

W.D. Adams

SUBJECT:
An ordinance approving the project plan and financing plan for Reinvestment Zone No. 1., (Lamar Terrace)

| | | |
|----------|-----------|---------------|
| Category | Page 1 of | Agenda Item # |
| | | 43 |

FROM (Department or other point of origin):
Finance and Administration

Origination Date
9/9/92

Agenda Date
SEP 16 1992

DIRECTOR'S SIGNATURE:
Rubon Lewis

Council District affected:
G

For additional information contact:
Phone: Judy Johnson
247-1356

Date and identification of prior authorizing Council action: Ord. 90-1452,
Dec. 12, 1990

RECOMMENDATION: (Summary)

Approve by ordinance the project plan and financing plan for Reinvestment Zone No. 1

Amount and Source of Funding:

N/A

92-1234

SPECIFIC EXPLANATION:

In December, 1990 City Council created Reinvestment Zone No. 1, (Lamar Terrace). The Board of Directors of the Zone has approved the project plan and financing plan which are attached. The project plan includes maps showing the existing conditions in the Zone and the proposed improvements. The financing plan calls for the issuance of \$2,220,000 Tax Increment Bonds. Approval of these plans will allow the City and the Zone Board of Directors to prepare a preliminary official statement and make plans for the issuance of the bonds. The preliminary official statement will be presented for Council approval within the next few weeks.

cc: Dan Jones
Lisa Hargrove, Legal Dept.

REQUIRED AUTHORIZATION

F&A Budget:

Chief Administrative Officer:

Other Authorization:

City of Houston Ordinance No. 92-1234

AN ORDINANCE APPROVING THE PROJECT PLAN AND FINANCE PLAN FOR REINVESTMENT ZONE NO. 1 CITY OF HOUSTON; AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; MAKING VARIOUS PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EMERGENCY.

* * * *

WHEREAS, the Board of Directors of Reinvestment Zone No. 1, City of Houston, Texas, has approved the Finance Plan and Project Plan attached hereto for the redevelopment of Lamar Terrace; and

WHEREAS, the Finance Plan proposes the use of only City taxes in the financing of the redevelopment of Lamar Terrace and will not utilize any other taxes; and

WHEREAS, in order for the City to issue bonds, each taxing unit must notify the Board of Directors of Reinvestment Zone No. 1, City of Houston of their determination as to the disposition of the tax increment attributable to the ad valorem taxes each taxing unit levies; and

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

WHEREAS, the Project Plan provides that at least one-third of the surface area of the Zone, excluding roads, streets, utility rights-of-way and other public areas exempt from ad valorem taxation, are dedicated to residential housing; and

WHEREAS, the Financing Plan provides that one-third of the tax increment is dedicated to providing low-income housing during the term of the Zone; NOW, THEREFORE,

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

Section 1. That the Project Plan and Financing Plan attached hereto for the Reinvestment Zone No. 1, City of Houston are hereby determined to be feasible and are approved.

Section 2. That the City Secretary is directed to provide copies of the Project Plan and Financing Plan to each taxing unit levying ad valorem taxes in the Zone.

Section 3. Open Meetings. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Article 6252-17, Texas Revised Civil Statutes Annotated; and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 4. Declaration of 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 after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 16th day of September, 1992.

ADOPTED this _____ day of _____, 19____.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is SEP 22 1992.

Carri Russell
City Secretary

RLH *1500*

(Prepared by Legal Dept. *Ana K. Hanger*)
(LKH/pas 09/14/92) Assistant City Attorney
(Requested by Richard Lewis, Director, Finance and Administration)
(L.D. File No. 61-92053-01)

Reinvestment Zone Financing Plan

43
9/16/92

1. A detailed list of the estimated project costs including a statement listing the kind, number and location of all proposed public works or public improvements in the Zone is attached as Exhibit A.
2. An economic feasibility study for the Zone is attached as Exhibit B.
3. The estimated amount of bonded indebtedness to be incurred is as follows:

| | |
|--------------------------------------|-------------|
| Zone Bonds | \$2,220,000 |
| Public Improvement District Bonds | \$ 896,000 |

Additional sources of revenues to finance the construction of the improvements in the Zone and District are as follows:

| | |
|--|------------|
| Zone | |
| Water and Sewer Revenues Over the Project Life | \$ 985,554 |
| District | |
| Developer Paid Assessment | \$ 784,400 |

4. The estimated times when costs and monetary obligations are to be incurred are shown in the District Capital Schedule, attached as Exhibit C.
5. The Zone will finance the Zone's estimated project costs through the issuance of bonds or notes in the amount of \$2,220,000. The bonds or notes will be payable solely from the tax increment fund established by Ordinance No. 90-1452. Two-thirds of the tax increment (66.66%) to be derived from City ad valorem taxes will be pledged to the repayment of the bonds. One-third of the tax increment (33.33%) will be paid to the low income housing fund established by Ordinance 90-1452. No tax increment (0%) from any taxing unit, other than the City of Houston, levying ad valorem taxes on real property in the Zone will be utilized in financing any Zone public improvement or service.
6. The current total appraised value of taxable real property in the Zone is \$8,105,000.

9. The estimated captured appraised value of the Zone during each year the Zone was in existence is as follows:

Captured Appraised Value

| | |
|------|--------------|
| 1990 | \$ 0 |
| 1991 | \$ 0 |
| 1992 | \$12,281,000 |
| 1993 | \$19,119,000 |
| 1994 | \$29,675,000 |
| 1995 | \$40,263,000 |
| 1996 | \$41,649,000 |
| 1997 | \$41,649,000 |
| 1998 | \$41,649,000 |
| 1999 | \$41,649,000 |
| 2000 | \$41,649,000 |
| 2001 | \$41,649,000 |
| 2002 | \$41,649,000 |
| 2003 | \$41,649,000 |
| 2004 | \$41,649,000 |
| 2005 | \$41,649,000 |
| 2006 | \$41,649,000 |
| 2007 | \$41,649,000 |
| 2008 | \$41,649,000 |

9. The Zone will be in existence for 19 years.

EXHIBIT A

A detailed list of the estimated project costs including a statement listing the kind, number and location of proposed public works in the Zone.

