

ORDINANCE NO. 918

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS, ADOPTING THE *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN* AS APPROVED BY THE BOARD OF DIRECTORS OF TAX INCREMENT REINVESTMENT ZONE NO. 2 ("TIRZ"), CITY OF PEARLAND, TEXAS; CONTAINING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE; AND CONTAINING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT.

WHEREAS, pursuant to Chapter 311 of the Texas Tax Code and City of Pearland Ordinance No. 891, the City has designated a contiguous geographic area within the City limits of Pearland, Texas, as Tax Increment Reinvestment Zone No. 2 and created a board of directors to make recommendations to the City Council concerning the administration of the zone; and

WHEREAS, pursuant to Section 311.011 of the Texas Tax Code, the TIRZ Board of Directors prepared and adopted a *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN* for the TIRZ, and have submitted such plans to the City Council for its approval; and

WHEREAS, in connection with the creation of the Shadow Creek Ranch Zone, the City Council determined that, because of the unavailability of necessary public improvements, poor drainage and other conditions, the Shadow Creek Area is unproductive, underdeveloped and blighted, and it is therefore necessary to approve the *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN* to remedy such conditions; and

ORDINANCE NO. 918

WHEREAS, the *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN* enable the orderly development of a quality, mixed-use, in-city, master-planned community which will act as a self-sustaining tax base for the City; and

WHEREAS, the *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN* will allow the developer to advance funds for the improvements to the reinvestment zone and provide for reimbursement to the developer; now, therefore,

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

Section 1. It is hereby officially found and determined that all of the facts recited in the preamble hereto are found and declared to be true and correct and the preamble is incorporated into and made a part of this ordinance.

Section 2. That certain TIRZ *PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN*, a copy of which is attached hereto as Exhibit "A", is incorporated herein for all purposes, and is hereby authorized and approved.

Section 3. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held invalid, unconstitutional or otherwise unenforceable by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions thereof.

Section 4. Effective Date. This Ordinance shall become effective immediately upon its passage and approval by City Council.

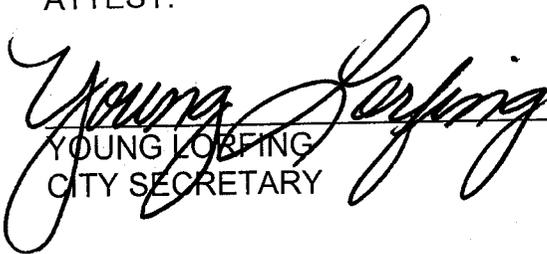
ORDINANCE NO. 918

PASSED and APPROVED on First Reading this the 9TH day of August, A. D., 1999.



TOM REID
MAYOR

ATTEST:



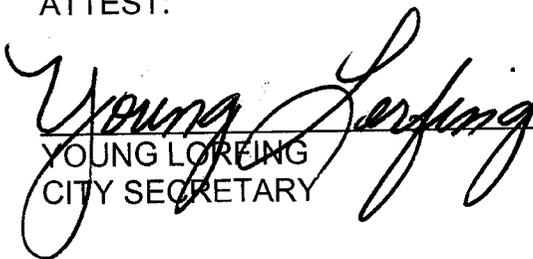
YOUNG LOREING
CITY SECRETARY

PASSED and APPROVED on Second and Final Reading this the 23RD day of August, A. D., 1999.



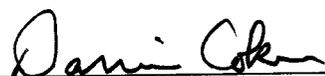
TOM REID
MAYOR

ATTEST:



YOUNG LOREING
CITY SECRETARY

APPROVED AS TO FORM:



