

City of Houston, Texas, Ordinance No. 97-1572

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER EIGHT, CITY OF HOUSTON, TEXAS (GULFGATE); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, by City of Houston Ordinance No. 97-1524, adopted December 10, 1997, the City created Reinvestment Zone Number Eight, City of Houston, Texas (the "Gulfgate Zone") for the purposes of development and redevelopment within the area of the City generally (the "Gulfgate area"); and

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

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

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

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

Section 2. That the Project Plan and Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Eight, City of Houston, Texas, are hereby determined to be feasible and are approved.

Section 3. That the City Secretary is directed to provide copies of the Project Plan and Reinvestment Zone Financing Plan to each taxing unit levying ad valorem taxes in the Zone.

Section 4. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 5. 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

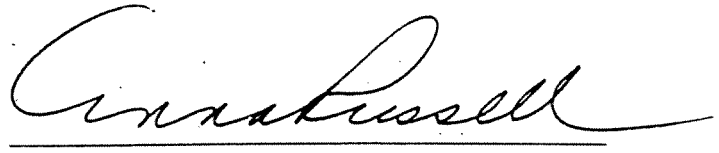
its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 17th day of December, 1997.

APPROVED 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 DEC 23 1997.



City Secretary

(Prepared by Legal Dep't DEBORAH F. ALLEN)
(DFM/dfm December 16, 1997) Senior Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L.D. File No. 34-97066-04)

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***REINVESTMENT ZONE NUMBER EIGHT,
CITY OF HOUSTON, TEXAS
GULFGATE REINVESTMENT ZONE
PROJECT PLAN
AND
REINVESTMENT ZONE FINANCING PLAN***

December 17, 1997

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I. Overview Summary/Facts

1. The Gulfgate Shopping Center ("Shopping Center") area, located at the northwest corner of the intersection of Interstate Highway 45 South ("Gulf Freeway") and South Loop 610 Freeway, Houston, Texas, and the surrounding area has been in severe decline for two decades, suffering significant blight and deterioration during the last ten years. Reinvestment Zone Number Eight, City of Houston, Texas - Gulfgate ("TIRZ") encompasses approximately 67.58 acres; the Shopping Center property contains approximately 51.00 acres, 12.68 acres are public rights-of-way and 3.90 acres are peripheral properties.

Due to the increasing vacancy within the existing Shopping Center and the increasing deterioration of the immediate area in general, the assessed value of the Shopping Center has declined from approximately \$13.00 million to \$8.06 million over the last five years, a decline of 38% which is ongoing. The Shopping Center has experienced and is continuing to experience a loss of major and local tenants. For example, Dillard's Department Store closed in January 1997, General Cinema closed in May 1997 and Service Merchandise closed in July 1997. Sales tax collections from the Shopping Center have declined materially. The current occupancy of the Shopping Center is approximately 30% and the area surrounding it has experienced similar deterioration and property devaluation.

2. The Developer, Edmond D. Wulfe, Trustee ("Wulfe") or an entity in which he will be principal, proposes to acquire and demolish all or most of the Shopping Center and construct a new approximately 550,000 square foot regional retail power center and attendant facilities. Due to the extraordinary circumstances involved in the redevelopment of the Shopping Center, including the financing shortfall, infrastructure improvements, and the overwhelming deterioration of this area, this landmark high profile project will not occur at any point within a reasonable time frame "but for" the creation and participation in the Zone by all jurisdictions.

3. The Shopping Center site has been on the market for several years and was previously under contract to a different purchaser for almost one year, but the project was abandoned by the prospective purchaser after concluding that redevelopment of the center was not feasible. The structure's layout is obsolete and not marketable for today's retail environment. Upgrading it to meet today's building code is cost prohibitive. Environmental conditions, particularly the need to abate asbestos in the existing structure and to fill a dangerous underground tunnel system, only exacerbate the cost-prohibitive problems.

4. The overall development cost of the Shopping Center, including the site acquisition cost, is estimated at \$50,000,000. Wulfe will endeavor to secure acquisition, construction and permanent financing for the project. A not-for-profit corporation created by the City known as the Gulfgate Redevelopment Authority will acquire the project and long-term lease it to a Joint Venture, which will be owned 50% by Wulfe and 50% by the Houston Redevelopment Authority (HRA), an existing not-for-profit corporation. The HRA is a subsidiary of the Houston Housing Finance Corporation.

The project plan for the Shopping Center includes the development of a new 550,000 square foot regional retail power center located at one of Houston's busiest intersections with over 320,000 cars per day passing the site. The anticipated major retail tenant mix will include:

Home Improvement Center	Sporting Goods Store	Hobby & Crafts Store
Supermarket	Restaurants (3)	Major Bridal Store
Discount Department Store	Fast Food Restaurants (4)	Drug Store
Electronics Store	Cafeteria	Video Rental Store
Apparel Retail (2)	Pet Supply Store	Automotive Center
Movie Theater	Office Supply Store	

The new Shopping Center will target the substantial and ever-increasing Hispanic market in east Houston. Wulfe commissioned a feasibility/market study by CDS Research of Houston to quantify the depth of this Hispanic market (see Appendices). The tenant mix of the new

Shopping Center will also focus on this dominant market segment and address its unique purchasing demands.

5. Construction of the new Shopping Center is estimated to be completed by 2001; it will be open for business in November, 1999. It is anticipated that the new Shopping Center will be the catalyst for a renaissance of the immediate area. The Meyerland Shopping Center renovation, in which Wulfe was the Developer, provides a good current example of the potential for area redevelopment demand based on a successful new project.

6. When completed, the redevelopment by itself will add an estimated \$42,000,000 of captured assessed valuation from the Gulfgate Shopping Center. Significant redevelopment of the surrounding property in the TIRZ is also anticipated. CDS Research estimates potential sales subject to sales tax collection at \$117,800,000 based on market surveys, which would generate approximately \$1,178,000 in sales tax revenue to the City.

7. It is estimated that the new Shopping Center will create approximately 1,300 new permanent jobs over and above the jobs which will be created during the construction of the complex.

8. The TIRZ will seek HISD and Harris County participation.

**II. Reinvestment Zone Number Eight, City of Houston, Texas
(Gulfgate) Project Plan**

A. Summary

Gulfgate Shopping Center, Houston's first enclosed shopping center, was developed and opened in 1956. It is located at the key intersection of Interstate 45 South ("Gulf Freeway") and the 610 Loop South ("South Loop 610"). The redevelopment of the Shopping Center requires TIRZ financing of an estimated \$6.5 million, of which \$5.25 million will be used for the acquisition of the Shopping Center. The TIRZ financing is required due to the substantial costs associated with the redevelopment of the site including the demolition, site work and environmental abatement which are attendant to the redevelopment of a 40-year old blighted project. Further, without participation by the TIRZ Plan this project will not occur. The use of a TIRZ will unite this important public/private partnership to rehabilitate this important area of the City.

Exhibit A, an airphoto, illustrates the existing land uses comprised of a blighted shopping center, vacant movie theaters, a vacant gas station and vacant land. Exhibit B illustrates the existing conditions of the real property within the Zone.

Exhibit C illustrates the proposed site plan layout of the Shopping Center. The existing Shopping Center will be demolished and a new 550,000 square foot center will be constructed.

B. Municipal Ordinances

The proposed redevelopment of the Shopping Center does not propose any changes to City of Houston ordinances of building codes.

C. TIRZ Non-Project Costs

Total TIRZ non-project costs are estimated at \$42,800,000. The Developer will provide construction and permanent financing for the development through a third party lender.

D. Relocation

No residents will be displaced.