The Public Improvement District will finance the removal of existing public improvements and the construction of new streets, sidewalks, driveway aprons, certain fences on the PID boundary and landscaping.

The Zone will finance the removal and replacement of utility lines (water distribution, sewer collection) and the construction of new water distribution and sewer collection lines, (including new sewer connections for existing houses) as well as the construction of new drainage lines and improvements to the existing street lights.

A detailed statement of the improvements described above by street is shown on the attached table of estimated construction costs.

PID & TIRZ # 1 PRELIM PROJECT PLAN BUDGET FOR PHASES 1 & 2

| PHASE ONE ITEM DESCRIPTION | EST COST PER FOOT | FAYETTE | VALVERDE | NAVARRO | LAMPASAS | PHASE ONE PID SHARE | PHASE ONE TIRZ SHARE | PHASE ONE TOTAL |
|-------------------------------|----------------------|------------------|------------------|------------------|------------------|------------------------|-------------------------|--------------------|
| MISCELLANEOUS ITEMS | \$21 | \$16,884 | \$16,884 | \$20,797 | \$21,785 | \$19,088 | \$57,263 | \$76,350 |
| DEMOLITION ITEMS | \$19 | \$15,918 | \$15,918 | \$19,606 | \$20,538 | \$17,995 | \$53,984 | \$71,979 |
| PAVING ITEMS | \$91 | \$74,688 | \$74,688 | \$91,994 | \$96,366 | \$261,907 | \$0 | \$261,907 |
| DRAINAGE ITEMS | \$23 | \$18,851 | \$18,851 | \$23,219 | \$24,322 | \$0 | \$85,242 | \$85,242 |
| WATERLINE ITEMS | \$43 | \$35,383 | \$35,383 | \$43,982 | \$45,653 | \$0 | \$160,000 | \$160,300 |
| SANITARY SEWER ITEMS | \$33 | \$26,741 | \$26,741 | \$32,937 | \$34,503 | \$0 | \$132,073 | \$132,073 |
| STREET LIGHT ITEMS | \$10 | \$7,858 | \$7,858 | \$9,679 | \$10,139 | \$0 | \$35,535 | \$35,535 |
| FENCE ON BOUNDARY | \$17 | \$13,578 | \$13,578 | \$16,724 | \$17,519 | \$61,400 | \$0 | \$61,400 |
| LANDSCAPING | \$34 | \$28,208 | \$28,208 | \$34,744 | \$36,395 | \$127,555 | \$0 | \$127,555 |
| 10% CONTINGENCIES | \$29 | \$23,811 | \$23,811 | \$29,328 | \$30,722 | \$48,794 | \$52,410 | \$101,204 |
| ENG., ARCH., LEGAL, ETC. | \$64 | \$52,384 | \$52,384 | \$64,522 | \$67,588 | \$107,348 | \$115,301 | \$222,649 |
| R-O-W ACQUISITION | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$383 | \$314,304 | \$314,304 | \$387,131 | \$405,529 | \$644,087 | \$591,808 | \$1,335,895 |

| PHASE TWO ITEM DESCRIPTION | EST. COST PER FOOT | HIDALGO | FAIRDALE | McCULLOUGH | PHASE TWO TOTAL | PHASE TWO PID SHARE | PHASE TWO TIRZ SHARE | PHASE I & II TOTAL |
|-------------------------------|-----------------------|------------------|------------------|------------------|--------------------|------------------------|-------------------------|-----------------------|
| MISCELLANEOUS ITEMS | \$21 | \$17,914 | \$21,826 | \$21,826 | \$61,566 | \$15,391 | \$46,174 | \$137,916 |
| DEMOLITION ITEMS | \$19 | \$16,888 | \$20,577 | \$20,577 | \$58,041 | \$14,510 | \$43,531 | \$130,020 |
| PAVING ITEMS | \$91 | \$79,242 | \$96,548 | \$96,548 | \$272,338 | \$272,338 | \$0 | \$534,245 |
| DRAINAGE ITEMS | \$23 | \$20,000 | \$34,115 | \$34,115 | \$88,231 | \$0 | \$88,231 | \$173,473 |
| WATERLINE ITEMS | \$43 | \$37,541 | \$45,739 | \$45,739 | \$129,019 | \$0 | \$129,019 | \$289,019 |
| SANITARY SEWER ITEMS | \$33 | \$28,372 | \$34,568 | \$34,568 | \$97,508 | \$0 | \$97,508 | \$229,581 |
| STREET LIGHT ITEMS | \$10 | \$8,338 | \$10,158 | \$10,158 | \$28,654 | \$0 | \$28,654 | \$64,189 |
| FENCE ON BOUNDARY | \$17 | \$14,408 | \$17,532 | \$17,532 | \$49,511 | \$49,511 | \$0 | \$110,911 |
| LANDSCAPING | \$34 | \$29,928 | \$36,464 | \$36,464 | \$102,856 | \$102,856 | \$0 | \$230,411 |
| 10% CONTINGENCIES | \$29 | \$25,263 | \$30,780 | \$30,780 | \$86,823 | \$45,461 | \$43,312 | \$189,976 |
| ENG., ARCH., LEGAL, ETC. | \$64 | \$55,578 | \$67,716 | \$67,716 | \$191,010 | \$100,013 | \$95,286 | \$417,948 |
| R-O-W ACQUISITION | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$383 | \$333,489 | \$416,043 | \$416,043 | \$1,165,556 | \$600,080 | \$571,714 | \$2,507,689 |

COMBINED TOTAL PHASES ONE & TWO = **\$1,244,167** **\$1,263,522** **\$2,507,689**

EXHIBIT B

An economic feasibility study for the Zone.

