710	372	376	15.5%	4.5%	15.0%	22.0%	30,932
2025	18,000	40,000	2,790	1,800	474	324	15.5%	4.5%	17.0%	18.0%	32,661
2026	14,000	38,000	2,170	1,710	391	274	15.5%	4.5%	18.0%	16.0%	34,103
2027	12,000	42,000	1,860	1,890	315	227	15.5%	4.5%	16.9%	12.0%	35,282
2028	14,000	38,000	2,170	1,710	368	274	15.5%	4.5%	17.0%	16.0%	36,683
2029	16,000	42,000	2,480	1,890	421	340	15.5%	4.5%	17.0%	18.0%	38,360
2030	20,000	50,000	3,100	2,250	528	450	15.5%	4.5%	17.0%	20.0%	40,525

Office Market

The table on the right presents the historical trends and trend forecast for office development in the CMA and in the Zone.

In preparing this trends forecast, the CMA and the zone are expected to share in the overall growth of the regional office growth by the shares presented in the three columns on the right of the table.

To drive this forecast, it was assumed that the region will grow slowly for the next four years and then rebound to a level consistent with long-term office absorption trends by 2017.

The assumed annual office construction is summarized in the following table:

Year	Annual Construction
2000-9	1,818,400
2010	1,562,000
2011	1,553,000
2012	1,452,000
2013	956,000
2014	1,500,000
2015	1,600,000
2016	1,700,000
2017+	1,800,000

In this trends forecast the Zone adds office space, for each 5 year period, in the following amounts:

2010 to 2014	290,289
1015 to 2019	323,549
2020 to 2024	267,729
2024 to 2029	277,629

Office Space Trends Forecast

Year	Office Space, Square Feet			CMA % of		TIRZ % of	
	Region	CMA	TIRZ 23	Region	Region	CMA	CMA
1990	96,514,109	7,382,548	1,779,197	7.65%	1.84%	24.10%	
1991	96,684,109	7,382,548	1,779,197	7.64%	1.84%	24.10%	
1992	98,018,109	7,382,548	1,779,197	7.53%	1.82%	24.10%	
1993	98,038,109	7,502,075	1,898,724	7.65%	1.94%	25.31%	
1994	98,138,109	7,660,450	1,898,724	7.81%	1.93%	24.79%	
1995	98,138,109	7,696,450	1,898,724	7.84%	1.93%	24.67%	
1996	98,138,109	7,696,450	1,898,724	7.84%	1.93%	24.67%	
1997	98,183,109	7,696,450	1,898,724	7.84%	1.93%	24.67%	
1998	98,526,109	8,125,196	1,898,724	8.25%	1.93%	23.37%	
1999	103,672,109	8,140,196	1,913,724	7.85%	1.85%	23.51%	
2000	106,684,109	8,140,196	1,913,724	7.63%	1.79%	23.51%	
2001	107,708,109	8,140,196	1,913,724	7.56%	1.78%	23.51%	
2002	109,167,109	8,140,196	1,913,724	7.46%	1.75%	23.51%	
2003	110,294,109	8,320,196	1,913,724	7.54%	1.74%	23.00%	
2004	111,050,109	8,951,196	2,161,724	8.06%	1.95%	24.15%	
2005	111,531,109	10,237,409	2,161,724	9.18%	1.94%	21.12%	
2006	113,121,109	10,237,409	2,161,724	9.05%	1.91%	21.12%	
2007	114,706,109	11,489,412	2,161,724	10.02%	1.88%	18.81%	
2008	118,089,109	12,219,412	2,161,724	10.35%	1.83%	17.69%	
2009	121,856,109	12,304,119	2,246,431	10.10%	1.84%	18.26%	
2010	123,418,109	12,609,940	2,269,789	10.22%	1.84%	18.00%	
2011	124,971,109	12,918,579	2,338,263	10.34%	1.87%	18.10%	
2012	126,423,109	13,220,384	2,406,110	10.46%	1.90%	18.20%	
2013	127,379,109	13,473,210	2,465,597	10.58%	1.94%	18.30%	
2014	128,879,109	13,786,524	2,536,720	10.70%	1.97%	18.40%	
2015	130,479,109	14,114,255	2,611,137	10.82%	2.00%	18.50%	
2016	132,179,109	14,456,763	2,688,958	10.94%	2.03%	18.60%	
2017	133,979,109	14,737,702	2,755,950	11.00%	2.06%	18.70%	
2018	135,779,109	14,935,702	2,807,912	11.00%	2.07%	18.80%	
2019	137,579,109	15,133,702	2,860,270	11.00%	2.08%	18.90%	
2020	139,379,109	15,331,702	2,913,023	11.00%	2.09%	19.00%	
2021	141,179,109	15,529,702	2,966,173	11.00%	2.10%	19.10%	
2022	142,979,109	15,727,702	3,019,719	11.00%	2.11%	19.20%	
2023	144,779,109	15,925,702	3,073,660	11.00%	2.12%	19.30%	
2024	146,579,109	16,123,702	3,127,998	11.00%	2.13%	19.40%	
2025	148,379,109	16,321,702	3,182,732	11.00%	2.15%	19.50%	
2026	150,179,109	16,519,702	3,237,862	11.00%	2.16%	19.60%	
2027	151,979,109	16,717,702	3,293,387	11.00%	2.17%	19.70%	
2028	153,779,109	16,915,702	3,349,309	11.00%	2.18%	19.80%	
2029	155,579,109	17,113,702	3,405,627	11.00%	2.19%	19.90%	
2030	157,379,109	17,311,702	3,462,340	11.00%	2.20%	20.00%	

Retail Market

The table on the right presents the historical trends and trend forecast for the development of retail centers in the CMA and in the Zone.

As with the other trends forecasts, the CMA and the zone are expected to share in the overall growth of the region as shown by the shares in the three columns on the far right.

The regional retail development assumption also assume that the region add retail centers slowly for the next four years and then rebound to a level consistent with long-term office absorption trends by 2017.

The assumed annual retail construction is summarized in the following table:

Year	Annual Construction
2000-9	1,318,800
2010	663,000
2011	493,000
2012	840,000
2013	965,000
2014	1,000,000
2015	1,150,000
2016	1,250,000
2017 +	1,310,000

In this trends forecast the Zone adds retail centers, in each 5 year period, in the following amounts:

2010 to 2014	306,150
1015 to 2019	413,628
2020 to 2024	453,029
2024 to 2029	460,889

Retail Space Trends Forecast

Year	Retail Centers Space, Square Feet			CMA % of		TIRZ % of	
	Region	CMA	TIRZ 23	Region	Region	CMA	
1990	61,997,000	3,733,184	507,030	6.02%	0.82%	13.58%	
1991	62,356,000	3,733,184	507,030	5.99%	0.81%	13.58%	
1992	62,441,000	3,745,008	645,732	6.00%	1.03%	17.24%	
1993	63,695,000	3,757,008	645,732	5.90%	1.01%	17.19%	
1994	64,080,000	3,803,008	645,732	5.93%	1.01%	16.98%	
1995	65,185,000	3,876,853	645,732	5.95%	0.99%	16.66%	
1996	66,016,000	4,060,519	645,732	6.15%	0.98%	15.90%	
1997	67,846,000	4,165,519	645,732	6.14%	0.95%	15.50%	
1998	67,969,000	4,176,719	645,732	6.15%	0.95%	15.46%	
1999	68,950,000	4,190,319	645,732	6.08%	0.94%	15.41%	
2000	70,103,000	4,223,412	645,732	6.02%	0.92%	15.29%	
2001	71,149,000	4,237,582	645,732	5.96%	0.91%	15.24%	
2002	72,671,000	4,493,149	645,732	6.18%	0.89%	14.37%	
2003	73,961,000	4,562,066	667,051	6.17%	0.90%	14.62%	
2004	75,607,000	4,562,066	667,051	6.03%	0.88%	14.62%	
2005	77,684,000	4,664,490	667,051	6.00%	0.86%	14.30%	
2006	78,342,000	4,693,506	667,051	5.99%	0.85%	14.21%	
2007	79,027,000	4,706,434	667,051	5.96%	0.84%	14.17%	
2008	81,214,000	4,767,791	682,588	5.87%	0.84%	14.32%	
2009	82,818,000	4,826,911	696,488	5.83%	0.84%	14.43%	
2010	83,291,000	4,826,911	696,488	5.80%	0.84%	14.43%	
2011	83,954,000	4,966,078	718,555	5.92%	0.86%	14.47%	
2012	84,447,000	5,005,374	726,243	5.93%	0.86%	14.51%	
2013	85,287,000	5,065,397	736,978	5.94%	0.86%	14.55%	
2014	86,252,000	5,133,061	748,876	5.95%	0.87%	14.59%	
2015	87,252,000	5,203,044	761,167	5.96%	0.87%	14.63%	
2016	88,402,000	5,282,229	774,864	5.98%	0.88%	14.67%	
2017	89,652,000	5,367,678	789,546	5.99%	0.88%	14.71%	
2018	90,962,000	5,457,026	804,871	6.00%	0.88%	14.75%	
2019	92,272,000	5,546,689	820,315	6.01%	0.89%	14.79%	
2020	93,582,000	5,636,666	835,876	6.02%	0.89%	14.83%	
2021	94,892,000	5,726,957	851,557	6.04%	0.90%	14.87%	
2022	96,202,000	5,817,563	867,356	6.05%	0.90%	14.91%	
2023	97,512,000	5,908,483	883,275	6.06%	0.91%	14.95%	
2024	98,822,000	5,999,718	899,314	6.07%	0.91%	14.99%	
2025	100,132,000	6,091,267	915,473	6.08%	0.91%	15.03%	
2026	101,442,000	6,183,131	931,753	6.10%	0.92%	15.07%	
2027	102,752,000	6,275,308	948,153	6.11%	0.92%	15.11%	
2028	104,062,000	6,367,801	964,675	6.12%	0.93%	15.15%	
2029	105,372,000	6,460,607	981,319	6.13%	0.93%	15.19%	
2030	106,682,000	6,553,728	998,085	6.14%	0.94%	15.23%	

Industrial Market

The table on the right presents the historical trends and trend forecast for the development of all forms of industrial space in the CMA and in the Zone.

The CMA and the zone are expected to share in the overall growth of the region as shown by the shares in the three columns on the far right. While it is expected that the CMA will increase its share of the region slightly, it is expected that the character of the Zone will become slightly less attractive for industrial and warehouse uses.