Exhibit A - Existing Uses/Airphoto

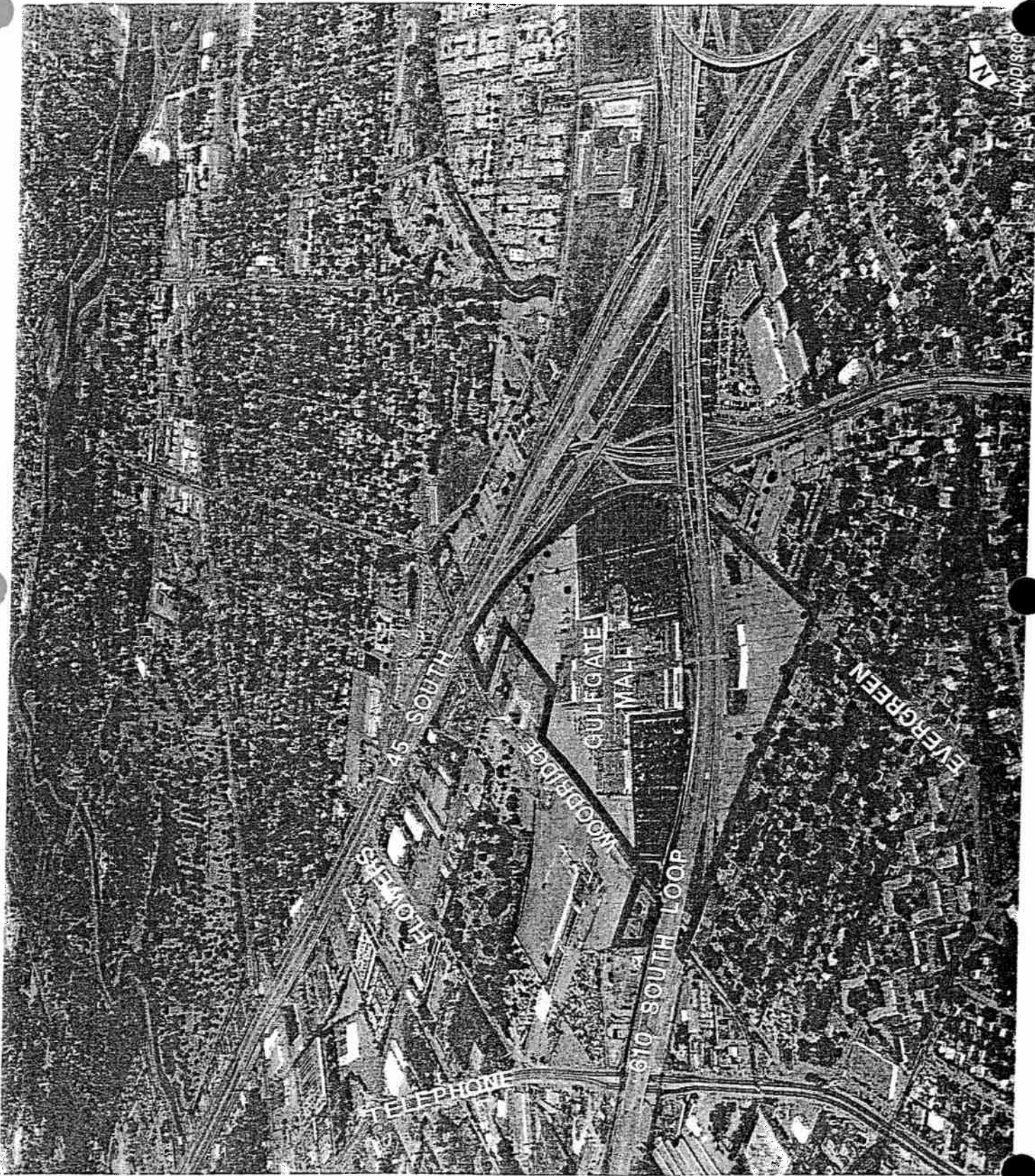
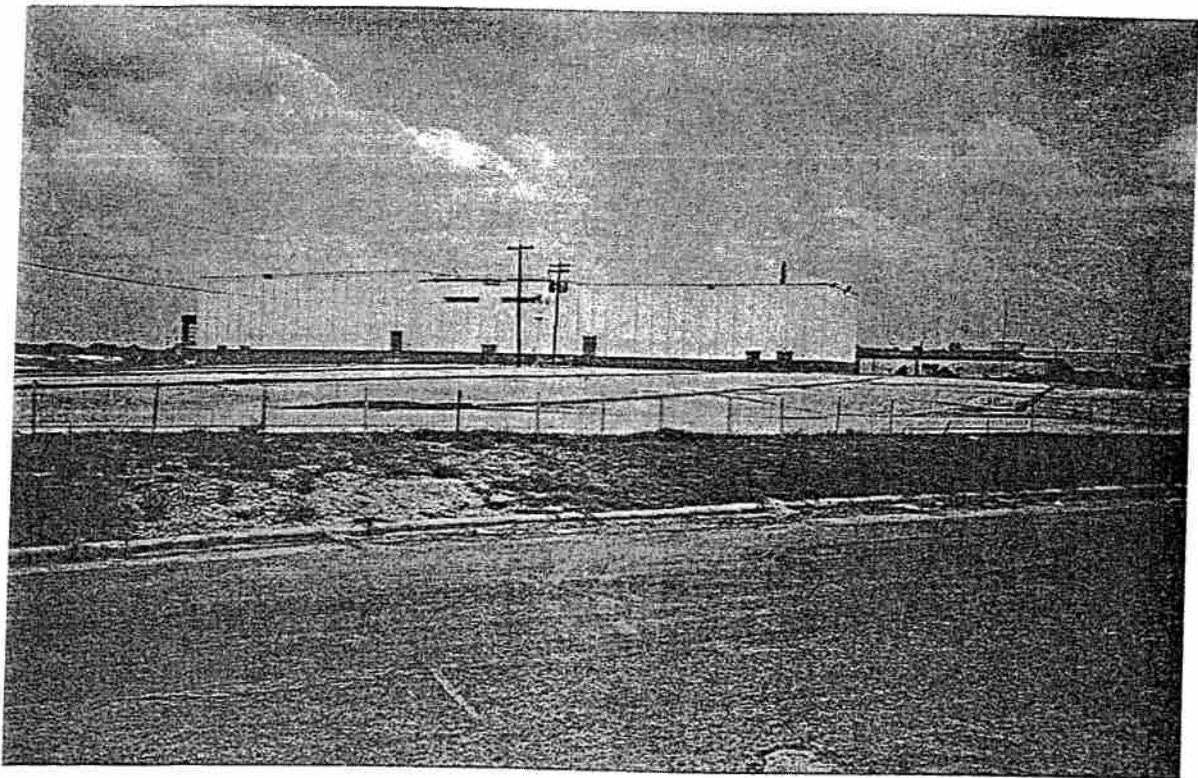


Exhibit B - Property Conditions



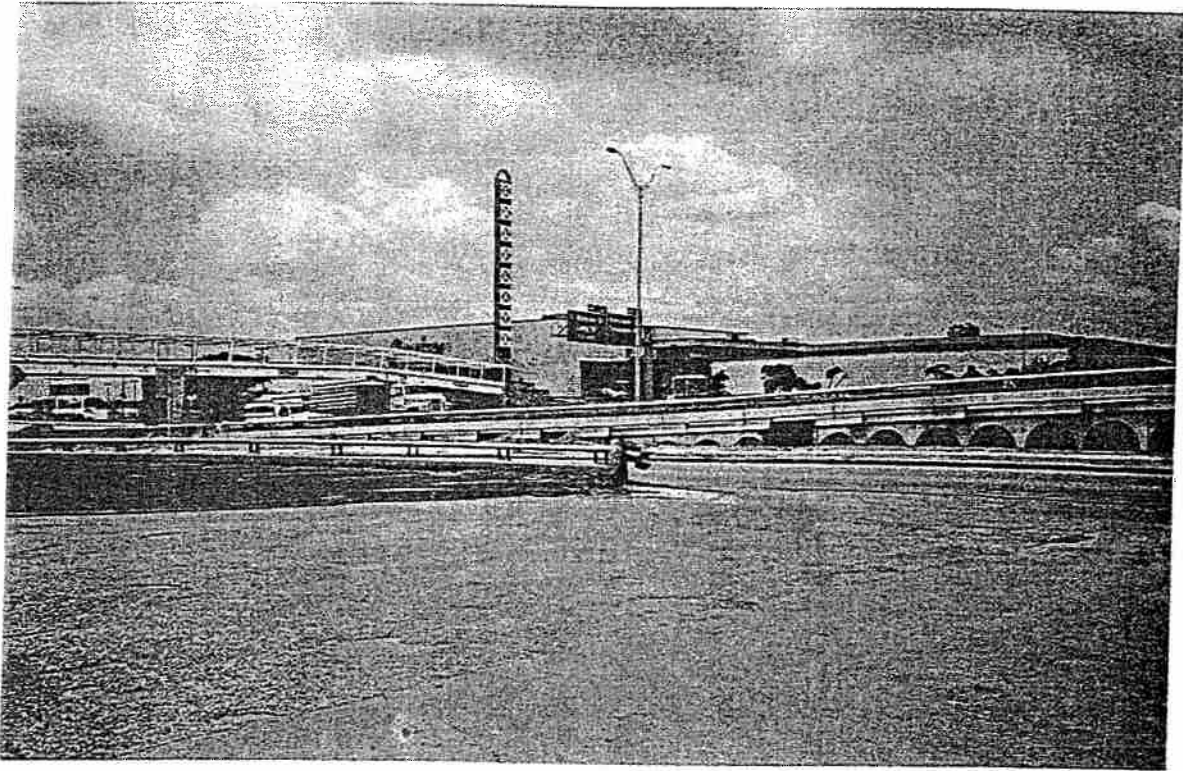
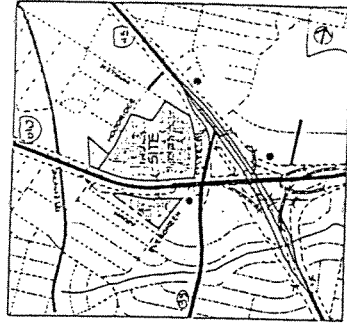