DARRIN M. COKER
CITY ATTORNEY

EXHIBIT

A

ORDINANCE NO. 918

**CITY OF PEARLAND
REINVESTMENT ZONE NUMBER TWO
CITY OF PEARLAND, TEXAS**

**PROJECT PLAN
AND
FINANCING PLAN**

August 23, 1999



**SHADOW
CREEK
RANCH**

TABLE OF CONTENTS**PAGE**

I.	Overview		4
	A.	Introduction	4
	B.	City of Pearland TIRZ Number Two	4
	C.	Definitions	5
II.	Project Plan		6
	A.	Existing Uses and Conditions/Boundaries	§311.011(b)(1) 6
	B.	Municipal Ordinances	§311.011(b)(2) 6
	C.	Non-Project Costs	§311.011(b)(3) 13
	D.	Relocation	§311.011(b)(4) 14
III.	Financing Plan		15
	A.	Estimated Project Cost Description	§311.011(c)(1) 15
	B.	Kind, Number and Location of TIRZ Improvements	§311.011(c)(2) 18
	C.	Economic Feasibility Study	§311.011(c)(3) 30
	D.	Estimate of Bonded Indebtedness	§311.011(c)(4) 30
	E.	Timing of Incurring Costs or Monetary Obligations	§311.011(c)(5) 30
	F.	Methods of Financing and Sources of Revenue	§311.011(c)(6) 32
	G.	Current Appraised Value	§311.011(c)(7) 38
	H.	Estimated Captured Appraised Value	§311.011(c)(8) 38
	I.	Duration of the Zone	§311.011(c)(9) 38
IV.	Appendices		
		Single Family Housing Market Demand Study	A-1
		Prepared by American Metro/Study Corporation	
		Update to Single Family Housing Market Demand Study	A-2
		Prepared by American Metro/Study Corporation	
		Commercial Development Study	A-3
		Prepared by Realty Advisory Group, Inc.	
		Market Letter	A-4
		Prepared by Realty Advisory Group, Inc.	
		Fort Bend County Agreement	A-5
		Alvin I.S.D. Interlocal Agreement	A-6
		Brazoria County Tax Increment Participation Agreement	A-7

TABLE OF EXHIBITS**PAGE**

Exhibit A	Existing Uses and Conditions	7
Exhibit B	Boundary Map	8
Exhibit C	Legal Description of the Zone	9
Exhibit D	Proposed Uses Map (PUD)	12
Exhibit E	TIRZ Budget	17
Exhibit F-1	Streets & Signals Map	20
Exhibit F-1a	Cross Section F.M. 2234 & C.R. 92	21
Exhibit F-1b	Cross Section C.R. 48	22
Exhibit F-1c	Cross Section Collector Street Entrances	23
Exhibit F-1d	Cross Section Collector Streets	24
Exhibit F-2	Water Improvements Map	25
Exhibit F-3	Sewer Improvements Map	26
Exhibit F-4	Storm Water Improvements Map	27
Exhibit F-5	Public Amenities and Beautification Map	28
Exhibit F-6	City Facilities And Educational Facilities Map	29
Exhibit G	Projected Gross Revenues Available For TIRZ Projects	34
Exhibit H	Projected Net Revenues Available to Fund Non-Educational TIRZ Improvements	36
Exhibit I	Estimated Captured Appraised Value by Jurisdiction	39

Pearland City Council, 1999

Mayor

Hon. Tom Reid

Councilmembers

Hon. Helen Beckman

Hon. Bill Berger

Hon. Klaus Seeger

Hon. Richard Tetens

Hon. Larry Wilkins

I. *Overview*

- A. This document constitutes the Project Plan and Reinvestment Zone Financing Plan for City of Pearland, Tax Increment Reinvestment Zone Number Two. The purpose of the Zone is to finance regional public improvements in the development of a 3467-acre master planned community known as Shadow Creek Ranch. The Project Plan details the proposed improvements determined to be eligible for funding by the Zone. The Reinvestment Zone Financing Plan details the methods of financing and sources of funding available to the Zone, including the participation levels of the participating taxing entities. The Board of Directors of the Zone has been granted by City Council, in accordance with Chapter 311.003(h), the power to administer, manage, and operate the Zone and to implement this Project Plan and Reinvestment Zone Financing Plan.
- B. In accordance with the Tax Increment Financing Act, Chapter 311, TEX. TAX CODE, (the "Act"), Reinvestment Zone Number Two, City of Pearland, Texas, (the "Zone") was established by ordinance of the City Council of the City of Pearland, Texas, on December 21, 1998. Shadow Creek Ranch is located in Brazoria County and Fort Bend County, Texas. In addition, Shadow Creek Ranch is located primarily in Alvin I.S.D., Ft. Bend I.S.D. and a small portion in Pearland I.S.D. In accordance with §311.005(a)(5) of the Act, Pearland Investments, L.P., Carrington Weems, Benjamin Weems, Kelsey Almeda School, Ltd., Kelsey South Center, Ltd., and Kelsey Almeda Venture petitioned for the creation of the Zone, as owners of more than 50 percent of the appraised value of the property within the Zone according to the most recent certified roll for the counties in which the Zone is located. The land in the Zone is under-developed and without municipal utility service.