The regional growth assumptions follow a similar pattern to the office and retail described previously. The assumed annual office construction is summarized in the following table:

Year	Annual Construction
2000-9	3,249,500
2010	2,216,000
2011	1,662,000
2012	1,931,000
2013	2,585,000
2014	2,675,000
2015	2,775,000
2016	3,025,000
2017 +	3,250,000

In this trends forecast the Zone adds industrial, in each 5 year period, in the following amounts:

2010 to 2014	263,325
1015 to 2019	346,634
2020 to 2024	376,080
2024 to 2029	376,759

Industrial Space Trends Forecast

Year	Industrial Space, Square Feet			CMA % of		TIRZ % of	
	Region	CMA	TIRZ 23	Region	Region	CMA	CMA
1990	244,660,000	14,770,329	5,793,715	6.04%	2.37%	39.23%	
1991	245,640,000	14,860,829	5,816,215	6.05%	2.37%	39.14%	
1992	246,684,000	14,873,989	5,816,215	6.03%	2.36%	39.10%	
1993	248,476,000	14,873,989	5,816,215	5.99%	2.34%	39.10%	
1994	249,865,000	14,873,989	5,816,215	5.95%	2.33%	39.10%	
1995	251,204,000	14,873,989	5,816,215	5.92%	2.32%	39.10%	
1996	252,902,000	14,942,849	5,863,075	5.91%	2.32%	39.24%	
1997	255,374,000	15,046,480	5,863,075	5.89%	2.30%	38.97%	
1998	258,882,000	15,046,480	5,863,075	5.81%	2.26%	38.97%	
1999	261,662,000	15,046,480	5,863,075	5.75%	2.24%	38.97%	
2000	266,140,000	15,146,124	5,962,719	5.69%	2.24%	39.37%	
2001	271,135,000	15,317,124	5,962,719	5.65%	2.20%	38.93%	
2002	276,567,000	15,425,058	6,070,653	5.58%	2.20%	39.36%	
2003	279,397,000	15,721,624	6,289,619	5.63%	2.25%	40.01%	
2004	281,282,000	15,740,624	6,289,619	5.60%	2.24%	39.96%	
2005	282,923,000	15,856,704	6,405,699	5.60%	2.26%	40.40%	
2006	284,778,000	15,966,154	6,515,149	5.61%	2.29%	40.81%	
2007	287,440,000	15,966,154	6,515,149	5.55%	2.27%	40.81%	
2008	291,869,000	16,470,579	6,515,149	5.64%	2.23%	39.56%	
2009	295,271,000	16,762,587	6,656,557	5.68%	2.25%	39.71%	
2010	298,635,000	16,762,587	6,656,557	5.61%	2.25%	39.88%	
2011	300,851,000	16,998,082	6,775,435	5.65%	2.25%	39.86%	
2012	302,513,000	17,122,236	6,821,499	5.66%	2.25%	39.84%	
2013	304,444,000	17,261,975	6,873,718	5.67%	2.25%	39.82%	
2014	307,029,000	17,439,247	6,940,820	5.68%	2.25%	39.80%	
2015	309,704,000	17,622,158	7,010,094	5.69%	2.25%	39.78%	
2016	312,479,000	17,811,303	7,081,774	5.70%	2.25%	39.76%	
2017	315,504,000	18,015,278	7,159,272	5.71%	2.25%	39.74%	
2018	318,754,000	18,232,729	7,242,040	5.72%	2.25%	39.72%	
2019	322,004,000	18,450,829	7,324,979	5.73%	2.25%	39.70%	
2020	325,254,000	18,669,580	7,408,089	5.74%	2.25%	39.68%	
2021	328,504,000	18,888,980	7,491,369	5.75%	2.25%	39.66%	
2022	331,754,000	19,109,030	7,574,820	5.76%	2.25%	39.64%	
2023	335,004,000	19,329,731	7,658,439	5.77%	2.25%	39.62%	
2024	338,254,000	19,551,081	7,742,228	5.78%	2.25%	39.60%	
2025	341,504,000	19,773,082	7,826,186	5.79%	2.25%	39.58%	
2026	344,754,000	19,995,732	7,910,312	5.80%	2.25%	39.56%	
2027	348,004,000	20,219,032	7,994,605	5.81%	2.25%	39.54%	
2028	351,254,000	20,442,983	8,079,067	5.82%	2.25%	39.52%	
2029	354,504,000	20,667,583	8,163,695	5.83%	2.25%	39.50%	
2030	357,754,000	20,892,834	8,248,491	5.84%	2.25%	39.48%	

Hotel Market

As shown previously, the hotel and motel market is driven primarily by the population and employment within the market area. However, in the case of the Zone, hotel and motel rooms far exceed the average for the Houston area. While there are approximately 9 hotel rooms in Houston per 1,000 (population plus employment), the Zone currently has approximately 30.

This excess is due to the substantial demand from the Texas Medical Center and from visitors to Houston attending events at the Reliant Center complex.

Therefore the trend projection for the hotels and motel development in the region is based on the incremental growth in population and employment.

Because the trend increments in hotel demand are small on an annual basis, it is unlikely that hotels will be constructed in the Zone more than one per each five-year period

The table on the right presents the five-year estimate of new hotel demand. In summary there appears to be demand for one new 80-90 room hotel in each 5-year period.

Hotel Market Trend Projections

Five-Year Period	Demand for Hotel Rooms
2005-2009 Actual	88
2010-2014	77
2015-2019	83
2020-2024	89
2025-2029	89

Three TIRZ Growth Scenarios

Scenario 1 – Modest Future Value Growth

The first growth scenario assumes that no new development will occur in the Zone and that all of the existing values will increase by 2% annually. Since the numbers in the table below are assumed to be current year dollars, this would assume that the 2% figure is roughly equivalent to low annual inflation rates.

Modest Growth Scenario Values

Property Values in Millions of Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	Overall Percent Change
	Hotel/ Motel	Industrial	Office	Retail	M.F.	S.F.	Institu- tion	Vacant Land		
2008	50.01	314.03	215.13	137.54	69.70	237.43	57.88	264.82	1,346.55	
2009	74.42	355.62	209.91	170.66	157.44	256.90	84.67	272.75	1,582.37	17.5%
2010	75.91	362.74	214.11	174.07	160.59	262.04	86.36	278.20	1,614.02	2.0%
2011	77.43	369.99	218.39	177.55	163.80	267.28	88.09	283.77	1,646.30	2.0%
2012	78.98	377.39	222.76	181.11	167.08	272.62	89.85	289.44	1,679.22	2.0%
2013	80.55	384.94	227.21	184.73	170.42	278.08	91.65	295.23	1,712.81	2.0%
2014	82.17	392.64	231.76	188.42	173.83	283.64	93.48	301.14	1,747.06	2.0%
2015	83.81	400.49	236.39	192.19	177.30	289.31	95.35	307.16	1,782.01	2.0%
2016	85.49	408.50	241.12	196.03	180.85	295.10	97.26	313.30	1,817.65	2.0%
2017	87.20	416.67	245.94	199.96	184.47	301.00	99.20	319.57	1,854.00	2.0%
2018	88.94	425.00	250.86	203.95	188.16	307.02	101.18	325.96	1,891.08	2.0%
2019	90.72	433.50	255.88	208.03	191.92	313.16	103.21	332.48	1,928.90	2.0%
2020	92.53	442.17	261.00	212.19	195.76	319.42	105.27	339.13	1,967.48	2.0%
2021	94.38	451.02	266.22	216.44	199.67	325.81	107.38	345.91	2,006.83	2.0%
2022	96.27	460.04	271.54	220.77	203.67	332.33	109.53	352.83	2,046.96	2.0%
2023	98.20	469.24	276.97	225.18	207.74	338.97	111.72	359.89	2,087.90	2.0%
2024	100.16	478.62	282.51	229.69	211.89	345.75	113.95	367.09	2,129.66	2.0%
2025	102.16	488.20	288.16	234.28	216.13	352.67	116.23	374.43	2,172.26	2.0%
2026	104.21	497.96	293.92	238.97	220.45	359.72	118.55	381.92	2,215.70	2.0%
2027	106.29	507.92	299.80	243.74	224.86	366.92	120.92	389.55	2,260.01	2.0%
2028	108.42	518.08	305.80	248.62	229.36	374.25	123.34	397.34	2,305.21	2.0%
2029	110.58	528.44	311.92	253.59	233.95	381.74	125.81	405.29	2,351.32	2.0%
2030	112.80	539.01	318.15	258.66	238.63	389.37	128.33	413.40	2,398.35	2.0%

Scenario 2 – Projected Growth Using Historical Trends

In this Zone growth scenario, the commercial, industrial, and residential trends forecasts previously described were used in the preparation of this forecast. The 2% rate of inflation of existing properties assumed in the previous scenario was maintained in this forecast. For new property projected to be completed in the Zone, the property unit values shown in the table on the right were used for 2009. They were adjusted upward by the same inflation rate over time.

Assumed Property Values for New Construction

Land Use	Value Per Square		Current per unit	New
	Current	New		
Hotel/Motel	\$82.52	\$85.00	\$52,818	\$55,000
Industrial	\$43.96	\$60.00		
Institution	\$110.37	\$110.00		
Single Family	\$74.24	\$85.00	\$118,543	\$150,000
Multifamily, Condo	\$35.91	\$70.00	\$40,591	\$80,000
Multifamily, Rental	\$51.48	\$65.00	\$58,717	\$65,000
Office	\$54.14	\$115.00		
Retail	\$125.30	\$95.00		

Trend Growth Scenario Values

Property Values in Millions of Current Year Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	% Change
	Hotel/Motel	Industrial	Office	Retail	M.F.	S.F.	Institution	Vacant Land		
2008	50.01	314.03	215.13	137.54	69.70	237.43	57.88	264.82	1,346.55	
2009	74.42	355.62	209.91	170.66	157.44	256.90	84.67	272.75	1,582.37	17.5%
2010	75.91	362.74	216.90	182.45	165.36	292.94	86.36	275.48	1,658.13	4.7%
2011	77.43	377.56	229.54	195.48	175.45	328.10	88.09	278.23	1,749.88	5.4%
2012	78.98	387.50	242.35	206.07	190.42	361.05	89.85	281.01	1,837.24	4.9%
2013	85.23	398.05	254.36	216.81	211.25	398.10	91.65	283.82	1,939.27	5.5%
2014	86.84	409.80	268.12	226.87	243.04	441.50	93.48	286.66	2,056.31	5.9%
2015	88.48	421.93	282.58	238.40	287.87	498.35	95.35	289.53	2,202.49	7.0%
2016	90.16	434.47	297.80	250.52	321.78	549.69	97.26	292.42	2,334.10	5.9%
2017	97.33	447.66	311.83	263.28	351.30	599.48	99.20	295.35	2,465.42	5.6%
2018	99.07	461.48	324.03	276.70	385.71	646.97	101.18	298.30	2,593.44	5.1%
2019	100.85	475.59	336.53	290.56	427.52	703.46	103.21	301.29	2,739.01	5.6%
2020	102.66	489.98	349.35	304.89	465.45	761.78	105.27	304.30	2,883.68	5.2%
2021	104.51	504.66	362.47	319.70	501.69	821.60	107.38	307.34	3,029.36	5.0%
2022	112.86	519.63	375.92	335.00	548.44	889.04	109.53	310.41	3,200.83	5.6%
2023	114.79	534.91	389.70	350.81	587.56	961.10	111.72	313.52	3,364.09	5.1%
2024	116.75	550.49	403.82	367.14	630.01	1,045.34	113.95	316.65	3,544.16	5.3%
2025	118.75	566.39	418.28	384.01	684.06	1,120.31	116.23	319.82	3,727.86	5.2%
2026	120.80	582.61	433.10	401.44	730.22	1,185.98	118.55	323.02	3,895.72	4.5%
2027	130.01	599.16	448.28	419.44	769.04	1,242.73	120.92	326.25	4,055.84	4.1%
2028	132.14	616.04	463.83	438.04	814.56	1,311.05	123.34	329.51	4,228.52	4.2%
2029	134.31	633.25	479.77	457.25	867.05	1,395.88	125.81	332.81	4,426.12	4.7%
2030	136.52	650.82	496.09	477.08	932.90	1,507.87	128.33	336.13	4,665.74	5.4%

Scenario 3 –Enhanced Development Potential

The third scenario of growth for the zone is dependent upon various enhancements in the area.