Residential Market Analysis

of

**Lamar Terrace/
St. George Place**

A Redevelopment Project in the Galleria Area

Houston, Texas

April, 1991

Prepared for:

**Robert Silvers
RLS Investments
5373 W. Alabama; #306
Houston, Texas 77056**

Prepared by:

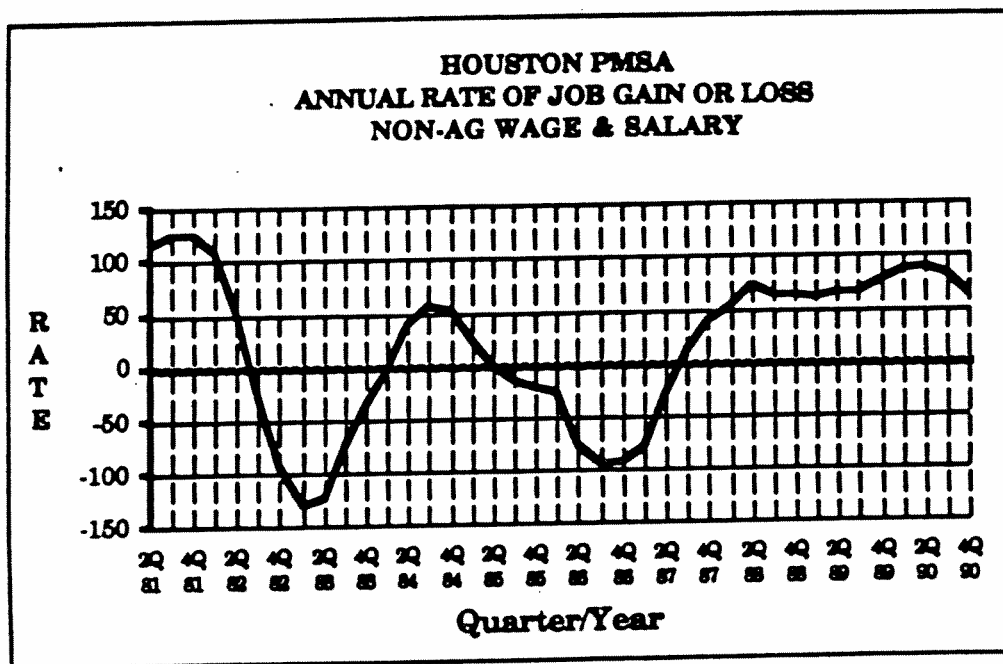
American Metro/Study Corporation

TABLE OF CONTENTS

| | |
|--|----|
| I. Houston Economy - General Background. | 1 |
| II. Houston Housing Market Trends. | 5 |
| III. Houston Single Family Construction. | 9 |
| IV. Target Market Area (TMA) | 11 |
| A. Background | 11 |
| B. Target Market Area Housing Starts Trends | 14 |
| C. Starts by Area Within the TMA | 15 |
| D. West University and Bellaire Housing Trends | 17 |
| E. Key Comparables in the TMA | 19 |
| V. Lamar Terrace | 23 |
| A. Marketing Issues/Location | 24 |
| B. Schools | 25 |
| C. Area Services | 26 |
| D. Security | 26 |
| E. Marketing | 27 |
| F. Buyer Profile | 27 |
| VI. St. George Place Absorption Projection | 29 |

Job Growth

The Houston area has gained approximately 200,000 jobs since the low point in early 1987. The Houston area gained approximately 50,000 jobs during 1989 and 39,600 jobs were added during 1990. Of those 39,600 jobs, approximately 16,600 jobs came from the services and miscellaneous category. Government increases added another 9,200 jobs, while wholesale and retail trade added another 2,000. Thus, 27,800 of the 39,600 new jobs, or 70% were in these three areas. In the services sector, the fastest growing aspect was the health services, business services, and engineering, accounting and research sector; which accounted for about two thirds of this growth. In the government sector, local government accounted for the largest amount of growth in this category, 5,000 of the total 9,200 jobs.

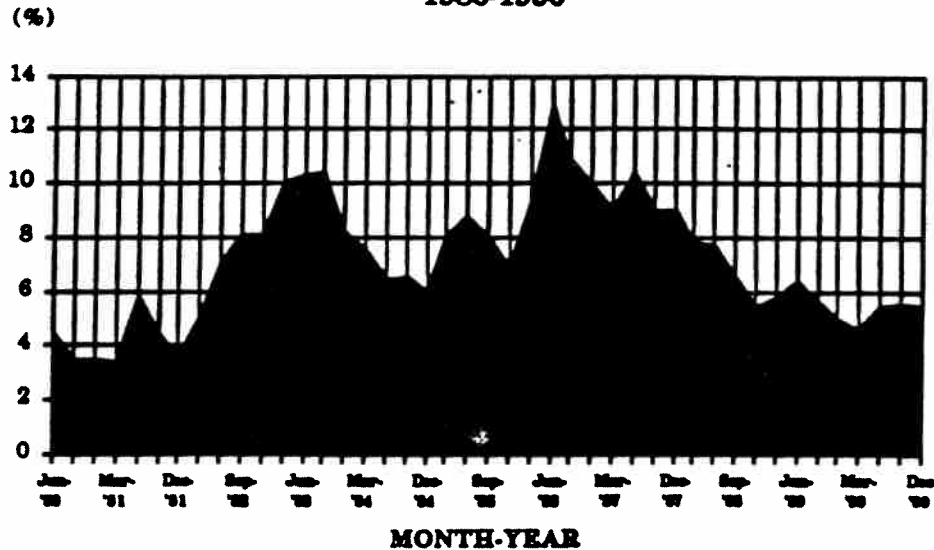


The distribution of new jobs by category shows that the current growth in the Houston economy is a broad based recovery, with employment sectors not directly related to the oil patch dominating the new employment outlook.

Unemployment Trend

The rate of unemployment in the Houston area has shown a dramatic improvement during the last 3 years. Since the middle of 1986 the unemployment rate has dropped from nearly 13% to a current level of around 5.4%.