The City Council of the City of Pearland in adopting the ordinance creating the Zone found and determined that the Zone and the Projects described herein are necessary for development within the Zone and would not likely occur, but for such improvements. In addition, the City Council determined that improvements in the Zone will significantly enhance the value of all taxable real property in the Zone and will be of general benefit to the City of Pearland. The City and the TIRZ Board will use their best efforts to provide for the payment of all Project Costs, TIRZ Bonds, and interest thereon in order to minimize the life of the Zone.

C. Definitions:

- *Act* means Chapter 311, TEX. TAX CODE, as amended.
- *City* means the City of Pearland, Texas.
- *Development Agreement* means that certain Development Agreement between the City and Shadow Creek Ranch Development Company, L.P., relating to the development of the land within the Zone and related matters.
- *Master Developer* means Shadow Creek Ranch Development Company, L.P. or its successors.
- *Plans* means the TIRZ Project Plan and Financing Plan.
- *Project Costs* includes all costs defined as “project costs” in §311.002(1) of the Act as now or hereafter provided.
- *PUD* means the Planned Unit Development for the property in the Zone adopted pursuant to §42.046 TEX. LOCAL GOVERNMENT CODE.
- *Sub-Developer* means a developer of a defined portion of land within the Zone as described in the applicable reimbursement agreement approved by the TIRZ Board.
- *Tax Increment* means the amount of tax revenue collected as determined pursuant to §311.012 of the Act.
- *TIRZ Improvements* means the various public improvements to be constructed and financed as Project Costs from the Tax Increment or TIRZ supported thereby, as described in **Exhibit E** and **Exhibit F-1** through **Exhibit F-6** and as more fully set out in the final Project Plan and Financing Plan.
- *TIRZ Bonds* means debt instruments or other instruments to finance TIRZ Improvements to be issued and sold by the City on behalf of the Zone, in accordance with the Act or other applicable Texas law, to finance the TIRZ Improvements and payable solely from available Tax Increments.
- *TIRZ Board* means the Board of Directors for the Zone pursuant to §311 of the Act.
- *Zone* means Reinvestment Zone Number Two, City of Pearland, Texas.

II. *Project Plan*

A. *Existing Uses and Conditions/Boundaries* §311.011(b)(1)

The acreage within the boundaries of the Zone is currently undeveloped, vacant, in an agricultural exemption and is not served by municipal utilities. The area is currently under agricultural use. The Zone is generally bounded by Clear Creek on the north, State Highway 288 on the east, County Road 92 (the extension of FM 518 west of S.H. 288) on the south, and FM 521 on the west. The existing uses and conditions of the Zone are shown on the aerial photo attached as **Exhibit A**. A map of the boundaries of the Zone is attached as **Exhibit B**. A legal description for the Zone is attached as **Exhibit C**.

B. *Municipal Ordinances* §311.011(b)(2)

1. The Planned Unit Development (PUD). The City will establish within the Zone a Planned Unit Development. The PUD establishes land uses in Shadow Creek Ranch. Any amendment to the PUD must be consistent with these Plans. (See **Exhibit D**, Proposed Uses Map)

2. Inconsistent Ordinances or Regulations. The implementation of the Plans contemplates that the City's existing framework of taxes and fees will be maintained and applied evenly throughout the City, so that the development of the Zone will not be adversely impacted. The City does not, and will not, levy or assess any special taxes, fees, exactions, impositions, or assessments against the property in the Zone, unless they apply to all properties in the City equally and uniformly, or are consistent with the terms of the Plans. The above commitment shall not affect amounts (i) levied or assessed by a Public Improvement District created in the Zone at the request of the Master Developer or its assignee, or (ii) paid on behalf of the property within the Zone from funds received by the City from its administrative reimbursement, or (iii) assessed by the City as an impact fee for water and sewer capacity in an amount initially not to exceed \$ 1,997.00 per single family residential equivalent, and subject to revision in accordance with applicable law from time to time.

