

City of Houston, Texas, Ordinance No. 2012 - 1048

**AN ORDINANCE DESIGNATING A NONCONTIGUOUS GEOGRAPHIC AREA WITHIN THE CITY OF HOUSTON LOCATED IN (1) DOWNTOWN HOUSTON IN AN AREA GENERALLY DESCRIBED AS THE EASTERN PORTION OF THE HOUSTON CENTRAL BUSINESS DISTRICT, AND (2) AN AREA AROUND THE RELIANT STADIUM GENERALLY BOUNDED BY OLD SPANISH TRAIL, ALMEDA GENOA ROAD, MAIN STREET AND STATE HIGHWAY 288, AS REINVESTMENT ZONE NUMBER TWENTY-FOUR, CITY OF HOUSTON, TEXAS, FOR TAX INCREMENT FINANCING PURPOSES PURSUANT TO CHAPTER 311 OF THE TEXAS TAX CODE; CREATING A BOARD OF DIRECTORS FOR SUCH ZONE; CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING A SEVERABILITY CLAUSE; AND DECLARING AN EMERGENCY.**

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**WHEREAS**, pursuant to Chapter 311 of the Texas Tax Code, the City may designate a contiguous or noncontiguous area within the City as a reinvestment zone if the area satisfies the requirements of certain sections of Chapter 311 of the Texas Tax Code; and

**WHEREAS**, a preliminary reinvestment zone financing plan has been prepared for the designation of a proposed reinvestment zone within a noncontiguous area of the City known as the Greater Houston Area (the "proposed zone") which provides that Harris County and City of Houston ad valorem taxes are to be deposited into the tax increment fund, and that taxes of other taxing units may be utilized in the financing of the proposed zone; and

**WHEREAS**, a notice of the December 12, 2012 public hearing on the designation of the proposed zone was published on December 3, 2012, in the *Houston Chronicle*, a newspaper of general circulation in the City; and

**WHEREAS**, at the public hearing on December 12, 2012, interested persons were allowed to speak for or against the designation of the proposed zone, its boundaries, or the concept of tax increment financing; and

**WHEREAS**, evidence was received and presented at the public hearing in favor of the designation of the proposed zone and its proposed boundaries pursuant to the provisions of Texas Tax Code Chapter 311; and

**WHEREAS**, the City has done all things required by Texas Tax Code Chapter 311 or other law as a condition to the designation of the proposed zone; and

**WHEREAS**, the total appraised value of taxable real property in the proposed zone and all other reinvestment zones previously designated by the City is approximately \$18,152,297,066.00; and

**WHEREAS**, the total appraised value of taxable real property in the City and in the industrial districts created by the City is approximately \$155,625,702,362.00; and

**WHEREAS**, the total area within the proposed zone is approximately 6,491 acres, excluding property that is publicly owned; and

**WHEREAS**, less than thirty percent (30%) of the property in the proposed zone is currently used for residential purposes, as that term is defined in Texas Tax Code Section 311.006(d); and

**WHEREAS**, the City intends to participate in the Zone by contributing tax increment to the tax increment fund for the Zone from taxes levied and collected by the City at less than 100% of its tax rate and desires to establish its level of participation in the Zone; **NOW, THEREFORE**,

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

**Section 1. Findings.**

(a) That the findings and recitals contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are adopted as part of this Ordinance for all purposes.

(b) That the City Council further finds and declares that the proposed improvements in the proposed zone will significantly enhance the value of all taxable real property in the proposed zone and will be of general benefit to the City.

(c) That the City Council further finds and declares that the proposed zone meets the criteria and requirements of Texas Tax Code Section 311.005 because the area substantially arrests and 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 and use because of the presence of the predominance of defective or inadequate sidewalk or street layout.

(d) That the City Council further finds and declares that the proposed zone meets the criteria and requirements of Texas Tax Code Section 311.005 because the proposed project plan for the proposed zone includes the use of land in the proposed zone in connection with the operation of an existing or proposed regional commuter or mass transit rail system, or for a structure or facility that is necessary, useful, or beneficial to such a regional rail system.

(e) That the City Council, pursuant to the requirements of Texas Tax Code Chapter 311, further finds and declares:

(1) That the proposed zone is a noncontiguous geographic area located wholly within the corporate limits of the City of Houston;

(2) That less than thirty percent (30%) of the property in the proposed zone is used for residential purposes within the meaning of Texas Tax Code Section 311.006(d);

(3) That the total appraised value of taxable real property in the proposed zone and in the City's existing reinvestment zones does not exceed twenty-five percent (25%) of the total appraised value of taxable real property in the City and the industrial districts created by the City; and

(4) That development or redevelopment of the property within the boundaries of the proposed zone will not occur solely through private investment in the reasonably foreseeable future.

**Section 2. Exception to Guidelines.** That the City hereby excepts the proposed zone from compliance with any City tax increment reinvestment zone guidelines established by the City pursuant to Resolution No. 90-203 that are applicable to and not satisfied by the proposed zone. Section 1 of Resolution No. 90-203 specifically authorizes the City Council to grant exceptions on a zone-by-zone basis.

**Section 3. Designation of Zone.** That the City, acting under the provisions of Texas Tax Code Chapter 311, including Section 311.005(a), does hereby designate as a reinvestment zone the area described in Exhibit "A" and depicted in the maps attached hereto as Exhibit "B" to promote the redevelopment of the area. The

reinvestment zone shall hereafter be named for identification as Reinvestment Zone Number Twenty-Four, City of Houston, Texas (the "Zone").

**Section 4. Board of Directors.** That there is hereby created a Board of Directors for the Zone, which shall consist of seven (7) members. Positions One through Six on the Board of Directors shall be reserved for the City. Position Seven shall be reserved for Harris County, when Harris County approves the payment of all or part of the tax increment produced by Harris County into the tax increment fund for the Zone. Any other taxing unit that levies taxes on real property in the Zone and has approved the payment of all or part of the tax increment produced by the taxing unit into the tax increment fund for the Zone may appoint one director. Any taxing unit that appoints a director shall be assigned a Board position number in the order the appointment is received by the City. Failure of a taxing unit to appoint a director by January 1, 2014, shall be deemed a waiver of the right to appoint a director, and the City shall be entitled to appoint persons to the position, which shall be filled as provided below. If more than two taxing units that levy taxes on real property in the Zone and have approved the payment of all or part of the tax increment produced by the taxing unit into the tax increment fund for the Zone appoint a director, the number of directors on the Board of Directors shall be increased by one for each taxing unit above two that appoints a director to the Board, provided, if more than four taxing units that levy taxes on real property in the Zone and have approved the payment of all or part of the tax increment produced by the taxing unit into the tax increment fund for the Zone appoint a director, the number of directors on the Board of Directors shall be increased by two for each taxing unit above four that appoints a director to the Board, provided further that

the maximum number of directors shall not exceed fifteen (15). The City shall be entitled to appoint a person to one position of each of the two positions created as a result of more than four taxing units appointing directors, which position shall be filled as provided below.

The Mayor is hereby authorized to nominate and appoint the directors to Positions One through Six of the Board of Directors, any position unfilled on January 1, 2014, and any City position created by the appointment of a director by more than two taxing units that levy taxes on real property in the Zone and have approved the payment of all or part of the tax increment produced by the taxing unit into the tax increment fund for the Zone, subject to the consent and approval of the City Council. The directors appointed to odd-numbered positions shall be appointed for two-year terms, beginning January 1, 2013, while the directors appointed to even-numbered positions shall be appointed to one-year terms, beginning January 1, 2013. All subsequent appointments shall be for two-year terms. The Mayor shall annually nominate and appoint, subject to City Council approval, a director to serve as chair for a term of one year beginning January 1<sup>st</sup> of the following year. The City Council authorizes the Board of Directors to elect from its members a vice chairman and such other officers as the Board of Directors see fit.

The Board of Directors shall make recommendations to the City Council concerning the administration of the Zone. The Board of Directors shall prepare or cause to be prepared and adopted a project plan and a reinvestment zone financing plan for the Zone as described in Texas Tax Code Section 311.011, and shall submit such plans to the City Council for approval. The City, pursuant to Texas Tax Code

Section 311.010(a), hereby authorizes the Board of Directors to exercise all of the City's powers necessary to administer, manage, or operate the Zone and to prepare the project plan and reinvestment zone financing plan, including the power to employ consultants, legal counsel, and financial advisors, or enter into any reimbursement agreements with consultants, legal counsel, and financial advisors payable solely from the Tax Increment Fund established pursuant to Section 8 of this Ordinance that may be reasonably necessary or convenient to assist the Board of Directors in the administration, management, or operation of the Zone and the preparation of the project plan and reinvestment zone financing plan, or to implement the project plan and reinvestment zone financing plan.

Notwithstanding the foregoing, the Board of Directors shall not be authorized to issue bonds, impose taxes or fees, exercise the power of eminent domain, or give final approval to the project plan and reinvestment zone financing plan. The Board of Directors of the Zone may not exercise any power granted to the City by Texas Tax Code Section 311.008 without additional authorization from the City.

**Section 5. Duration of the Zone.** That the Zone shall take effect immediately upon the passage and approval of this Ordinance, and termination of the operation of the Zone shall occur on December 31, 2042, or at an earlier or later time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest thereon, have been paid in full, in accordance with Texas Tax Code Section 311.017.

**Section 6. Tax Increment Base.** That the Tax Increment base of the City or any other taxing unit participating in the Zone for the Zone is the total appraised value of

all real property taxable by the City or other taxing unit participating in the Zone and located in the Zone, determined as of January 1<sup>st</sup> of the year in which the Zone is designated as a reinvestment zone (the "Tax Increment Base").

**Section 7. Approval of the City's Level of Participation in the Zone.** That the City will participate in the Zone by contributing tax increment to the tax increment fund for the Zone from taxes levied and collected by the City at the rate of five percent (5%) of its increment (which rate may be amended from time to time) beginning on January 1, 2013.

**Section 8. Tax Increment Fund.** That there is hereby created and established a Tax Increment Fund for the Zone which may be divided into subaccounts as authorized by subsequent ordinances. All Tax Increments, as defined below, shall be deposited into the Tax Increment Fund. The Tax Increment Fund and any subaccount shall be maintained at the depository bank of the City and shall be secured in the manner prescribed by law for funds of Texas cities. The annual Tax Increment shall equal the property taxes levied and collected by the City and any other taxing unit participating in the Zone for that year on the captured appraised value, as defined in Texas Tax Code Section 311.012, of real property located in the Zone that is taxable by the City or any other taxing unit participating in the Zone, less any amounts that are to be allocated from the Tax Increment pursuant to Texas Tax Code Chapter 311. All revenues from the sale of any tax increment bonds, notes, or other obligations hereafter issued for the benefit of the Zone by the City, if any; revenues from the sale of property acquired as part of the project plan and reinvestment zone financing plan, if any; and other revenues to be used in the Zone shall be deposited into the Tax Increment Fund.

Prior to the termination of the Zone, money shall be disbursed from the Tax Increment Fund only to pay project costs for the Zone, as defined by the Texas Tax Code, to satisfy the claims of holders of tax increment bonds or notes issued for the Zone, or to pay obligations incurred pursuant to agreements entered into to implement the project plan and reinvestment zone financing plan and achieve their purpose pursuant to Texas Tax Code Section 311.010(b).

**Section 9. Severability.** If any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void, or invalid, the validity of the remaining provisions of this Ordinance or their application to other persons or set of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or regulations connected herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any portion hereof, and all provisions of this Ordinance are declared severable for that purpose.

**Section 10. Emergency.** 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 of its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

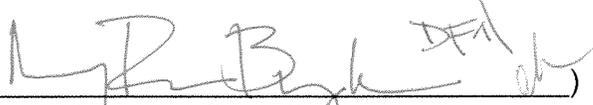
PASSED AND ADOPTED this 12th day of December, 2012.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is DEC 18 2012.

  
\_\_\_\_\_  
City Secretary

(Prepared by Legal Department   
(MFB:mfb December 6, 2012 Assistant City Attorney)  
(Requested by Andrew F. Icken, Chief Development Officer)  
(L.D. File No. 0611100094001)

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AYE	NO	
✓		MAYOR PARKER
....	....	COUNCIL MEMBERS
✓		BROWN
✓		DAVIS
✓		COHEN
✓		ADAMS
✓		SULLIVAN
✓		HOANG
✓		PENNINGTON
✓		GONZALEZ
✓		RODRIGUEZ
✓		LASTER
✓		GREEN
		ABSENT-ON PERSONAL BUSINESS COSTELLO
✓		BURKS
		ABSENT-OUT OF CITY ON PERSONAL BUSINESS NORIEGA
✓		BRADFORD
✓		CHRISTIE
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT  
REVIEW  
DATE: DEC 18 2012

## EXHIBIT "A"

### Legal Description of Proposed Boundaries for Reinvestment Zone Number Twenty-Four, City of Houston, Texas (Greater Houston Zone)

Northern Sector:

Being 206.89 acres, more or less, situated in the City of Houston, Harris County, Texas and being more particularly described as follows:

Commencing at the southern-most corner of the Main Street/Market Square TIRZ #3 for a PLACE OF BEGINNING (POB); said point being located at the intersection of the eastern right-of way (R.O.W.) of Fannin Street and the northern R.O.W. of Pierce Street. THENCE Northeasterly along eastern R.O.W. of Fannin Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the northern R.O.W. of Clay Street and the eastern R.O.W. of Fannin Street. THENCE Southeasterly along northern R.O.W. of Clay Street, to a corner at the intersection of the western R.O.W. of San Jacinto Street and the northern R.O.W. of Clay Street. THENCE Northeasterly along western R.O.W. of San Jacinto Street, to a corner at the intersection of the southern R.O.W. of Polk Street and the western R.O.W. of San Jacinto Street. THENCE Southeasterly along the southern R.O.W. of Polk Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the eastern R.O.W. of Caroline Street and southern R.O.W. of Polk Street. THENCE Northeasterly along eastern R.O.W. of Caroline Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the northern R.O.W. of Dallas Street and eastern R.O.W. of Caroline Street. THENCE Northwesterly along northern R.O.W. of Dallas Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the eastern R.O.W. of Fannin Street and the northern R.O.W. of Dallas Street. THENCE Northeasterly along eastern R.O.W. of Fannin Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of northern R.O.W. of Lamar Street, and the eastern R.O.W. of Fannin Street. THENCE Southeasterly along northern R.O.W. of Lamar Street to a corner, at the intersection of the western R.O.W. of San Jacinto Street and the northern R.O.W. of Lamar Street. THENCE Northeasterly along western R.O.W. of San Jacinto to a corner at the intersection of the northern R.O.W. of McKinney Street and the western R.O.W. of San Jacinto Street. THENCE Southeasterly along northern R.O.W. of McKinney Street to a corner at the intersection of western R.O.W. of La Branch Street, and the northern R.O.W. of McKinney Street. THENCE Northeasterly along western R.O.W. of La Branch Street to a corner at the intersection of southern R.O.W. of Walker Street and the western R.O.W. of La Branch Street. THENCE Northwesterly along southern R.O.W. of Walker Street to a corner at the intersection of eastern R.O.W. of San Jacinto and the southern R.O.W. of Walker Street, also being a common corner with the Main Street/Market Square TIRZ #3. THENCE Northeasterly along eastern R.O.W. of San Jacinto Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the southern R.O.W. of Preston Street

and the eastern R.O.W. of San Jacinto Street. THENCE Southeasterly along southern R.O.W. of Preston Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the eastern R.O.W. of Austin Street and the southern R.O.W. of Preston Street. THENCE Northeasterly along eastern R.O.W. of Austin Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the southern R.O.W. of Commerce Street and the eastern R.O.W. of Austin Street. THENCE Southeasterly along southern R.O.W. of Commerce Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a corner at the intersection of the western R.O.W. of La Branch Street and the southern R.O.W. of Commerce Street. THENCE Northeasterly along western R.O.W. of La Branch Street, forming a common boundary with the Main Street/Market Square TIRZ #3, to a point for a corner, said point being the intersection of the centerline of Buffalo Bayou and the projection of the western R.O.W. of La Branch Street. THENCE Northeasterly along the centerline within the meanders of Buffalo Bayou, forming a common boundary with the Main Street/Market Square TIRZ #3, to its point within Buffalo Bayou nearest the intersection of Buffalo Bayou and the eastward projection of Allen Street. THENCE Northeasterly along the center line meanders of Buffalo Bayou to point for a corner at the intersection of the centerline of US Highway 59 and Buffalo Bayou, said point also being a corner of the "Greater East End Management District" boundary. THENCE Southwesterly along centerline of US Highway 59, forming a common boundary with "Greater East End Management District", to a point, said point being the intersection of the center line of Commerce Street at US Highway 59, also being a corner for the "Greater East End Management District" and the "East Downtown Management District." THENCE Southwesterly along centerline of US Highway 59, forming a common boundary with the "East Downtown Management District", to a point, said point being an intersection of center line of US Highway 59, "East Downtown Management District" and the "Greater South East Management District" boundary lines. THENCE Southwesterly along a common line with the "Greater South East Management District" boundary lines, to a point, said point being an intersection of the "TIRZ #2 – Midtown", "Greater South East Management District", and the western R.O.W. of US Highway 59, forming a common corner. THENCE Northerly along the common line with "TIRZ #2 – Midtown" to a corner, at an intersection with the northern R.O.W. of Grey Avenue and Interstate Highway 45 (Gulf Freeway). THENCE Northerly along the common line with "TIRZ #2 – Midtown" to a point, said point being northeasterly corner of "TIRZ #2 – Midtown" at an intersection of the northern R.O.W. of Pierce Avenue to form a common corner. THENCE Northwesterly along the northern R.O.W. of Pierce Avenue to the P.O.B.

Southern Sector:

Being 6902.23 acres, more or less, situated in the City of Houston, Harris County, Texas and being more particularly described as follows:

Commencing at an intersection with southern Right-of-Way (R.O.W.) of Old Spanish Trail and the western R.O.W of Cambridge Street to form a corner and the PLACE OF BEGINNING (POB) for TIRZ 23. Thence Southerly along the western R.O.W. of Cambridge Street to a corner, at an intersection with the northern R.O.W of El Paseo

Street and the western R.O.W. of Cambridge Street. Thence Westerly along northern R.O.W of El Paseo Street to a corner, at an intersection with eastern R.O.W. of Knight Road and the northern R.O.W of El Paseo Street. Thence northerly along eastern R.O.W. of Knight Road, an approximate distance of 185 feet to a corner, this being the intersection of a direct line projection of the northern R.O.W. of El Paseo Street and the eastern R.O.W. of Knight Street. Thence Westerly along the northern R.O.W. of El Paseo Street to a point at the intersection of the eastern R.O.W. of Fannin Street and the northern R.O.W. of El Paseo Street. Thence Westerly along a direct line projection of the northern R.O.W. of El Paseo to its intersection with the western R.O.W. of Fannin Street to a corner. THENCE Southerly along the western R.O.W. of Fannin Street to a corner, said corner being a direct line projection of the southern R.O.W. of Holly Hall Street and its intersection with the western R.O.W. of Fannin Street. Thence Easterly along the southern R.O.W. of Holly Hall Street to a point, said point being the intersection of the eastern R.O.W of Knight Road and southern R.O.W. Holly Hall Street. Thence Easterly along the southern R.O.W. of Holly Hall Street a distance of 470 feet to a corner, being the intersection of the northwest corner of Plaza Del Oro Section 4, Vol. 186, Pg. 082 H.C.M.R. and the southern R.O.W. of Holly Hall Street. THENCE Southerly along a western boundary line of Plaza Del Oro Section 4, Vol. 186, Pg. 082 H.C.M.R. to a corner with the southern boundary line of said subdivision. Thence Easterly along the southern boundary of Plaza Del Oro Section 4, Vol. 186, Pg. 082 H.C.M.R. to a corner, at the intersection of the eastern R.O.W. of Cambridge Street and a direct line projection of the southern boundary of Plaza Del Oro Section 4. Thence Northerly along the eastern R.O.W. of Cambridge Street to a corner, at an intersection with the southern R.O.W of Holly Hall Street and the eastern R.O.W. of Cambridge Street. Thence Easterly along the southern R.O.W of Holly Hall Street to a corner, at an intersection with the western R.O.W of Alameda Road and the southern R.O.W of Holly Hall Street. Thence Southerly along the western R.O.W. of Alameda Road to a corner, at an intersection with the southern R.O.W of South Loop 610 and the western R.O.W. of Alameda Road. Thence Easterly along the southern R.O.W. of South Loop 610 to a transition and intersection of western R.O.W of South Freeway - Hwy. 288. Thence Southerly along the western R.O.W. of South Freeway - Hwy. 288 to a corner, at an intersection with the northern R.O.W of Alameda-Genoa Road and South Freeway - Hwy. 288. Thence Westerly along the northern R.O.W. of Alameda-Genoa Road to a corner, at an intersection with the western R.O.W of Alameda Road and the northern R.O.W. of Alameda-Genoa Road. Thence Northerly along the western R.O.W. of Alameda Road to a corner, at an intersection with the southern R.O.W. of Kirby Drive and the western R.O.W. of Alameda Road. Thence Westerly along the southern R.O.W. of Kirby Drive to a point, at the intersection of a 50.00 Acre Tract HCAD PARCEL NO.745188000010, PT TR 1A (AG-USE) (50.00 AC) ABST 884 HAMILTON/WHITE, and the southern R.O.W. of Kirby Drive. THENCE Westerly along the northern boundary of a 50.00 Acre Tract HCAD PARCEL NO.745188000010, PT TR 1A (AG-USE) (50.00 AC) ABST 884 HAMILTON/WHITE, to the northwest corner of said 50.00 Acre Tract and the northeast corner of HCAD Parcel No. 0420370000121 Tract 3B-1, to a point. Thence Westerly along the northern boundary of HCAD PARCEL NO.0420370000121 Tract 3B-1 to a point, at the intersection of northeast corner of HCAD Parcel No.0420370000112 Tract 3B and the northwest corner of HCAD Parcel