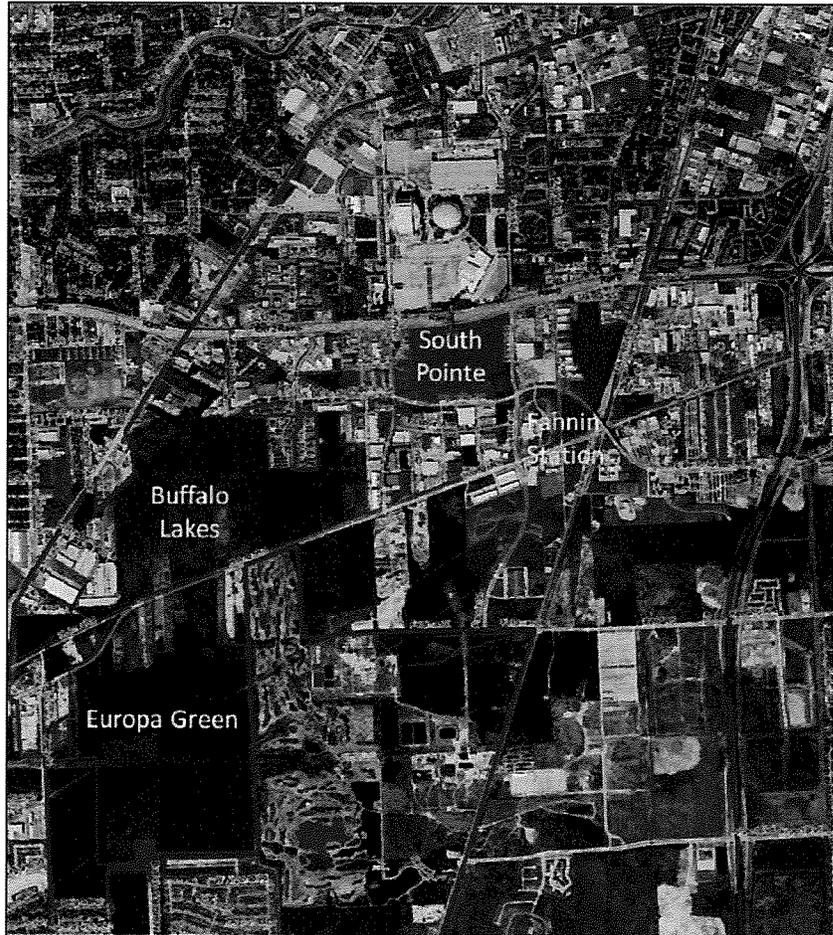
The key factor here is that there is approximately 3,200 acres of undeveloped land in the Zone, constituting 45% of the total acreage. That land is prime for future development given the right set of conditions for growth.

There are at least four major properties that are master planned for new development. The map on the right illustrates the most prominent parcels.

The four development-projects shown here and described on the following pages total 947 acres. Their master plans combine to include approximately 12,000 housing units (primarily multi-family) and 10 million square feet of commercial uses.

It is clear from the previously described trends analysis (12,700 housing units added and 4.4 million square feet of commercial buildings by 2030) that near-term success of these projects will be a challenge.

Map of Major Development Projects in the Zone



Buffalo Lakes

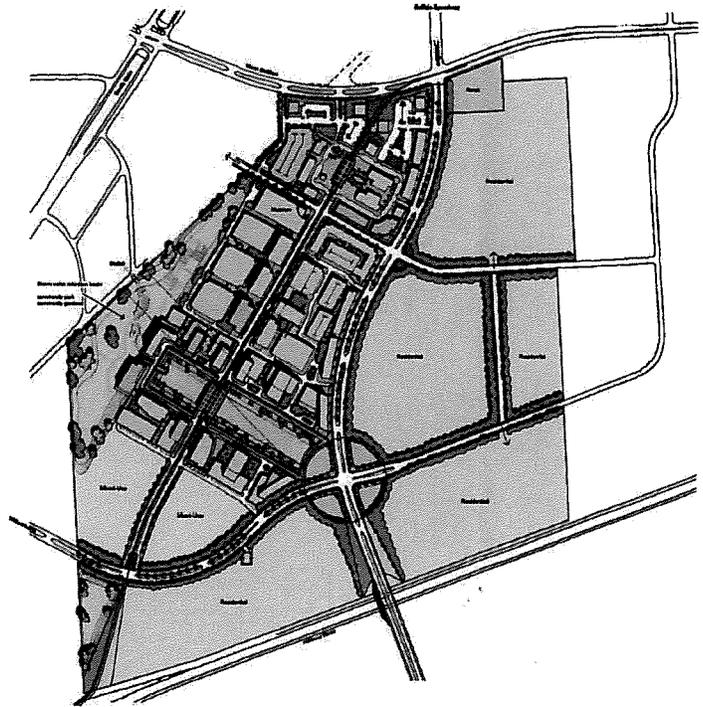
Project south of West Bellfort along future alignment of Buffalo Speedway and

Total Acres - 270

Master Plan Land Uses:

Land Uses	Amounts
Residential	
Townhomes/Patio	900 units
Multi Family Units	2,250 units
Total Residential	3,150 units
Commercial	
Office/Medical	2,300,000 SF
Retail/ Restaurant	260,000 SF
Theatre	120,000 SF
Athletic Club	100,000 SF
Total Commercial	2,700,000 SF
Other	
Luxury Hotel	250 rooms
Extended Stay Hotel	150 rooms
Public Parking Garage	1,500 cars
Parks / Amenity Lakes	35 acres

Buffalo Lakes Master Plan



Europa Green

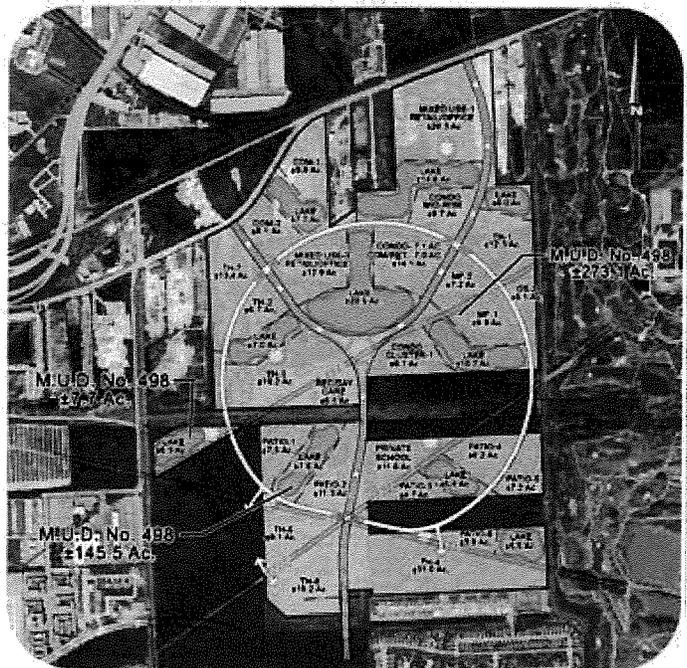
The project is south of Holmes road, west of Wildcat Golf Course and along the extension of Buffalo Speedway. Project as proposed is a high-end multi-use project.

Total Acres - 426

Master Plan Land Uses:

Land Use	Acres	Building	Unit
Single-Family	150.4	2,556	Units
Condominium	32.5	1,420	Units
M-F. Apartment	17.0	714	Units
Mixed Use	39.2	276,340	Sq. Ft.
Commercial/Retail	18.0	343,579	Sq. Ft.
Private School	11.6	1,600	Sq. Ft.
Day Care	6.5	5,000	Sq. Ft.
Other (ROW, util., open, detention)	151.1		
Total	426.3		

Europa Green



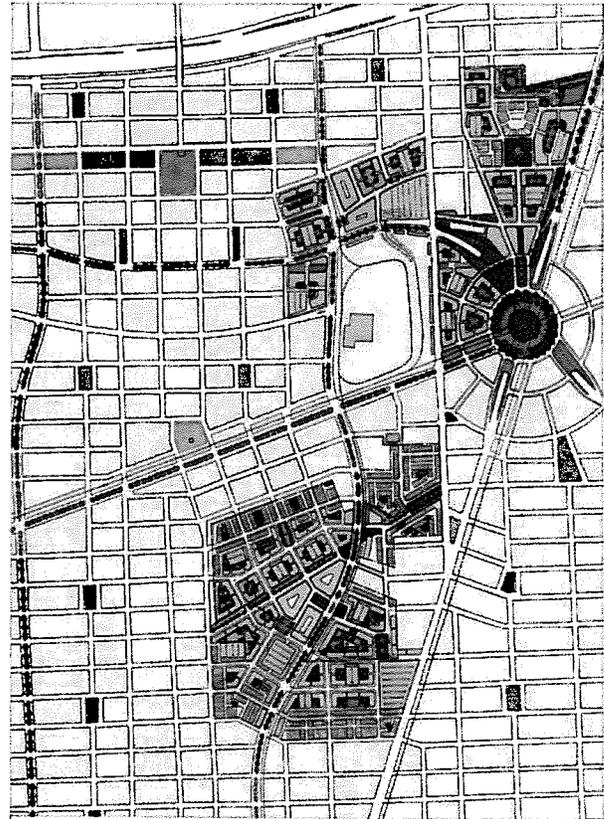
Fannin Station

Project west of Almeda Road, east and west of Fannin street, south of the 610 Loop. Project is adjacent to Metro Red Line south terminus. Currently townhome development and building.