Exhibit C - Proposed Site Plan

GULFGATE SHOPPING CENTER



WULFE & CO.

713/621-1700

1 SITE PLAN

S10 SCALE: 1" = 120'-0"

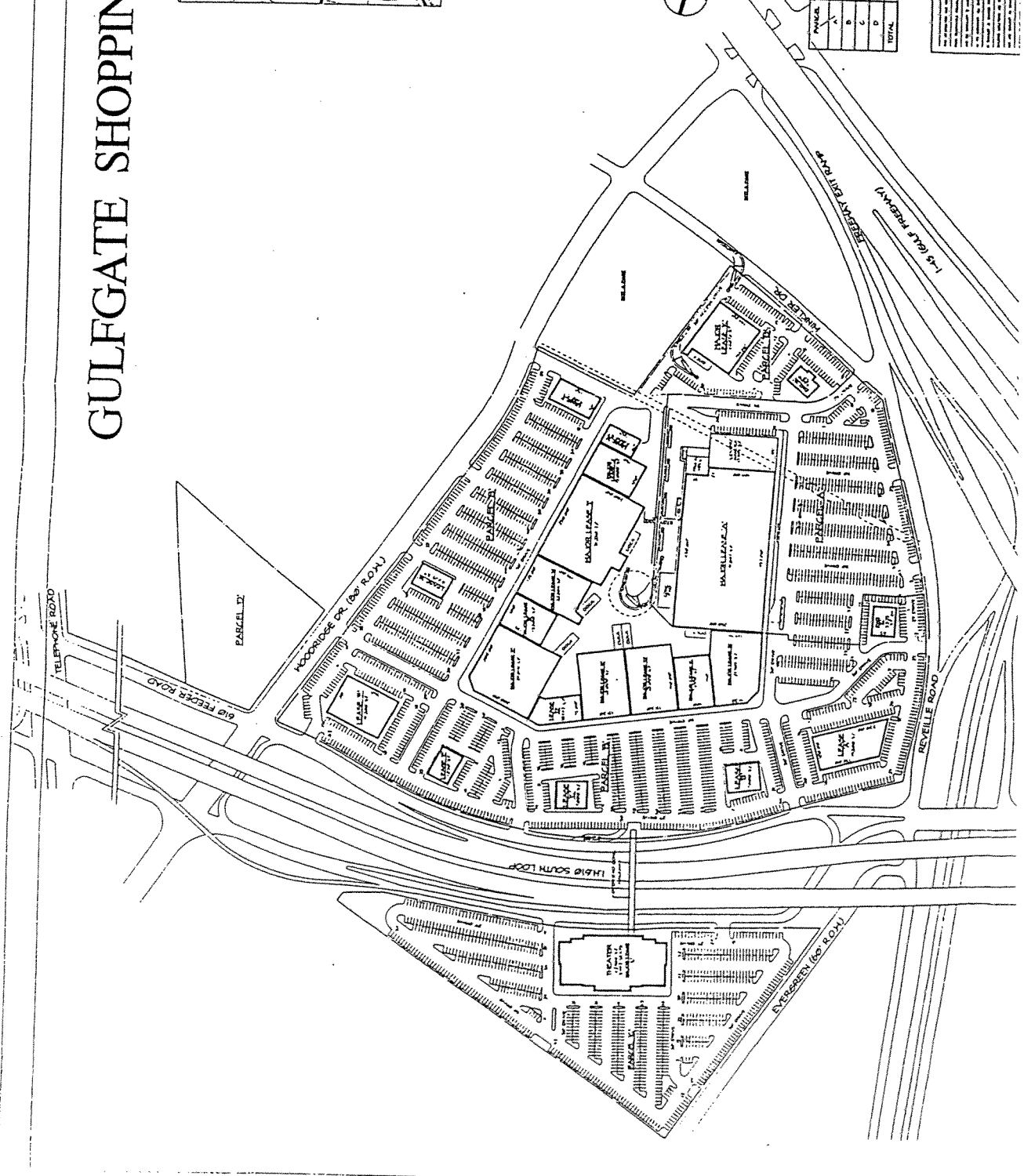


DEVELOPMENT SYNOPSIS

PARCEL	LAND AREA	BLDG. AREA	PARKING AREAS	PROCESSED BLDG. AREA	EXHIBIT #
A	101,114 SF	101,114 SF	311,000 SF	311,000 SF	713 B
B	33,378 SF	33,378 SF	107,134 SF	107,134 SF	713 B
C	105,114 SF	105,114 SF	311,000 SF	311,000 SF	713 B
D	20,000 SF	20,000 SF	66,667 SF	66,667 SF	713 B
TOTAL	260,006 SF	260,006 SF	795,801 SF	795,801 SF	713 B

HERMES ARCHITECTS
 11111 W. 11th Ave., Suite 100
 Denver, CO 80231
 TEL: 773-333-3333
 FAX: 773-333-3334

DESIGN: 10/11/00
 DATE: 10/11/00
 EXHIBIT: 10/11/00



III. Reinvestment Zone Number Eight (Gulfgate) Final Financing Plan

A. Estimated Project Cost Description

The estimated project cost for the Zone is \$6.5 million of which \$5.25 million will be used by the Gulfgate Redevelopment Authority for the acquisition of the Shopping Center and related expenses. The Gulfgate Redevelopment Authority will execute a long-term (30 year) lease back, with a purchase option, to a Joint Venture which will redevelop it. The Joint Venture or Limited Partnership (the "Joint Venture") will be composed of a Wulfe-controlled entity and the Houston Redevelopment Authority ("HRA"), a not-for-profit corporation.

HRA and Wulfe will each furnish \$1,950,000 to the Venture as their initial equity contributions. Each Venturing Partner will make an additional equity contribution of approximately \$565,000 at a later date. Upon substantial completion of the redevelopment, equity contributions from the Venturing Partners will equal approximately \$2,515,000 each. In lieu of paying the additional \$565,000 in cash, the HRA may make its contribution in the form of capital improvements, provided by the City, to the extent that such capital improvements are included in the construction budget for the Shopping Center. The specific items eligible for credit against the equity contribution will be subject to approval by the City through the Development Agreement.

The total cost of the project, which includes acquisition, demolition and development of the new Shopping Center containing approximately 550,000 square feet is estimated at approximately \$50 million. The estimated budget for TIRZ reimbursement is \$6.5 million, which includes the acquisition cost, bond issuance cost and related professional fees, plus interest. The estimated interest on the \$6.5 million in bonds or notes is approximately \$8.251 million. Exhibit D illustrates the annual estimated debt service requirements to support the \$6.5 million in bonds or notes, based on a 9.5% interest rate. In addition, the administrative expenses for operating the Zone will also be paid from Zone revenues. The cost of administration over the life of the Zone is approximately \$740,000 and is illustrated as annual payments on Exhibit E. The proposed duration of the Zone is 30 years.

have a right-of-first refusal if either Partner wants to sell. The Joint Venture will assume the existing outstanding mortgage without recourse. Wulfe Gulfgate, Inc. will serve as Managing Partner or General Partner. On behalf of the Joint Venture, Wulfe will endeavor to secure third party financing for the balance of the acquisition, payment of the initial assumable loan, construction and related development costs in the amount of approximately \$40,000,000. During the life of the Joint Venture, each Venturing Partner will share in all new revenues generated by the Shopping Center in proportion to its ownership interest. If additional capital beyond the projected \$2,515,000 each is required, either party may provide it and be repaid before the Venturing Partners receive any distribution.