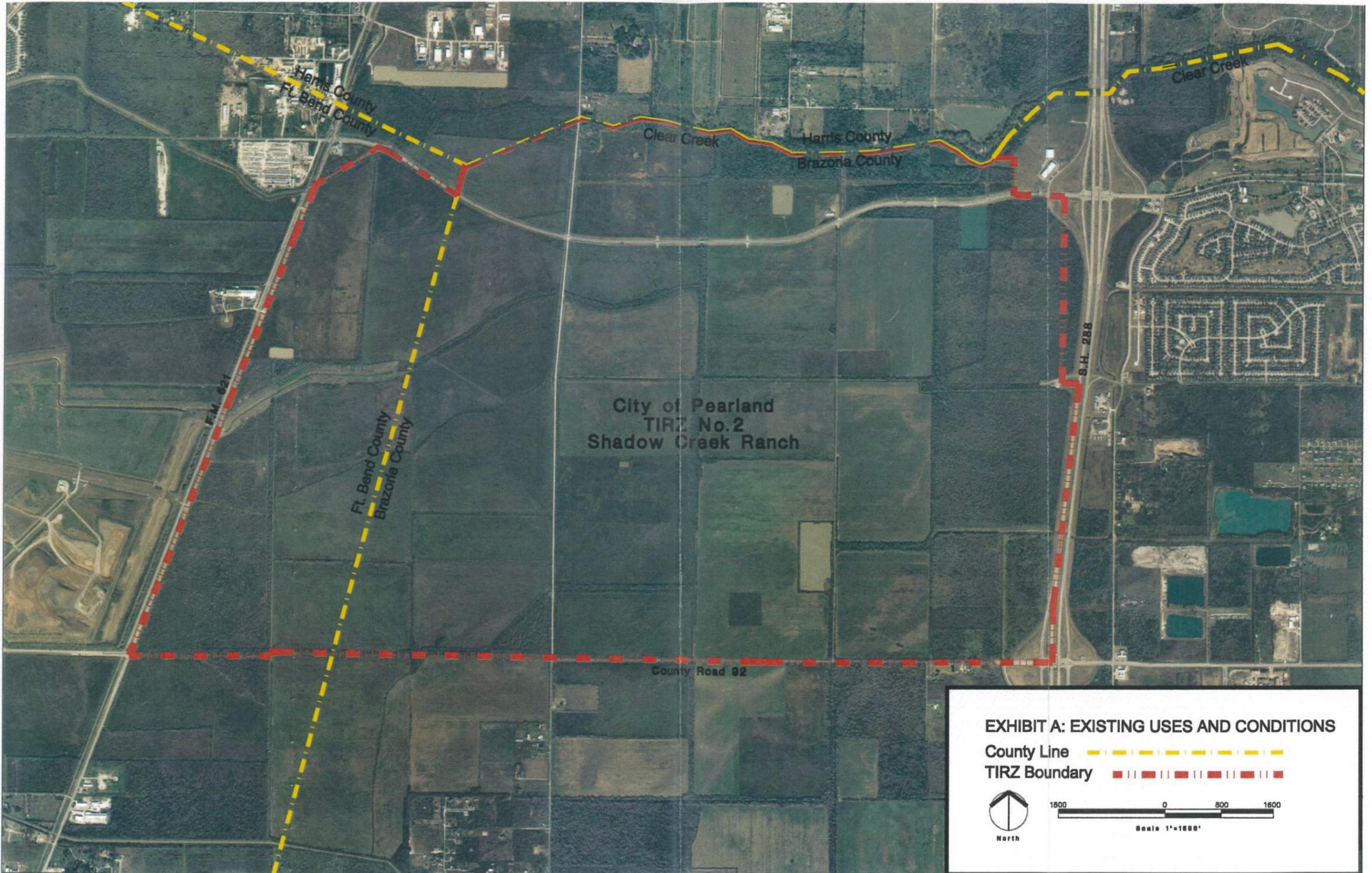


EXHIBIT B BOUNDARY MAP

City of Pearland
TIRZ No. 2
Shadow Creek Ranch

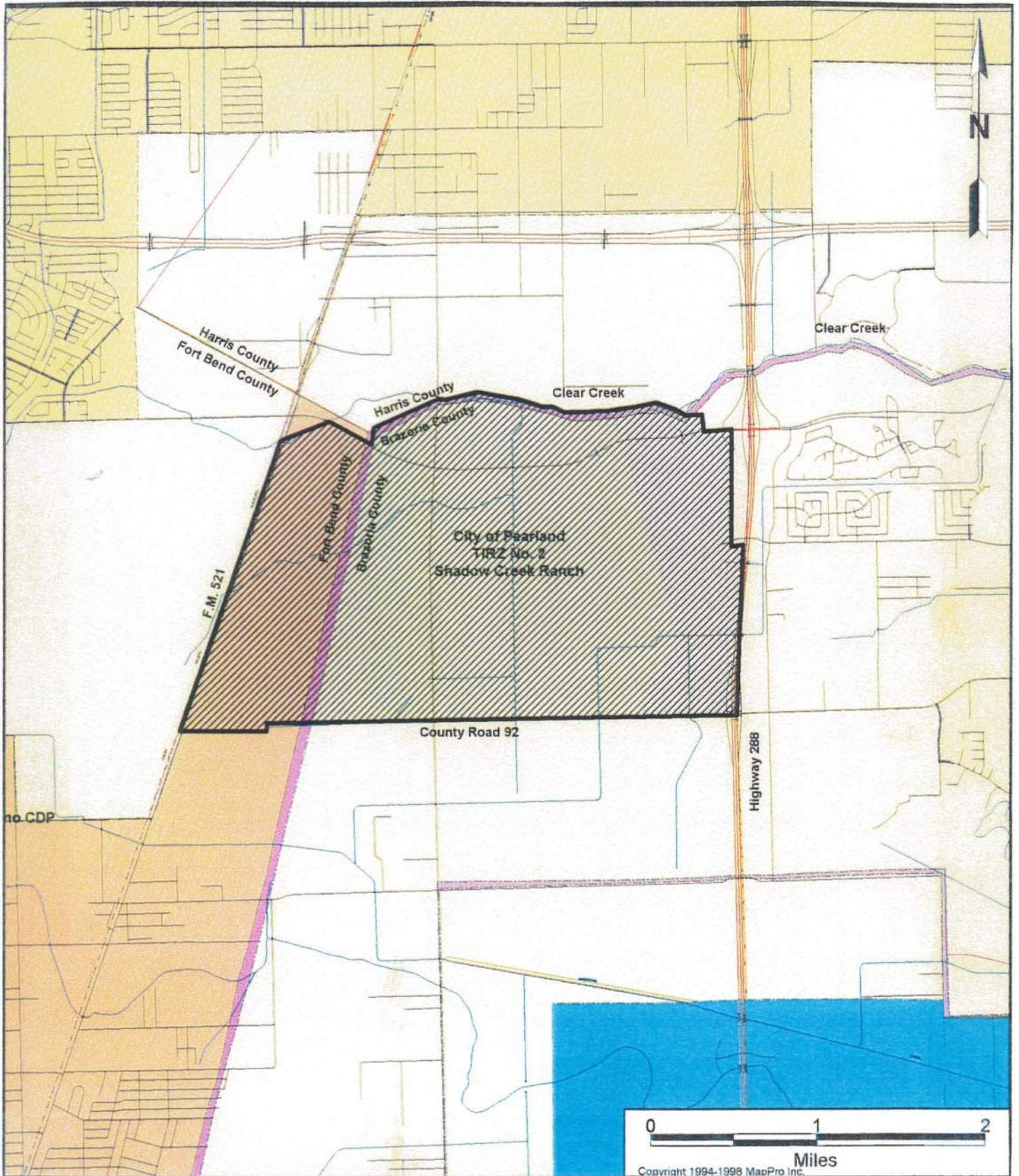


EXHIBIT C LEGAL DESCRIPTION OF THE ZONE

Being 3467 acres of land, more or less, located in the Dupuy and Roberts Survey, Abstract 726, Brazoria County; William Morris Survey, Abstract 344, Brazoria County; T. C. R. R. Co. Survey, Section 3, Abstract 678, Brazoria County; T. C. R. R. Co. Survey, Section 4 (John W. Maxcy), Abstract 675, Brazoria County; Obediah Pitts Survey, Abstract 717, Brazoria County; H.T. & B. R. R. Co. Survey, Section 80 (J.S. Talmage), Abstract 564, Brazoria County; H. T. & B. R. R. Co. Survey, Section 81, Abstract 300, Brazoria County; H. T. & B. R. R. Co. Survey, Section 82 (J. S. Talmage), Abstract 565, Brazoria County; H. T. & B. R. R. Co. Survey, Section 83, Abstract 305 in Brazoria County and Abstract 761 in Fort Bend County; S.G. Haynie Survey, Abstract 212 in Brazoria County and Abstract 620 in Fort Bend County; Franklin Hooper Survey, Abstract 198, Fort Bend County; George W. McDonald Survey, Abstract 577, Fort Bend County; I. C. Stafford Survey, Abstract 668, Fort Bend County and the H. Levering Survey, Abstract 279, Fort Bend County, Texas; said 3467 acres, more or less, being more particularly described as follows:

BEGINNING at the common north corner of Lots 3 and 4, Block 10 of the ALLISON - RICHEY GULF COAST HOME CO=S PART OF SUBURBAN GARDENS, SEC.=S 3 & 4, T.C.R.R. SURVEY AND SEC. 82, H. T. & B. R. R. CO. SURVEY & OBEDIAH PITTS SURVEY, a subdivision of record in Volume 2, Page 99 of the Plat Records of Brazoria County, Texas (B.C.P.R.) also being on the common line of the aforementioned T.C.R.R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, SOUTHERLY, 782 feet, more or less, along the common line of said Lots 3 and 4, to a point for corner on the southerly right-of-way line of Farm to Market Road 2234, 160 feet wide;

THENCE, EASTERLY, 998 feet, more or less, along said southerly right-of-way line and its easterly extension, to a point for corner on the west line of the J. Crawley Survey, Abstract 174, Brazoria County, Texas;

THENCE, SOUTHERLY, 3482 feet, more or less, along the west line of said J. Crawley Survey to a point for corner on the centerline of Hughes Ranch Road, also being the southwest corner of said J. Crawley Survey;

THENCE, EASTERLY, 421 feet, more or less, along the southerly line of said J. Crawley Survey and along said centerline of Hughes Ranch Road, to a point for corner on the centerline of State Highway 288;

THENCE, SOUTHERLY, 5326 feet, more or less, along said centerline of State Highway 288 to a point for corner on the southerly line of County Road 92, 40 foot wide, a dedicated road as shown on aforementioned ALLISON-RICHEY GULF COAST HOME CO.=S PART OF SUBURBAN GARDENS;