HOUSTON PMSA UNEMPLOYMENT RATE 1980-1990

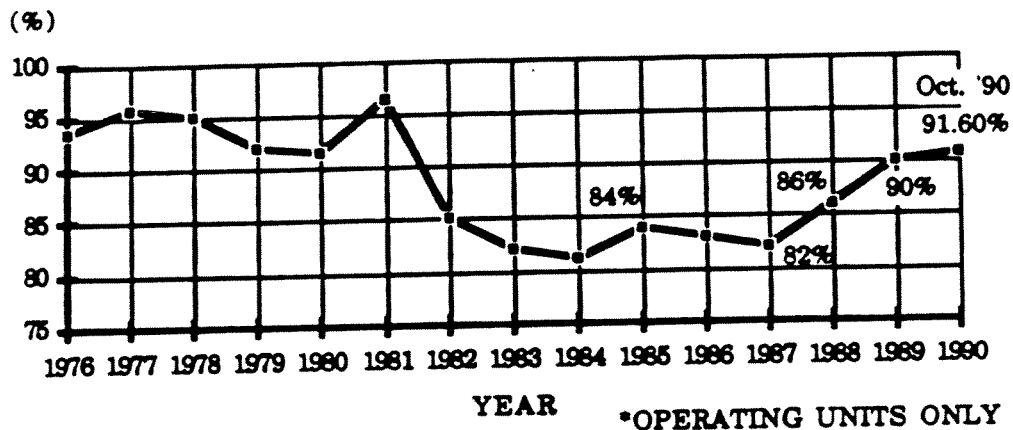


Source: Texas Employment Commission
Compiled by: American Metro/Study Corp.

Apartment Trends

The trend in real estate foreclosures and demand for apartments units has been closely linked for the last three years. Lenders re-marketing foreclosed properties are competing for the same households as apartment managers. With the recent decline in foreclosures, the competition for those households is less, and apartment operators are now enjoying more success in attracting tenants. Houston area apartments are now over 90% occupied, based on a recent survey by the Houston Apartment Association.

**HOUSTON
APARTMENT OCCUPANCY (%)
1976-1990**



Another recent indicator of renewed apartment demand is the fact that during 1989 some building permits were let for multi-family units. This is the first time since 1986 that any permits have been issued in Harris County for new multi-family construction. In fact, many apartment projects are now undergoing renovation, including several major projects in the Inner Loop area.

Resale Housing

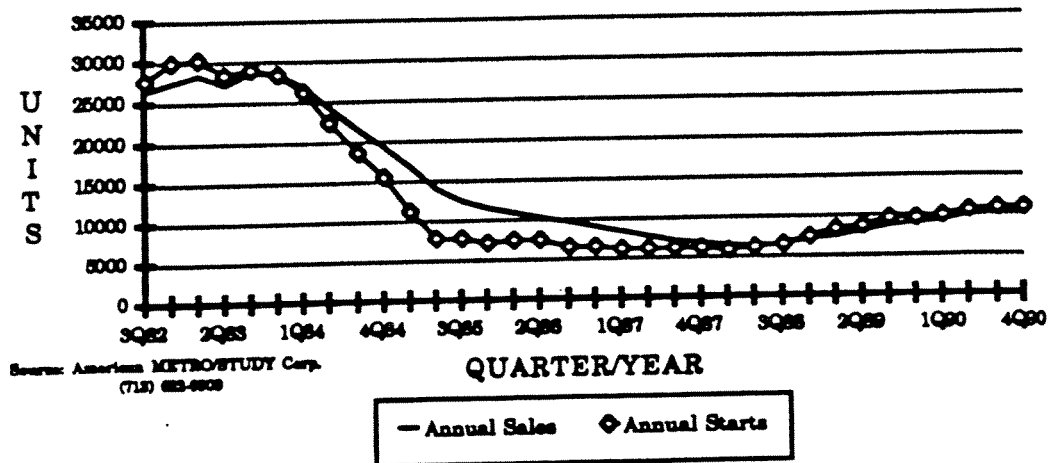
The continued improvement in the Houston economy has resulted in a steady improvement in the used home market during the last three years. The number of listings has declined from a high of 41,073 units during 1986 to 33,381 units listed on the market at the end 1989. By year end of 1990, the number of listings fell further to 27,520 listings. Approximately 8,800 of these listings are not single family listings in the Houston area. These other listings are made up of farms, ranches, acreage, beach houses and lots for sale. Consequently, the number of single family units listed in the Houston area is approximately 19,000 at this time.

After achieving record resale volume in 1988, the market stabilized in terms of resale transactions during 1989. In 1989 there were 31,167 resale transactions, compared to 34,599 resale transactions the previous year, a decrease of approximately 10%. By year end 1990 there were 28,878 transactions, which represents a decrease of 7.3%

The decline in the foreclosure rate has made fewer properties available from lending institutions at low prices with easy financing. Without the foreclosure inventory to stimulate the market and attract investors and other low price buyers, the resale volume is now moving to the traditional type of listing from home owners who are attempting to sell and move up to a new home, either new construction or another previously owned home.

increase of 27% over year end 1988. By year end 1990, Houston single family sales had increased to 10,815 units. This is a 19% increase over 1989 annual sales.

HOUSTON ANNUAL SALES AND STARTS RATE NEW SINGLE FAMILY HOMES



Metro/Study predicts a continued strengthening in new home demand during the next few years. Based upon current market conditions, Metro/Study anticipates that the housing starts will total 11,250 by year end 1991, 13,000 for 1992 and 15,000 starts per year for years 1993, 1994, and 1995.

neighborhoods, but were in the same area and satisfied the purchasers desire for safety, social acceptability, school quality, prestige and property value security. In most instances this trend has been dominated by a fragmented, unorganized marketplace where builders and individuals have purchased individual lots and created a patchwork of new construction in older neighborhoods where new homes were adjacent to older housing.

More recently, encouraged by the ongoing demand for close-in housing, pockets of re-development have occurred where developers/builders have purchased undeveloped parcels for the development of 5 to 130 lot subdivisions, and in some infrequent instances include existing subdivisions have been purchased in their entirety and re-developed. Typically those have become ever more expensive compared to the tear down market and offer homes priced from \$400,000 to over \$1 million.