The Gulfgate Redevelopment Authority will issue bonds or notes in an amount required to pay the estimated \$6.5 million, plus capitalized interest and related TIRZ expenses. The TIRZ, the City and the Redevelopment Authority will enter into a contract pursuant to which the City and TIRZ will pay the tax increments to the Redevelopment Authority. The Redevelopment Authority will use these tax increment payments to secure the repayment of the bonds or notes. Wulfe will not commence any construction phase for the new Shopping Center until leases are in place to generate a cash flow sufficient to service any construction and related development loans.

*Exhibit D: Amortized Schedule of
Estimated Bonded Indebtedness To Be Incurred*

**EXHIBIT D
GULFGATE MALL**

**AMORTIZED DEBT SCHEDULE OF BONDED INDEBTEDNESS TO BE INCURRED
TWENTY YEAR PAYMENT SCHEDULE
ON PROPOSED 71.55 ACRE PROJECT**

Year	1998
Principal Amount	6,500,000
Interest-One Year	617,500
Payment	737,600
Criteria	9.5%

DATE	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	BALANCE OWING	NET TIRZ REVENUES	CUMULATIVE TIRZ REVENUE	NET CASH AVAILABLE	DEBT (NET) COVERAGE	DEBT (CUM) COVERAGE
9/15/98	0	0	0	0	0				
9/15/99	0	0	0	0	0		0		
9/15/00	0	0	0	0	17,434	17,434	17,434		
9/15/01	0	0	0	6,500,000	293,204	310,638	310,638		
9/15/02	120,100	617,500	737,600	6,379,900	643,004	216,042	216,042	0.872	0.293
9/15/03	131,510	606,091	737,600	6,248,391	652,613	131,055	131,055	0.885	0.178
9/15/04	144,003	593,597	737,600	6,104,388	695,258	88,713	88,713	0.943	0.120
9/15/05	157,683	579,917	737,600	5,946,704	754,875	105,988	105,988	1.023	0.144
9/15/06	172,663	564,937	737,600	5,774,041	848,128	216,516	216,516	1.150	0.294
9/15/07	189,066	548,534	737,600	5,584,975	860,198	339,114	339,114	1.166	0.460
9/15/08	207,027	530,573	737,600	5,377,948	872,413	473,927	473,927	1.183	0.643
9/15/09	226,695	510,905	737,600	5,151,253	884,775	621,102	621,102	1.200	0.842
9/15/10	248,231	489,369	737,600	4,903,022	897,285	780,787	780,787	1.216	1.059
9/15/11	271,813	465,787	737,600	4,631,209	909,945	953,132	953,132	1.234	1.292
9/15/12	297,635	439,965	737,600	4,333,574	922,757	1,138,289	1,138,289	1.251	1.543
9/15/13	325,910	411,690	737,600	4,007,663	935,723	1,336,412	1,336,412	1.269	1.812
9/15/14	356,872	380,728	737,600	3,650,792	948,844	1,547,656	1,547,656	1.286	2.098
9/15/15	390,775	346,825	737,600	3,260,017	962,123	1,772,179	1,772,179	1.304	2.403
9/15/16	427,898	309,702	737,600	2,832,118	975,561	2,010,140	2,010,140	1.323	2.725
9/15/17	468,549	269,051	737,600	2,363,570	989,160	2,261,700	2,261,700	1.341	3.066
9/15/18	513,061	224,539	737,600	1,850,509	1,002,923	2,527,023	2,527,023	1.360	3.426
9/15/19	561,802	175,798	737,600	1,288,707	1,016,851	2,806,274	2,806,274	1.379	3.805
9/15/20	615,173	122,427	737,600	673,534	1,030,945	3,099,619	3,099,619	1.398	4.202
9/15/21	673,614	63,986	737,600	(80)	1,045,209	3,407,228	3,407,228	1.417	4.619
TOTAL	6,500,000	8,251,920	14,752,000		18,159,228				

Notes:
 Assumes 9.5% interest rate.
 Assumes twenty year estimated debt schedule.
 Assumes loan paid off in 2021.
 Assumes a possible balloon payment in 2018.
 Assumes growth rate at 1.2%.

B. Economic Feasibility

A marketing survey prepared by CDS Research confirms the extent of this burgeoning market (see Appendices). CDS concluded that a redeveloped Shopping Center has an annual sales potential of \$113,900,000 to \$121,700,000 in 1997 dollars for a 550,000 square foot super community shopping center or power center. As much as 30% of the support for the Shopping Center could come from outside the City of Houston, providing a direct boost to City sales tax revenues. The CDS analysis was conservative in that it relied completely on the buying power of Trade Area Hispanic households to reach a conclusion about viability.

C. Project Financing Information for Bonded Indebtedness, Monetary Obligation Duration, and Method of Financing

All of the \$6.5 million must be available no later than commencement of demolition or site work. To repay the estimated \$6.5 million bonds or notes, it will be critical to obtain participation from the all three principal taxing jurisdictions. Exhibit E illustrates the projected tax increment revenues (captured appraised value) estimated to be generated on the incremental value over the life of the TIRZ. It is projected using current tax rates, that the annual TIRZ increment would average \$800,000. Debt service payments are estimated at \$737,000 annually calculated with a 9.5% interest rate over a 20-year debt schedule with an annual inflation rate of 1.2%. The financing does not require a tax rate increase.

D. Impact of City's Participation

The estimated total appraised value of the Zone is \$8.5 million. The projected value of the new center within the proposed TIRZ is approximately \$50 million. The City portion of the increment calculated on a \$50 million valuation is estimated at approximately \$315,000 annually, based on current tax rates with a ninety-five percent (95%) tax collection rate. During the life of the Zone, the estimated captured appraised value on the City of Houston portion is

Exhibit E: Captured Appraised Value

EXHIBIT E
GULFGATE MALL
CAPTURED APPRAISED VALUE
ON PROPOSED 71.55 ACRE PROJECT

**NEW TAX INCREMENT CREATED
FROM PROPOSED DEVELOPMENT**

TAX YEAR	TOTAL TAXABLE VALUE	TAX INCREMENT	BASE YEAR
1997	8,063,000		
1998	8,063,000	0	
1999	12,159,756	4,096,756	
2000	28,305,673	20,242,673	
2001	48,645,341	40,582,341	
2002	49,229,085	41,166,085	
2003	51,819,834	43,756,834	
2004	55,441,672	47,378,672	
2005	61,106,972	53,043,972	
2006	61,840,256	53,777,256	
2007	62,582,339	54,519,339	
2008	63,333,327	55,270,327	
2009	64,093,327	56,030,327	
2010	64,862,447	56,799,447	
2011	65,640,796	57,577,796	
2012	66,428,486	58,365,486	
2013	67,225,628	59,162,628	
2014	68,032,335	59,969,335	
2015	68,848,723	60,785,723	
2016	69,674,908	61,611,908	
2017	70,511,007	62,448,007	
2018	71,357,139	63,294,139	
2019	72,213,425	64,150,425	
2020	73,079,986	65,016,986	
2021	73,956,946	65,893,946	
2022	74,844,429	66,781,429	
2023	75,742,562	67,679,562	
2024	76,651,473	68,588,473	
2025	77,571,290	69,508,290	
2026	78,502,146	70,439,146	
2027	79,444,172	71,381,172	
TOTAL			