THENCE, WESTERLY, 9448 feet, more or less, along the southerly line of said County Road 92, to a point for corner on the west line of aforementioned H. T. & B. R. R. Co. Survey, Section 80 and the east line the H. T. & B. R. R. Co. Survey, Section 84 (R. B. Lyle), Abstract 538 in Brazoria County and Abstract 767 in Fort Bend County;

THENCE, NORTHERLY, 20 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84, to a point for corner, same being the common corner of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84 and aforementioned H. T. & B. R. R. Co. Survey, Section 82 and Section 83;

THENCE, WESTERLY, 5280 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84, to a point for corner on the east line of aforementioned Franklin Hooper Survey, same being the common west corner of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84;

THENCE, SOUTHERLY, 158 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 84 and the Franklin Hooper Survey, to a point for corner, same being the southeast corner of said Franklin Hooper Survey and the northeast corner of the A.B. Langerman Survey, Abstract 555, Fort Bend County, Texas;

THENCE, EASTERLY, 2636 feet, more or less, along the common line of said Franklin Hooper Survey and said A.B. Langerman Survey, to a point for corner on the easterly right-of-way line of Farm to Market Road 521;

THENCE, NORTHEASTERLY, 9667 feet, more or less, along said easterly right-of-way line, to a point for corner on the centerline of Clear Creek;