Much of the demand for such high priced homes has come from the relatively high rate of immigration to Houston in the past 4-5 years caused by oil company consolidation and the recruitment of attorneys and accountants involved in the resolution of the Savings and Loan and Banking crisis and the high rate of foreclosure and bankruptcies in the late 1980's. Physicians have always played a large role in the demand for homes around the Texas Medical Center in West University, Bellaire and the Rice University/Museum area.

This segment of the study will detail the overall demand for new homes in the defined TMA and will highlight the most prominent areas accounting for the majority of activity.

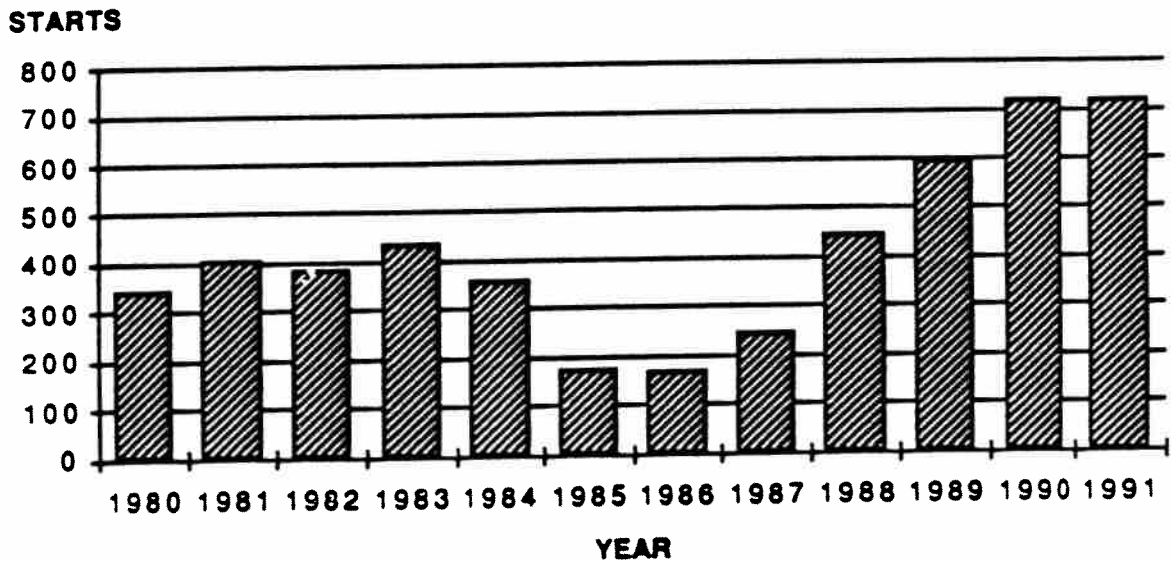
B. TARGET MARKET AREA HOUSING STARTS TRENDS

From 1980 to 1990 there were a total of 4,276 starts in the TMA for an 11 year average of 388 new homes. Housing starts activity in the TMA during the early 1980's ('80-'84) were typical of the decade and averaged between 350 and 400 units per year.

With the economic and housing slump of the mid decade, housing activity dropped along with the rest of the Houston Market. From 1985 to 1987 new home starts ranged between 170 and 245 per year.

However, since 1988, new home starts have increased to 445 in 1988, 597 in 1989 and 718 in 1990. It is expected that 1991 starts in the TMA will be roughly equal to 1990.

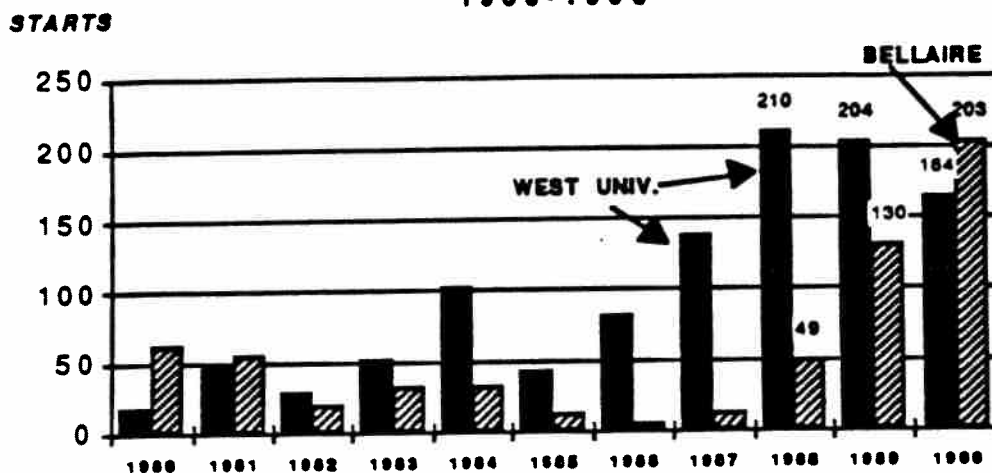
**TARGET MARKET AREA
HOUSING STARTS
1980-1990**



more established areas. The areas delineated as West Loop, Greenway Plaza, and Galleria (where the subject is located) have had only 68 new starts since 1988 and all of them have been inside Loop 610. Metro/Study estimates that the majority of those starts have been higher density townhome or patio home configurations rather than the standard single family detached product. Good examples of the type of product in the West Loop/Greenway areas can be found along Midlane St. between Westheimer and Richmond and at the Courts of Las Palmas northeast of the intersection of Wesleyan and Richmond. The area has somewhat of a tradition of higher density attached and detached housing on lots 30'-50' in width.

University sold for between \$350,000-\$450,000 compared to \$275,000-\$350,000 in Bellaire for essentially the same 3,000-4,000 s.f. house. Much of this "changing of the guard" is also due to the coming of age of Bellaire's image as an acceptable community at the same time it became attractive from a price perspective compared to West University.

**WEST UNIVERSITY AND BELLAIRE HOUSING
STARTS
1980-1990**



Bellaire began to establish its position during 1988 when lots were available for between \$50,000-\$80,000 and homes often sold for as low as \$200,000. At the same time, lots in West University sold for \$90,000-\$130,000 and homes were priced at \$300,000-\$350,000. Once Bellaire became established as an acceptable, lower cost alternative, lot and home prices began to escalate to Bellaire's current level of \$90,000-\$140,000 for lots and \$275,000-\$375,000 for homes.