PROJECTED TIRZ FUNDS AVAILABLE

COLLECTION YEAR	CITY TAX INCREMENTAL REV @ \$0.6650	COUNTY TAX INCREMENTAL REV @ 0.42768	HISD TAX INCREMENTAL REV @ \$0.64	TIRZ ADMIN EXPENSE	NET REVENUE	NET CUMULATIVE REVENUE	HISD REV \$0.32
1998	0	0	0	0	0	0	0
1999	25,881	16,645	24,908	(50,000)	17,434	17,434	12,454
2000	127,883	82,245	123,075	(40,000)	293,204	310,638	61,538
2001	256,379	164,884	246,741	(25,000)	643,004	953,642	123,370
2002	260,067	167,256	250,290	(25,000)	652,613	1,606,255	125,145
2003	276,434	177,782	266,042	(25,000)	695,258	2,301,513	133,021
2004	299,315	192,498	288,062	(25,000)	754,875	3,056,387	144,031
2005	335,105	215,516	322,507	(25,000)	848,128	3,904,515	161,254
2006	339,738	218,495	326,966	(25,000)	860,198	4,764,714	163,483
2007	344,426	221,510	331,478	(25,000)	872,413	5,637,127	165,739
2008	349,170	224,561	336,044	(25,000)	884,775	6,521,902	168,022
2009	353,972	227,649	340,664	(25,000)	897,285	7,419,187	170,332
2010	358,831	230,774	345,341	(25,000)	909,945	8,329,132	172,670
2011	363,748	233,936	350,073	(25,000)	922,757	9,251,889	175,037
2012	368,724	237,137	354,862	(25,000)	935,723	10,187,612	177,431
2013	373,760	240,375	359,709	(25,000)	948,844	11,136,456	179,854
2014	378,856	243,653	364,614	(25,000)	962,123	12,098,579	182,307
2015	384,014	246,970	369,577	(25,000)	975,561	13,074,140	184,789
2016	389,233	250,327	374,600	(25,000)	989,160	14,063,300	187,300
2017	394,515	253,724	379,684	(25,000)	1,002,923	15,066,223	189,842
2018	399,861	257,162	384,828	(25,000)	1,016,851	16,083,074	192,414
2019	405,270	260,641	390,035	(25,000)	1,030,945	17,114,019	195,017
2020	410,745	264,161	395,303	(25,000)	1,045,209	18,159,229	197,652
2021	416,285	267,724	400,635	(25,000)	1,059,645	19,218,873	200,318
2022	421,892	271,330	406,031	(25,000)	1,074,253	20,293,126	203,016
2023	427,566	274,979	411,492	(25,000)	1,089,037	21,382,163	205,746
2024	433,308	278,672	417,018	(25,000)	1,103,998	22,486,161	208,509
2025	439,119	282,409	422,610	(25,000)	1,119,138	23,605,299	211,305
2026	444,999	286,191	428,270	(25,000)	1,134,461	24,739,760	214,135
2027							
TOTAL	9,779,094	6,289,207	9,411,459	(740,000)	24,739,760		4,705,729

Assumes base year as shown on 1997 tax rolls for 51 acres which reflects a lower assessed value.
 Assumes a 95% collection rate.
 Assumes 1.2% growth rate.
 Assumes total City increment dedicated to the TIRZ.
 Assumes HISD at \$0.64 to the TIRZ - remaining \$0.32 to HISD.
 Assumes first three years TIRZ administration included in the project debt.
 Assumes the TIRZ will be used to repay the estimated \$6.5MM shortfall. Estimated payback 20 years or 2018.
 Assumes preliminary study as of 12/12/07 - subject to revision as needed.

\$9,779,094. In addition, the new Shopping Center is projected to generate initially an estimated \$825,000 annually in net sales tax revenue to the City. Over the life of the TIRZ, an estimated \$1,274,000 in franchise fees and \$2,796,000 in water and sewer fees will be generated to the City. Exhibit F illustrates these City revenues over the life of the TIRZ and the estimated captured appraised value. However, repayment on the notes or bonds is projected to take 20 years, or until 2018.

E. Impact of All Participating Jurisdictions

Upon completion of the new Shopping Center, after TIRZ reimbursement has been satisfied, the project will generate incremental revenue of approximately \$429,000 annually to HISD, based on a \$0.64/\$100 participation, and approximately \$287,000 annually to Harris County, based on a \$0.42768/\$100 participation.

Exhibit F: Projected City Revenues

EXHIBIT
GULFCOAST

PROJECTED CITY REVENUES
ON PROPOSED 71.55 ACRE PROJECT

TAX YEAR	TOTAL TAXABLE VALUE	TAX INCREMENT	BASE YEAR
1997	8,063,000		
1998	8,063,000	0	
1999	12,159,756	4,096,756	
2000	28,305,673	20,242,673	
2001	48,645,341	40,582,341	
2002	49,229,095	41,166,085	
2003	51,819,834	43,756,834	
2004	55,441,672	47,378,672	
2005	61,106,972	53,043,972	
2006	61,840,256	53,777,256	
2007	62,582,339	54,519,339	
2008	63,333,327	55,270,327	
2009	64,093,327	56,030,327	
2010	64,862,447	56,799,447	
2011	65,640,796	57,577,796	
2012	66,428,486	58,365,486	
2013	67,225,628	59,162,628	
2014	68,032,335	59,969,335	
2015	68,848,723	60,785,723	
2016	69,674,908	61,611,908	
2017	70,511,007	62,448,007	
2018	71,357,139	63,294,139	
2019	72,213,425	64,150,425	
2020	73,079,986	65,016,986	
2021	73,956,946	65,893,946	
2022	74,844,429	66,781,429	
2023	75,742,562	67,679,562	
2024	76,651,473	68,588,473	
2025	77,571,290	69,508,290	
2026	78,502,146	70,439,146	
2027	79,444,172	71,381,172	
TOTAL			

(Note 1)		CITY PROPERTY TAX	
BASE	INCREMENT	TOTAL	TOTAL
50,938	0	50,938	50,938
50,938	0	50,938	50,938
50,938	25,881	76,819	76,819
50,938	127,883	178,821	178,821
50,938	256,379	307,317	307,317
50,938	260,067	311,005	311,005
50,938	276,434	327,372	327,372
50,938	299,315	350,253	350,253
50,938	335,105	386,043	386,043
50,938	339,738	390,676	390,676
50,938	344,426	395,364	395,364
50,938	349,170	400,108	400,108
50,938	353,972	404,910	404,910
50,938	358,831	409,769	409,769
50,938	363,748	414,686	414,686
50,938	368,724	419,662	419,662
50,938	373,760	424,698	424,698
50,938	378,856	429,794	429,794
50,938	384,014	434,952	434,952
50,938	389,233	440,171	440,171
50,938	394,515	445,453	445,453
50,938	399,861	450,799	450,799
50,938	405,270	456,208	456,208
50,938	410,745	461,683	461,683
50,938	416,285	467,223	467,223
50,938	421,892	472,830	472,830
50,938	427,566	478,504	478,504
50,938	433,308	484,246	484,246
50,938	439,119	490,057	490,057
50,938	444,999	495,937	495,937
1,528,140	9,779,094	11,205,358	11,205,358

(Note 2)		(Note 3)		(Note 4)		(Note 5)
1% CITY SALES TAX	FRANCHISE FEES	WTR/SWR REVENUES	TOTAL	1% SALES TAX	CDS STUDY	
65,934	38,562	84,610	189,106			1,178,000
329,670	39,024	85,625	454,320			1,192,136
659,340	39,493	86,653	785,486			1,206,442
659,340	39,967	87,693	786,999			1,220,919
692,307	40,446	88,745	821,498			1,235,570
741,758	40,931	89,810	872,499			1,250,397
824,175	41,423	90,888	956,485			1,265,402
824,175	41,920	91,978	958,073			1,280,586
824,175	42,423	93,082	959,680			1,295,953
824,175	42,932	94,199	961,306			1,311,505
824,175	43,447	95,330	962,952			1,327,243
824,175	43,968	96,473	964,617			1,343,170
824,175	44,496	97,631	966,302			1,359,288
824,175	45,030	98,803	968,008			1,375,599
824,175	45,570	99,988	969,734			1,392,107
824,175	46,117	101,188	971,480			1,408,812
824,175	46,671	102,402	973,248			1,425,718
824,175	47,231	103,631	975,037			1,442,826
824,175	47,797	104,875	976,847			1,460,140
824,175	48,371	106,133	978,679			1,477,662
824,175	48,951	107,407	980,533			1,495,394
824,175	49,539	108,696	982,410			1,513,338
824,175	50,133	110,000	984,309			1,531,498
824,175	50,735	111,320	986,230			1,549,876
824,175	51,344	112,656	988,175			1,568,475
824,175	51,960	114,008	990,143			1,587,297
824,175	52,583	115,376	992,134			1,606,344
824,175	53,214	116,761	994,150			1,625,620
21,280,199	1,274,278	2,795,963	25,350,439			38,927,316

ASSUMPTIONS:

- Note 1: Assumes 95% collection rate.
- Note 2: Assumes sales tax estimate based on square feet at \$1.50.
- Note 3: Assumes City of Houston formula for franchise fees based on type and amount of usage. (.008*313*10*.04*550,000*.07)
- Note 4: Assumes water/sewer revenues based on City of Houston formula. (550,000*.000223*315*365/1000*6)
- Note 5: Assumes CDS sales tax revenue based on CDS Market and Economic Study with 30% of the revenue generated from outside the City of Houston.