No.0420370000121 Tract 3B-1. Thence Westerly along the northern boundary of HCAD Parcel No.0420370000112 Tract 3B to a point, at the intersection of northeast corner of HCAD Parcel No. 0420370000121 Tract 3A and the northwest corner of HCAD Parcel No.0420370000112 Tract 3B. Thence Westerly along the southern boundary of a 22.9789 Acre Tract HCAD PARCEL NO.0420210000001 Tract 1 ABST 179 BBB&C RR CO, to a corner, being the intersection of southwestern corner of said tract and the southeast corner of HCAD Parcel No.0420210000005. Thence Northerly along the eastern boundary of a 60.9879 Acre Tract HCAD PARCEL NO.0420210000005, to a corner, at the intersection with the southern R.O.W. of Holmes Road. Thence Westerly along the southern R.O.W. of Holmes Road to a corner, at an intersection with western boundary of a 120' HCFCD Drainage Esmt. and the southern R.O.W. of Holmes Road. Thence Southerly along the western boundary of a 120' HCFCD Drainage Esmt. to a corner, at the intersection of southern boundary of a 3.8400 Acre Tract HCAD PARCEL NO.0420370000103, with the western boundary of said HCFCD Drainage Esmt. THENCE Westerly along the southern boundary of a 3.8400 Acre Tract, HCAD PARCEL NO.0420370000103 to the southwest corner of said tract, to a corner. Thence Southerly along the eastern boundary of a 2.521 Acre Tract HCAD PARCEL NO.1271390020004 to the southeastern corner of said tract, to a corner. Thence Southerly along the eastern boundary of a 0.60 Acre Tract HCAD PARCEL NO.1271390020007 to the southeastern corner of said tract, to a corner. THENCE Westerly along the southern boundary of a 0.60 Acre Tract HCAD PARCEL NO.1271390020007 to a corner, at the intersection of the western R.O.W. of proposed Buffalo Speedway and a direct line projection of the southern boundary line of a 0.60 Acre Tract HCAD PARCEL NO.1271390020007. Thence Northerly along the western R.O.W. of proposed Buffalo Speedway to a corner, at the intersection of the northeast corner of a 7.48 Acre Tract HCAD PARCEL NO.1271390030001, and the western R.O.W. of proposed Buffalo Speedway. THENCE Westerly along the northern boundary of a 7.48 Acre Tract HCAD PARCEL NO.1271390030001 to a corner, being the northwest corner of said tract. THENCE Southerly along the western boundary of a 7.48 Acre Tract HCAD PARCEL NO.1271390030001 to a point, at an intersection with the northern R.O.W. of W. Airport Blvd., also being the southwest corner of said tract. THENCE Southerly across the R.O.W. of W. Airport Blvd. to a point, being the northeast corner of a 17.5 Acre Tract HCAD PARCEL NO.0420380000008 and an intersection with the southern R.O.W. of W. Airport Blvd. THENCE Southerly along the western boundary of a 17.5 Acre Tract HCAD PARCEL NO.0420380000008, to a point at the intersection of the projected northern boundary of Brentwood Section 5 and the western boundary of a 17.5 Acre Tract HCAD PARCEL NO.0420380000008, to a corner. THENCE Westerly along the northern boundary of Brentwood Section 5 Subdivision to a corner, also being the northeast corner of Brentwood Section 5, and an intersection with the eastern boundary of a HCFCD Drainage Esmt. THENCE Westerly across HCFCD Drainage Esmt., being a direct line projection of the northern boundary of Brentwood Section 5 to a corner, at an intersection with the western boundary of a HCFCD Drainage Esmt. also being the eastern boundary of Villas at Brentwood Subdivision. THENCE Northerly along the western boundary of a HCFCD Drainage Esmt. to a corner, being the intersection of the southern boundary of a 1.9340 Acre Tract, Tract 7C ABST 172, HCAD PARCEL NO.0420140030040 and the western

boundary of the HCFCD Drainage Esmt. THENCE Westerly along the southern boundary of a 1.9340 Acre Tract, Tract 7C ABST 172, HCAD PARCEL NO.0420140030040 to a point, said point being the southwest corner of said parcel and the southeast corner of a 13.03 Acre Tract HCAD PARCEL NO.0420140030030. THENCE Westerly along the southern boundary of a 13.03 Acre Tract HCAD PARCEL NO. 0420140030030, to a corner, also being the southwest corner of said tract. THENCE Northerly along the western boundary of a 13.03 Acre Tract HCAD PARCEL NO.0420140030030 to point, at the intersection of the southern R.O.W. of Holmes Road-U.S.90A and western boundary of a 13.03 Acre Tract HCAD PARCEL NO.0420140030030, for a corner, also being the northwest corner of said tract. THENCE Northerly crossing the R.O.W. of Holmes Road-U.S. 90A, said crossing being a direct line projection of the western boundary of a 13.03 Acre Tract HCAD PARCEL NO.0420140030030, to the northern R.O.W of U.S. 90A, for a corner, said point being located on the southern boundary of a 2.67 Acres Tract HCAD PARCEL NO.0420140030005. THENCE Westerly along the northern R.O.W. of Holmes Road-U.S. 90A, also being a common line with the southern boundary of a 2.67 Acres Tract HCAD PARCEL NO. 0420140030005, to a corner, at the intersection of U.S. 90A and the southwest corner of the 2.67 Acres Tract HCAD PARCEL NO.0420140030005. THENCE Northwesterly along the western boundary of a 2.607 Acres Tract HCAD PARCEL NO.0420140030005, to a corner, at an intersection with the southeastern R.O.W. of S. Main Street-U.S. 90 and the western boundary of said tract. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of southern R.O.W. of N. Holmes Road and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northerly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W of Fariss Street and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W of Willowbend Blvd. and S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the northern R.O.W of Willowbend Blvd. and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly, along the eastern R.O.W. of S. Main Street-U.S. 90 to a corner, at the intersection of the western boundary of Park at Clearview Amend Subdivision and the eastern R.O.W of S. Main Street-U.S. 90. THENCE Southerly, along the western boundary line of the Park at Clearview Amending Plat No. 1 Subdivision to a corner, at the intersection of the western boundary and the southern boundary of the Park at Clearview Amend Subdivision.

THENCE Northeasterly along the southern boundary of the Park at Clearview Amending Plat No. 1 Subdivision to a point, at the intersection of the western boundary of Clearview Street, (Vol. 10, Pg. 16 HCMR ,100' R.O.W), and the southeasterly corner of the Park at Clearview Amending Plat No.1 Subdivision. THENCE Northeasterly, crossing Clearview Street, (Vol. 10, Pg. 16 HCMR, 100' R.O.W), to a point, at the intersection of the eastern boundary of said R.O.W. and the southwesterly corner of the Villas on Clearview Amending Plat No. 1 Subdivision. THENCE Northeasterly along the southern boundary of the Villas on Clearview Amending Plat No. 1 to a corner, at the intersection of the eastern boundary and the southern boundary of the Villas on Clearview Amending Plat No. 1 Subdivision. THENCE Northerly along the eastern

boundary of the Villas on Clearview Amending Plat No. 1 Subdivision to a point, at the intersection of the northeast corner of the Villas on Clearview Amending Plat No. 1 Subdivision and the southeast corner of Lot 1, Block 4, in Mainview Subdivision, Vol. 10 Pg. 16 HCMR. THENCE Northwesterly along the eastern boundary Lot 1, Block 4, in Mainview Subdivision, Vol. 10 Pg. 16 HCMR. to a corner, at the intersection of eastern R.O.W. of S. Main Street-U.S. 90 and 1, Block 4, in Mainview Subdivision. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W. of South Loop 610 and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the northern R.O.W. of South Loop 610 and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W. of Buffalo Speedway and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W. of Westridge Street and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street-U.S. 90 to a point, at the intersection of the southern R.O.W. of Murworth Drive and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street -U.S. 90 to a point, at the intersection of the southern R.O.W. of McNee Road and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the eastern R.O.W. of S. Main Street -U.S. 90 to a point, at the intersection of the southern R.O.W. of Old Spanish Trail and the eastern R.O.W. of S. Main Street-U.S. 90. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a point, at the intersection of the western R.O.W. of Kirby Drive and the southern R.O.W. of Old Spanish Trail. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a corner, at the intersection of a 3.94466 Acre Tract HCAD PARCEL NO.1175030010001, also being the northeastern boundary of said tract and the southern R.O.W. of Old Spanish Trail. Thence Southwesterly along the eastern boundary of a 3.94466 Acre Tract HCAD PARCEL NO.1175030010001, to a corner, at the intersection of the common line between the boundary of said tract and the Replat of Plaza Del Oro, Section 2, Vol. 187, Pg. 070, also being approximately. 485 feet from the western R.O.W. of Kirby Drive. Thence Northeasterly along a boundary of Replat of Plaza Del Oro, Section 2, Vol. 187, Pg. 070, said line being the a northern boundary of Unrestricted Reserve "A" in Replat of Plaza Del Oro, Section 2, Vol. 187, Pg. 070, to a corner. Thence Northwesterly along the of Unrestricted Reserve "A" in Replat of Plaza Del Oro, Section 2, Vol. 187, Pg. 070, to a corner at the intersection with the southern R.O.W. of Old Spanish Trail. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a point, at the intersection of the western R.O.W. of North Stadium Drive and the southern R.O.W. of Old Spanish Trail. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a point, at the intersection of the western R.O.W. of Greenbriar Street and the southern R.O.W. of Old Spanish Trail. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a point, at the intersection of the western R.O.W. of Fannin Street and the southern R.O.W. of Old Spanish Trail. THENCE Northeasterly along the southern R.O.W. of Old Spanish Trail to a point, at the intersection of the western R.O.W. of Cambridge Street and Old Spanish Trail, to the P.O.B.

Save and Except the following parcels and tracts:

TRS 6 7 & 10 & TR 6, ABST 874 J WALTERS & TRS 6 7 & 10 ABST 887 J HAMILTON, ABST 645 P W ROSE, TR 5 & TR 5 ABST 874 J WALTERS & TR 5 ABST 887 J HAMILTON, ABST 645 P W ROSE, TR 8 ABST 645 P W ROSE, HEARTHWOOD 2 CONDO PH 1, HEARTHWOOD 2 CONDO PH 2, HEARTHWOOD 2 CONDO PH 3, HEARTHWOOD 2 CONDO PH 4, HEARTHWOOD 2 CONDO PH 5, HEARTHWOOD 2 CONDO PH 6, TR 1B-7 ABST 887 J HAMILTON, TR 1B-6 ABST 887 J HAMILTON, TR 1B-5 ABST 887 J HAMILTON, TR 28 ABST 887 J HAMILTON, TR 28A-1 ABST 887 J HAMILTON, TR 28A ABST 887 J HAMILTON, RES A BLK 1 PRIME STORAGE #1 PAR R/P, TR 15A ABST 887 J HAMILTON, PARK LAKE APARTMENTS, VOL. 446, PG. 116, RES E LAKES AT 610 SEC 2, RESERVE BLK 1 MOORINGS APTS R/P

**EXHIBIT "B"**

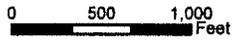
**Maps of Reinvestment Zone Number Twenty-Four, City of Houston, Texas  
(Greater Houston Zone)**



**Legend**

-  Northern Sector
-  Parcels
-  Waterway

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

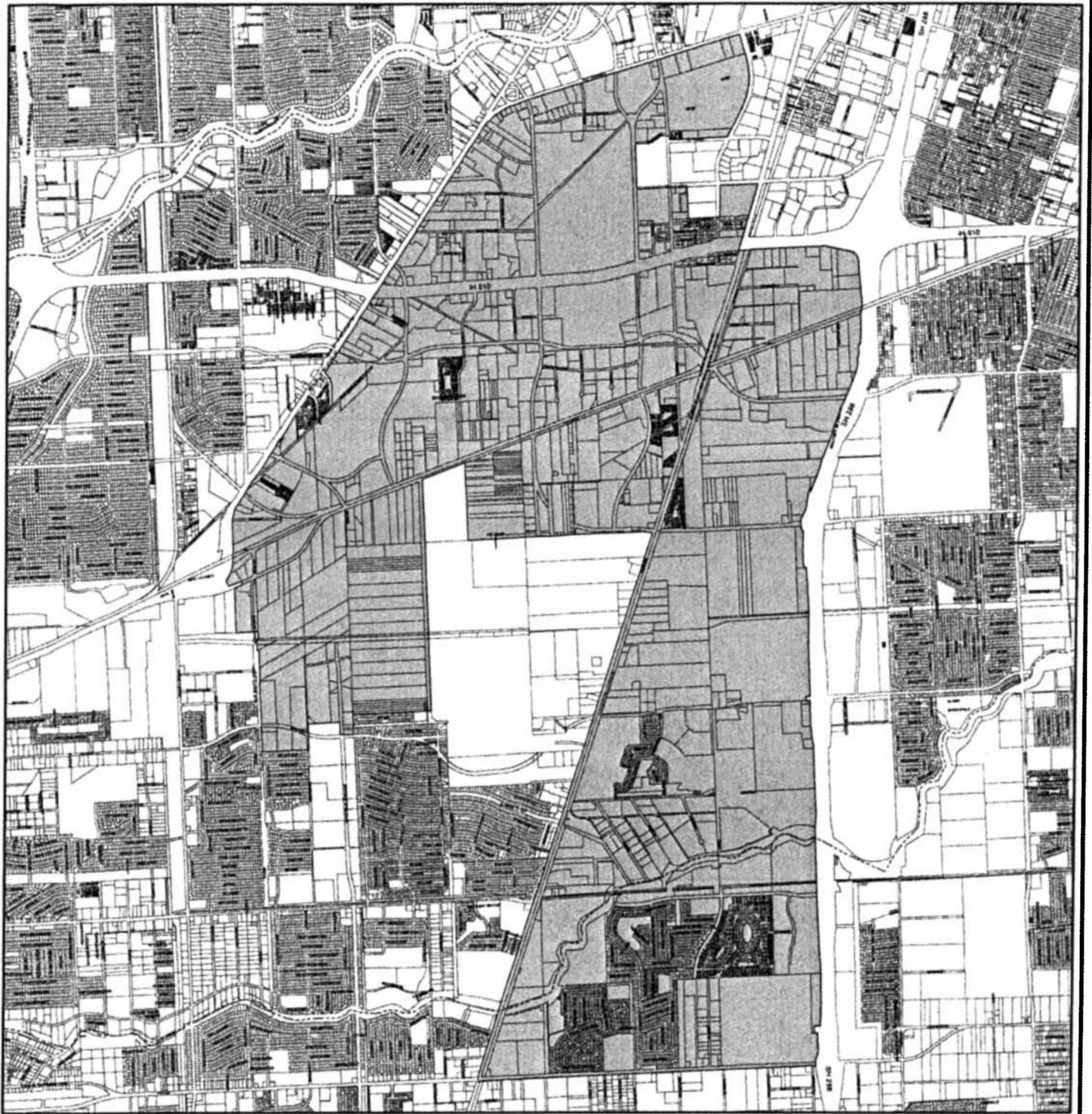


Source: GIS Services Division  
Date: November 2012  
Reference: pj16908\_Northern

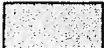
This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.



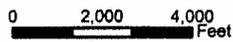
**PLANNING &  
DEVELOPMENT  
DEPARTMENT**



**Legend**

-  Southern Sector
-  Parcels
-  Waterway

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

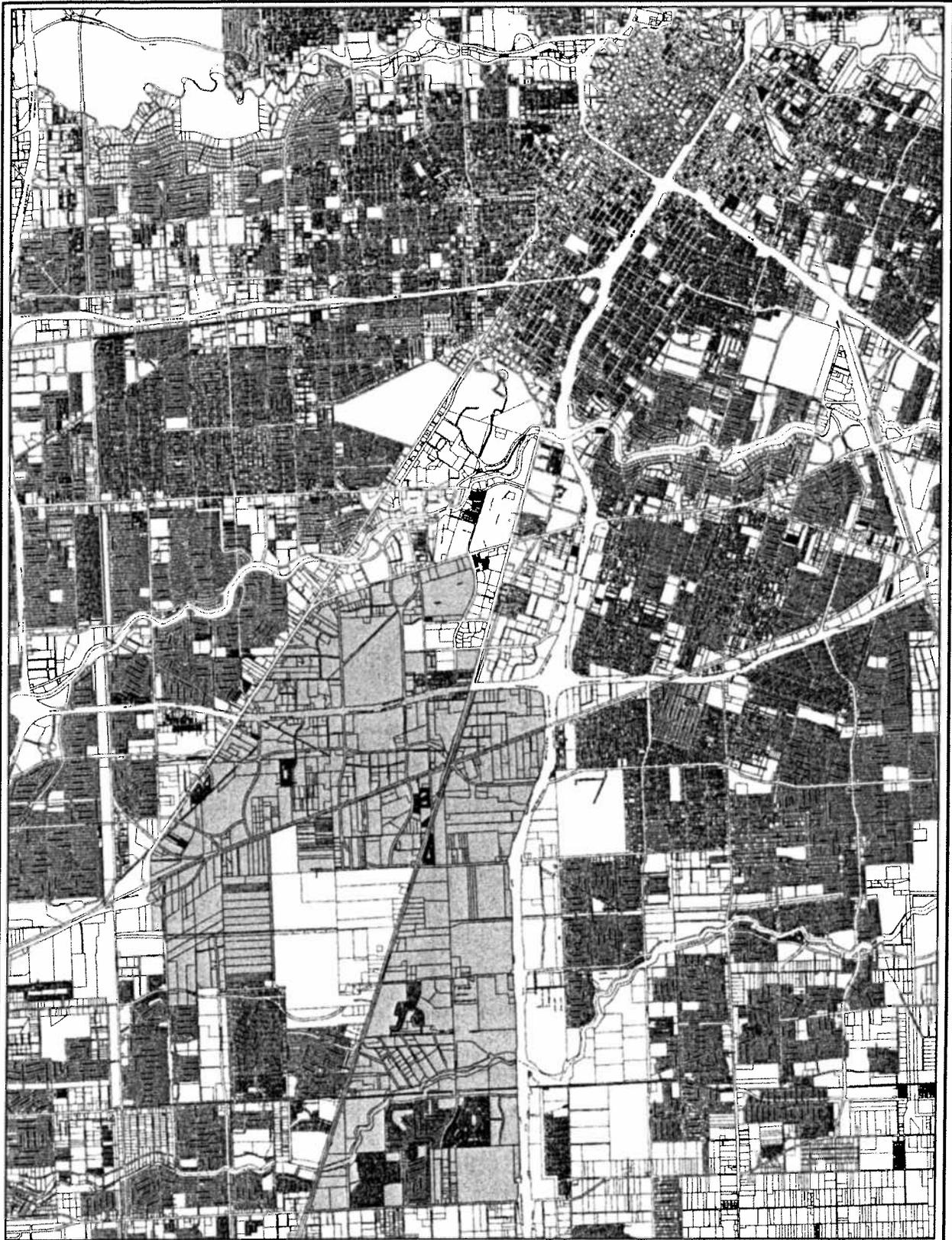


Source: GIS Services Division  
Date: November 2012  
Reference: pj16908\_Southern

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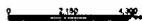
**PLANNING &  
DEVELOPMENT  
DEPARTMENT**



**Legend**

-  Northern Sector
-  Southern Sector
-  Parcels
-  Waterway

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



Source: GIS Services Division  
Date: November 2012  
Reference: pj16896\_Proposed

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**

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

**Greater Houston TIRZ**

Preliminary Project Plan and Reinvestment Zone Financing Plan

November 7, 2012

REINVESTMENT ZONE NUMBER TWENTY-FOUR

CITY OF HOUSTON, TEXAS

GREATER HOUSTON TIRZ

Preliminary Project Plan and Reinvestment Zone Financing Plan

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ATTACHMENTS:

- Map 1 – Proposed and Existing Land Uses Northern Sector
- Map 2 – Proposed and Existing Land Uses Southern Sector
- Map 3 – Proposed and Existing Land Uses Greater Houston Zone

- Exhibit 1 – Project Costs
- Exhibit 2 – Revenue Schedule Low Growth Scenario
- Exhibit 2A – Revenue Schedule Moderate Growth Scenario
- Exhibit 3 – Detail of Existing Land Uses in the Zone
- Appendix 1 – Economic Feasibility Study

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

**GREATER HOUSTON TIRZ**

**Preliminary Project Plan and Reinvestment Zone Financing Plan**

**I  
INTRODUCTION**

The purpose of the Preliminary Project Plan and Reinvestment Zone Financing Plan (the "Plan") for Reinvestment Zone Number Twenty-Four, City of Houston, Texas (Greater Houston TIRZ) is to establish a project and financing plan to facilitate the redevelopment and development of a 7,548 acre area which will support an environment attractive to attract private investment including the redevelopment acres of vacant or underdeveloped land. The intent of the Plan is to ensure that the revitalization of the area and accompanying improvements will result in the long-term stability and viability of the area.