The price increases in West U. created a "window of opportunity" for Bellaire to establish its Identity and create a constituency of buyers who in previous years would have accepted nothing less than West University itself. Prior to 1989 Bellaire had been considered to be less desirable than West University in terms of prestige, reputation and socio-economic profile and West University was simply perceived as more "upscale".

However, school quality, police and fire protection, city zoning and a steady in-migration of the upscale profile buyer has given Bellaire an acceptance level almost equal to West University and the construction rate of new homes last year bears witness to this acceptance. Physicians, attorneys and other professionals and corporate executives working downtown or in the Galleria/Greenway Plaza area represent the typical affluent and socially conscious buyers of new homes in Bellaire.

Pin Oak Estates

Pin Oak is a new development that is situated in the city of Bellaire on the north side of Bellaire Blvd., approximately 1/4 mile inside of Loop 610. This 23 lot subdivision came on line in the summer of 1990. Approximately 6 homes have been sold and 8 speculative homes are currently on the market. The typical "spec" homes carry prices from \$375,000-\$415,000 with the highest priced spec home on the market priced at \$520,000. Lot prices for typical lots range from \$115,000 (60'x94') to \$150,000 (80'x94').

3. Tanglewood

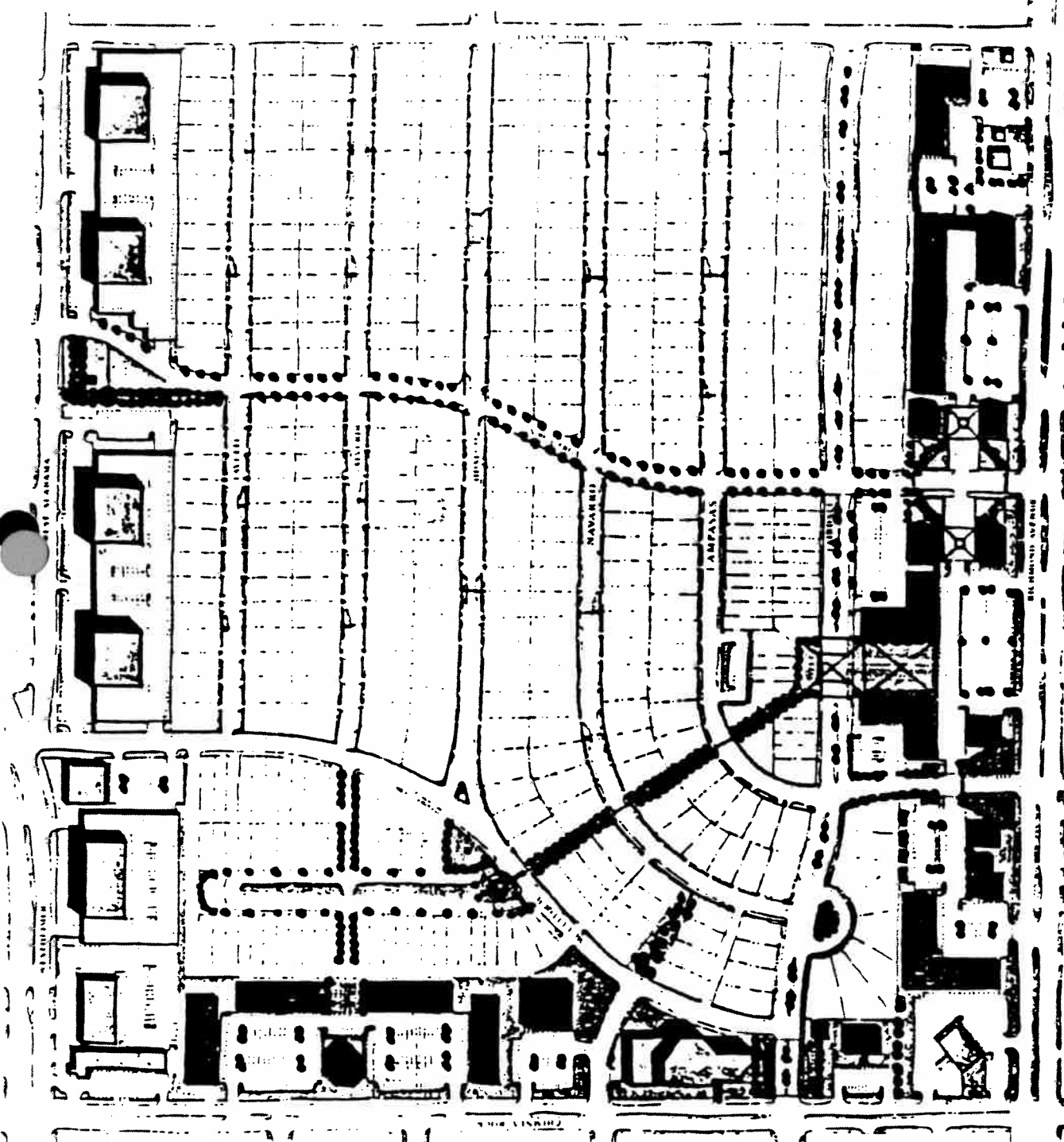
In the Tanglewood area the teardown and rebuild phenomenon also is evident, but on a grander scale. Most lots in Tanglewood are 1/3 to 1/2 acre in size and the price of a

for a typical lot. This private street development will feature security controlled access with a privacy wall and entry gate and 24 hour guard. Homes will have a beginning price of \$750,000 and rise from there.

Arlington Court

Arlington Court is located on the north side of Memorial Drive, inside Loop 610, east of Memorial Park. This is a neighborhood where an entire subdivision has been purchased and redeveloped for the construction of new single family homes. The subdivision features a brick perimeter fence, extensive landscaping including large existing trees and a unique location.