However, for the purpose of this analysis, the more conservative revenue streams were calculated. Assumes 1.2% growth rate and a lower assessed value. Assumes preliminary study as of 12/12/97 - subject to revision per current financials.

IV. Proposed Schedule of Improvements

The Shopping Center improvements are proposed to be completed by 2001. Below is an outline of the projected schedule for construction and installation of improvements:

A. Year One to Year Five - January 1, 1998 to December 31, 2002

Years One through Five of this Plan will commence on January 1 in 1998, 1999, 2000, 2001 and 2002 and will terminate December 31, in each year. Activities shall include: construction of water, sanitary sewer, storm water detention, drainage, paving, demolition, environmental abatement, other construction activities and related professional activities to serve the development as proposed and budgeted.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Chapter 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.

B. Year Six to Year Ten - January 1, 2003 to December 31, 2007

Years six through ten of this Plan will commence on January 1 of each year in the years 2003 through 2007, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Chapter 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.

C. Year Eleven to Year Thirty - January 1, 2008 - December 31, 2027

Years eleven through thirty of this Plan will commence on January 1 of each year in the years 2008 through 2027, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Section 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.

*APPENDICES TO
TIRZ PROJECT
AND
FINANCING PLAN*

Appendix 1: Legal Description

**LEGAL DESCRIPTION
GULFGATE TIRZ**

BEGINNING AT A POINT located at the intersection of the south right-of-way line of Interstate 45 ("I-45") South Frontage Road and east right-of-way line of Woodridge in Houston, Harris County, Texas;

Thence, along the south right-of-way line of I-45 Frontage Road a distance of approximately 3,800 feet in a southeasterly direction to the west right-of-way line of Evergreen Street;

Thence, along the west right-of-way line of Evergreen Street a distance of approximately 1,720 feet in a southerly direction to a point located in the western right-of-way line of Evergreen Street 125 feet north of the northern right-of-way of Arnim Street;

Thence, westerly along the north boundary line of Sturman Park Subdivision a distance of approximately 1,950 feet to the south right-of-way line of Interstate Highway 610 South ("Loop 610");

Thence, westerly along the south right-of-way of Loop 610 a distance of approximately 635 feet to its intersection with the western right-of-way line of Woodridge;

Thence, northerly along the west right-of-way line of Woodridge a distance of approximately 500 feet to its intersection with the north right-of-way line of Loop 610 South;

Thence, westerly along the north right-of-way line of Loop 610 South a distance of approximately 350 feet to the southwest corner of that certain 3.295 acre tract of land out of that certain 7.005 acre tract conveyed to Theodore W. Berenson by deed dated December 24, 1953 from Myles G. Shutte, et al, recorded in Volume 2706, Page 30, et seq. of the Deed Records of Harris County, Texas and being out of the Jacob Thomas Survey , A-762, in Houston, Harris County, Texas;

Thence, northerly along the western boundary line of said 3.295 acre tract a distance of approximately 572 feet to a railroad spike set at the northwesterly corner of said 3.295 acre tract;

Thence, easterly along the northern boundary line of said 3.295 acre tract a distance of approximately 629 feet to the point of intersection with the east right-of-way line of Woodridge;

Thence, northerly a distance of approximately 1,575 feet to southeast corner of that certain 2,250 square foot tract of land conveyed to Woodridge Baptist Church by Houston

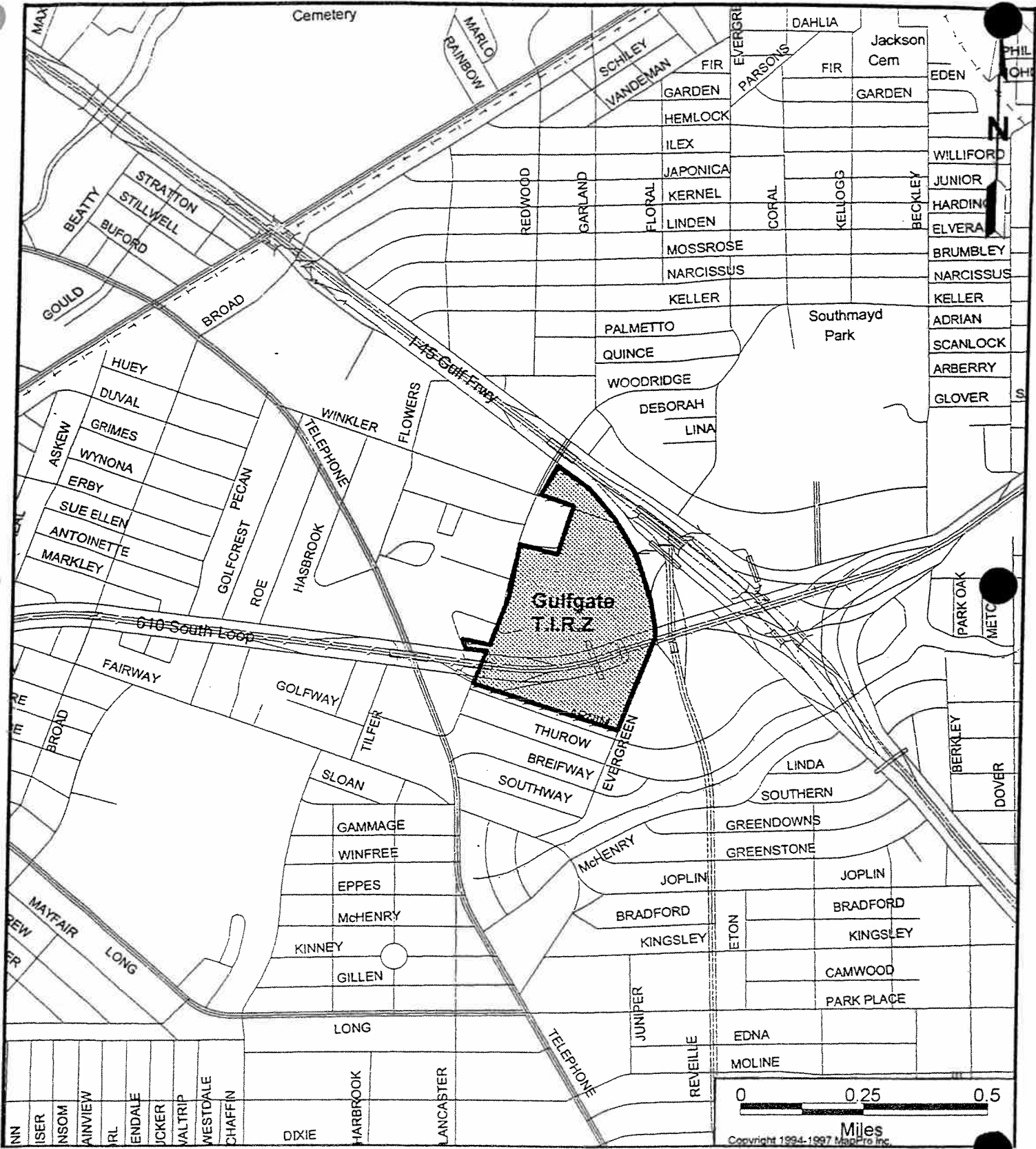
Freeway Land Co., et al, by exchange deed and agreement recorded under Harris County Clerk File No. L 380965 of the Real Property Records of Harris County, Texas;