**II  
OVERVIEW**

Reinvestment Zone Number Twenty Four, City of Houston, Texas, also known as the Greater Houston Tax Increment Reinvestment Zone (TIRZ) will be created by a City of Houston Ordinance for the purposes of revitalization and development of the area. The area located within the proposed TIRZ could be characterized as vacant, underdeveloped land or under-utilized industrial property which impairs the redevelopment of the area for housing or commercial uses. Creating the TIRZ will provide a tool that can be used to attract development to the area and turn around the decades of vacant underdeveloped properties while also creating jobs and enhancing the quality of development for the area in a timely manner.

This Project Plan and Reinvestment Zone Financing Plan is required as a part of the TIRZ creation process. Consistent with the project plan, the TIRZ 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 zone 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; and/or other lawful Harris County facilities to support the eligible items listed 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 proposed zone will be located along the South Loop and in an area located along the eastern portion and south of the Houston Central Business District abutting the existing TIRZ 2, TIRZ 3, TIRZ 13, TIRZ 15 and TIRZ 21.

Section 2.01 Criteria for Designation of a Reinvestment Zone. Based upon an assessment of the Greater Houston Zone, there is approximately 6,491 acres of vacant,

undeveloped, or underdeveloped land and but for the creation of the TIRZ may continue to lag in development for the foreseeable future. The Greater Houston area meets the requirements stated in Chapter 311.005 of the Texas Tax Code, for the following reasons:

(a) The area substantially arrests or impairs the sound growth of the City of Houston and is a menace to the public health, safety, morals, or welfare in its present condition and use because:

(1) of the scale of vacant, undeveloped or underdeveloped properties, lack of infrastructure and facilities in the area limits the ability to provide municipal services in an efficient and effective manner.

(b) Development will not occur in the area solely through private investment in the reasonably foreseeable future, and the infrastructure improvements necessary to serve development in the area are needed to attract development and significantly enhance the value of all the taxable real property in the zone.

Section 2.02 Project Plan Summary. The Project Plan contemplates revitalization within the zone as a result of the creation of the Zone. The Project Plan currently estimates a conservative Captured Appraised Value (“CAV”) over the next 30 years based on a 2% growth in real property values. This projected new CAV is based on a conservative projection of appreciation; however, the actual growth will be used to finance project improvements.

- There are approximately 6,491 acres of vacant, underdeveloped, and industrial land within the zone that provide an opportunity for revitalization of those tracts.
- The 2012 base year value for the zone, based on Harris County Appraisal District Uncertified Tax Rolls is \$3,112,001,398.
- This Project Plan assumes two financial projections. One projection is based on a very conservative development program with only 2% annual appreciation over the life of the zone. The second is a moderate growth projection based on development that may occur if the Zone is created.

Section 2.03 Public Works: The Zone 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 zone desires to promote the development of all lawful eligible public improvements, including places of assembly, for the economic development of the area under Chapter 311 of the Texas Tax Code. The zone 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.

Section 2.05 Existing Land Use Within the Zone: Exhibit 3 is a Summary of Land Uses detailing the 6,491 acres of vacant, undeveloped and underdeveloped land in the zone.

Map 1, Map 2, and Map 3 are maps of existing land uses within the zone, pursuant to Chapter 311.011(b) (1) of the Texas Tax Code.

Section 2.06 Estimated Non-Project Cost Items: The City of Houston has CIP improvements programmed for the zone totaling an estimated \$9,141,778. There is an existing Harris County Improvement District Number Eight that was created for the former Astroworld site revitalization. The Houston Downtown Management District has allocated dollars to be expended within the Zone to fund housing, public safety, graffiti abatement, landscape maintenance, and illegal dumping cleanup programs. The City is also creating a 380 program for some areas within the Zone.

Section 2.07 Proposed Changes of Zoning Ordinances, Master Plan of Municipality, Building Codes, and other Municipal Ordinances: There is no zoning ordinance in this area and there are no proposed changes to any Master Plan of Municipality, or Building Codes at this time. Any construction will be done in conformance with existing rules and regulations of the City of Houston.

Section 2.08 Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Plan: It is not anticipated that residents will be displaced by any of the projects to be undertaken by the Zone.

### III FINANCING PLAN

Section 3.01 Estimated Project Costs: Exhibit 1 is a detailed listing of the proposed Project Costs including administrative and non-project costs. The budget for the Financing Plan will be adjusted annually according to the Engineering News Record Construction Cost Index (ENR Index) on an annual basis. Revenue Projections: Exhibit 2 and 2A are Revenue Schedules for the Zone area. The estimate details the expected total appraised value, the CAV and the net revenue from each taxing entity participating in the zone over the life of the zone.

Section 3.02 Bond Indebtedness/Methods of Financing: 2012 preliminary project costs are estimated at \$265,168,000. Bonds may be required to implement the Project and Financing Plan within the next 30 years. Any associated costs of issuance will be determined at the time of the actual transaction(s),

Section 3.03 Economic Feasibility Study: Appendix 1 includes a Market and Economic Feasibility Study of the zone produced independently by CDS Market Research.

Section 3.04 Reinvestment Zone Duration: The zone will be created for a period of 30 years expiring on December 31, 2042.

Section 3.05 Exhibit 1 is a statement listing the kind, number and location of all project public improvements pursuant to Section 311.011(c)(2) of the Texas Tax Code.

Section 3.07 Current total appraised value and estimated current assessed value are provided pursuant to Section 311.011(c) (7-8) of the Texas Tax Code.

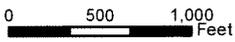
## ATTACHMENTS



**Legend**

-  Northern Sector
-  Parcels
-  Waterway

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

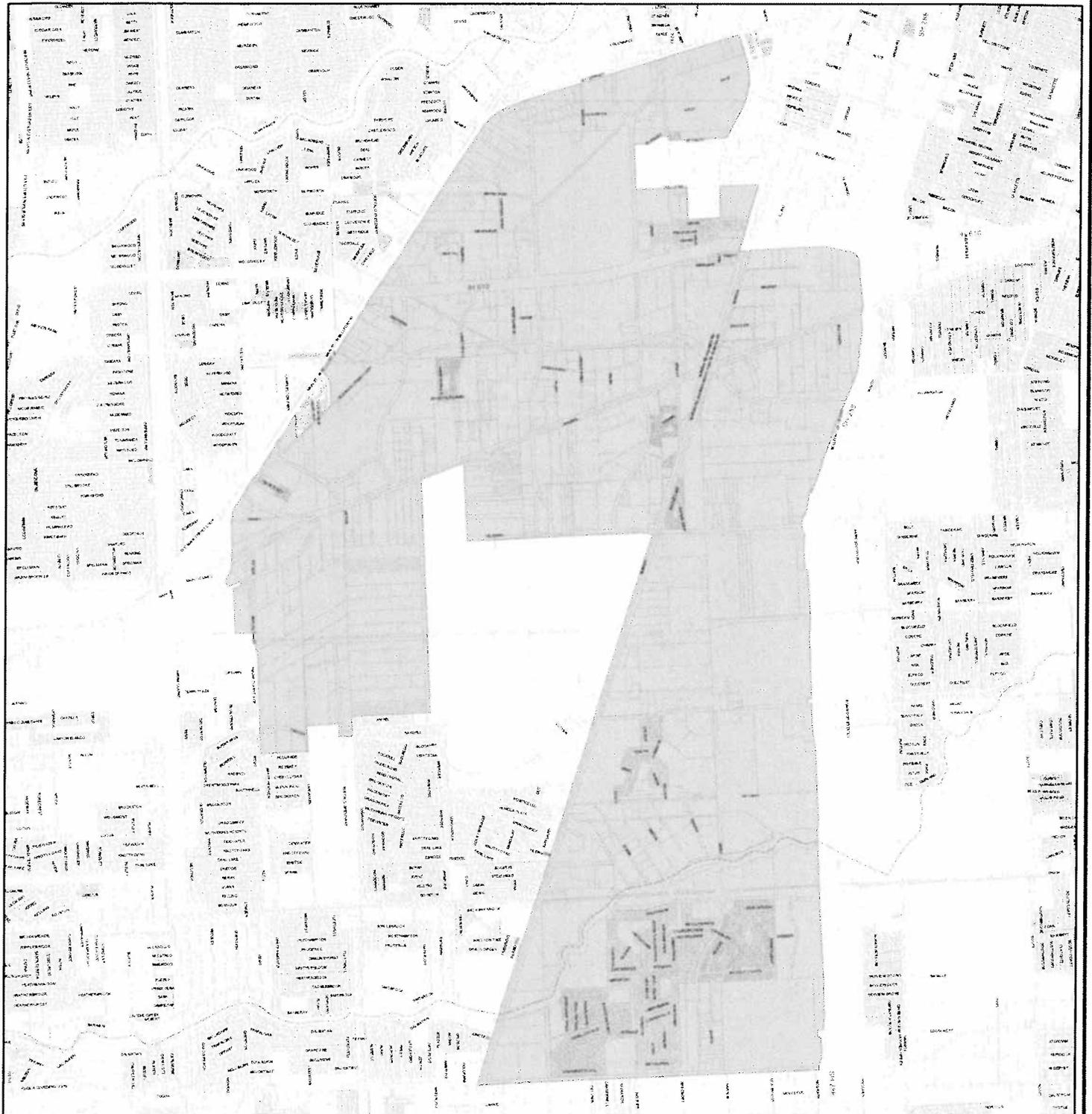


Source: GIS Services Division  
Date: November 2012  
Reference: pj16908\_Northern

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DEPARTMENT**



### Legend

-  Southern Sector
-  Parcels
-  Waterway

### City Of Houston Southern Sector TIRZ #24



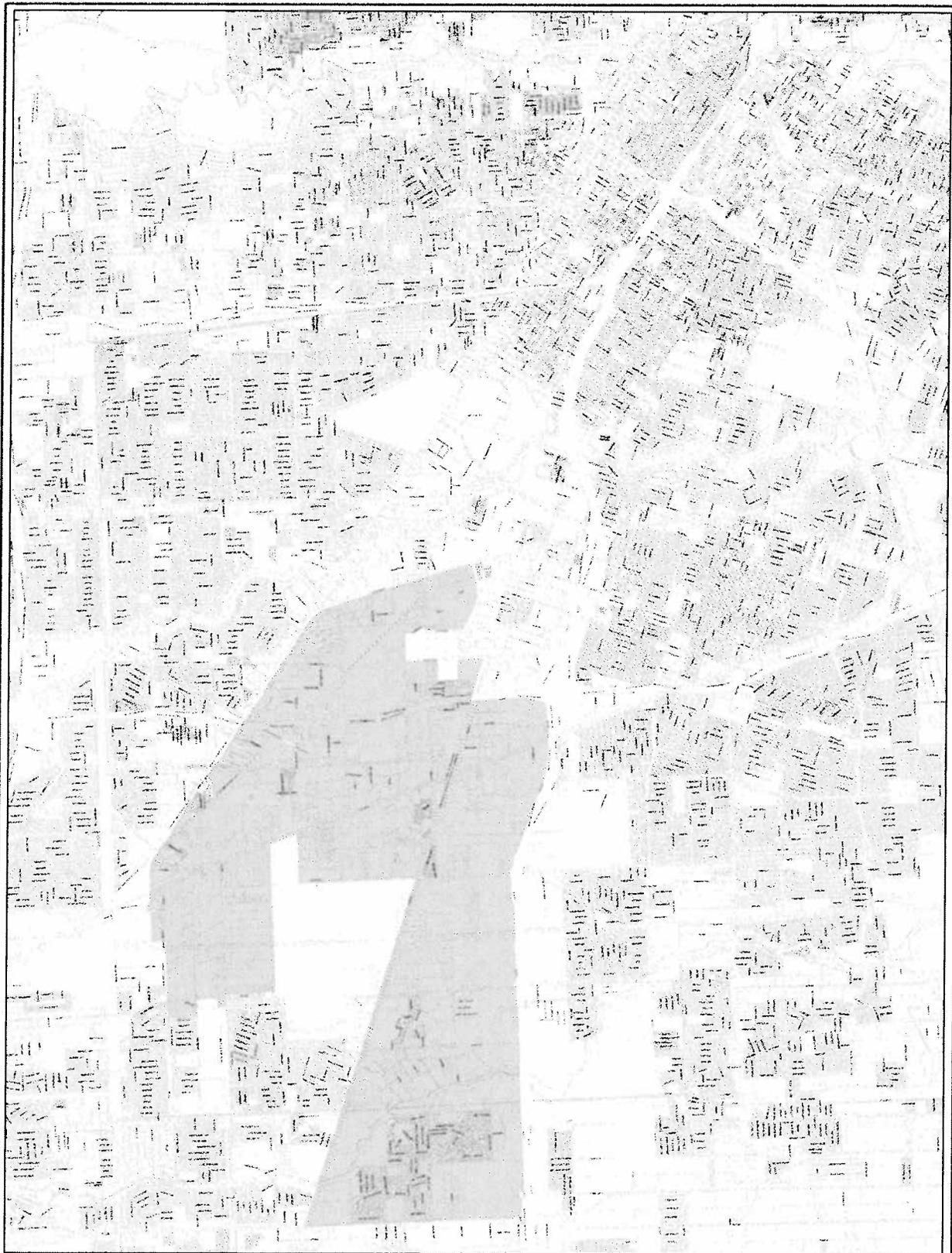
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Source: GIS Services Division  
Date: November 2012  
Reference: pj16908\_Southern

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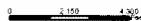
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DEPARTMENT**



**Legend**

-  Northern Sector
-  Southern Sector
-  Parcels
-  Waterway

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



Source: GIS Services Division  
Date: November 2012  
Reference: pj16896\_Proposed

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## EXHIBIT 1 – Project Costs

**Project Costs:** The following table includes the approved project costs for the Project Plan. This budget may be adjusted from time to time and line items may be adjusted by the Board provided that the total project costs are not modified. Any adjustments to the Project Plan must be reviewed and approved by the Houston City Council and the Harris County Commissioners Court. This budget is based on 2012 dollars that will be adjusted according to the Engineering News Record Construction Cost Index (ENR Index) on an annual basis.

### GREATER HOUSTON TIRZ #24

**Project Cost Amendments:** The following table includes the approved project cost for the Plan subject to increase for cost inflation and/or Zone performance exceeding the current revenue projections.

	Estimated Costs 2012 Plan	Estimated Costs 2012-2042	Cumulative
<b>Infrastructure Improvements:</b>			
<b>Paving, utilities, landscape architecture, sidewalk Improvements</b>			
Roadway, Sidewalk, environmental remediation, Landscape Improvements	\$ -	\$ 143,808,000	\$ 143,808,000
<hr/>			
<b>Total Development Related Infrastructure Improvements -</b>	<b>\$ -</b>	<b>\$ 143,808,000</b>	<b>\$ 143,808,000</b>
<hr/>			
<b>Other Project Costs:</b>			
<b>Cultural and Public Facilities</b>			
Planning, Design, Open Space Improvements, and Construction of Publicly-Owned Facilities	\$ -	\$ 40,000,000	\$ -
<b>Public Facilities Improvements</b>	<b>\$ -</b>	<b>\$ 40,000,000</b>	<b>\$ 40,000,000</b>
<hr/>			
<b>Land Acquisition</b>			
Land Assembly, Site Preparation	\$ -	\$ 5,000,000	\$ 5,000,000
<b>Total Land Acquisition</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>
<hr/>			
<b>Project Financing Costs</b>			
Financing Cost (any actual financing costs will be determined at the time of project initiation)	\$ -	\$ 25,000,000	\$ 25,000,000
<b>Total Project Financing Costs</b>	<b>\$ -</b>	<b>\$ 25,000,000</b>	<b>\$ 25,000,000</b>
<hr/>			
<b>Zone Creation</b>			
Creation of the Zone	\$ 350,000	\$ -	\$ 350,000
<b>Total Creation Costs</b>	<b>\$ 350,000</b>	<b>\$ -</b>	<b>\$ 350,000</b>
<hr/>			
<b>County Administration and Operations</b>			
Administration and Operations over 30-year life of the Zone	\$ -	\$ 20,000,000	\$ 20,000,000
<b>Total County Administration and Operations Costs</b>	<b>\$ -</b>	<b>\$ 20,000,000</b>	<b>\$ 20,000,000</b>
<hr/>			
<b>Homeless Housing Costs</b>			
Homeless Housing	\$ -	\$ 51,000,000	\$ 51,000,000
<b>Total Homeless Housing Costs</b>	<b>\$ -</b>	<b>\$ 51,000,000</b>	<b>\$ 51,000,000</b>
<hr/>			
<b>Total Other Project Costs</b>	<b>\$ 350,000</b>	<b>\$ 121,000,000</b>	<b>\$ 121,350,000</b>
<hr/>			
<b>PROJECT PLAN TOTAL</b>	<b>\$ 350,000</b>	<b>\$ 264,808,000</b>	<b>\$ 265,158,000</b>

**Exhibit 2 - Revenue Schedule  
Low Growth Rate Scenario**

Tax year	INCREMENT CREATED FROM 2% ANNUAL APPRECIATION AT 97% COLLECTION			TIRZ CASH FLOW					
	Taxable value	County Increment Generated at 60% of \$0.42830 **	Captured Taxable Value	60% County Participation per Project Plan plus 5% COH Participation**	County Homeless Participation at 5% of \$0.42830	TIRZ Operations & Management Expense	City Admin Fees at 5%	County Admin Fees at 5%	Net revenue
2012	3,112,001,398			175,024	7,757	350,000	19,878	7,757	(210,369)
2013	3,174,241,426	155,146	62,240,028	353,548	15,670	150,000	40,153	15,670	132,056
2014	3,237,726,254	313,395	125,724,856	585,643	23,740	150,000	60,834	23,740	277,328
2015	3,302,480,780	474,809	190,479,382	721,380	31,973	150,000	81,929	31,973	425,506
2016	3,368,530,395	639,451	296,528,997	910,832	40,369	150,000	103,445	40,369	576,648
2017	3,435,901,003	807,386	323,899,605	1,104,073	48,934	150,000	125,392	48,934	730,812
2018	3,504,619,023	978,680	392,617,625	1,301,178	57,670	150,000	147,778	57,670	888,060
2019	3,574,711,404	1,153,400	462,710,006	1,502,226	66,581	150,000	170,611	66,581	1,048,453
2020	3,646,205,632	1,331,614	534,204,234	1,707,294	75,670	150,000	193,902	75,670	1,212,053
2021	3,719,129,744	1,513,392	607,128,346	1,916,464	84,940	150,000	217,658	84,940	1,378,926
2022	3,793,512,339	1,698,806	681,510,941	2,129,817	94,396	150,000	241,889	94,396	1,549,136
2023	3,869,382,986	1,887,929	757,381,188	2,347,438	104,042	150,000	266,604	104,042	1,722,750
2024	3,946,770,238	2,080,833	834,768,840	2,569,410	113,880	150,000	291,814	113,880	1,899,836
2025	4,025,705,642	2,277,596	913,704,244	2,795,823	123,915	150,000	317,528	123,915	2,080,465
2026	4,106,219,755	2,478,294	994,218,357	3,026,763	134,150	150,000	343,757	134,150	2,264,705
2027	4,188,344,150	2,683,006	1,076,342,752	3,262,322	144,591	150,000	370,510	144,591	2,452,631
2028	4,272,111,033	2,891,812	1,160,109,635	3,502,593	155,240	150,000	397,798	155,240	2,644,315
2029	4,357,553,254	3,104,795	1,245,551,856	3,747,669	166,102	150,000	425,632	166,102	2,839,833
2030	4,444,704,319	3,322,037	1,332,702,921	3,997,646	177,181	150,000	454,023	177,181	3,039,261
2031	4,533,998,406	3,543,623	1,421,597,068	4,252,623	188,482	150,000	482,981	188,482	3,242,678
2032	4,624,270,374	3,769,642	1,512,268,976	4,512,699	200,009	150,000	512,518	200,009	3,450,163
2033	4,716,755,781	4,000,181	1,604,754,383	4,777,977	211,767	150,000	542,647	211,767	3,661,798
2034	4,811,090,897	4,235,331	1,699,089,499	5,048,561	223,759	150,000	573,378	223,759	3,877,665
2035	4,907,312,715	4,475,183	1,795,311,317	5,324,556	235,992	150,000	604,723	235,992	4,097,850
2036	5,005,458,969	4,719,833	1,893,457,571	5,606,071	248,469	150,000	636,695	248,469	4,322,438
2037	5,105,568,148	4,969,376	1,993,566,750	5,893,217	261,195	150,000	669,307	261,195	4,551,518
2038	5,207,679,511	5,223,909	2,095,678,113	6,186,105	274,177	150,000	702,571	274,177	4,785,180
2039	5,311,833,102	5,483,534	2,199,831,704	6,484,851	287,418	150,000	736,501	287,418	5,023,515
2040	5,418,069,764	5,748,350	2,306,068,366	6,789,572	300,923	150,000	771,109	300,923	5,266,617
2041	5,526,431,159	6,018,464	2,414,429,761	7,100,387	314,699	150,000	806,409	314,699	5,514,581
2042	5,636,958,782	6,293,979	2,524,958,384	7,413,689	328,974	150,000	841,974	328,974	5,763,629
<b>TOTAL</b>		<b>88,273,788</b>	<b>2,524,958,384</b>	<b>99,583,762</b>	<b>4,413,689</b>	<b>4,700,000</b>	<b>11,309,974</b>	<b>4,413,689</b>	<b>74,746,409</b>

Assumes 97% collection rate - 2.0% growth rate.  
 \*\* Harris County participation rate is based on Harris County rate (0.40021) + Flood Control rate (0.2809)  
 Assumes City of Houston participation at 5% of \$0.63875 tax rate.  
 Assumes no Houston Independent School District participation  
 Assumes 5% of County TIRZ revenues dedicated to off-site homeless programs.  
 2013 TIRZ Operation and Management budget includes organizational costs of ZONE and Redevelopment Authority creation  
 NOTE: Project Revenues from 2012 through 2042 are carried forward from the original Project Plan.