Total Acres – 147

Master Plan Land Uses: Unknown

Fannin Station Master Plan



South Pointe

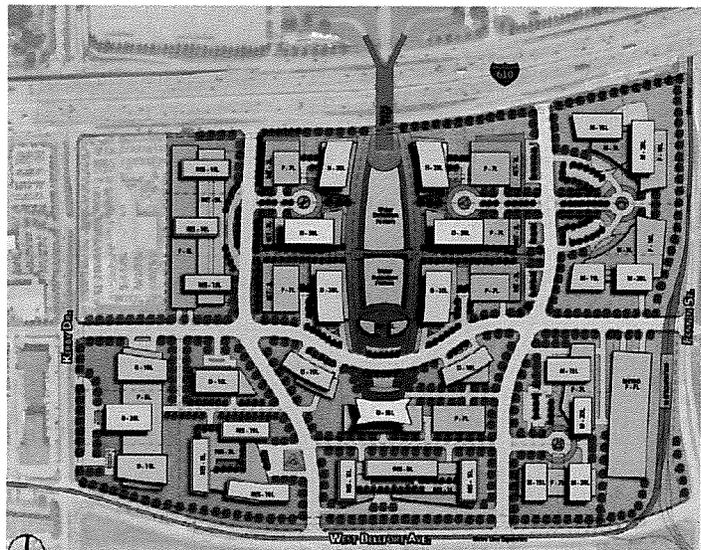
Project is south of Loop 610 on the site of the former AstroWorld amusement park, west of Fannin Street and north of West Bellfort. Project is master-planned development.

Total Acres - 104

Master Plan Land Uses:

Land Use	Total Area
O - Office	3,500,000 SF
H- Hotel	750,000 SF
M – Medical Institutional	2,300,000 SF
RES - Residential	1,200,000 SF
RET - Retail	700,000 SF
P - Parking	5,300,000 SF
Total Gross Area	13,650,000 SF

South Pointe Master Plan



Improvements underway in the Zone

Capital investments are currently being made within the Zone. Notable are the extensions of Buffalo Speedway, West Bellfort and Willowbend in the area south of the 610 Loop and east of US 90 (South Main). The table on the right lists over \$37 million in current projects by the City of Houston in the area.

Another notable improvement is the 100-acre Houston Amateur Sports Complex at Airport Blvd. and SH 288. This is a joint project of the City and the Houston Dynamo soccer team. The first phase of the project, will include the construction of 8 athletic fields, as well as an extension of Kirby Drive south to Sims Bayou. The cost is expected to be about \$10 million and the project is expected to be completed in 2010.

2006 – 2010 Street Projects in the Zone

Project	Description	Cost, 000's \$	Completion
Kirby	Paving, Holmes Rd. to Reed Rd.	\$4,150	2010
Kirby	Rehab, I-610 to Holmes	\$2,450	2010
Buffalo	Paving, W. Orem to W. Airport	\$4,400	2008
Buffalo	Paving, W. Bellfort to Willowbend	\$3,300	2010
Airport	Paving, Hiram Clark to FM 521	\$12,000	2007
Holmes	Paving, Main to Kirby	\$8,100	2010
Willowbend	Paving, S. Main to Buffalo Spwy	\$1,500	2010
W. Bellfort	Paving, S. Main to Buffalo Spwy	\$1,271	2010
Totals		\$37,171	

Source: City of Houston 2006-2010 Adopted Capital Improvement Plan

Needed Improvements

Conversations with the property owners, developers and agents of the major proposed developments within the zone have revealed that market conditions currently in the zone do not support near-term development of high-quality master-planned developments. While some of the projects revealed pending land sales (primarily for housing projects) the consensus view was that some significant enhancements must be made in the area to bring about the expected development.

Following are some of the projects that might be considered by the new TIRZ to induce new development in the Zone:

- **Improvements to the Reliant Astrodome** – Reliant Park is at the center of this Zone and is an economic engine that could drive more activity in the region. If the Astrodome could be developed into a creator of jobs, it would add to

the potential growth of the Zone. Various ideas have surfaced about the adaptive reuse of the dome including a film studio, a convention hotel, a planetarium, a casino and an indoor amusement park.

- **Extension of Metro Light Rail** – Metro is currently studying the extension of the Red Line from its current south terminus at the Fannin South Station, west along West Bellfort, to Holmes Road, then along South Main to the Harris County line at West Belt. Ultimately, this line might be extended into Fort Bend County to Sugar Land. This project would provide transit accessibility to all of the major projects mentioned previously and would be a healthy inducement to additional residential and commercial development in the Zone. A partnership between the private property

owners, the TIRZ Board and Metro could produce the necessary impetus to move this project forward. Estimates that this line could be under construction as early as 2012.

- Sanitary Sewer Trunk Line** – While some sewer capacity exists for limited current development in the Zone, significant new development will require additional capacity to reach the Almeda Sims Treatment Facility. The City of Houston currently has a \$16 million program to expand the sludge process facility at the plant but apparently there are no current plans to construct the trunk sanitary sewer line to serve the developments just south of Loop 610. A public-private partnership between the City, Harris County, the TIRZ and the property owner could create the funding to construct the trunk line and create needed capacity in the Zone.
- Buffalo Speedway Extension** – the extension of Buffalo Speedway south across Holmes Road to West Orem would support the planned development of the Europa Green project. The key and most costly element of this project is the bridge over the UP/Glidden line. While there has been discussion of adding this project to the City of Houston’s capital plan, a joint public-private arrangement could move the project forward.
- Drainage and Flood Control** – the area suffers somewhat from poor drainage and regional drainage and detention projects might be the best solution. Consideration should be given to improving drainage in the Zone.
- Area Identity** – currently the Zone suffers from a problem of negative perceptions – these include: it’s industrial, it’s low income, it’s unattractive, it’s in the flood plain. Some of these perceptions are warranted but most are not. To begin to change the perceptions to the positive, the property owners and the TIRZ could band together to provide a positive branding message for the area. Most of

Houston’s key activity centers are well known by the branding that has been accomplished by management districts and city economic development efforts. Uptown Houston, the Energy Corridor, Sugar Land and Bay Area are known activity areas supported by effective organizations (particularly management districts). Similar efforts could produce positive perceptions that would lead to enhanced development opportunities.

- General Incentives** – To make the development take off in the Zone, additional incentives might be needed.

Enhanced Development Scenario Assumptions

The effects of implementation of the types of enhancements described in this section of the analysis will certainly. The key question is – how much?

CDS Market Research has recently studied the historical development of activity centers in the Houston area and is convinced that the South Loop is poised to be another strong activity center. It is driven by continued expansion of the Texas Medical Center and is the last location of large tracts of undeveloped land close into the City’s core.

For this scenario, it will be assumed that, **in addition to the trends scenario described previously**, the four major developments proposed for the zone will achieve the entirety of their master plans by the year 2030. That entails adding the following development to the forecast:

Assumed Development Plans

Land Use	Amount	Units
Single-Family	4,000	Units
Multi-Family	8,000	Units
Hotel	500	Rooms
Office	6,000,000	Square Feet
Med/Institutional	2,300,000	Square Feet
Industrial	0	Square Feet
Retail	1,300,000	Square Feet

Enhanced Growth Scenario Values

Property Values in Millions of Current Year Dollars (2% rate of inflation)

Year	Commercial Values				Residential		Other Values		Grand Total	% Change
	Hotel/Motel	Industrial	Office	Retail	M.F.	S.F.	Institution	Vacant Land		
2008	50.01	314.03	215.13	137.54	69.70	237.43	57.88	264.82	1,346.55	
2009	74.42	355.62	209.91	170.66	157.44	256.90	84.67	272.75	1,582.37	17.5%
2010	75.91	362.74	216.90	182.45	165.36	292.94	86.36	275.48	1,658.13	4.8%
2011	77.43	377.56	229.54	195.48	175.45	328.10	88.09	278.23	1,749.88	5.5%
2012	78.98	387.50	242.35	206.07	222.89	361.05	89.85	279.39	1,868.09	6.8%
2013	85.23	398.05	317.85	222.05	276.84	414.66	91.65	276.28	2,082.62	11.5%
2014	86.84	409.80	363.98	242.81	325.52	474.96	93.48	275.28	2,272.67	9.1%
2015	97.96	421.93	378.45	259.79	404.81	566.27	95.35	273.95	2,498.51	9.9%
2016	99.64	434.47	461.03	283.05	456.30	652.76	229.07	263.69	2,880.01	15.3%
2017	106.80	447.66	509.42	301.48	521.68	738.39	231.01	261.03	3,117.48	8.2%
2018	108.55	461.48	556.67	326.48	592.66	822.45	233.00	258.00	3,359.28	7.8%
2019	127.42	475.59	640.67	346.26	671.77	934.90	328.27	246.93	3,771.80	12.3%
2020	129.24	489.98	689.94	372.63	766.77	1,031.26	330.34	242.76	4,052.91	7.5%
2021	131.09	504.66	740.26	393.59	841.82	1,149.30	332.44	238.78	4,331.93	6.9%
2022	139.43	519.63	829.58	421.42	928.15	1,256.32	433.55	228.53	4,756.61	9.8%
2023	141.36	534.91	882.05	443.62	1,007.64	1,388.94	435.74	224.33	5,058.60	6.3%
2024	150.87	550.49	935.63	473.00	1,111.87	1,514.37	437.98	219.32	5,393.54	6.6%
2025	152.88	566.39	1,030.61	496.52	1,207.93	1,652.35	440.25	212.88	5,759.81	6.8%
2026	154.92	582.61	1,086.49	527.52	1,318.36	1,760.87	560.41	202.09	6,193.27	7.5%
2027	164.13	599.16	1,143.56	552.44	1,400.89	1,883.18	562.78	197.42	6,503.56	5.0%
2028	166.26	616.04	1,244.55	585.15	1,513.27	1,996.08	565.20	190.13	6,876.68	5.7%
2029	168.43	633.25	1,304.06	611.56	1,611.23	2,126.38	567.67	186.34	7,208.91	4.8%
2030	170.64	650.82	1,409.27	638.73	1,723.46	2,307.93	570.18	179.06	7,650.11	6.1%

The resultant forecast is on the following page.