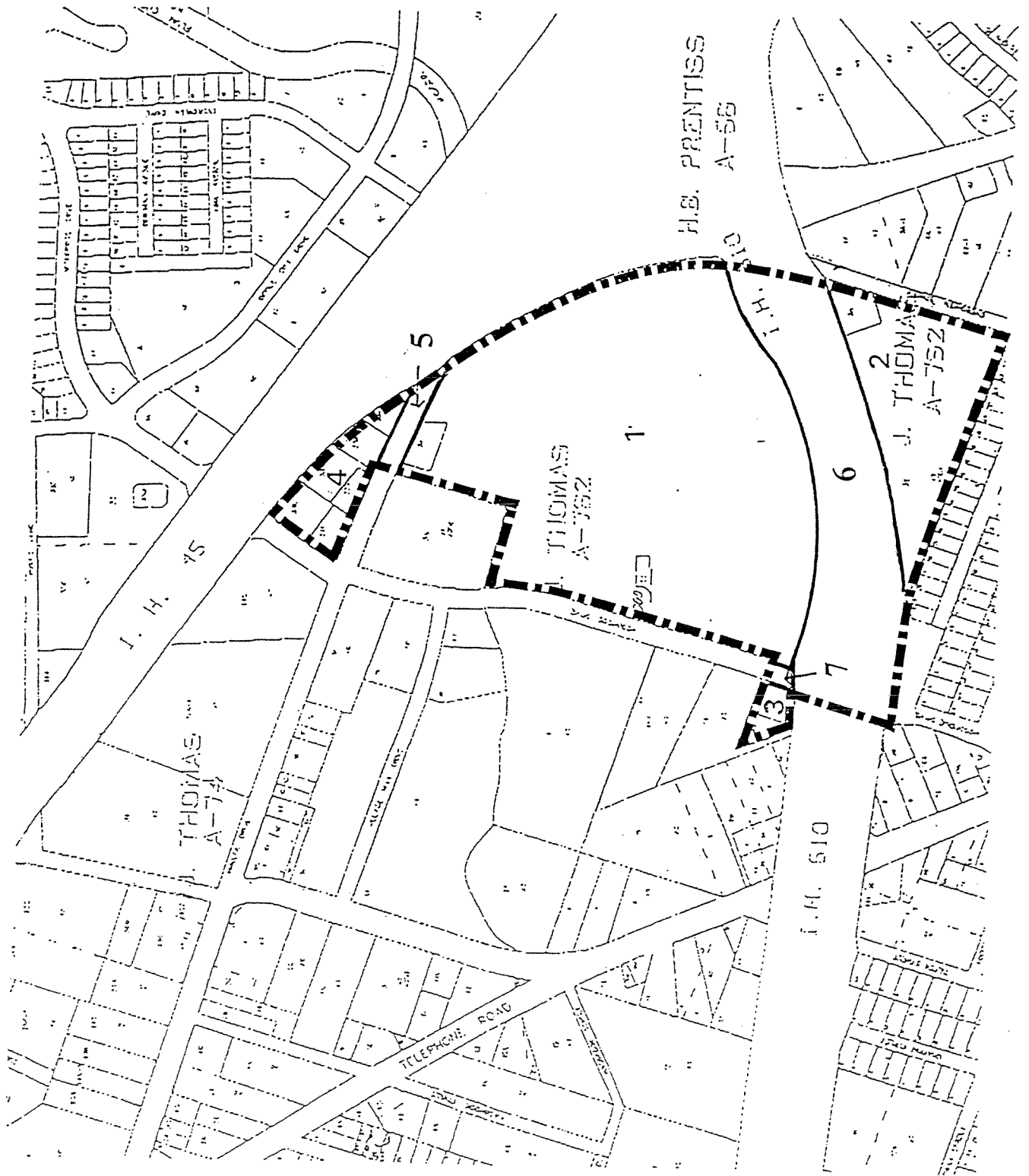
Thence, easterly a distance of 300 feet to a corner point marked by a 5/8 inch iron rod set;

Thence, north along a distance of 512 feet to the north right-of-way line of Winkler Drive;

Thence, westerly a distance of 590 feet to a point of intersection with the east right-of-way line of Woodridge;

Thence, northerly a distance of 600 feet to THE POINT OF BEGINNING.





J. THOMAS
A-77

J. THOMAS
A-782

H.B. PRENTISS
A-55

J. THOMAS
A-752

J. H. 75

I.H. 510

TELEPHONE ROAD

WILSONS LANE

I.H. 510

5

1

6

7

TRACT 1

Being 42.374 acres (1,845,805 square feet) of land out of said 58.147 acre tract and all of said 9050 square foot tract being more particularly described by metes and bounds as follows:

BEGINNING at a point marked by a 5/8 inch iron rod on the South right-of-way line of Winkler Drive, said point being the Northeast corner of that certain 4.449 acre tract conveyed to Woodridge Baptist Church by D. Eric Japhet, et al, by deed recorded in Volume 1822, Page 68. of the Deed Records of Harris County, Texas;

THENCE in a Southeasterly direction along the South right-of-way line of Winkler Drive, with a curve to the right whose radius is 4394.57 feet and central angle is $7^{\circ} 25' 10''$ and whose chord bears South $63^{\circ} 36' 00''$ East, a distance, measured along the arc of said curve, of 569.09 feet to a point for corner marked by a 5/8 inch iron rod on the Southwesterly right-of-way line of Reveille Road;

THENCE South $29^{\circ} 05' 00''$ East, along the Southwesterly right-of-way line of Reveille Road, a distance of 433.01 feet to a point on a curve marked by a 5/8 inch iron rod;

THENCE in a Southeasterly direction continuing along the Southwesterly right-of-way line of Reveille Road, with a curve to the right whose radius is 1114.75 feet and central angle is $22^{\circ} 28' 00''$, and whose chord bears South $17^{\circ} 45' 00''$ East, a distance, measured along the arc of said curve, of 437.11 feet to a point marked by a 5/8 inch iron rod at the end of said curve;

THENCE south $2^{\circ} 49' 00''$ East, continuing along the Westerly right-of-way line of Reveille Road, a distance of 154.70 feet to an angle point marked by a 5/8 inch iron rod;

THENCE South $6^{\circ} 31' 00''$ East, continuing along the Westerly right-of-way line of Reveille Road, a distance of 65.63 feet to a point for corner marked by a 5/8 inch iron rod on the Northwesterly right-of-way line of IH 610 South Loop, same being the Northwesterly line of that certain 25 foot Roadway Easement granted to City of Houston by Deed recorded in Volume 2929, Page 721, of the Deed Records of Harris County, Texas;

THENCE South $60^{\circ} 05' 00''$ West, along the Northwesterly right-of-way of IH 610 South Loop, same being the Northwesterly line of said 23 foot Roadway Easement, a distance of 238.27 feet to a point of curve marked by a 5/8 inch iron rod;

THENCE in a Southwesterly direction continuing along the Northwesterly right-of-way line of IH 610 South Loop, same being the Northwesterly line of said 25 foot Roadway Easement, with a curve to the left whose radius is 1532.39 feet and central angle is $4^{\circ} 36' 01''$ a distance of 123.04 feet to a point of tangent marked by a Railroad Spike;

TRACT 1

(cont.)

THENCE South $35^{\circ} 28' 39''$ West, continuing along the Northwestern right-of-way line of IH 610 South Loop, same being the Northwestern line of said 25 foot Roadway Easement, a distance of 1.31 feet to a point of curve marked by a Railroad Spike;

THENCE in a Southwesterly and Westerly direction continuing along the Northwestern right-of-way line of IH 610 South Loop, same being the Northwestern line of said 25 foot Roadway Easement, with a curve to the right whose radius is 1332.39 feet and central angle is $51^{\circ} 24' 33''$, a distance of 1195.63 feet to a point of reverse curve marked by a 5/8 inch iron rod;

THENCE in a Westerly direction continuing along the Northwestern right-of-way line of IH 610 South Loop, same being the Northwestern line of said 25 foot Roadway Easement, with a curve to the left whose radius is 1532.39 feet and central angle is $9^{\circ} 09' 02''$, a distance of 244.73 feet to a point for corner marked by an "X" cut in concrete on the Southeasterly right-of-way line of Woodridge Drive, 80 feet wide;

THENCE North $19^{\circ} 38' 30''$ East, along the Southeasterly right-of-way line of Woodridge Drive, a distance of 970.17 feet to a point of curve marked by a 5/8 inch iron rod;

THENCE in a northerly direction continuing along the Easterly right-of-way line of Woodridge Drive, with a curve to the left, whose radius is 908.33 feet and central angle is $19^{\circ} 20' 48''$, a distance of 306.71 feet to a point for corner marked by a 5/8 inch iron rod, said point being the Southwest corner of a 2250 square foot tract of land conveyed to Woodridge Baptist Church by Houston Freeway Land Co., et al, by exchange deed and agreement recorded under Harris County Clerk File No. 1380965 of the Official Public Records of Real Property of Harris County, Texas;

THENCE South $77^{\circ} 40' 00''$ East, along the Southerly line of said 2250 square foot tract and continuing along the Northerly line of said 9050 square foot tract, a distance of 299.82 feet to a point for corner marked by a 5/8 inch iron rod on the Southeasterly line of said 4.449 acre tract, said point being the Northeast corner of said 9050 square foot tract.