**Exhibit 2A – Revenue Schedule  
Moderate Growth Rate**

Tax year	INCREMENT CREATED FROM MODEST GROWTH PER MARKET STUDY			TIRZ CASH FLOW					
	Taxable value	County Increment Generated at 60% of \$0.42830 **	Captured Taxable Value	60% County Participation per Project Plan ** plus 5% COH Participation	County Homeless Participation at 5% of \$0.42830	TIRZ Operations & Management Expense	City Admin Fees at 5%	County Admin Fees at 5%	Net revenue
2012	3,112,001,358								
2013	3,174,241,426	155,146	62,240,028	162,903	7,757	350,000	19,878	7,757	(222,489)
2014	3,269,468,669	392,520	157,467,271	412,146	19,626	150,000	50,291	19,626	172,603
2015	3,429,672,634	791,861	317,671,236	831,454	39,593	150,000	101,456	39,593	500,812
2016	3,618,304,628	1,262,065	506,303,230	1,325,168	63,103	150,000	161,701	63,103	887,261
2017	3,831,784,601	1,794,208	719,783,203	1,863,918	89,710	150,000	229,881	89,710	1,324,617
2018	4,100,009,524	2,462,814	968,008,126	2,585,954	123,141	150,000	315,545	123,141	1,874,128
2019	4,341,910,085	3,065,801	1,229,908,687	3,219,091	153,290	150,000	392,802	153,290	2,369,709
2020	4,595,057,050	3,671,855	1,473,055,652	3,855,489	183,595	150,000	470,457	183,595	2,867,843
2021	4,818,894,960	4,254,784	1,706,893,502	4,467,523	212,739	150,000	545,139	212,739	3,346,906
2022	5,095,753,077	4,927,461	1,976,751,679	5,173,834	246,373	150,000	631,325	246,373	3,899,763
2023	5,353,368,238	5,597,069	2,241,366,840	5,866,422	279,353	150,000	715,637	279,353	4,441,879
2024	5,621,036,649	6,254,287	2,509,035,251	6,567,002	312,714	150,000	801,323	312,714	4,990,250
2025	5,935,814,702	7,038,936	2,823,813,304	7,390,863	351,947	150,000	901,855	351,947	5,635,134
2026	6,238,541,252	7,793,545	3,126,539,854	8,183,222	389,677	150,000	998,539	389,677	6,255,329
2027	6,569,183,938	8,617,740	3,457,182,540	9,048,637	430,887	150,000	1,104,138	430,887	6,932,715
2028	6,910,781,503	9,469,242	3,796,780,105	9,942,704	473,462	150,000	1,213,235	473,462	7,632,544
2029	7,221,766,670	10,244,437	4,109,765,272	10,756,658	512,222	150,000	1,312,556	512,222	8,269,658
2030	7,517,659,104	10,962,508	4,405,857,706	11,531,633	549,125	150,000	1,407,121	549,125	8,876,282
2031	7,833,609,186	11,769,580	4,721,607,788	12,358,059	588,479	150,000	1,507,943	588,479	9,523,138
2032	8,201,788,818	12,687,344	5,089,787,420	13,321,711	634,367	150,000	1,625,551	634,367	10,277,426
2033	8,644,685,414	13,791,355	5,532,694,016	14,490,922	689,968	150,000	1,767,001	689,968	11,184,786
2034	9,004,025,978	14,437,814	5,792,024,578	15,159,705	721,891	150,000	1,849,828	721,891	11,716,096
2035	9,171,146,756	15,103,668	6,059,145,358	15,858,851	755,183	150,000	1,935,140	755,183	12,263,345
2036	9,446,281,158	15,789,497	6,334,279,760	16,578,972	789,475	150,000	2,023,011	789,475	12,827,012
2037	9,729,669,593	16,495,901	6,617,668,195	17,320,698	824,795	150,000	2,113,518	824,795	13,407,588
2038	10,021,569,681	17,223,497	6,908,558,283	18,084,672	861,175	150,000	2,206,740	861,175	14,005,582
2039	10,322,206,471	17,972,921	7,210,205,073	18,871,568	898,646	150,000	2,302,759	898,646	14,621,516
2040	10,631,872,666	18,744,828	7,519,871,268	19,682,070	937,241	150,000	2,401,659	937,241	15,255,928
2041	10,950,828,846	19,539,852	7,838,827,448	20,516,867	976,995	150,000	2,503,926	976,995	15,909,372
2042	11,279,353,711	20,358,808	8,167,352,313	21,376,749	1,017,940	150,000	2,608,448	1,017,940	16,582,420
<b>TOTAL</b>		<b>282,681,423</b>	<b>8,167,352,313</b>	<b>296,815,494</b>	<b>14,134,071</b>	<b>4,700,000</b>	<b>36,218,222</b>	<b>14,134,071</b>	<b>227,629,130</b>

Assumes 97% collection rate - Moderate growth rate in taxable values.  
 \*\* Harris County participation rate is based on Harris County rate (0.40021) + Flood Control rate (0.2808)  
 Assumes City of Houston participation at 5% of \$0.63875 tax rate.  
 Assumes no Houston Independent School District participation  
 Assumes 5% County TIRZ revenues to off-site homeless programs.  
 2013 TIRZ Operation and Management budget includes organizational costs of ZONE and Redevelopment Authority creation  
 NOTE: Project Revenues from 2012 through 2042 are carried forward from the original Project Plan.

EXHIBIT 3 – Detail of Existing Land Uses in the Zone

Land Use		Number of	% Total	Square Miles	Acres	Average Property Value	Property Value
Single Family Residential	4,483	4,483 dwellings	12%	0.98	629.00	\$85,676 / dwelling	\$384,083,609
Multi-Family Residential	1,157	1,157 dwellings	15%	0.57	366.00	\$392,724 / dwelling	\$454,381,897
		<b>Total</b>	<b>27%</b>				
Commercial	428			1.24	798.00	\$1,214,292 / acre	\$969,004,898
Industrial	178			1.55	991.00	\$334,936 / acre	\$331,921,437
Agricultural	2			0.01	1.00	\$100 / acre	\$100
Public/Institutional	79			0.44	278.00	\$1,780,166 / acre	\$169,815,608
Transportation/Utilities	45			0.26	166.00	\$129,061 / acre	\$21,424,132
Vacant/Undeveloped	1,650			4.19	2,688.00	\$93,492 / acre	\$251,306,061
Parks and Open Space	83			0.72	466.00	\$12,991 / acre	\$6,053,780
Office	52			0.15	109.00	\$4,807,430 / acre	\$524,009,876
<b>TOTALS</b>				<b>10.11</b>	<b>6,491.75</b>		<b>\$3,112,001,398</b>

## Appendix 1

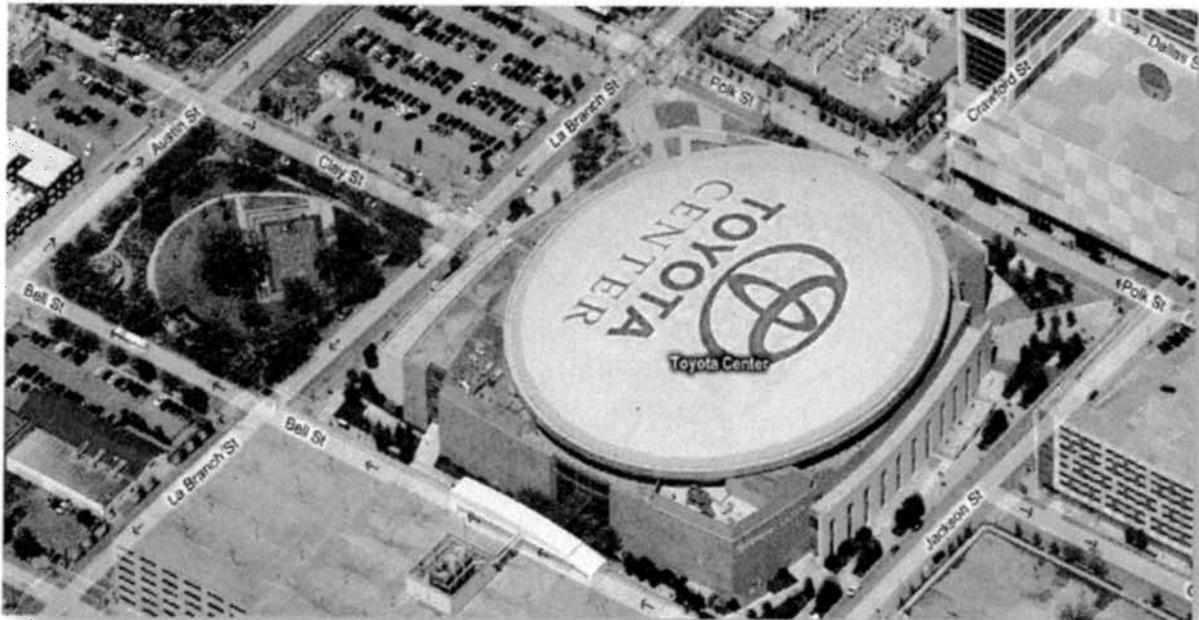
### Economic Feasibility Study

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# Independent Market Analysis

## Central Houston TIRZ #24

### Houston, TX



Prepared for:

**Knudson, LP**  
8588 Katy Freeway,  
Houston, TX 77024



December 2009

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# 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

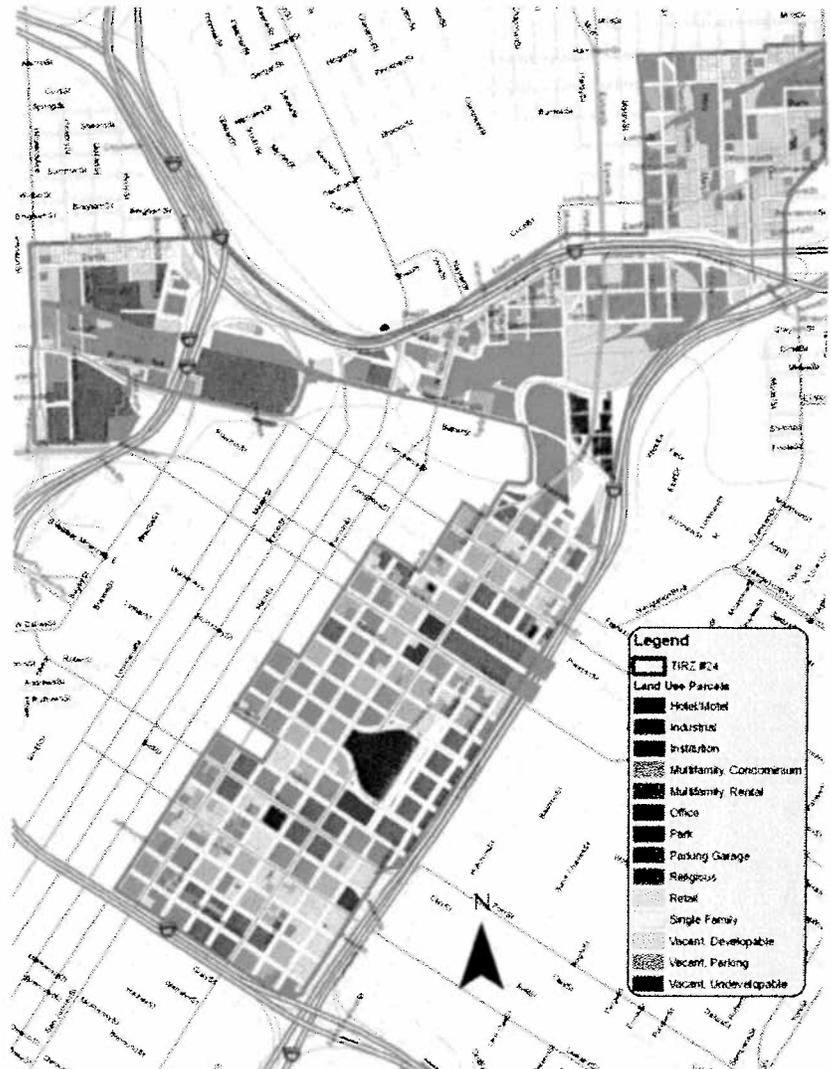
The ±462.5-acre tract (referred to as “The Zone”) is located in the northern and eastern portion of the Central Business District of the City of Houston, Harris County, Texas. The district is a contiguous irregular shaped zone comprised of approximately 1,280 parcels. Access to The Zone is through the 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.	%
<b>Population</b>						
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	
<b>Growth 2009-2014</b>	<b>10.4%</b>		<b>10.6%</b>		<b>8.0%</b>	
<b>Growth 2000-2009</b>	<b>24.9%</b>		<b>26.8%</b>		<b>14.5%</b>	
<b>Growth 1990-2000</b>	<b>-1.4%</b>		<b>69.1%</b>		<b>15.1%</b>	
<b>2009 Estimated Population by Single Race Classification</b>						
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%
<b>2009 Estimated Population Hispanic or Latino by Origin*</b>						
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.	%
<b>Total Households</b>	1,122		2,199		808,317	
<b>Less than \$15,000</b>	467	41.66%	733	33.33%	126,157	15.60%
<b>\$15,000 to \$24,999</b>	180	16.06%	273	12.41%	99,416	12.30%
<b>\$25,000 to \$34,999</b>	120	10.70%	193	8.78%	103,968	12.90%
<b>\$35,000 to \$49,999</b>	144	12.80%	232	10.55%	133,808	16.60%
<b>\$50,000 to \$74,999</b>	60	5.32%	203	9.23%	138,678	17.20%
<b>\$75,000 to \$99,999</b>	65	5.82%	121	5.50%	75,216	9.30%
<b>\$100,000 to \$149,999</b>	31	2.77%	163	7.41%	75,445	9.30%
<b>\$150,000 to \$249,999</b>	45	3.99%	186	8.46%	36,533	4.50%
<b>\$250,000 to \$499,999</b>	9	0.85%	72	3.27%	12,472	1.50%
<b>\$500,000 or more</b>	0	0.03%	23	1.05%	6,624	0.80%
<b>Average Household Income</b>	\$37,820		\$66,178		\$63,425	
<b>Median Household Income</b>	\$20,198		\$29,845		\$43,365	
<b>Estimated Per Capita Income</b>	\$43,406		\$17,719		\$23,174	

Source: PCensus for MapInfo, Tetrad Computer Systems, 2009

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## 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)**

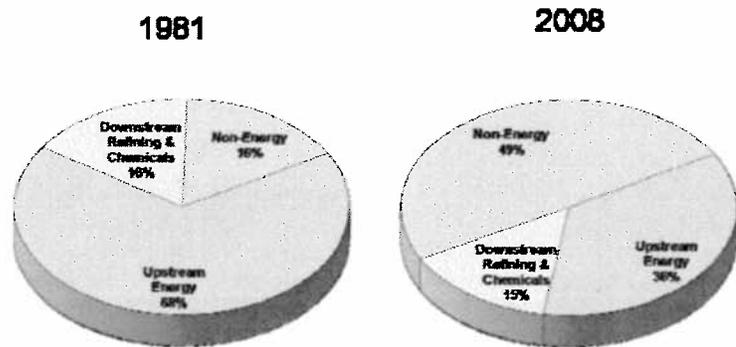


### The Houston Area Economy

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.

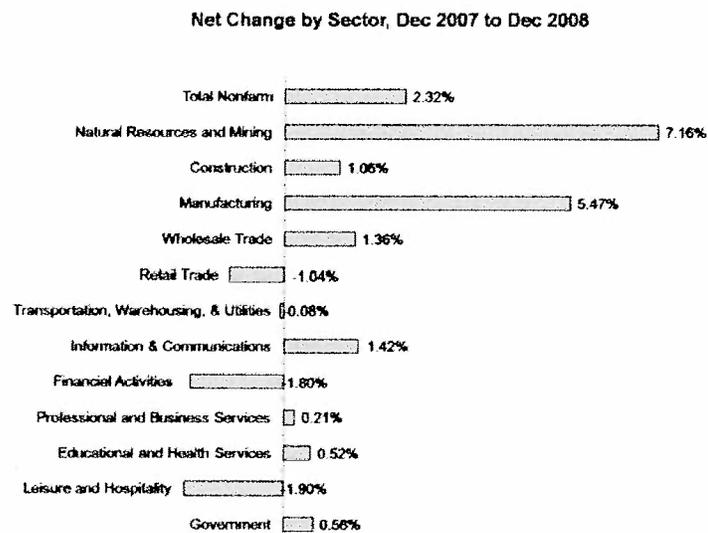
Since 1986, Houston’s economy has become diversified thereby lessening dependence on the energy industry as the economic engine for the metropolitan area. Today, upstream energy sectors account for roughly a third of Houston’s economic base jobs. Since 1986, the energy-insensitive sectors of Houston’s 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.

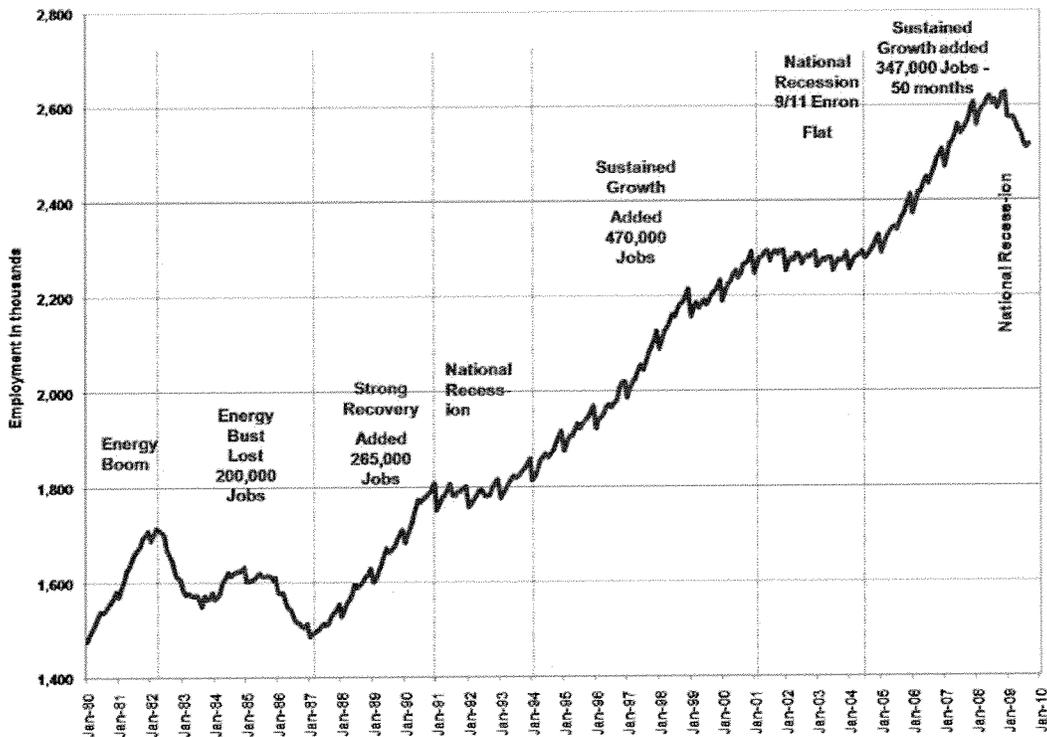
Houston’s economic breadth is further substantiated by the number of large employers in the Houston area. As of 2008, there were 116 companies in Houston with 1,000 employees or more. In order to grow, Houston’s employers rely on a substantial local college and university system. There are 17 community 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

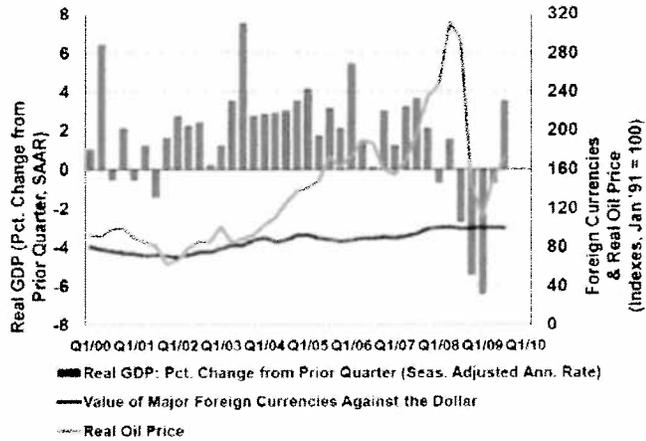
Three factors have governed the state of Houston's economy for the past 10 years

- 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).