The chart on the right summarizes the three growth scenarios produced in this analysis

The differences in the overall values within the zone increase from:

\$2.40 billion in the Modest (2%) Case to

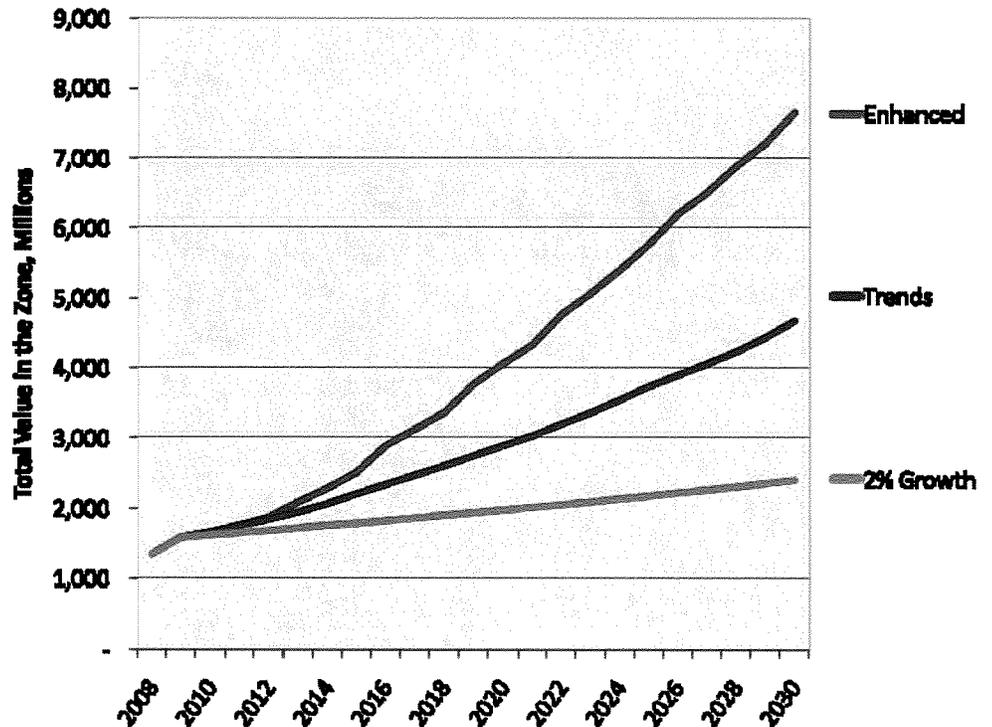
\$4.66 billion in the Trends Scenario to

\$7.56 billion in the Enhanced Case

Using the Trends Scenario compared with the Modest would produce an additional \$2.26 billion in value 20 years into the TIRZ.

The enhanced would produce more than \$5 billion in value in the Zone.

Summary of the Projections



Independent statement of opinion

“But-for” Case

According to this analysis, the South Loop TIRZ 23 area would increase in value at modest levels without the creation of the tax increment zone. However, the area is currently underdeveloped and suffers from a low public image and virtually no identity in the market place.

1. There is the potential for market support for development in all examined land uses (single-family and multifamily residential, office, industrial, hotel and retail) to justify creation of the TIRZ. Specifically, the single-family and industrial sectors have seen some growth within the zone.
2. The potential for enhancement to the taxable value of property within the proposed TIRZ is significant. As of the date of this report, 46% of the land in the zone was vacant, potentially developable property.
3. As discussed previously, the majority of recent development in the CMA (both residential and commercial) has occurred in points north and south of the proposed Zone.
4. The key question of what would occur with respect to appraised values if no TIRZ is created is easily answered, based on CDS’s findings and analyses. Four major developments totaling 947 acres are in the development or planning stages. These projects, along with others, hold the potential for high-end development that would be transformative for the South Loop area. The Enhanced Scenario describes the potential enhancements in the Zone that could contribute to a \$5 billion increased in values.
5. Without the enhancements that could be brought about by a public-private partnership between the property owners, the TIRZ board, Harris County and the City of Houston, the area will not likely reach its full potential.

Statement of Opinion

In the opinion of CDS Market Research, the properties to be included in the South Loop TIRZ will be substantially improved as a result of the creation of the Zone and the potential for enhancements in the area.

Moreover, it appears that there will be sufficient tax increments in the Enhanced Scenario to justify the issuance of TIRZ financed bonds to participate infrastructure improvements that will facilitate substantial future development.

Appendix - Detailed Demographics

Demographic Snapshot (Part 1)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Population						
2014 Projection	12,728		2,416,114		6,794,558	
2009 Estimate	10,091		2,236,732		6,137,755	
2000 Census	5,018		1,953,631		5,020,575	
1990 Census	4,082		1,697,610		4,032,724	
Growth 2009-2014	26.14%		8.02%		10.70%	
Growth 2000-2009	101.11%		14.49%		22.25%	
Growth 1990-2000	22.91%		15.08%		24.50%	
2009 Estimated Population by Single Race Classification	10,091		2,236,732		6,137,755	
White Alone	2,715	26.9%	1,051,903	47.0%	3,674,390	59.9%
Non-Hispanic White	1,049	10.4%	559,621	25.0%	2,633,982	42.9%
Black or African American Alone	4,408	43.7%	543,085	24.3%	1,028,498	16.8%
American Indian and Alaska Native Alone	27	0.3%	11,688	0.5%	32,096	0.5%
Asian Alone	749	7.4%	121,095	5.4%	327,241	5.3%
Native Hawaiian and Other Pacific Islander Alone	6	0.1%	1,856	0.1%	4,407	0.1%
Some Other Race Alone	1,783	17.7%	427,551	19.1%	876,676	14.3%
Two or More Races	403	4.0%	79,554	3.6%	194,447	3.2%
2009 Estimated Population Hispanic or Latino by Origin*	10,091		2,236,732		6,137,755	
Not Hispanic or Latino	6,346	62.9%	1,251,147	55.9%	4,085,952	66.6%
Hispanic or Latino	3,745	37.1%	985,585	44.1%	2,051,803	33.4%
Hispanic or Latino by Origin	3,745		985,585		2,051,803	
Mexican	2,457	65.6%	704,670	71.5%	1,486,378	72.4%
Puerto Rican	37	1.0%	10,104	1.0%	26,259	1.3%
Cuban	15	0.4%	7,085	0.7%	17,008	0.8%
All Other Hispanic or Latino	1,236	33.0%	263,726	26.8%	522,158	25.5%
2009 Estimated Hispanic or Latino by Single Race Classification	3,745		985,585		2,051,803	
White Alone	1,666	44.5%	492,282	50.0%	1,040,408	50.7%
Black or African American Alone	42	1.1%	8,561	0.9%	16,443	0.8%
American Indian and Alaska Native Alone	7	0.2%	7,375	0.8%	14,769	0.7%
Asian Alone	3	0.1%	1,313	0.1%	3,095	0.2%
Native Hawaiian and Other Pacific Islander	0	0.0%	673	0.1%	1,222	0.1%

Demographic Snapshot (Part 1)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Alone						
Some Other Race Alone	1,776	47.4%	425,029	43.1%	869,772	42.4%
Two or More Races	250	6.7%	50,352	5.1%	106,094	5.2%
2009 Estimated Population, Asian Alone Race by Category*	749		121,095		327,241	
Chinese, except Taiwanese	269	36.0%	27,396	22.6%	68,096	20.8%
Filipino	95	12.6%	8,992	7.4%	33,717	10.3%
Japanese	21	2.8%	3,389	2.8%	6,428	2.0%
Asian Indian	201	26.8%	24,791	20.5%	79,197	24.2%
Korean	33	4.4%	6,901	5.7%	15,201	4.7%
Vietnamese	65	8.7%	34,609	28.6%	81,773	25.0%
Cambodian	1	0.1%	801	0.7%	3,516	1.1%
Hmong	0	0.0%	7	0.0%	8	0.0%
Laotian	0	0.0%	299	0.3%	1,442	0.4%
Thai	8	1.1%	889	0.7%	2,398	0.7%
Other Asian	44	5.9%	10,709	8.8%	29,525	9.0%
Two or more Asian categories	11	1.5%	2,312	1.9%	5,940	1.8%
2009 Estimated Population by Ancestry	10,091		2,236,732		6,137,755	
Arab	76	0.8%	12,170	0.5%	26,585	0.4%
Czech	84	0.8%	9,700	0.4%	57,271	0.9%
Danish	4	0.0%	2,371	0.1%	8,776	0.1%
Dutch	27	0.3%	7,037	0.3%	31,058	0.5%
English	213	2.1%	81,470	3.6%	304,878	5.0%
French (except Basque)	52	0.5%	25,568	1.1%	105,207	1.7%
French Canadian	24	0.2%	6,034	0.3%	26,823	0.4%
German	203	2.0%	96,892	4.3%	454,945	7.4%
Greek	4	0.0%	3,923	0.2%	11,112	0.2%
Hungarian	10	0.1%	2,605	0.1%	8,294	0.1%
Irish	150	1.5%	62,198	2.8%	272,665	4.4%
Italian	49	0.5%	30,059	1.3%	112,124	1.8%
Lithuanian	8	0.1%	883	0.0%	2,917	0.1%
Norwegian	18	0.2%	6,547	0.3%	25,478	0.4%
Polish	43	0.4%	16,480	0.7%	65,921	1.1%
Portuguese	4	0.0%	1,118	0.1%	4,047	0.1%
Russian	15	0.1%	7,192	0.3%	14,905	0.2%
Scottish	26	0.3%	16,213	0.7%	58,629	1.0%
Scotch-Irish	30	0.3%	19,684	0.9%	71,919	1.2%
Slovak	6	0.1%	693	0.0%	2,809	0.1%
Subsaharan African	138	1.4%	31,355	1.4%	57,399	0.9%
Swedish	25	0.3%	6,509	0.3%	23,925	0.4%

Demographic Snapshot (Part 1)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Swiss	8	0.1%	1,684	0.1%	6,393	0.1%
Ukrainian	6	0.1%	1,614	0.1%	4,387	0.1%
United States of America	215	2.1%	83,095	3.7%	396,029	6.5%
Welsh	4	0.0%	3,318	0.2%	13,020	0.2%
West Indian (exc Hisp groups)	38	0.4%	7,041	0.3%	17,547	0.3%
Other	7,233	71.7%	1,355,894	60.6%	2,817,206	45.9%
Ancestry Unclassified	1,376	13.6%	337,385	15.1%	1,135,486	18.5%
2009 Estimated Population Age 5+ by Language Spoken At Home	9,218		2,042,596		5,628,812	
Speak Only English	6,863	74.5%	1,204,836	59.0%	3,935,330	69.9%
Speak Asian or Pacific Island Language	388	4.2%	82,911	4.1%	189,235	3.4%
Speak IndoEuropean Language	251	2.7%	62,720	3.1%	155,522	2.8%
Speak Spanish	1,561	16.9%	668,852	32.8%	1,306,250	23.2%
Speak Other Language	156	1.7%	23,277	1.1%	42,475	0.8%
2009 Estimated Population by Sex	10,091		2,236,732		6,137,755	
Male	4,884	48.4%	1,126,189	50.4%	3,078,002	50.2%
Female	5,207	51.6%	1,110,543	49.7%	3,059,753	49.9%
Male/Female Ratio	0.94		1.01		1.01	
2009 Estimated Population by Age	10,091		2,236,732		6,137,755	
Age 0 to 4	873	8.7%	194,136	8.7%	508,943	8.3%
Age 5 to 9	785	7.8%	171,703	7.7%	470,112	7.7%
Age 10 to 14	765	7.6%	161,755	7.2%	456,339	7.4%
Age 15 to 17	404	4.0%	88,455	4.0%	273,809	4.5%
Age 18 to 20	379	3.8%	90,796	4.1%	255,163	4.2%
Age 21 to 24	544	5.4%	118,677	5.3%	334,092	5.4%
Age 25 to 34	2,050	20.3%	362,188	16.2%	897,295	14.6%
Age 35 to 44	1,530	15.2%	338,518	15.1%	897,668	14.6%
Age 45 to 49	595	5.9%	153,240	6.9%	449,752	7.3%
Age 50 to 54	571	5.7%	141,325	6.3%	421,273	6.9%
Age 55 to 59	534	5.3%	120,148	5.4%	354,114	5.8%
Age 60 to 64	446	4.4%	94,586	4.2%	271,657	4.4%
Age 65 to 74	407	4.0%	113,566	5.1%	318,744	5.2%
Age 75 to 84	155	1.5%	63,408	2.8%	167,886	2.7%
Age 85 and over	54	0.5%	24,231	1.1%	60,908	1.0%
Age 16 and over	7,527	74.6%	1,680,297	75.1%	4,611,216	75.1%
Age 18 and over	7,264	72.0%	1,620,683	72.5%	4,428,552	72.2%
Age 21 and over	6,885	68.2%	1,529,887	68.4%	4,173,389	68.0%
Age 65 and over	616	6.1%	201,205	9.0%	547,538	8.9%
2009 Estimated Median Age	31.3		33.14		33.58	