Begun in late 1989, this development contains 80 single family lots sized from 50'x100" to 1/3 acre ravine lots that back up to a tributary of Buffalo Bayou. The lowest priced lot is around \$160,000 and range up to \$450,000+ for the largest lots. Approximately 4 speculative homes and 1 contract were under construction at the end of March. At this writing the lowest priced home in Arlington Court is approximately \$600,000. The project benefits from very good marketing exposure on Memorial Drive and is in an attractive setting next to Memorial Park. It is, however, relatively expensive and must overcome image problems associated with the schools serving the area, and lack of support services convenient to the development.



**PROPOSED LAMAR TERRACE
REDEVELOPMENT PLAN**

TENTATIVE CONCEPT PLAN

PHILIPPOUR
ARCHITECTS & PLANNERS
1000 ...

ICLS INVESTMENTS

buyers. Certainly some of these issues will be mitigated by the unique street layout, lighting scheme and fencing planned.

B. Schools

The children of the residents will attend H.I.S.D schools. For all buyers with children this is an important issue. For better or worse, H.I.S.D has a poor image with many residents of the Houston area. Certainly, in many cases residents will choose to send school aged children to private schools, and the development will undoubtedly attract a number of childless couples for whom the school issue is not as important. These childless couples will be comprised of "empty nesters" and younger couples known as "dinks" (double income, no kids). However, this issue can undoubtedly limit the market somewhat since more than 80% of new home buyers consider the quality of schools to be "very important" in their decision about where to buy a new home.

Parents exhibit a desire to send their children to schools where the student population reflects a socio-economic profile similar to their own and where the school offers programs to challenge the intellectual ability of the child and has facilities and programs to enrich the education process. The reputation and perceived quality of the school (not the reality) is extremely important.

Pilgrim Elementary serves the St. George Place/Lamar Terrace community. Due to the deteriorated condition of Lamar Terrace and the decline of several apartments in the vicinity, the school has experienced a rapid change in the socio-economic profile of the school population and a high turnover rate among students. With the improvement of the local economy, this trend will begin to reverse itself. The redevelopment of Lamar Terrace/St. George Place will itself have a stabilizing effect on the school by eliminating much of the turnover, and increasing parental involvement in the school activities. Over time the socio economic profile of the school will more closely reflect the population of the subject development and will reduce the school issue as an obstacle for prospective buyers.

maintenance in that area. The recovering economy is encouraging investors to invest in, and remodel apartment projects in the area which will improve the appearance and is expected to stabilize the neighborhood population.

E. Marketing

In order to assure a consistent, organized and clear communication of the unique attributes of the development, Metro/Study encourages the consideration of a Central Sales concept for the marketing of new homes in the project. A Central Sales Office can present a well trained sales force to deliver the message to buyers in a fashion that will assure consistency in the delivery of the "community message". This will also give the image of a coordinated community promotion similar to many "masterplanned communities" on the periphery of Houston and assure that all persons in a selling position are well trained to properly represent the community and the builders. The selling of the CEPTED concept will be important to the marketing success of the project and it is important that it be presented in the most effective manner.

In the event that a Central Sales Office is not feasible, then it will be imperative that a supplemental marketing effort be implemented to educate each Realtor office active in the close-in market about every important feature that St. George Place has to offer, especially the "CEPTED" program since it is new and unfamiliar to the Realtor community in the Houston area. Collateral printed materials and constant communication to realtors will be very important to the marketing process, especially in the early, unproven stages of the project. Metro/Study anticipates that the "CEPTED" concept will have extensive public relations value that, if promoted well, could lead to newspaper articles and television coverage featuring this new approach to neighborhood security which is an important concern for every citizen in Houston.

F. Buyer Profile

Because of the unique characteristics of the subject, the buyer profile will likely be somewhat different than the prime competitors, West University and Bellaire. Metro/Study expects that the subject will appeal to more

VL ST. GEORGE PLACE ABSORPTION PROJECTION

Metro/Study believes that the project is well conceived and designed to take advantage of the strengths associated with its location and unique characteristics, and overcome its weakness. The recommended strategy is to offer the first 20 homes for between \$250,000 and \$275,000 to establish momentum and to initialize the construction program with a strong base. However, the cost of redevelopment and the subsequent lot price will establish a base price of \$300,000 for homes with a minimum of 3,000 square feet. Subsequently, lot prices and home prices can be raised subject to the community gaining acceptance and credibility with realtors and home buyers. This community must in its early stages create a niche for itself as an attractively priced alternative to West University, Bellaire and Spring Valley until it can gain sufficient credibility to command higher prices equivalent to those other more established areas. From ongoing monitoring of the market demand in the close-in Target Market Area and regular consultation with realtors and other professionals it is apparent that fewer and fewer homes are being produced for sale under \$300,000 in price. Consequently, homes priced in the low \$300's will be price competitive with most areas of the close-in market. Essentially all other areas in the TMA have driven prices above \$300,000 in the past 2-3 years. Of the 718 homes built in the TMA last year Metro/Study estimates that fully 80-85% were priced above \$300,000, driven primarily by lot prices and supported by demand..

In the first year or so of the development Metro/Study projects housing demand in St. George Place as follows:



APPENDIX

census tract permits

| Census Tract | Area | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | Total (80-90) |
|--------------|-------------|------|------|------|------|------|------|------|------|------|------|------|---------------|
| 407.01 | Greenway | 1 | 5 | 4 | 24 | 5 | 2 | 1 | 0 | 2 | 1 | 9 | 54 |
| 407.02 | Greenway | 0 | 4 | 10 | 0 | 11 | 1 | 1 | 0 | 3 | 5 | 11 | 46 |
| | Sub-Total: | 1 | 9 | 14 | 24 | 16 | 3 | 2 | 0 | 5 | 6 | 20 | 100 |
| 440.06 | Hedwig | 0 | 0 | 10 | 9 | 4 | 3 | 0 | 3 | 1 | 4 | 4 | 38 |
| 441.02 | Hillshire | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 440.02 | Hunters Crk | 11 | 14 | 19 | 14 | 12 | 6 | 2 | 0 | 0 | 0 | 10 | 88 |
| 421.00 | Mem-Hou | 2 | 1 | 3 | 0 | 3 | 1 | 2 | 3 | 4 | 5 | 6 | 30 |
| 440.01 | Mem-Hou | 0 | 4 | 0 | 3 | 2 | 1 | 0 | 0 | 2 | 1 | 0 | 13 |
| 515.01 | Mem-Hou | 10 | 27 | 42 | 26 | 7 | 15 | 7 | 0 | 8 | 6 | 12 | 160 |
| 515.02 | Mem-Hou | 0 | 12 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| 516.02 | Mem-Hou | 3 | 1 | 4 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 11 |
| | Sub-Total: | 15 | 45 | 52 | 30 | 12 | 17 | 9 | 4 | 14 | 12 | 19 | 229 |
| 416.02 | Meyerland | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 416.03 | Meyerland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 416.04 | Meyerland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 2 | 5 |
| 428.01 | Meyerland | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| 429.00 | Meyerland | 0 | 1 | 0 | 1 | 0 | 2 | 0 | 0 | 0 | 1 | 1 | 6 |
| | Sub-Total: | 3 | 1 | 1 | 2 | 0 | 2 | 0 | 1 | 0 | 3 | 3 | 16 |
| 402.01 | Montrose | 2 | 10 | 40 | 38 | 26 | 3 | 2 | 1 | 2 | 1 | 2 | 127 |
| 402.02 | Montrose | 4 | 3 | 7 | 16 | 2 | 2 | 1 | 1 | 4 | 1 | 1 | 42 |
| 403.00 | Montrose | 13 | 12 | 11 | 9 | 8 | 7 | 0 | 0 | 2 | 0 | 0 | 62 |
| 404.01 | Montrose | 0 | 2 | 7 | 1 | 1 | 2 | 0 | 0 | 1 | 1 | 9 | 24 |
| 405.01 | Montrose | 18 | 2 | 6 | 8 | 7 | 1 | 1 | 0 | 0 | 1 | 1 | 45 |
| 405.02 | Montrose | 0 | 2 | 9 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 17 |
| | Sub-Total: | 37 | 31 | 80 | 77 | 44 | 15 | 4 | 2 | 9 | 4 | 14 | 317 |

census tract permits

| Census Tract | Area | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | Total (80-90) |
|-----------------------|------------|------|------|------|------|------|------|------|------|------|------|------|---------------|
| 419.02 | West Loop | 3 | 2 | 5 | 3 | 13 | 0 | 5 | 2 | 3 | 20 | 14 | 70 |
| 419.03 | West Loop | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub-Total: | 3 | 2 | 5 | 3 | 13 | 0 | 5 | 2 | 3 | 20 | 14 | 70 |
| 408.00 | West U. | 2 | 1 | 5 | 13 | 20 | 17 | 21 | 41 | 77 | 55 | 60 | 312 |
| 409.00 | West U. | 3 | 12 | 4 | 22 | 31 | 6 | 35 | 42 | 80 | 97 | 58 | 390 |
| 410.00 | West U. | 12 | 33 | 19 | 16 | 52 | 19 | 26 | 55 | 53 | 52 | 46 | 383 |
| | Sub-Total: | 17 | 46 | 28 | 51 | 103 | 42 | 82 | 138 | 210 | 204 | 164 | 1,085 |
| Totals by Year | | 345 | 405 | 384 | 435 | 358 | 175 | 169 | 245 | 445 | 697 | 718 | 4,276 |

EXHIBIT C

Estimated times, expressed in months from the initiation of each contract when costs and monetary obligations are to be incurred.

Adjustment to PID for Developer Payment

| | | |
|------------------------------|-----------|-----------|
| Developer Payment Assessment | \$7,400 | \$7,400 |
| Number of Lots | 61 | 45 |
| ----- | | |
| DEVELOPER PAYS | \$451,400 | \$333,000 |

Total PID Construction Costs

| | Total Costs | Engineer Pays | Developer Pays | Construction Amount | Net |
|-----------------|-------------|---------------|----------------|---------------------|-----|
| Contract # 1 | 644,087 | 107,348 | 451,400 | 65,338 | 0 |
| Contract # 2 | 600,080 | 100,013 | 333,000 | 167,087 | |
| Interest Earned | 0 | 0 | 0 | (11,767) | |
| | \$1,244,167 | \$207,361 | \$784,400 | \$240,639 | |

| | |
|--------------------|-----------|
| TIRZ | |
| CONSTRUCTION DRAWS | 1,263,522 |
| BOND FUNDS Needed | 1,228,000 |
| Interest Earned | 35,522 |

| | |
|--------------------|---------|
| PID | |
| CONSTRUCTION DRAWS | 459,767 |
| BOND FUNDS Needed | 448,000 |
| Interest Earned | 11,767 |

CONSTRUCTION DRAW ESTIMATE

INTEREST RATE ON SURPLUS FUNDS 7.00%

| Amount Total | TIRZ | | PID | | TIRZ | | PID | |
|--------------|-------------|-------------|-------------|-------------|----------------|---------|----------------|---------|
| | Contract #1 | Contract #2 | Contract #1 | Contract #2 | 7.00% Interest | Draws | 7.00% Interest | Draws |
| 172,952 | 576,507 | 478,428 | 210,587 | 167,087 | 207,361 | 459,767 | 207,361 | 448,000 |
| 172,952 | | | 1,263,522 | | | | | 217,615 |
| 57,651 | | | | | | | | 193,265 |
| | | | | | | | | 166,775 |
| | | | | | | | | 161,213 |
| | | | | | | | | 162,140 |
| | | | | | | | | 183,073 |
| | | | | | | | | 164,011 |
| | | | | | | | | 164,855 |
| | | | | | | | | 115,784 |
| | | | | | | | | 66,330 |
| | | | | | | | | 16,591 |
| | | | | | | | | 95 |
| | | | | | | | | (20) |
| | | | | | | | | (20) |
| | | | | | | | | (20) |
| | | | | | | | | (20) |
| | | | | | | | | (21) |
| | | | | | | | | (21) |

TERRA ASSOCIATES, INC.

COMPUTATION OF THE AMOUNT OF BOND PROCEEDS NEEDED FOR PAYMENT OF CONSTRUCTION COSTS