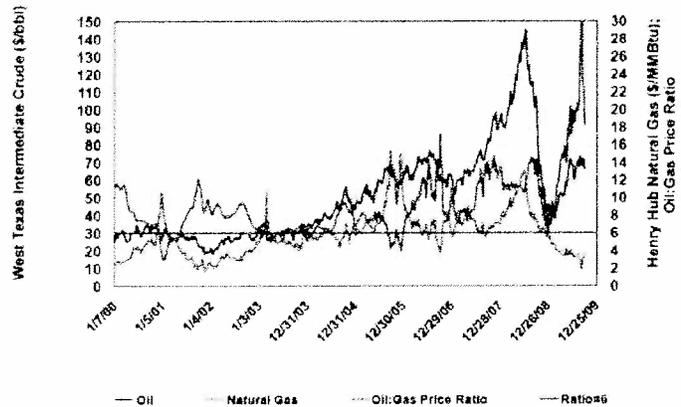
### Drivers of the Houston Economy



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**

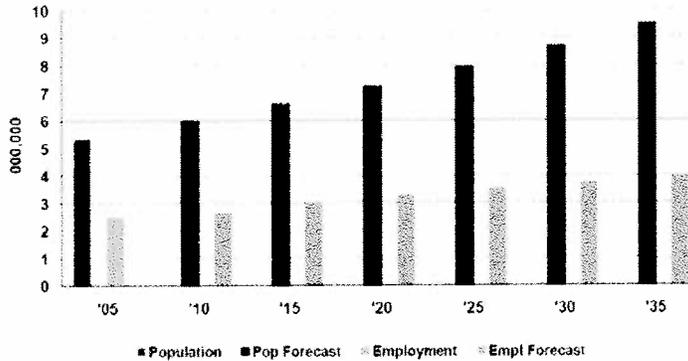
The Houston MSA has developed in a low-density suburban form, uninhibited by either natural geographic boundaries or man-made political regulation. Furthermore, the central city does not enforce zoning or any other form of land use regulation. The region’s central business district presently accounts 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**

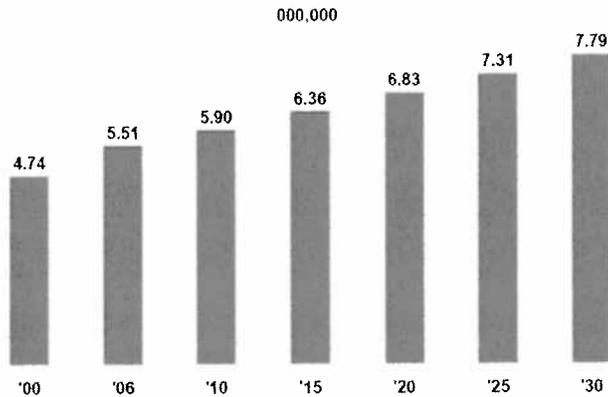
Houston-Sugar Land-Baytown MSA 2005-2035



Source: The Perryman Group, Spring/Summer 2009

From Woods & Poole Economics

**Houston-Sugar Land-Baytown MSA Population 2000-2030**

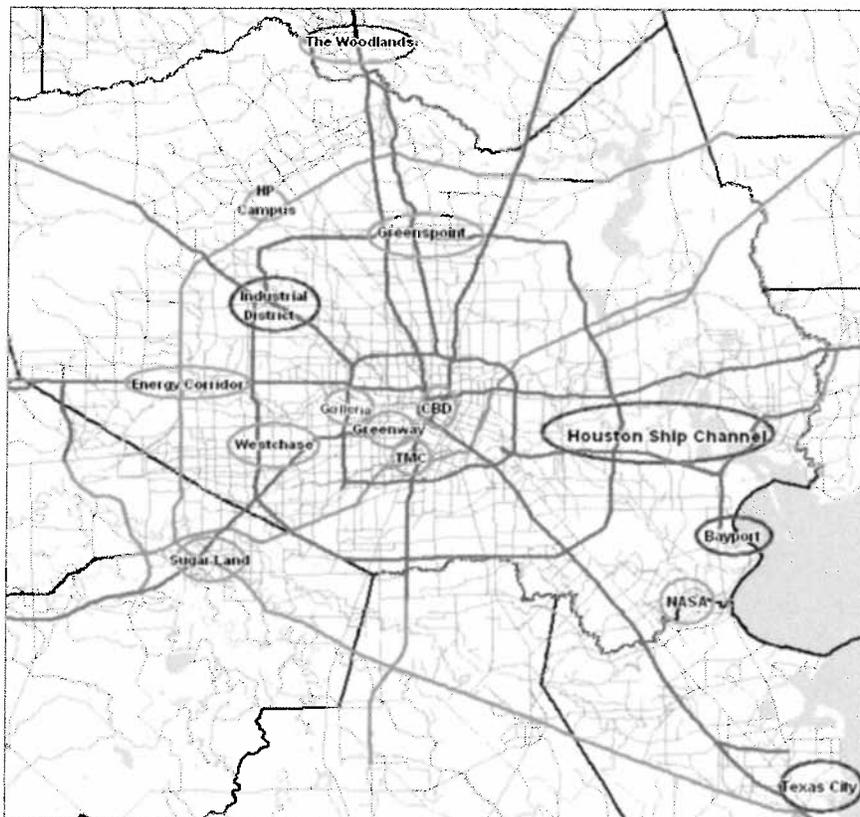


Source: Woods & Poole, 2008 MSA Profile

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

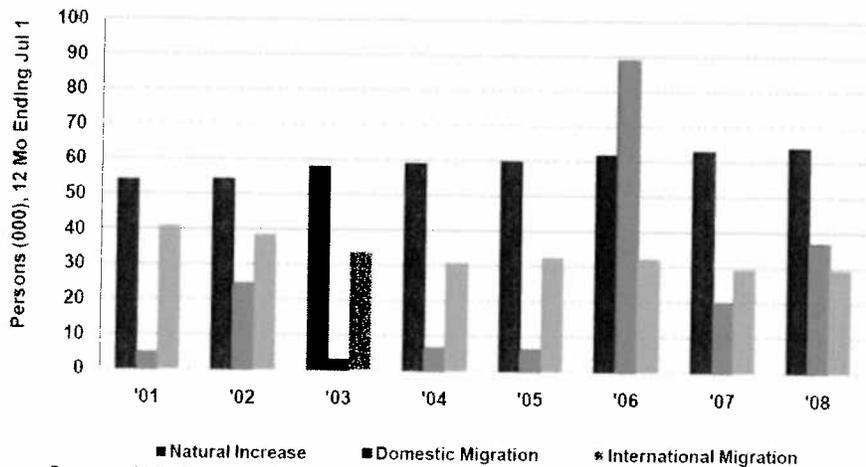
### Population Growth Accounted for by In-Migration

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%

CMSA 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.

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.

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%

**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**

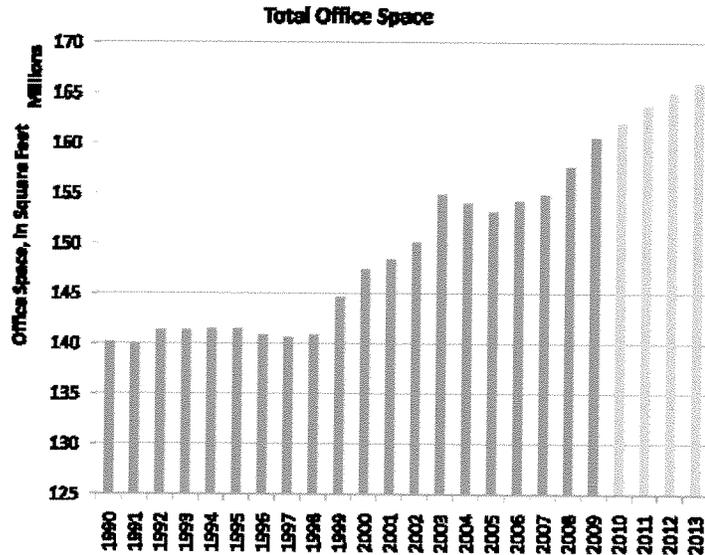
Three residential growth patterns, which had their inception in the 1980s, have been identified as trends, which seem certain to continue. First is the expansion of single-family development into counties surrounding Houston, especially Montgomery to the north, Fort Bend to the southwest and Brazoria 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



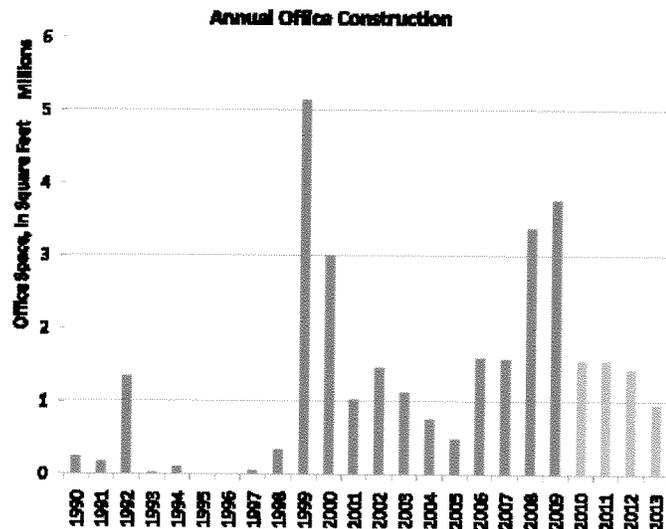
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The region's economic downturn of the mid-1980's resulted in substantial amount of excess office space. As illustrated in the charts on the right, there was little office construction in the decade of the 1990's.

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

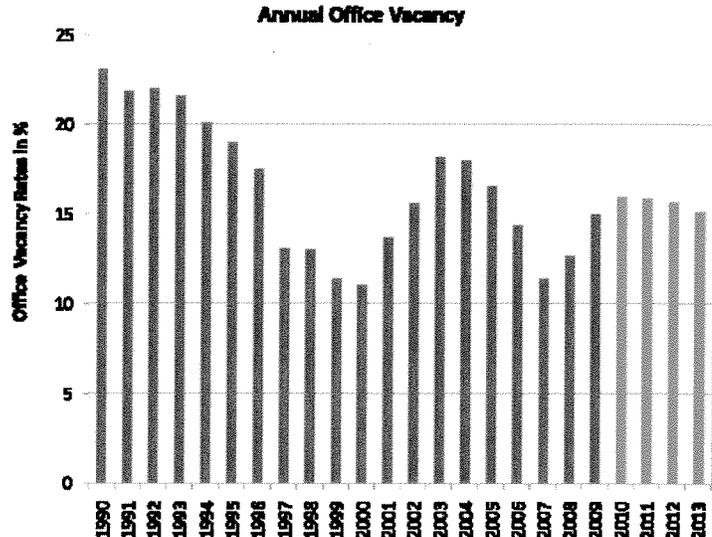


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Houston Regional Office Performance Trends

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

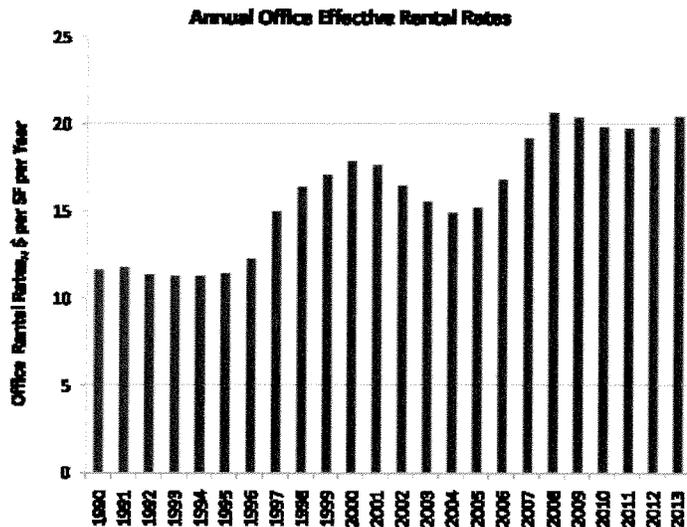
Reis predicts vacancy rates to increase slightly and then return to the 15% vacancy by 2013.



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.



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## Regional Retail Trends

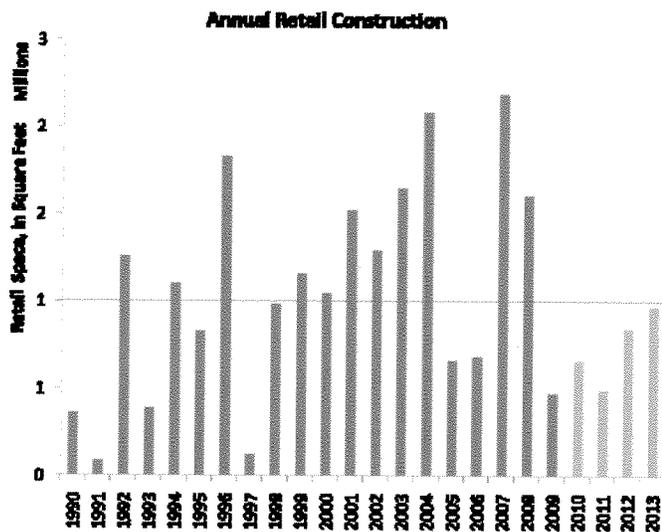
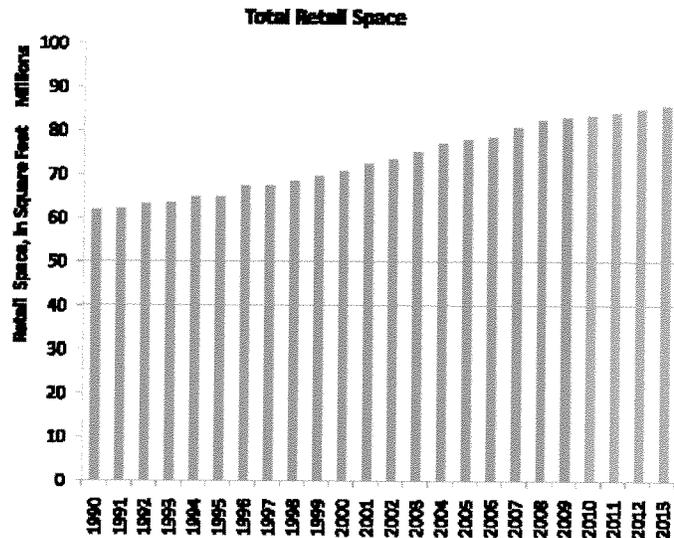
Retail space in the Houston region totals approximately 83 million square feet of space. According to Reis, that includes approximately 38 million square feet in larger “community” shopping centers and 45 million square feet in smaller, “neighborhood” centers.

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.

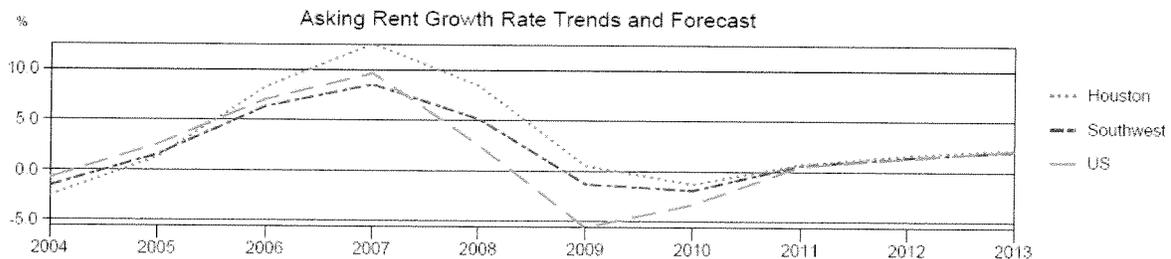
The current economic conditions have taken a toll on new retail development in the Houston region. In the ten years leading up to 2009 (1999-2008) the average annual retail constructed was just under 1.4 million square feet. In 2009, Reis estimates that only 473,000 square feet will be completed.

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

## Houston Regional Retail Trends



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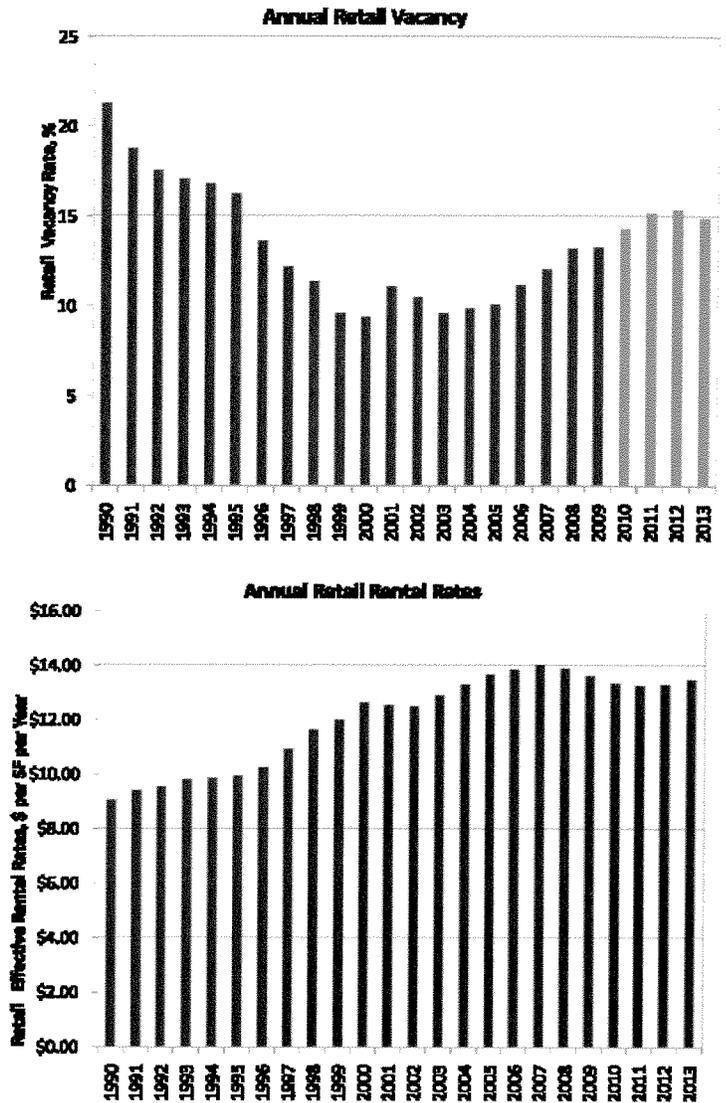
The strong retail construction over the past 10 years been accompanied by increasing vacancy rates. After reaching low vacancy rates under 10% in 2000, the rate of vacant space has climbed to the current estimate of 13%.

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



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## 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

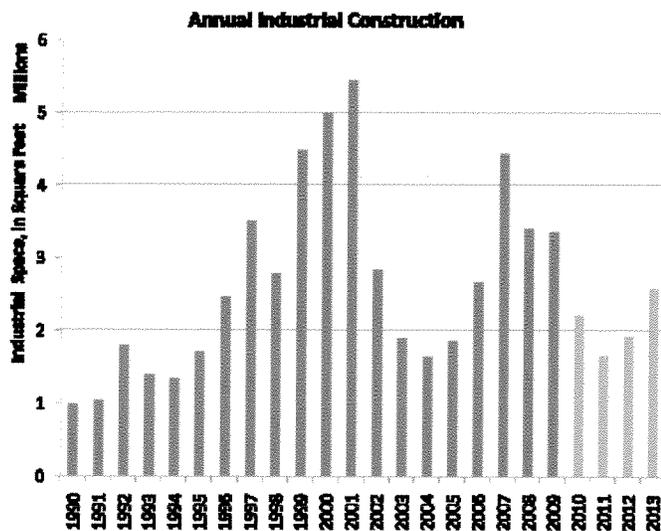
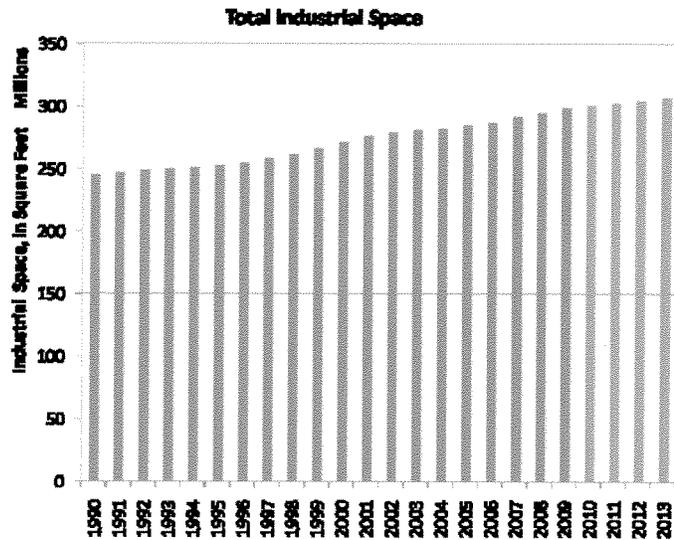
These development types are characterized by lower cost concrete or metal construction, tall bays, large free spans, and in some cases dock height loading docks. These products generally command lower rental rates.