Demographic Snapshot (Part 1)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
2009 Estimated Average Age	32.58		34.32		34.58	
2009 Estimated Male Population by Age	4,884		1,126,189		3,078,002	
Age 0 to 4	453	9.3%	98,208	8.7%	259,019	8.4%
Age 5 to 9	402	8.2%	88,706	7.9%	241,539	7.9%
Age 10 to 14	391	8.0%	83,357	7.4%	233,711	7.6%
Age 15 to 17	208	4.3%	45,444	4.0%	139,986	4.6%
Age 18 to 20	193	4.0%	47,303	4.2%	134,811	4.4%
Age 21 to 24	258	5.3%	61,714	5.5%	172,838	5.6%
Age 25 to 34	995	20.4%	190,023	16.9%	461,970	15.0%
Age 35 to 44	745	15.3%	175,422	15.6%	453,813	14.7%
Age 45 to 49	289	5.9%	78,167	6.9%	225,248	7.3%
Age 50 to 54	246	5.0%	70,478	6.3%	210,200	6.8%
Age 55 to 59	233	4.8%	58,044	5.2%	174,344	5.7%
Age 60 to 64	212	4.3%	44,757	4.0%	132,354	4.3%
Age 65 to 74	181	3.7%	51,841	4.6%	149,848	4.9%
Age 75 to 84	63	1.3%	25,255	2.2%	69,003	2.2%
Age 85 and over	14	0.3%	7,470	0.7%	19,318	0.6%
2009 Estimated Median Age, Male	30.18		32.37		32.71	
2009 Estimated Average Age, Male	31.49		33.36		33.76	
2009 Estimated Female Population by Age	5,207		1,110,543		3,059,753	
Age 0 to 4	419	8.1%	95,928	8.6%	249,924	8.2%
Age 5 to 9	383	7.4%	82,997	7.5%	228,573	7.5%
Age 10 to 14	373	7.2%	78,398	7.1%	222,628	7.3%
Age 15 to 17	196	3.8%	43,011	3.9%	133,823	4.4%
Age 18 to 20	186	3.6%	43,493	3.9%	120,352	3.9%
Age 21 to 24	287	5.5%	56,963	5.1%	161,254	5.3%
Age 25 to 34	1,054	20.2%	172,165	15.5%	435,325	14.2%
Age 35 to 44	784	15.1%	163,096	14.7%	443,855	14.5%
Age 45 to 49	306	5.9%	75,073	6.8%	224,504	7.3%
Age 50 to 54	325	6.2%	70,847	6.4%	211,073	6.9%
Age 55 to 59	301	5.8%	62,104	5.6%	179,770	5.9%
Age 60 to 64	234	4.5%	49,829	4.5%	139,303	4.6%
Age 65 to 74	227	4.4%	61,725	5.6%	168,896	5.5%
Age 75 to 84	92	1.8%	38,153	3.4%	98,883	3.2%
Age 85 and over	40	0.8%	16,761	1.5%	41,590	1.4%
2009 Estimated Median Age, Female	32.28		34		34.5	
2009 Estimated Average Age, Female	33.61		35.29		35.4	
2009 Estimated Population Age 15 and Over by Marital Status*	7,668		1,709,138		4,702,361	

Demographic Snapshot (Part 1)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Total, Never Married	2,968	38.7%	548,777	32.1%	1,209,167	25.7%
Married, Spouse present	3,261	42.5%	754,317	44.1%	2,522,561	53.6%
Married, Spouse absent	531	6.9%	145,386	8.5%	304,667	6.5%
Widowed	460	6.0%	91,003	5.3%	226,964	4.8%
Divorced	448	5.8%	169,655	9.9%	439,002	9.3%
Males, Never Married	1,315	17.2%	305,107	17.9%	671,000	14.3%
Males, Previously Married	357	4.7%	89,144	5.2%	232,370	4.9%
Females, Never Married	1,653	21.6%	243,670	14.3%	538,167	11.4%
Females, Previously Married	551	7.2%	171,514	10.0%	433,596	9.2%
2009 Estimated Population Age 25 and Over by Educational Attainment*	6,340		1,411,210		3,839,297	
Less than 9th grade	840	13.3%	208,260	14.8%	402,218	10.5%
Some High School, no diploma	885	14.0%	207,137	14.7%	491,165	12.8%
High School Graduate (or GED)	1,411	22.3%	287,292	20.4%	895,322	23.3%
Some College, no degree	1,398	22.1%	269,948	19.1%	848,837	22.1%
Associate Degree	191	3.0%	56,293	4.0%	196,470	5.1%
Bachelor's Degree	938	14.8%	245,269	17.4%	679,353	17.7%
Master's Degree	323	5.1%	84,002	6.0%	214,103	5.6%
Professional School Degree	189	3.0%	36,027	2.6%	74,414	1.9%
Doctorate Degree	165	2.6%	16,982	1.2%	37,415	1.0%

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Households						
2014 Projection	4,689		868,572		2,341,227	
2009 Estimate	3,854		808,317		2,123,716	
2000 Census	2,197		717,945		1,764,138	
1990 Census	1,802		641,561		1,445,587	
Growth 2009-2014	21.66%		7.45%		10.24%	
Growth 2000-2009	75.44%		12.59%		20.38%	
Growth 1990-2000	21.89%		11.91%		22.04%	
2009 Estimated Households by Type	3,854		808,317		2,123,716	
Family Households	2,396	62.2%	509,527	63.0%	1,521,951	71.7%
Non-family Households	1,458	37.8%	298,790	37.0%	601,765	28.3%
2009 Estimated Group Quarters Population	52		39,427		113,024	

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
2009 Households by Ethnicity: Hispanic	1,025	26.6%	269,233	33.3%	546,286	25.7%
2009 Estimated Households Income	3,854		808,317		2,123,716	
Less than \$15,000	702	18.2%	126,157	15.6%	250,998	11.8%
\$15,000 to \$24,999	550	14.3%	99,416	12.3%	206,584	9.7%
\$25,000 to \$34,999	657	17.0%	103,968	12.9%	224,663	10.6%
\$35,000 to \$49,999	705	18.3%	133,808	16.6%	317,008	14.9%
\$50,000 to \$74,999	666	17.3%	138,678	17.2%	394,632	18.6%
\$75,000 to \$99,999	255	6.6%	75,216	9.3%	260,044	12.2%
\$100,000 to \$149,999	237	6.1%	75,445	9.3%	284,084	13.4%
\$150,000 to \$249,999	62	1.6%	36,533	4.5%	131,452	6.2%
\$250,000 to \$499,999	14	0.4%	12,472	1.5%	37,170	1.8%
\$500,000 or more	7	0.2%	6,624	0.8%	17,081	0.8%
2009 Estimated Average Household Income	\$46,261		\$63,425		\$73,536	
2009 Estimated Median Household Income	\$35,378		\$43,365		\$53,966	
2009 Estimated Per Capita Income	\$17,779		\$23,174		\$25,646	
2009 Estimated Households by Type and Presence of Own Children*	3,854		808,317		2,123,716	
Single Male Householder	512	13.3%	115,673	14.3%	232,452	11.0%
Single Female Householder	579	15.0%	121,646	15.1%	250,181	11.8%
Married-Couple Family	1,428	37.1%	346,148	42.8%	1,162,454	54.7%
With own children	666	17.3%	177,423	22.0%	618,192	29.1%
No own children	762	19.8%	168,725	20.9%	544,262	25.6%
Male Householder	167	4.3%	41,796	5.2%	96,100	4.5%
With own children	66	1.7%	16,813	2.1%	46,047	2.2%
No own children	101	2.6%	24,983	3.1%	50,053	2.4%
Female Householder	800	20.8%	121,583	15.0%	263,397	12.4%
With own children	486	12.6%	70,358	8.7%	159,162	7.5%
No own children	314	8.2%	51,225	6.3%	104,235	4.9%
Nonfamily: Male Householder	190	4.9%	38,150	4.7%	73,542	3.5%
Nonfamily: Female Householder	178	4.6%	23,321	2.9%	45,590	2.2%
2009 Estimated Households by Household Size*	3,854		808,317		2,123,716	

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
1-person household	1,091	28.3%	237,319	29.4%	482,633	22.7%
2-person household	1,067	27.7%	220,771	27.3%	611,078	28.8%
3-person household	686	17.8%	126,552	15.7%	376,699	17.7%
4-person household	443	11.5%	102,727	12.7%	337,173	15.9%
5-person household	287	7.4%	61,384	7.6%	179,517	8.5%
6-person household	150	3.9%	31,053	3.8%	77,984	3.7%
7 or more person household	130	3.4%	28,511	3.5%	58,632	2.8%
2009 Estimated Average Household Size	2.72		2.72		2.84	
2009 Estimated Households by Presence of People*	3,854		808,317		2,123,716	
Households with 1 or more People under Age 18	1,415	36.7%	301,364	37.3%	906,950	42.7%
Married-Couple Family	728	18.9%	190,204	23.5%	653,345	30.8%
Other Family, Male Householder	77	2.0%	22,202	2.8%	56,749	2.7%
Other Family, Female Householder	595	15.4%	85,902	10.6%	189,012	8.9%
Nonfamily, Male Householder	12	0.3%	2,217	0.3%	6,026	0.3%
Nonfamily, Female Householder	3	0.1%	839	0.1%	1,818	0.1%
Households no People under Age 18	2,439	63.3%	506,953	62.7%	1,216,766	57.3%
Married-Couple Family	701	18.2%	155,944	19.3%	509,109	24.0%
Other Family, Male Householder	90	2.3%	19,594	2.4%	39,351	1.9%
Other Family, Female Householder	205	5.3%	35,681	4.4%	74,385	3.5%
Nonfamily, Male Householder	689	17.9%	151,606	18.8%	299,968	14.1%
Nonfamily, Female Householder	754	19.6%	144,128	17.8%	293,953	13.8%
2009 Estimated Households by Number of Vehicles*	3,854		808,317		2,123,716	
No Vehicles	491	12.8%	92,518	11.5%	155,044	7.3%
1 Vehicle	1,660	43.1%	358,998	44.4%	750,231	35.3%
2 Vehicles	1,165	30.2%	271,140	33.5%	892,868	42.0%
3 Vehicles	493	12.8%	65,204	8.1%	249,031	11.7%
4 Vehicles	34	0.9%	15,576	1.9%	59,188	2.8%
5 or more Vehicles	11	0.3%	4,881	0.6%	17,354	0.8%