THENCE, NORTHEASTERLY, 1327 feet, more or less, along the centerline of Clear Creek to a point for corner on the aforementioned southerly right-of-way line of Farm to Market Road 2234;

THENCE, SOUTHEASTERLY, 1519 feet, more or less, along said southerly right-of-way line to a point for corner on the of Fort Bend and Brazoria County line;

THENCE, NORTHEASTERLY, 577 feet, more or less, along said county line, to a point for corner at the common corner of Brazoria, Fort Bend and Harris Counties;

3467 Acres

November 3, 1998

Job No. 1545-9803-100

THENCE, NORTHEASTERLY, 2426 feet, more or less, along the of Brazoria and Harris County line, to a point for corner in the aforementioned centerline of Clear Creek;

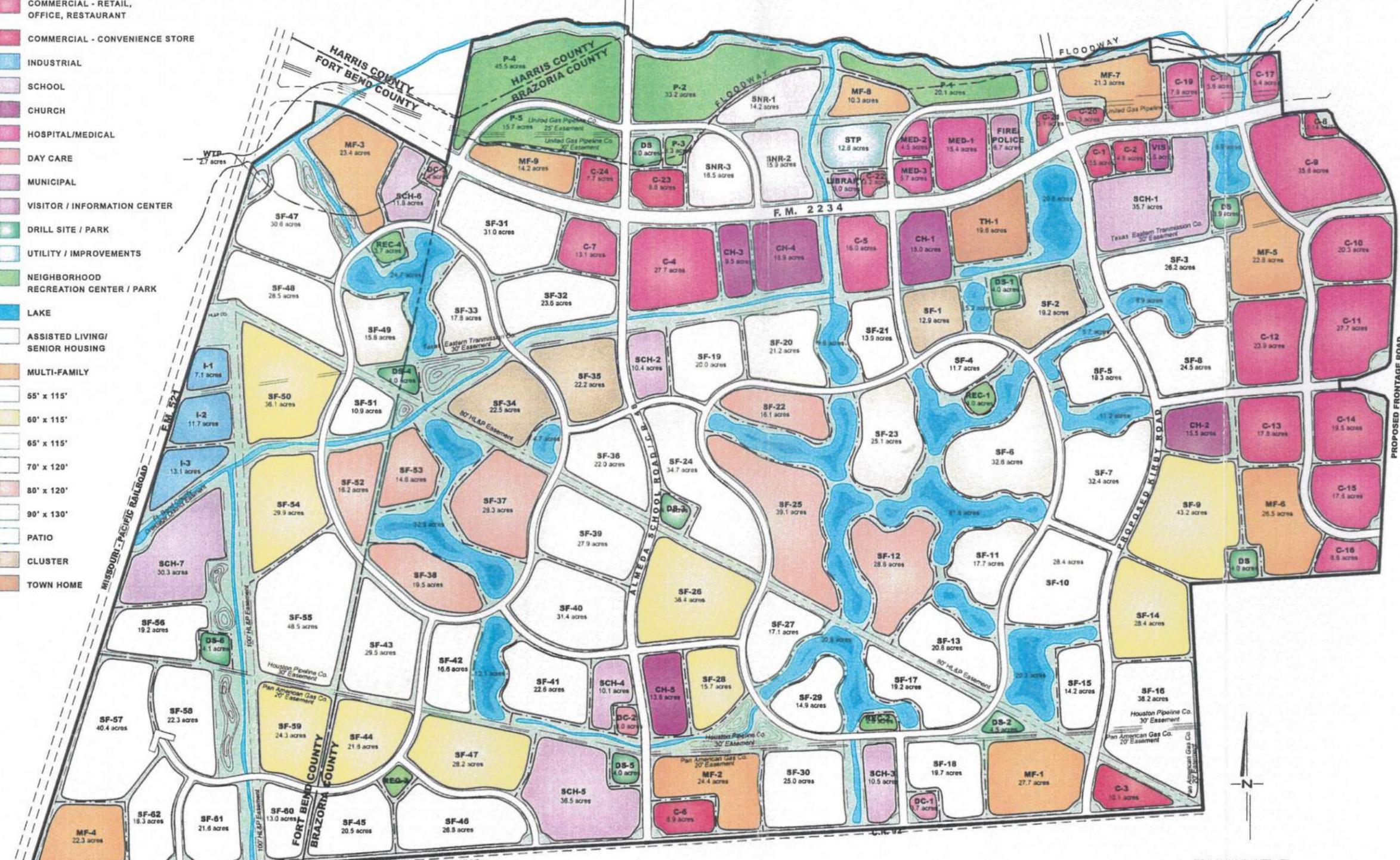
THENCE, EASTERLY, 8250 feet, more or less, along the centerline meanders of Clear Creek to a point for corner on the northerly line of aforementioned Lot 3, Block 10 of said ALLISON-RICHEY GULF COAST HOME CO=S PART OF SUBURBAN GARDENS, same being on the aforementioned common survey line of the T. C. R. R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, EASTERLY, 453 feet, more or less, along said north line of Lot 3, Block 10 and said common survey line to the POINT OF BEGINNING and containing 3467 acres, more or less.