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



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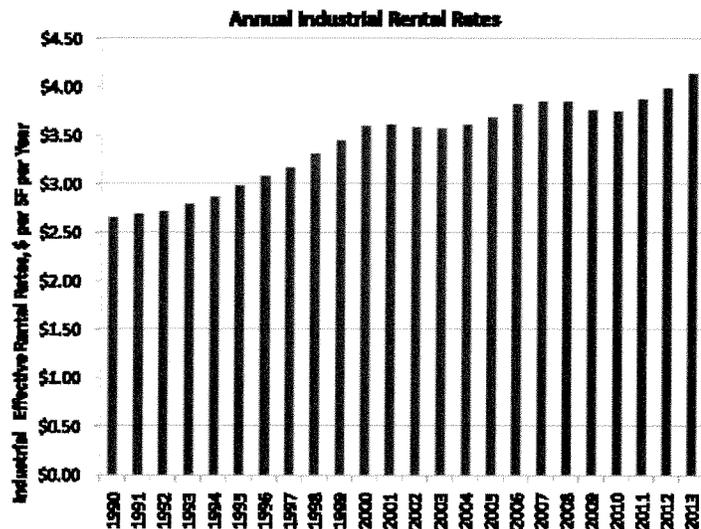
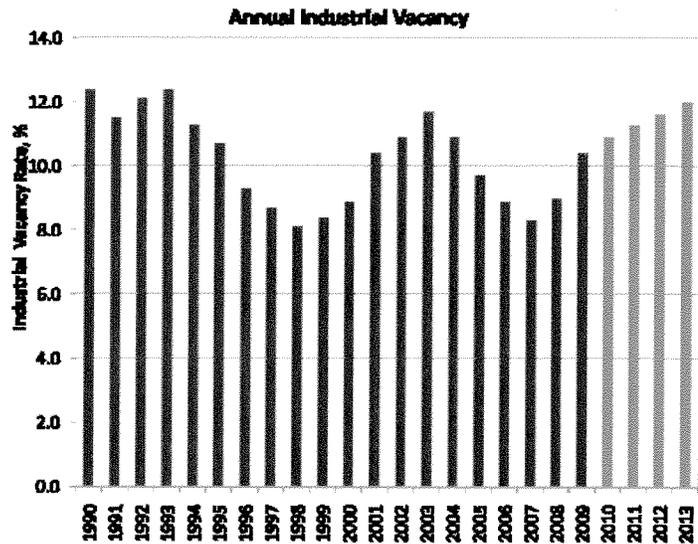
Industrial space vacancies have cycled over a range of 8% to 12%. Reis estimates that currently 10.4% of the industrial space for lease is vacant. That is a significant increase from the 8.3% rate in 2007. This increase was the result of 11.1 million square feet of new construction during the period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



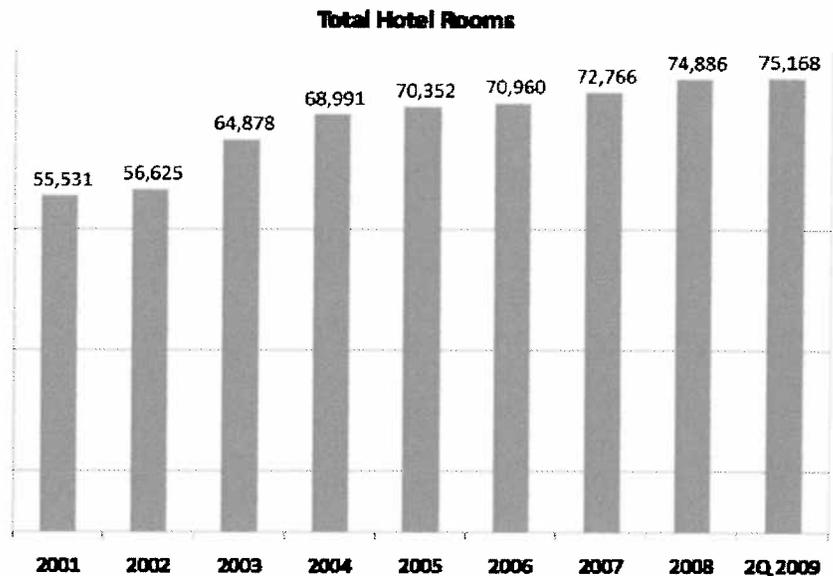
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## Regional Hotel Trends

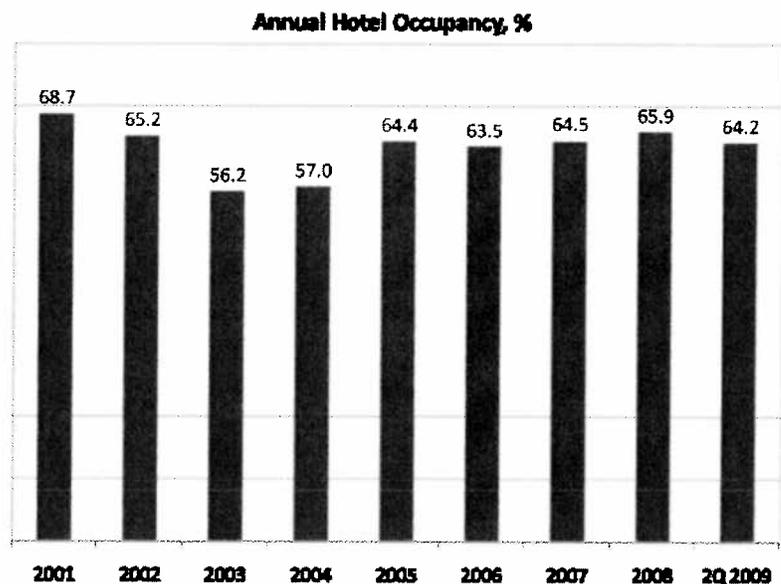
Hotel performance in Houston has been strong in recent years, matching the population and employment growth of the region.

- 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.

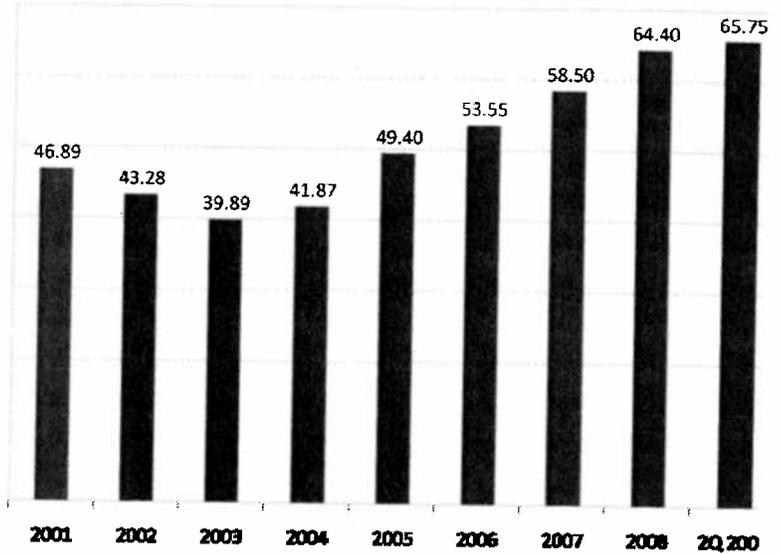


Source: Texas Hotel Performance Factbook, Source Strategies

- 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.

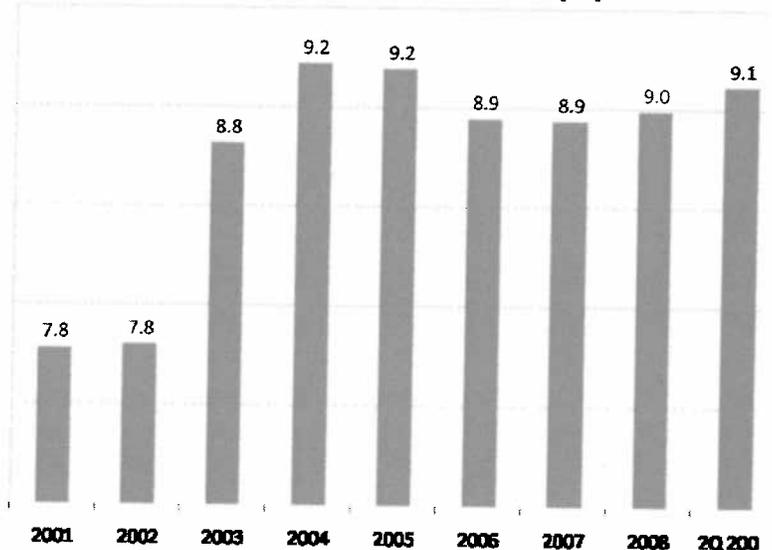
**Houston Regional Hotel Performance Trends**

**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

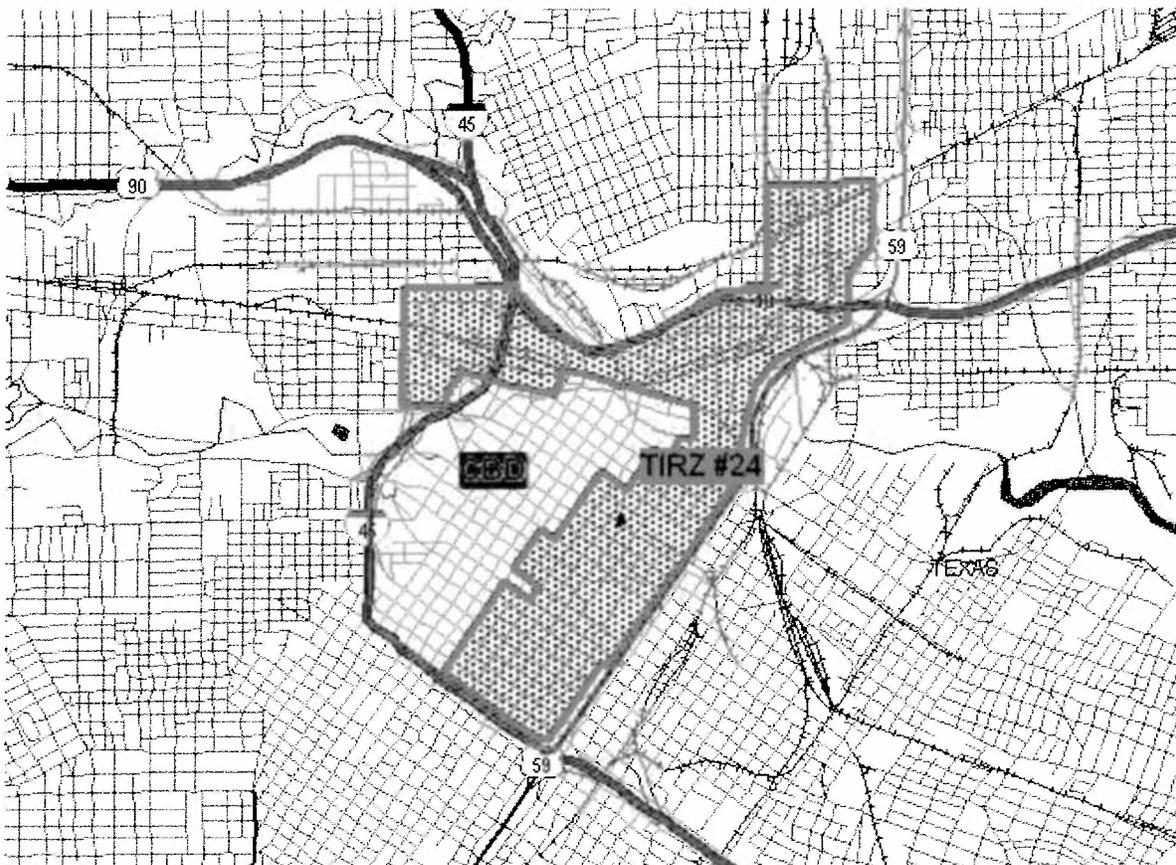
## Trends in the Competitive Market Area and the TIRZ

### 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.

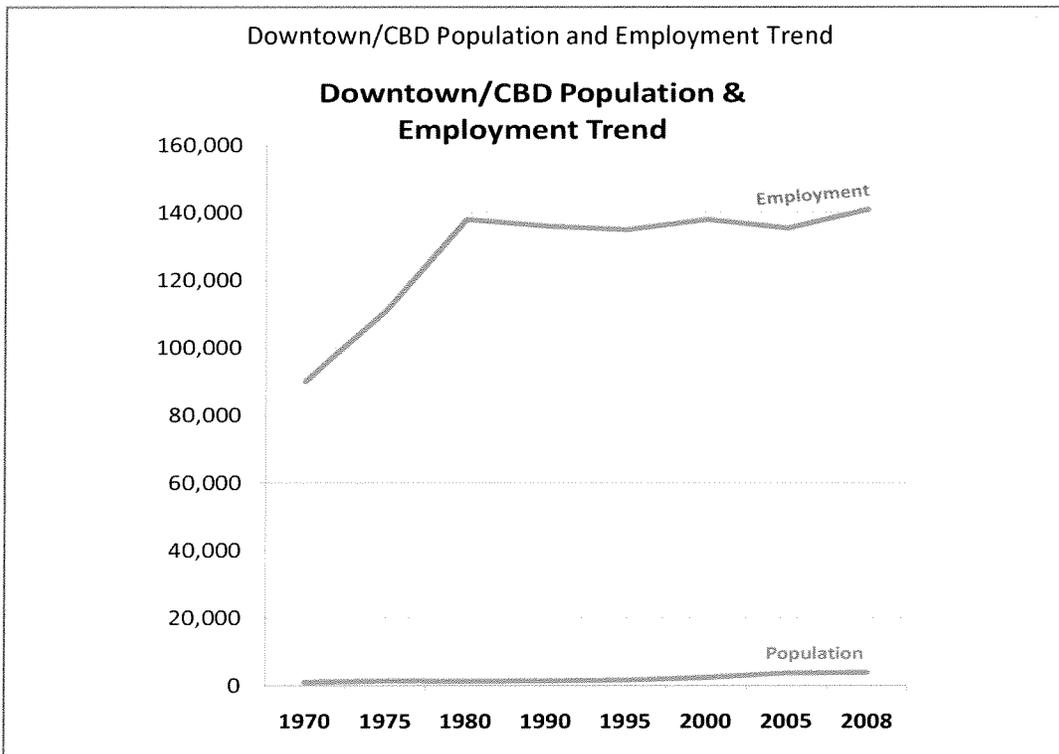
After analysis, it was concluded that the proposed TIRZ is competitive with the Houston CBD, also known as Downtown Houston. CDS Market Research determined that the CBD is in itself a unique market, therefore given that the proposed TIRZ is located in the CBD it was considered as the delineation for 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

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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
<b>Population</b>		
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%
<b>Households</b>		
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		2019	Growth 2014-2019	
			934	% Chg		1,401	% Chg
<b>Population</b>	2,481	3,415	934	37.6%	4,816	1,401	41.0%
<b>Households</b>	1,443	1,813	370	25.6%	2,231	418	23.1%
<b>Employment</b>	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**

Attainment Level	Count	Percentage
<b>Total</b>	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.

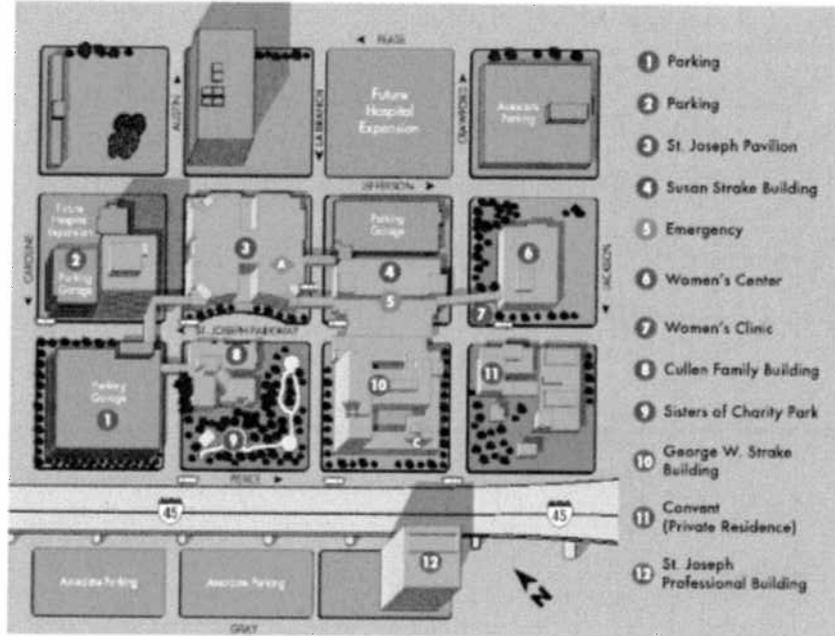
St. Joseph Medical Center provides a full range of comprehensive medical and surgical services, such as, cardiology, cancer care, behavioral health, intensive care/critical care, emergency care, neurosurgery, orthopedics and pediatrics.

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.

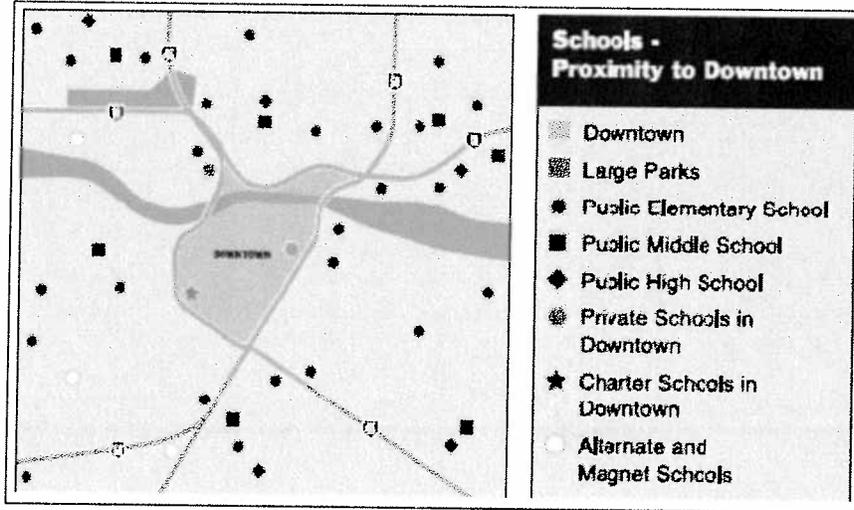
Three elementary schools have zoning boundaries that extend to areas of Downtown with residential areas; they are: Blackshear Elementary School (Third Ward), Bruce Elementary School (in the Fifth Ward), and Crockett Elementary School (northwest of Downtown),

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

METRO Rail, 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. METRO Rail 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
<b>Total Units</b>	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	%
<b>Tenure of Occupied Housing Units</b>	1,210	2,199	989	100.0%
Owner-Occupied	58	109	51	5.2%
Renter-Occupied	1,152	2,090	938	94.8%
<b>Housing Units by Units in Structure</b>	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**

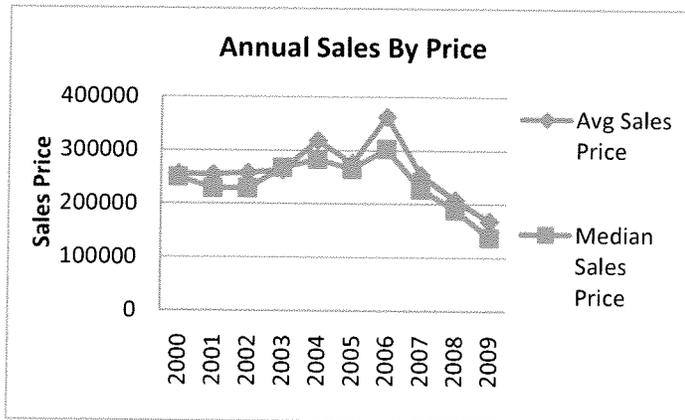
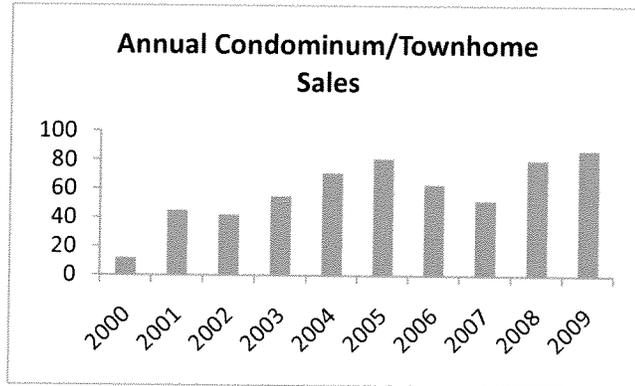
Condominiums and townhomes are any housing units which are listed for sale to the general public that are part of a multi-family structure on commonly owned land, whether it be a garden-style complex, a midrise, or a high-rise.

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.