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
2009 Estimated Average Number of Vehicles*	1.47		1.47		1.71	
Family Households						
2014 Projection	2,989		545,322		1,681,369	
2009 Estimate	2,396		509,527		1,521,951	
2000 Census	1,200		457,549		1,257,793	
1990 Census	981		405,473		1,020,842	
Growth 2009-2014	24.76%		7.03%		10.47%	
Growth 2000-2009	99.68%		11.36%		21.00%	
Growth 1990-2000	22.33%		12.84%		23.21%	
2009 Estimated Family Households by Household Income	2,396		509,527		1,521,951	
Less than \$15,000	183	7.6%	62,500	12.3%	124,143	8.2%
\$15,000 to \$24,999	376	15.7%	58,314	11.4%	123,456	8.1%
\$25,000 to \$34,999	424	17.7%	62,005	12.2%	139,903	9.2%
\$35,000 to \$49,999	408	17.0%	77,952	15.3%	204,338	13.4%
\$50,000 to \$74,999	498	20.8%	92,260	18.1%	296,702	19.5%
\$75,000 to \$99,999	237	9.9%	56,089	11.0%	222,165	14.6%
\$100,000 to \$149,999	197	8.2%	56,596	11.1%	246,733	16.2%
\$150,000 to \$249,999	52	2.2%	29,076	5.7%	117,648	7.7%
\$250,000 to \$499,999	14	0.6%	9,700	1.9%	32,470	2.1%
\$500,000 or more	7	0.3%	5,035	1.0%	14,393	1.0%
2009 Estimated Average Family Household Income	\$55,714		\$71,062		\$83,143	
2009 Estimated Median Family Household Income	\$42,915		\$48,844		\$64,251	
2009 Estimated Families by Poverty Status*	2,396		509,527		1,521,951	
Income At or Above Poverty Level	2,015	84.1%	428,438	84.1%	1,362,766	89.5%
Married-Couple Family	1,261	52.7%	309,651	60.8%	1,087,816	71.5%
With own children	527	22.0%	164,215	32.2%	602,914	39.6%
No own children	734	30.7%	145,436	28.5%	484,902	31.9%
Male Householder	126	5.3%	33,635	6.6%	80,037	5.3%

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
With own children	37	1.5%	16,665	3.3%	45,698	3.0%
No own children	89	3.7%	16,970	3.3%	34,339	2.3%
Female Householder	628	26.2%	85,152	16.7%	194,913	12.8%
With own children	496	20.7%	55,465	10.9%	130,532	8.6%
No own children	132	5.5%	29,687	5.8%	64,381	4.2%
Income Below Poverty Level	381	15.9%	81,089	15.9%	159,185	10.5%
Married-Couple Family	167	7.0%	36,497	7.2%	74,638	4.9%
With own children	142	5.9%	28,106	5.5%	54,846	3.6%
No own children	25	1.0%	8,391	1.7%	19,792	1.3%
Male Householder	42	1.7%	8,161	1.6%	16,063	1.1%
With own children	42	1.7%	5,726	1.1%	12,038	0.8%
No own children	0	0.0%	2,435	0.5%	4,025	0.3%
Female Householder	172	7.2%	36,431	7.2%	68,484	4.5%
With own children	148	6.2%	31,672	6.2%	59,842	3.9%
No own children	24	1.0%	4,759	0.9%	8,642	0.6%
2009 Estimated Population Age 16 and Over by Employment*	7,527		1,680,297		4,611,216	
In Armed Forces	30	0.4%	1,118	0.1%	4,242	0.1%
Civilian - Employed	4,232	56.2%	986,293	58.7%	2,835,820	61.5%
Civilian - Unemployed	399	5.3%	80,352	4.8%	179,489	3.9%
Not in Labor Force	2,866	38.1%	612,534	36.5%	1,591,665	34.5%
2009 Estimated Civilian Employed Population Age 16 and Over by Class of Worker*	4,232		986,293		2,835,820	
For-Profit Private Workers	2,789	65.9%	756,037	76.7%	2,143,575	75.6%
Non-Profit Private Workers	285	6.7%	56,607	5.7%	147,786	5.2%
Local Government Workers	306	7.2%	54,892	5.6%	177,212	6.3%
State Government Workers	455	10.8%	37,540	3.8%	128,747	4.5%
Federal Government Workers	58	1.4%	17,843	1.8%	50,249	1.8%
Self-Employed Workers	336	7.9%	61,049	6.2%	180,008	6.4%
Unpaid Family Workers	3	0.1%	2,325	0.2%	8,243	0.3%
2009 Estimated Employed Population Age 16 and Over by Occupation*	4,232		986,293		2,835,820	

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Management, Business, and Financial Operations	247	5.8%	132,375	13.4%	422,378	14.9%
Professional and Related Occupations	1,128	26.7%	204,790	20.8%	589,574	20.8%
Service	919	21.7%	153,599	15.6%	381,202	13.4%
Sales and Office	1,132	26.8%	260,773	26.4%	773,143	27.3%
Farming, Fishing, and Forestry	0	0.0%	1,366	0.1%	9,274	0.3%
Construction, Extraction, and Maintenance	349	8.3%	107,208	10.9%	308,514	10.9%
Production, Transportation, and Material Moving	457	10.8%	126,182	12.8%	351,735	12.4%
2009 Estimated Civilian Employed Population Age 16 and Over by Occupation Classification*	4,232		986,293		2,835,820	
Blue Collar	806	19.1%	233,390	23.7%	660,249	23.3%
White Collar	2,506	59.2%	597,572	60.6%	1,779,079	62.7%
Service & Farm	920	21.7%	155,331	15.8%	396,492	14.0%
2009 Estimated Workers Age 16 and Over by Transportation To Work*	4,012		965,167		2,782,453	
Drove Alone	2,918	72.7%	695,116	72.0%	2,161,723	77.7%
Car Pooled	610	15.2%	152,268	15.8%	388,757	14.0%
Public Transportation	383	9.5%	56,296	5.8%	82,288	3.0%
Walked	21	0.5%	22,361	2.3%	42,510	1.5%
Motorcycle	0	0.0%	760	0.1%	3,491	0.1%
Bicycle	23	0.6%	4,258	0.4%	7,347	0.3%
Other Means	15	0.4%	11,328	1.2%	24,962	0.9%
Worked at Home	41	1.0%	22,780	2.4%	71,375	2.6%
2009 Estimated Workers Age 16 and Over by Travel Time to Work*	3,970		942,387		2,711,078	
Less than 15 minutes	497	12.5%	195,842	20.8%	570,336	21.0%
15 to 29 Minutes	1,653	41.7%	349,604	37.1%	894,762	33.0%
30 to 44 Minutes	1,210	30.5%	245,829	26.1%	674,355	24.9%
45 to 59 Minutes	397	10.0%	79,749	8.5%	307,047	11.3%
60 or more Minutes	213	5.4%	71,363	7.6%	264,578	9.8%
2009 Estimated Average Travel Time to Work in Minutes*	29.96		29.55		31.55	

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
2009 Estimated Tenure of Occupied Housing Units	3,854		808,317		2,123,716	
Owner-Occupied	1,765	45.8%	366,741	45.4%	1,343,264	63.3%
Renter-Occupied	2,089	54.2%	441,576	54.6%	780,452	36.8%
2009 Owner-Occupied Housing - Average Length of Residence	5		7		7	
2009 Estimated All Owner-Occupied Housing Units by Value	1,765		366,741		1,343,264	
Less than \$20,000	4	0.2%	6,626	1.8%	37,612	2.8%
\$20,000 to \$39,999	92	5.2%	19,221	5.2%	68,432	5.1%
\$40,000 to \$59,999	594	33.7%	39,250	10.7%	106,744	8.0%
\$60,000 to \$79,999	500	28.3%	45,447	12.4%	127,689	9.5%
\$80,000 to \$99,999	323	18.3%	47,343	12.9%	153,597	11.4%
\$100,000 to \$149,999	210	11.9%	86,822	23.7%	346,819	25.8%
\$150,000 to \$199,999	15	0.8%	35,508	9.7%	174,765	13.0%
\$200,000 to \$299,999	21	1.2%	40,536	11.1%	184,635	13.8%
\$300,000 to \$399,999	2	0.1%	17,282	4.7%	63,004	4.7%
\$400,000 to \$499,999	2	0.1%	9,986	2.7%	28,622	2.1%
\$500,000 to \$749,999	1	0.1%	11,795	3.2%	31,912	2.4%
\$750,000 to \$999,999	0	0.0%	3,622	1.0%	10,593	0.8%
\$1,000,000 or more	0	0.0%	3,303	0.9%	8,840	0.7%
2009 Estimated Median Owner-Occupied Housing Unit Value	\$67,689		\$114,676		\$125,598	
2009 Estimated Housing Units by Units in Structure*	4,215		913,232		2,370,426	
1 Unit Attached	84	2.0%	49,034	5.4%	78,656	3.3%
1 Unit Detached	2,140	50.8%	415,525	45.5%	1,438,891	60.7%
2 Units	25	0.6%	18,584	2.0%	30,718	1.3%
3 to 19 Units	793	18.8%	169,510	18.6%	284,650	12.0%
20 to 49 Units	229	5.4%	46,543	5.1%	70,936	3.0%
50 or More Units	933	22.1%	204,135	22.4%	284,664	12.0%
Mobile Home or Trailer	7	0.2%	9,443	1.0%	175,894	7.4%
Boat, RV, Van, etc.	5	0.1%	458	0.1%	6,017	0.3%

Demographic Snapshot (Part 2)	TIRZ #23		City of Houston		Houston Sugarland Baytown MSA	
Dominant structure type	1 Unit Detached		1 Unit Detached		1 Unit Detached	
2009 Estimated Housing Units by Year Structure Built	4,215		913,232		2,370,426	
1999 to 2009	1,935	45.9%	165,302	18.1%	555,355	23.4%
1995 to 1998	189	4.5%	34,630	3.8%	163,802	6.9%
1990 to 1994	93	2.2%	30,146	3.3%	138,278	5.8%
1980 to 1989	668	15.9%	138,314	15.2%	437,183	18.4%
1970 to 1979	691	16.4%	213,892	23.4%	486,224	20.5%
1960 to 1969	443	10.5%	144,688	15.8%	257,900	10.9%
1950 to 1959	144	3.4%	101,410	11.1%	176,960	7.5%
1940 to 1949	19	0.5%	45,732	5.0%	82,558	3.5%
1939 or Earlier	34	0.8%	39,118	4.3%	72,166	3.0%
2009 Estimated Median Year Structure Built**	1995		1976		1983	
Dominant Year Structure Built	1999 to March 2009		1970 to 1979		1999 to March 2009	
*In contrast to Claritas Demographic Estimates, "smoothed" data items are Census 2000 tables made consistent with current year estimated and 5 year projected base counts.						
** Median Year Built will be unreliable if more than half of the Housing Units in this report area were built in 1939 or earlier.						