THENCE North $19^{\circ} 54' 00''$ East, along the Southeasterly line of said 4.449 acre tract, a distance of 452 feet to the PLACE OF BEGINNING and containing 42.374 acres (1,845, 505 square feet) of land.

TRACT 2

Being 9.010 acres (392,480 square feet) of land out of said 58.147 acre tract and being more particularly described by metes and bounds as follows:

BEGINNING at a point marked by a 3/4 inch iron pipe on the Northwesterly right-of-way line of Evergreen Street, 60 feet wide, said point being the Northeast corner of Lot 25, Block 4, of Sturman Park, Section 1 as recorded in Volume 22, Page 24 of the Mzp Records of Harris County, Texas;

THENCE North 69° 08' 00" West, along the Northeasterly line of said Block 4, a distance of 1113.07 feet to a point marked by a T.H.D. monument on the Northeasterly line of Lot 7 of said Block 4, said point being on the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of that certain 2.6984 acre tract conveyed to the State of Texas by Gulfgate Joint Venture by deed recorded in Volume 7132, Page 154 of the Deed Records of Harris County, Texas;

THENCE North 21° 12' 14" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of said 2.6984 acre tract, a distance of 28.00 feet to a point for corner marked by a T.H.D. monument;

THENCE North 75° 27' 00" East, continuing along the Southeasterly right-of-way line of IH 610 South sloop, same being the Southeasterly line of said 2.6984 acre tract, a distance of 108.22 feet to an angle point marked by a T.H.D. monument;

THENCE North 85° 26' 18" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly Line of said 2.6984 acre tract, a distance of 393.67 feet to an angle point marked by a Railroad Spike;

THENCE 84° 02' 07" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly Line of said 2.6984 acre tract, a distance of 101.95 feet to an angle point marked by a T.H.D. monument;

THENCE North 77° 36' 32" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of said 2.6984 acre tract, a distance of 100.05 feet to an angle point marked by a T.H.D. monument;

THENCE North 71° 49' 12" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of said 2.6984 acre tract, a distance of 100.03 feet to an angle point marked by a 1/2 inch iron rod;

THENCE North 75° 4' 13" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of said 2.6984 acre tract, a distance of 99.93 feet to an angle point marked by a T.H.D. monument;

THENCE North 74° 02' 00" East, continuing along the Southeasterly right-of-way line of IH 610 South Loop, same being the Southeasterly line of said 2.6984 acre tract, and another tract containing 15.140 square feet deeded to the State of Texas by instrument recorded in Volume 6918 Page 150 Harris County Deed Records, a distance of 408.30 feet to an angle point marked by a T.H.D. monument on the Northwesterly right-of-way line of Evergreen Street;

THENCE South 19° 59' 00" West, along the Northwesterly right-of-way line of Evergreen Street, as distance of 730 feet to the PLACE OF BEGINNING and containing 9.010 acres (392,480 square feet) of land.

TRACT 4

BEGINNING AT A POINT located at the intersection of the south right-of-way line of Interstate 45 ("I-45") South and east right-of-way line of Woodridge Street in Houston Harris County, Texas;

Thence, in a southeasterly direction along the south right-of-way line of I-45 a distance of approximately 825 feet to the north right-of-way line of Winkler Drive;

Thence, in a northwesterly direction along the north right-of-way line of Winkler Drive, a distance of approximately 825 feet to the intersection of the east right-of-way line of Woodridge;

Thence, in a northeasterly direction along the east right-of-way line of Woodridge Street distance of approximately 325 feet, to the POINT OF BEGINNING.

TRACT 5

BEGINNING at the southeast corner of Tract 4 and proceeding in a southerly direction approximately 110 feet to the southern right-of-way line of Winkler Drive;

Thence, westerly along the southern right-of-way line of Winkler Drive a distance of approximately 550 feet to the northwest corner of Tract 1;

Thence, in a northerly direction approximately 60 feet to the northern right-of-way line of Winkler Drive;

Thence in an easterly direction along the northern right-of-way line of Winkler Drive a distance of approximately 450 feet to the POINT OF BEGINNING.

TRACT 6

BEGINNING at the southeast corner of Tract 1 and proceeding in a southerly direction a distance of approximately 450 feet to the intersection of the south right-of-way line of Interstate Highway Loop 610 South and the west right-of-way line of Evergreen Street;

Thence, in a westerly direction along the southern right-of-way line of Interstate Loop 610 South a distance of approximately 1,750 feet to the intersection of the west right-of-way line of Woodridge and the south right-of-way line of Interstate Loop 610 South;

Thence, in a northerly direction a distance of approximately 350 feet to the intersection of the west right-of-way line of Woodridge and the north right-of-way line of Interstate Loop 610 South;

Thence, in an easterly direction a distance of approximately 1,800 feet along the northern right-of-way line of Interstate Loop 610 South to the POINT OF BEGINNING.

TRACT 7

BEGINNING in the southeast corner of Tract 3 at the west right-of-way line of Woodridge, thence easterly along the north right-of-way line of Interstate Loop 610 South a distance of approximately 85 feet to the intersection of the east right-of-way line of Woodridge and the north right-of-way line of Interstate Loop 610 South;

Thence, northerly along the east right-of-way line of Woodridge a distance of approximately 70 feet;

Thence, westerly a distance of approximately 80 feet to the northeast corner of Tract 3 and the west right-of-way line of Woodridge;

Thence southerly along the west right-of-way line of Woodridge a distance of approximately 85 feet to the POINT OF BEGINNING.

Appendix 2: Development Assumptions

PRELIMINARY
GULFGATE MALL
DEVELOPMENT ASSUMPTIONS
ASSESSED VALUE
ON PROPOSED 71.55 ACRE PROJECT

DESCRIPTION	1997	1998	1999	2000	2001	2002	2003	2004	2005
Raw Land Value		0	0	0	0	0	0	0	
Commercial	0	0	4,000,000	16,000,000	20,000,000	0	2,000,000	3,000,000	5,000,000
Inflation @ 1.2%		0	102,000	151,224	345,039	589,179	596,249	627,404	670,933
Total Value		0	4,102,000	16,151,224	20,345,039	589,179	2,596,249	3,627,404	5,670,933
Cumulative Value	8,500,000	8,500,000	12,602,000	28,753,224	49,098,263	49,687,442	52,283,691	55,911,095	61,582,029

DESCRIPTION	2006	2007	2008	2009	2010	2011	2012	2013
Raw Land Value	0	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0	0
Inflation @ 1.2%	738,984	747,852	756,826	765,908	775,099	784,400	793,813	803,339
Total Value	738,984	747,852	756,826	765,908	775,099	784,400	793,813	803,339
Cumulative Value	62,321,013	63,068,865	63,825,691	64,591,600	65,366,699	66,151,099	66,944,913	67,748,251

Assumptions:
 Assumes base year on shown on 1997 tax rolls for acres.
 Assumes a 1.2% growth rate.
 Assumes additional value:
 1999-Mall Improvements 4,000,000
 2000-Mall Improvements 16,000,000
 2001-Mall Improvements 20,000,000
 2003-Additional Commercial Development 2,000,000
 2004-Additional Commercial Development 3,000,000
 2005-Additional Commercial Development 5,000,000
Total 50,000,000

Appendix 3: Economic Feasibility

MARKET AND ECONOMIC FEASIBILITY STUDY
GULFGATE TAX INCREMENT REINVESTMENT ZONE
HOUSTON, TEXAS
OCTOBER 1997

Prepared for:

WULFE & COMPANY
11 East Greenway Plaza
Houston, Texas 77046

Prepared by:

CDS RESEARCH
9225 Katy Freeway
Suite 322
Houston, Texas 77024