Central Houston TIRZ 24 Market Analysis

Houston, TX

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	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	100%	\$4.50
Commerce Towers	914 Main	R & S	132	79	60%	132	79	60%	10	10	100%	122	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

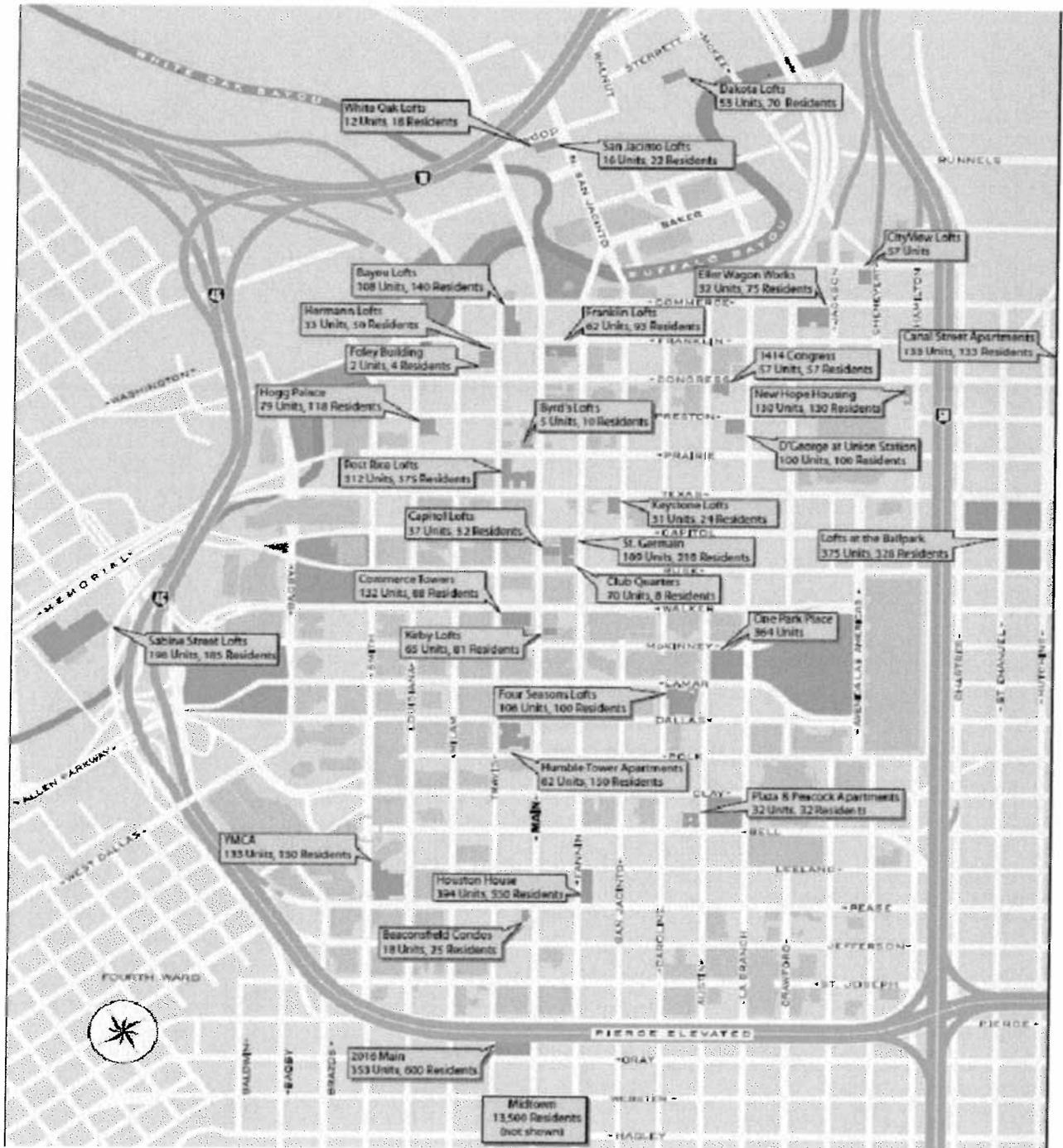
Central Houston TIRZ 24 Market Analysis

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	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	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
<b>Total</b>			<b>3,227</b>	<b>2,801</b>	<b>88.3%</b>	<b>2,656</b>	<b>2,435</b>	<b>87%</b>	<b>1,737</b>	<b>1,569</b>	<b>945</b>	<b>885</b>	<b>96.7%</b>	

Source: Central Houston Management District, 2009.

Map of Residential Market –Immediate Vicinity of the CMA



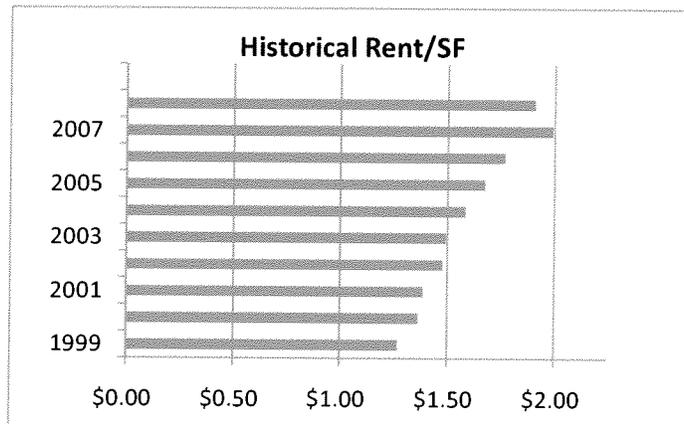
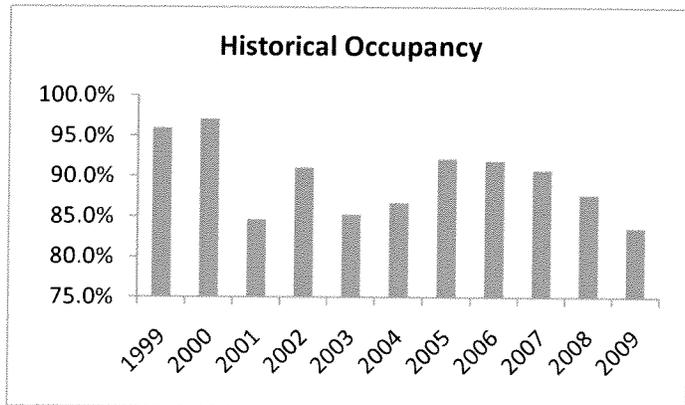
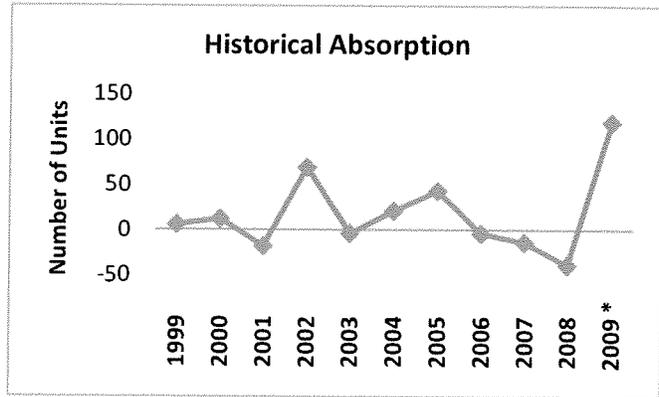
### CMA Multifamily Residential Market

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
<b>Total/Average</b>			<b>1,262</b>	<b>84%</b>	<b>\$2.02</b>	<b>1,261</b>			

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:

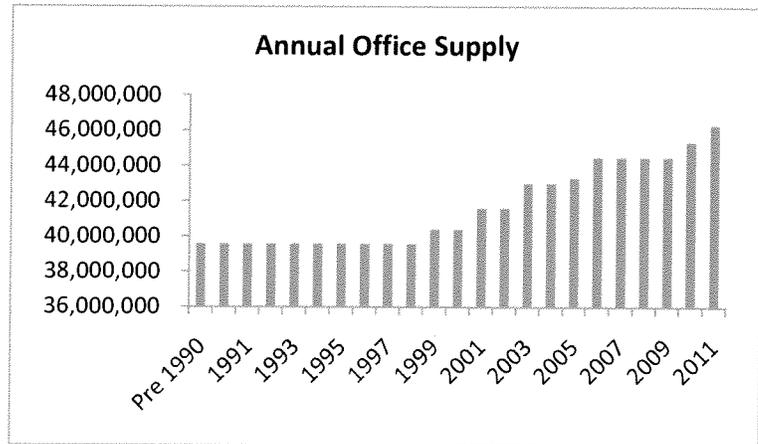
Name	Address	Sale Rent SRO	# Units	Occupancy	Avg Rent/SF	Avg SF	Built	Renov.	Type
MidTown Square by Post	100 Bagby	Rent	126	N/A	N/A	N/A	N/A	N/A	TBD

## Office Trends in the CMA and Zone

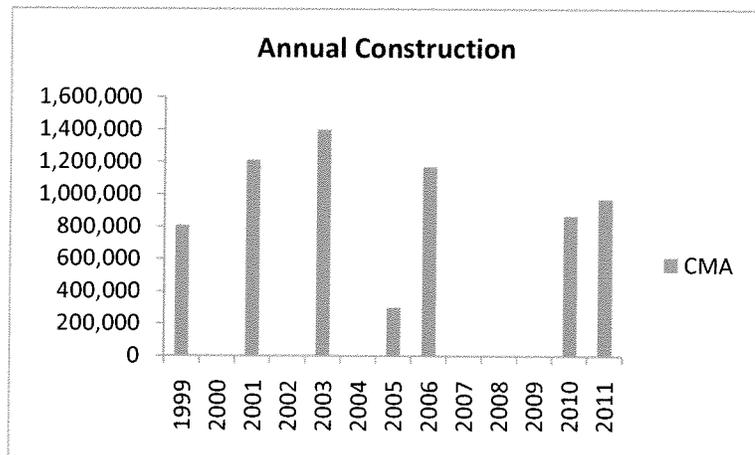
### Office Trends in the CMA

#### 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%.

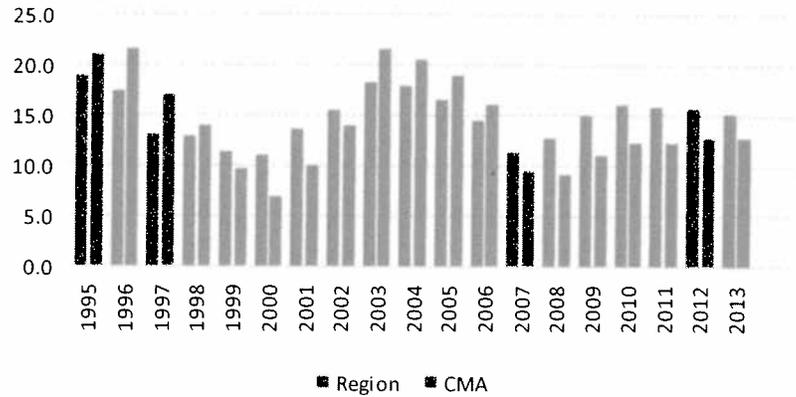
CMA Class A office properties maintained occupancy above 90 percent, the current occupancy marked a decrease from 92.8% recorded twelve months earlier. CBD Class B office occupancy, in contrast, remained low 78.2% (from 78.9%).

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

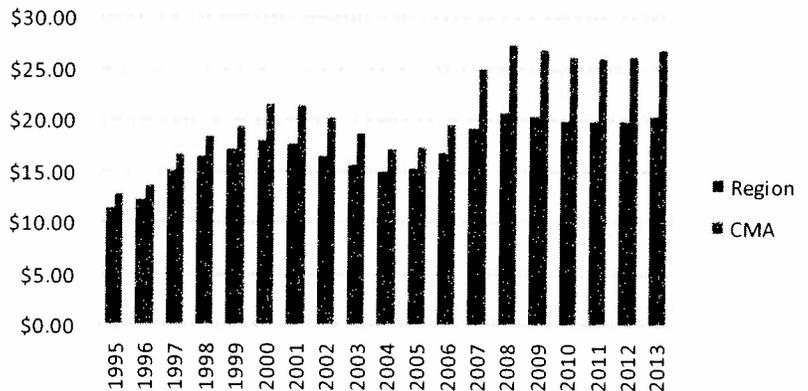
CMA Class A average rental rates fell 2.3% to \$37.45 per sq. ft. (from \$38.35), while suburban Class A rental rates slipped 1.4% to \$27.31 per sq. ft. (from \$27.70). In contrast, CBD Class B average quoted rental rates plummeted 15.6% to \$23.62 per sq. ft.

### Office Performance Trends in the CMA

#### Annual Vacancy



#### Annual Effective Rents



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
Pilot 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	Occu-pancy	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
<b>Total/Average</b>					<b>43,304,494</b>	<b>82.9</b>	<b>26.6</b>

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	
<b>TOTAL</b>					<b>9,435,138</b>	

**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

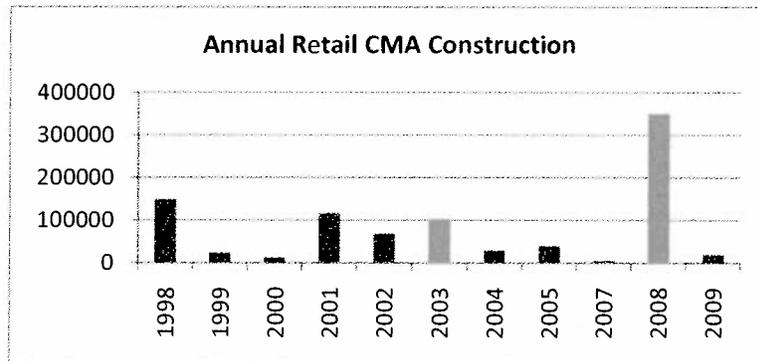
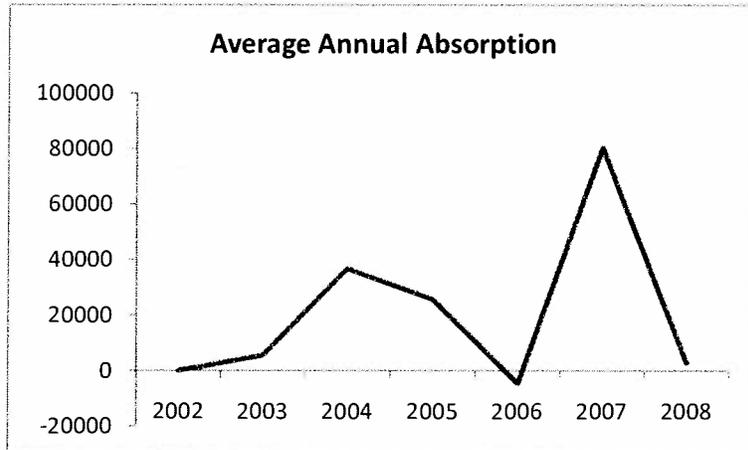
Using a rough conversion of daily demand, the downtown demand drivers equate to approximately 430,000 persons per week day by 2011.

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

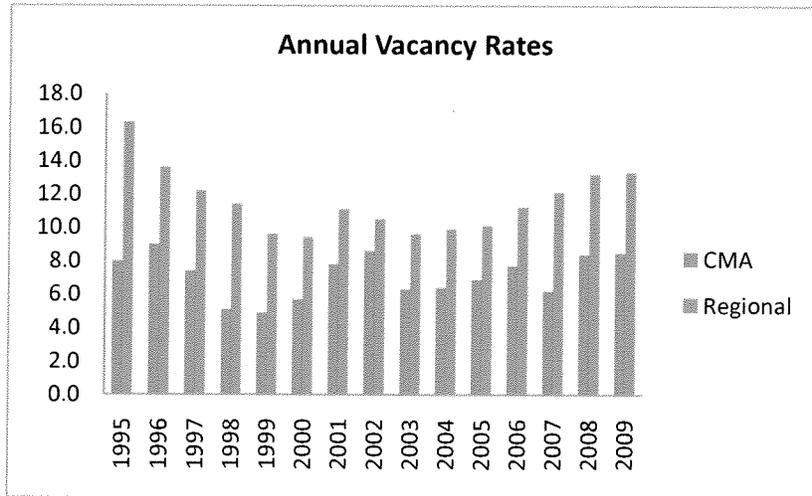


Source: Central Houston Management District and O'Connor and Associates

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

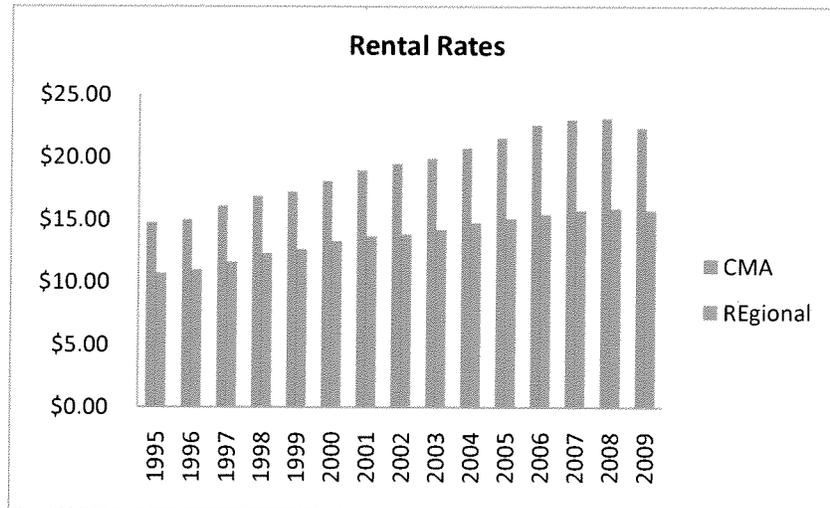
The chart on the right shows the vacancy rates in the Zone compared to the Houston region. Vacancy rates in the CMA have consistently been lower than that of the region. The current rates of 8.5% in the CMA and 13.3% in the region are similar to variances of the past 15 years.

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%
<b>TOTAL</b>	<b>3,178,500</b>	

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
<b>Total</b>	<b>666,954</b>	

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
<b>TOTAL</b>		<b>410,795</b>		

## Industrial Trends in the CMA and Zone

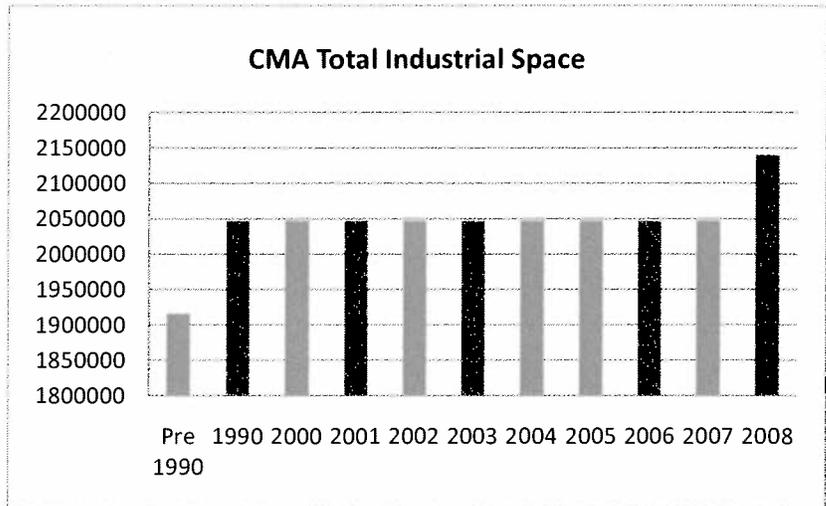
The CMA has a low concentration of “industrial uses” In the CMA, there is currently 2.14 million square feet of industrial space in 54 buildings. By type of use, it breaks down as follows:

Type	Square Feet	Build-ings
Office/Warehouse	388,207	9
Warehouse	1477499	42
Service Center	187,000	1
Manufacturing	88,500	2
<b>Grand Total</b>	<b>2,141,206</b>	<b>54</b>

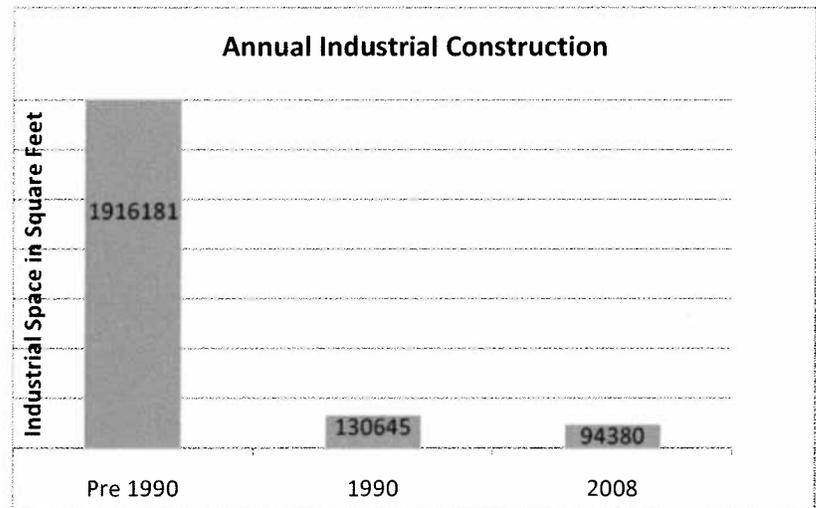
Most of the space (1.91 million square feet, 89%) in the CMA was built prior to 1990. Since that time, only three facilities have been constructed.