Qualifications of the Analyst

CHARLES R. SAVINO, AICP

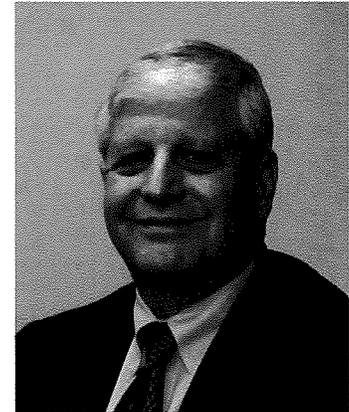
Executive Vice President

Charles Savino serves as the Executive Vice President of CDS Market Research. In this role he has overall responsibility for performance of the firm's professional consulting services. Mr. Savino brings over 36 years of project management, community planning, research and land development to CDS. At CDS, he has overseen over 150 research projects including student housing, special district creations, planning for sustainable, livable mixed-use centers, retail development strategies and all forms of land use feasibility studies.

Mr. Savino received both a Master of City Planning degree and a Master of Science degree in Civil Engineering (Environmental) from the Georgia Institute of Technology. His undergraduate degree was a B.S. in Mechanical Engineering from Lamar University. Before joining CDS, he served as Executive Vice President and Chief Operating Officer of the Greater Houston Partnership, responsible for supervising the organization's common programs including: community research, marketing communications, finance and administration, information technology, human resources, and organization governance. He also served as the acting president of the Economic Development Division.

Mr. Savino's prior roles include top management experience in real estate development, community planning and research. He was Executive Vice President of a Houston-based real estate management and development firm with responsibility for the management and coordination of engineering, planning and architectural consultants; coordination with all government agencies; communication with resident-controlled municipal utility districts; and development of marketing plans and materials for a 2,600-acre master-planned community and a 330-acre multi-use development.

He has served as the Executive Director and President of the West Houston Association, a voluntary association of over 100 real estate firms, large corporations, and financial institutions on Houston's west side, dedicated to the planning and implementation of key transportation and infrastructure projects in the area. His prior experience also includes five years as Director of Research of the Rice Center, a non profit research corporation affiliated with Rice University, where he directed over thirty economic, environmental, corporate relocation, and transportation research projects for governmental agencies and private corporations. For four years, he taught the course, "Introduction to Urban Issues" at Rice University. Before joining Rice Center, he was the Environmental Coordinator of the Houston-Galveston Area Council. Mr. Savino is a Charter Member of the American Institute of Certified Planners, being awarded that designation in its inaugural class of 1978.



CDS Market Research

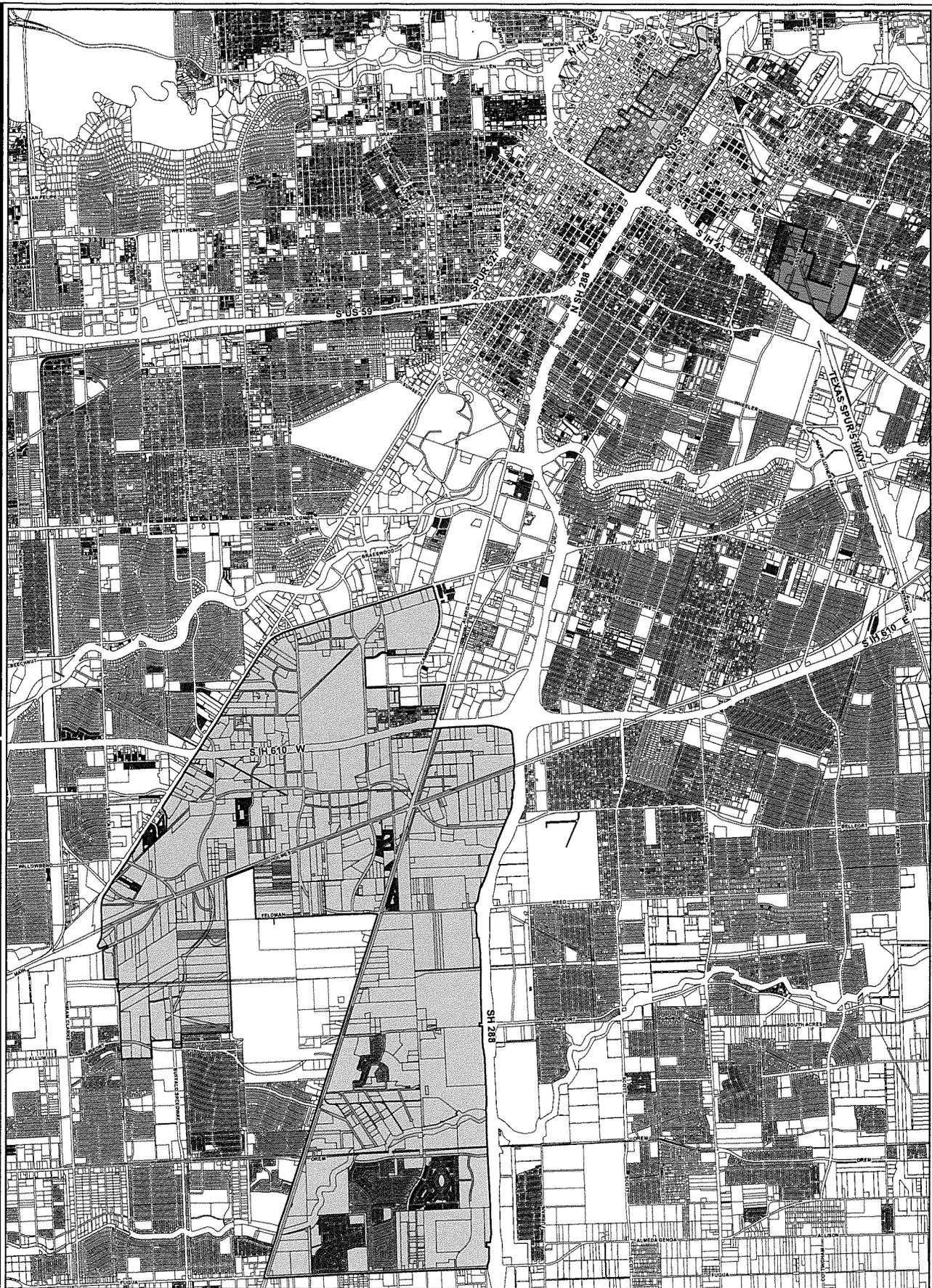
1250 Wood Branch Park Drive, Suite 100
Houston, TX 77079

713- 465-8866 (Phone)

713-465-6975 (Fax)

w.cdsmr.com

Exhibit C



Legend

-  Proposed TIRZ #24 Annexation
-  Existing TIRZ #24
-  Parcels

**City of Houston
TIRZ #24
Proposed Annexation**

Source: COHGIS Database
Date: June 2015
Reference: pj18257_TIRZ24_prop_annex



This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.



**PLANNING &
DEVELOPMENT
DEPARTMENT**

JUL 14 2015

APPROVE C/L
Recorded Vol _____ Page _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Commissioners Court of Harris County, Texas, convened at a meeting of said Court at the Harris County Administration Building in the City of Houston, Texas, on the _____ day of JUL 14 2015, 2015, with the following members present, to-wit:

Ed Emmett	County Judge
El Franco Lee	Commissioner, Precinct 1
Jack Morman	Commissioner, Precinct 2
Steve Radack	Commissioner, Precinct 3
R. Jack Cagle	Commissioner, Precinct 4

and the following members absent, to-wit: NONE, constituting a quorum, when among other business, the following was transacted.

ORDER AUTHORIZING EXECUTION OF FIRST AMENDED INTERLOCAL AGREEMENT BETWEEN HARRIS COUNTY, THE CITY OF HOUSTON, TAX INCREMENT REINVESTMENT ZONE #24 AND THE HARRIS COUNTY REDEVELOPMENT AUTHORITY

Commissioner Cagle introduced an order and made a motion that the same be adopted. Commissioner Lee seconded the motion for adoption of the order. The motion, carrying with it the adoption of the order prevailed by the following vote:

	Yes	No	Abstain
Judge Emmett	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comm. Lee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comm. Morman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comm. Radack	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comm. Cagle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The County Judge thereupon announced that the motion had duly and lawfully carried and that the order had been duly and lawfully adopted. The order thus adopted follows:

RECITALS

WHEREAS, on December 12, 2012, the City of Houston ("City") designated Tax Increment Reinvestment Zone No. 24 ("TIRZ") for the purposes of development and

redevelopment in the Eastern Downtown and Reliant Park Area, sometimes referred to herein as the “Greater Harris County Zone,” (“Zone”), and

WHEREAS, the County created the Harris County Redevelopment Authority (“Authority”) to aid, assist and act on behalf of the City and the County in the performance of the City’s and the County’s governmental and proprietary functions with respect to the common good and general welfare of both the Zone and neighboring areas and the economic development of the County as a whole, and

WHEREAS, the County, the City, the Zone and the Authority negotiated and approved an agreement for the County to participate in the Zone by contributing tax increments collected in the Zone to a Tax Increment Fund (the “Agreement”); and

WHEREAS, the city has now proposed to adopt an ordinance to expand the Zone to include additional property and to amend the Agreement; and

WHEREAS, the Authority and the Zone have now approved a First Amendment to the Agreement to expand participation in the Zone to include the new area; and

WHEREAS, the County also wishes to enter into the First Amendment to the Agreement to participate in the expanded Zone.

NOW, THEREFORE, BE IT ORDERED BY THE COMMISSIONERS COURT OF HARRIS COUNTY, TEXAS THAT:

Section 1: The recitals set forth in this Order are true and correct.

Section 2: The Harris County Judge is hereby authorized to execute the First Amended Interlocal Agreement between Harris County, the City of Houston, Tax Increment Reinvestment Board #24 and the Harris County Redevelopment Authority. The First Amended Interlocal Agreement is attached hereto and made a part hereof for all purposes.

Section 3: The Director of Harris County Community Services Department and all other personnel of Harris County are authorized to executed such documents and undertake all other steps necessary to perform the First Amended Interlocal Agreement.