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



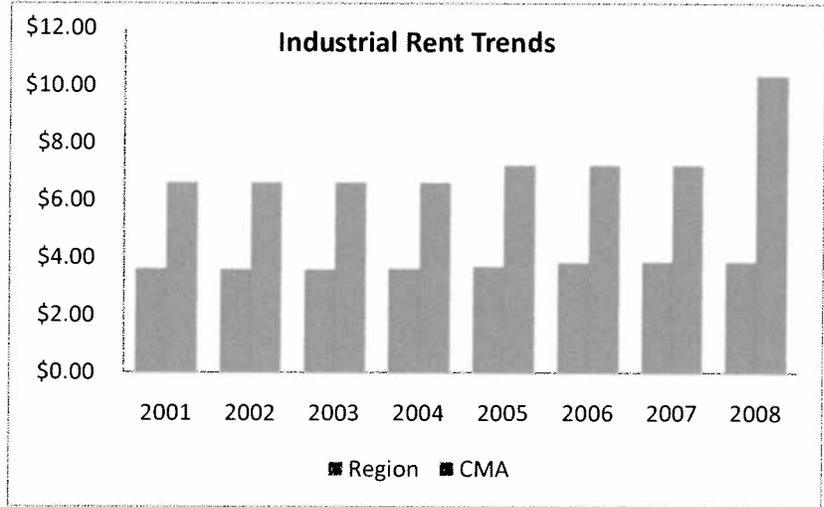
Source: © Reis Services and O'Connor & Associates



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.

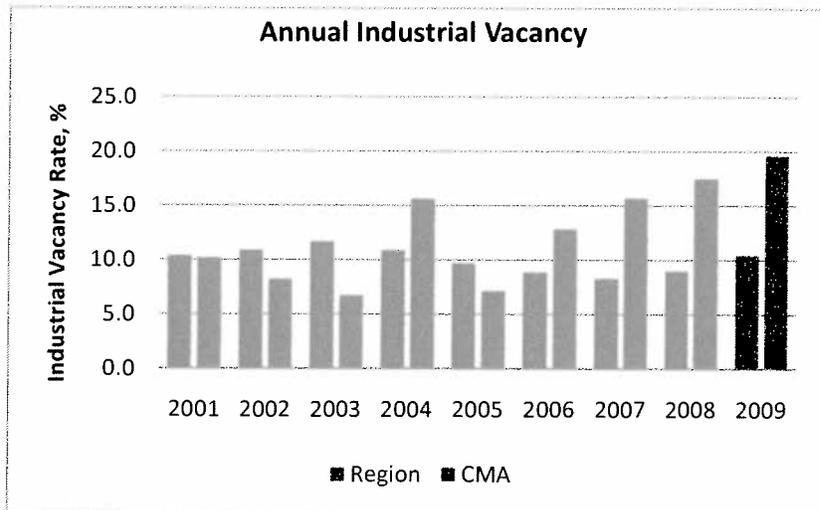
**Industrial Performance Trends in the CMA**



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 3<sup>rd</sup> Quarter 2009 occupancy rates by type.

Type	Occupancy
Warehouse	85.7%
Office Warehouse	95.9%
Manufacturing	100.0%
<b>Overall</b>	<b>80.3%</b>



Source: © Reis Services and O'Connor & Associates

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

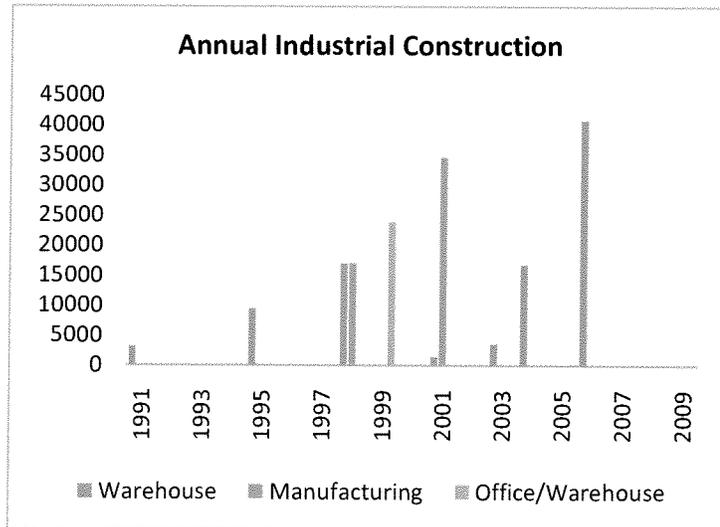
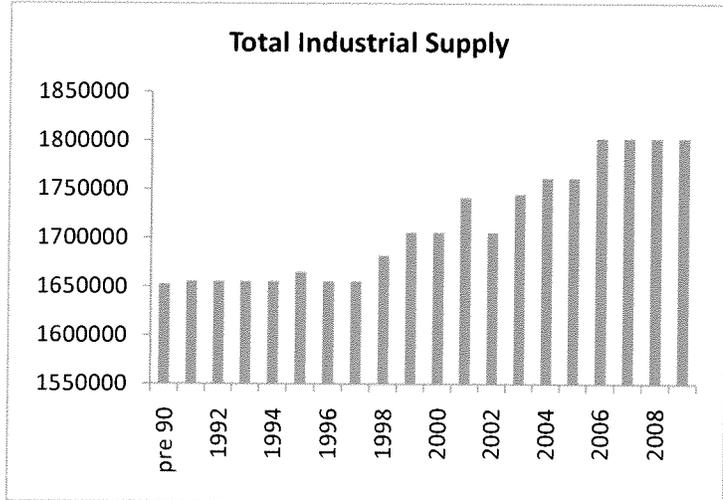
### Industrial Facilities in the Zone

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
		<b>Total/Average</b>	<b>95,915</b>	

## 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
		<b>Total</b>	<b>77,854</b>	

## 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

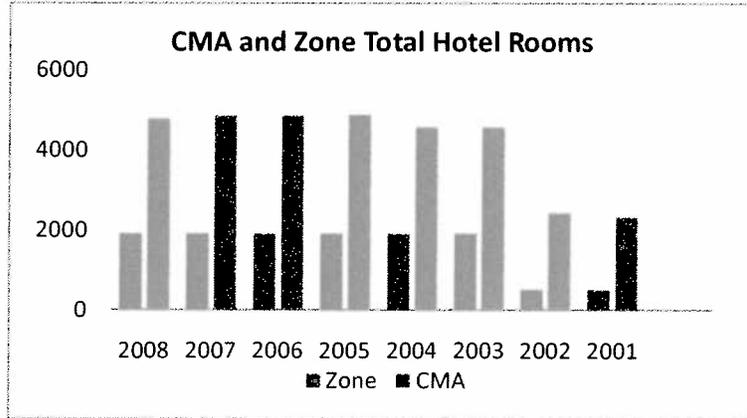
BLDG NAME	Address		Gross Sq. Ft.	YEAR BUILT
EATON TRUST	1201	HOLLY	27,024	1930
CITY OF HOUSTON	1300	MORIN	53,655	1940
TRINITY LUTHERAN CHURCH	1118	HICKORY	3,000	1965
TRINITY LUTHERAN CHURCH	1310	MORIN	1,416	1950
H BEN TAUB	1110	WASHINGTON	22,344	1966
ESTATE LAND CO	1224	HOUSTON	3,120	1991
PETERSON LONNY 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
<b>Total</b>			<b>1,628,975</b>	

## 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



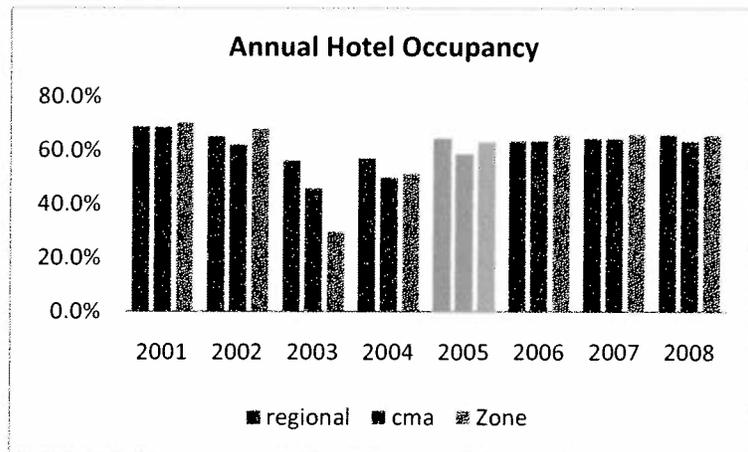
Source: Source Strategies, Inc.

## Hotel Performance Statistics in the CMA and the Zone

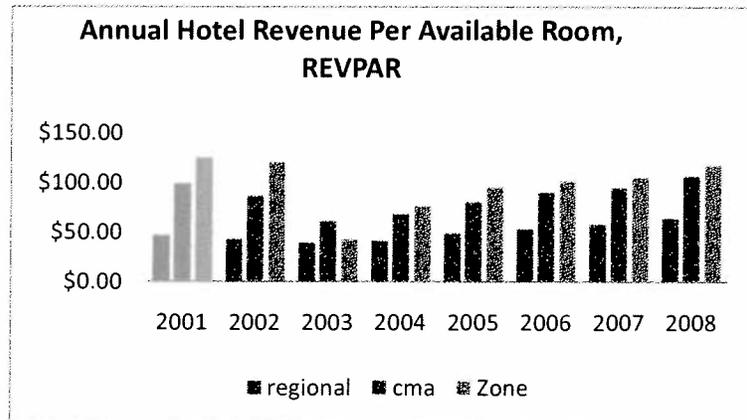
Occupancy in the Zone has exceeded the CMA and the region in recent years. With the exception of 2003, occupancy in the Zone has consistently been higher than the CMA. During 2003 the CMA increased hotel rooms by 2,265 of which 1,401 rooms were in the Zone.

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
<b>Totals</b>	<b>1,917</b>	<b>82,398,017</b>	<b>13.13%</b>	<b>175.62</b>	<b>13.15%</b>	<b>66.58%</b>	<b>-0.13</b>	<b>\$114.29</b>	<b>\$12.36</b>

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%
<b>Subtotal Commercial</b>	<b>1,318</b>	<b>187</b>	<b>14.6%</b>	<b>13,790,669</b>	<b>66.2%</b>	<b>99</b>	<b>11.4%</b>
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%
<b>Subtotal Residential</b>	<b>1,129</b>	<b>174</b>	<b>13.6%</b>	<b>2,233,812</b>	<b>10.7%</b>	<b>18</b>	<b>2.0%</b>
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%
<b>Subtotal Other</b>	<b>0</b>	<b>918</b>	<b>71.8%</b>	<b>4,804,174</b>	<b>23.1%</b>	<b>345</b>	<b>39.4%</b>
<b>Grand Total</b>	<b>2,447</b>	<b>1,279</b>	<b>100.0%</b>	<b>20,828,655</b>	<b>100.0%</b>	<b>462</b>	<b>52.8%</b>
Additional land area - street, highway, railroad ROW, Utilities						413	47.2%
<b>Total Land Area</b>						<b>875</b>	<b>100.0%</b>

## 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	Houston Region		Housing Units Added				% of Region Housing Market Area		Percent of HMA		Pop. Zone Total
	M.F.	S.F.	Housing Market Area		Zone		M.F.	S.F.	Zone		
			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
1015 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		TIRZ % of	
	Region	CMA	TIRZ 23	Region	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.

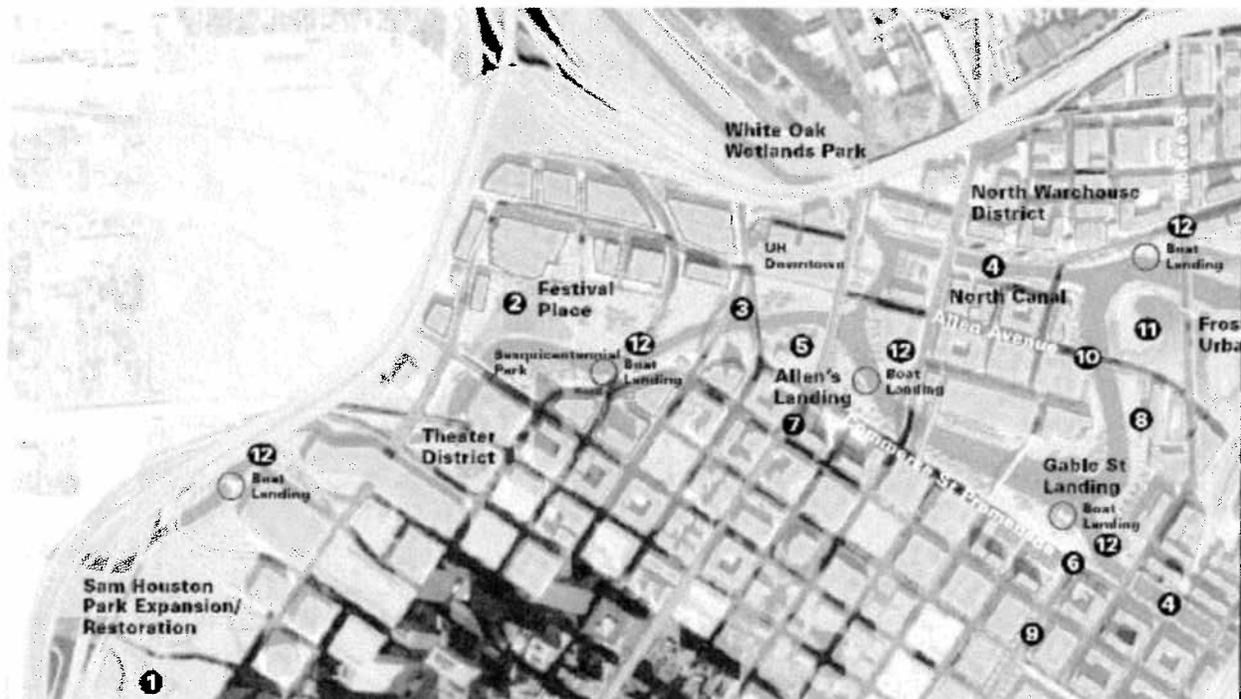
**Buffalo Bayou Improvements**

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.

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”

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

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.

**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.

**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.

### Extension of Metro Light Rail –

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

- 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.

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**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.	Institu- tion	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

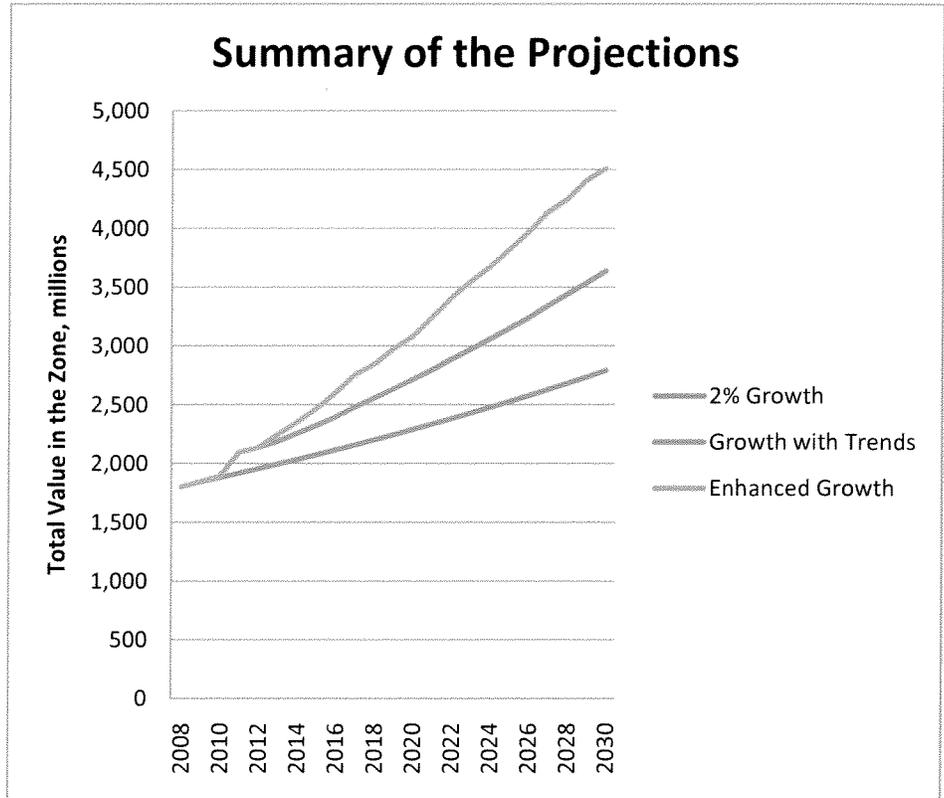
\$3.6 billion in the Trends Scenario to

\$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



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## 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	%
<b>Population</b>						
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%	
<b>2009 Estimated Population by Single Race Classification</b>	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%
<b>2009 Estimated Population Hispanic or Latino by Origin*</b>	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%
<b>Hispanic or Latino by Origin</b>	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%
<b>2009 Estimated Hispanic or Latino by Single Race Classification</b>	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%
<b>2009 Estimated Population, Asian Alone Race by Category*</b>	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%
<b>2009 Estimated Population by Ancestry</b>	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%
<b>2009 Estimated Population Age 5+ by Language Spoken At Home</b>	<b>3,460</b>		<b>14,922</b>		<b>2,042,596</b>	
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%
<b>2009 Estimated Population by Sex</b>	<b>3,559</b>		<b>15,072</b>		<b>2,236,732</b>	
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	
<b>2009 Estimated Population by Age</b>	<b>3,559</b>		<b>15,072</b>		<b>2,236,732</b>	
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%
<b>2009 Estimated Median Age</b>	<b>38.26</b>		<b>34.51</b>		<b>33.14</b>	
<b>2009 Estimated Average Age</b>	<b>39.72</b>		<b>36.27</b>		<b>34.32</b>	

Pop Facts: Demographic Snapshot (Part 1)	TIRZ #24		CBD		Houston city, TX	
	Number	%	Number	%	Number	%
<b>2009 Estimated Male Population by Age</b>	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%
<b>2009 Estimated Median Age, Male</b>	38.3		33.9		32.37	
<b>2009 Estimated Average Age, Male</b>	39.21		35.5		33.36	
<b>2009 Estimated Female Population by Age</b>	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%
<b>2009 Estimated Median Age, Female</b>	38.16		36.97		34	
<b>2009 Estimated Average Age, Female</b>	40.83		39.67		35.29	
<b>2009 Estimated Population Age 15 and Over by Marital Status*</b>	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%
<b>2009 Estimated Population Age 25 and Over by Educational Attainment*</b>	<b>2,832</b>		<b>11,395</b>		<b>1,411,210</b>	
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	%
<b>Households</b>						
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%	
<b>2009 Estimated Households by Household Type</b>	<b>1,122</b>		<b>2,199</b>		<b>808,317</b>	
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%
<b>2009 Estimated Group Quarters Population</b>	<b>2,059</b>		<b>12,288</b>		<b>39,427</b>	
<b>2009 Households by Ethnicity:</b>						
Hispanic or Latino	206	18.33%	250	11.37%	269,233	33.31%

<b>2009 Estimated Households by Household Income</b>	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%
<b>2009 Estimated Average Household Income</b>	\$37,820		\$66,178		\$63,425	
<b>2009 Estimated Median Household Income</b>	\$20,198		\$29,845		\$43,365	
<b>2009 Estimated Per Capita Income</b>	\$43,406		\$17,719		\$23,174	
<b>2009 Estimated Households by Type and Presence of Own Children*</b>	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%
<b>2009 Estimated Households by Household Size*</b>	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%

<b>2009 Estimated Average Household Size</b>	1.41		1.27		2.72	
<b>2009 Estimated Households by Presence of People*</b>	1,122		2,199		808,317	
<b>Households with 1 or more People under Age 18</b>	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%
<b>Households no People under Age 18</b>	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%
<b>2009 Estimated Households by Number of Vehicles*</b>	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%
<b>2009 Estimated Average Number of Vehicles*</b>	0.88		0.99		1.47	
<b>Family Households</b>						
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%	
<b>2009 Estimated Family Households by Household Income</b>	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%
<b>2009 Estimated Average Family Household Income</b>	\$57,859		\$114,273		\$71,062	
<b>2009 Estimated Median Family Household Income</b>	\$38,883		\$72,951		\$48,844	
<b>2009 Estimated Families by Poverty Status*</b>	182		306		509,527	
<b>Income At or Above Poverty Level</b>	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%
<b>Income Below Poverty Level</b>	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%
<b>2009 Estimated Population Age 16 and Over by Employment*</b>	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%
<b>2009 Estimated Civilian Employed</b>	931		2,252		986,293	

<b>Population Age 16 and Over by Class of Worker*</b>						
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%
<b>2009 Estimated Employed Population Age 16 and Over by Occupation*</b>						
	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%
<b>2009 Estimated Civilian Employed Population Age 16 and Over by Occupation Classification*</b>						
	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%
<b>2009 Estimated Workers Age 16 and Over by Transportation To Work*</b>						
	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%
<b>2009 Estimated Workers Age 16 and Over by Travel Time to Work*</b>						
	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%
<b>2009 Estimated Average Travel Time to Work in Minutes*</b>	23.82		23.51		29.55	
<b>2009 Estimated Tenure of Occupied Housing Units</b>	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%
<b>2009 Owner-Occupied Housing - Average Length of Residence</b>	4		3		7	
<b>2009 Estimated All Owner-Occupied Housing Units by Value</b>	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%
<b>2009 Estimated Median Owner-Occupied Housing Unit Value</b>	\$101,602		\$52,581		\$114,676	
<b>2009 Estimated Housing Units by Units in Structure*</b>	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%
<b>Dominant structure type</b>	50 or More Units		50 or More Units		1 Unit Detached	

<b>2009 Estimated Housing Units by Year Structure Built</b>	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%
<b>2009 Estimated Median Year Structure Built**</b>	1988		1999		1976	
<b>Dominant Year Structure Built</b>	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).

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