LJA Engineering & Surveying, Inc.

LEGEND

- COMMERCIAL - RETAIL, OFFICE, RESTAURANT
- COMMERCIAL - CONVENIENCE STORE
- INDUSTRIAL
- SCHOOL
- CHURCH
- HOSPITAL/MEDICAL
- DAY CARE
- MUNICIPAL
- VISITOR / INFORMATION CENTER
- DRILL SITE / PARK
- UTILITY / IMPROVEMENTS
- NEIGHBORHOOD RECREATION CENTER / PARK
- LAKE
- ASSISTED LIVING/ SENIOR HOUSING
- MULTI-FAMILY
- 55' x 115'
- 60' x 115'
- 65' x 115'
- 70' x 120'
- 80' x 120'
- 90' x 130'
- PATIO
- CLUSTER
- TOWN HOME



NOLAN RYAN EXPRESSWAY/ S.H. 288

EXHIBIT D
a proposed uses map (PUD) for
SHADOW CREEK RANCH
prepared for
SHADOW CREEK RANCH DEV. CO., L.P.

KERRY R. GILBERT & ASSOCIATES, INC.

SCALE

JULY 28, 1999
KGA #03301-010

Land Planning Consultants
15810 Park Terrace
Suite 160
Houston, Texas 77084
(281) 579-0340

THIS MAP IS FOR PRESENTATION PURPOSES ONLY AND WAS PREPARED WITHOUT BENEFIT OF AN ENVIRONMENTAL ANALYSIS OR ENGINEERING STUDY AND IS SUBJECT TO CHANGE. NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, CONCERNING THE ACTUAL DESIGN, LOCATION, OR CHARACTER OF THE FACILITIES IS GUARANTEED ON THE MAP OR OTHERWISE. ADDITIONAL NO WARRANTY IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. SAID INFORMATION REPRESENTS A GRAPHIC COMPILED OF DATA OBTAINED FROM MAPS, SURVEYS, AND OTHER DOCUMENTS PROVIDED TO KERRY R. GILBERT & ASSOCIATES, INC. THE DESCRIBED USES AND IMPROVEMENTS ARE SUBJECT TO CHANGE PER LOCAL GOVERNMENTAL APPROVAL. ANY SUCH CHANGE WILL NOT REQUIRE A PLANNED AMENDMENT.

3. Participation Agreements. Alvin I.S.D. ("AISD") approved an Interlocal Agreement documenting its participation in the TIRZ on May 11, 1999. A copy of that Interlocal Agreement is included in **Appendix A-6**. Brazoria County enacted an order approving an Interlocal Agreement for participation in the TIRZ on August 10, 1999. A copy of that Interlocal Agreement is included in **Appendix A-7**. Fort Bend County enacted an order approving an Agreement for participation in the TIRZ on December 29, 1998. A copy of that Agreement is included in **Appendix A-5**. The designation of sites for school facilities in **Exhibit D** and **Exhibit F-6** hereto and in this Project Plan are proposed and preliminary school facility site locations. AISD shall retain the right to approve in its sole discretion all actual and final designations of sites for the location of school facilities in accordance with this Project Plan and State Law. In addition, no funds generated from AISD's participation in the Zone shall be utilized for any school facilities or any public infrastructure related thereto that are outside the boundaries of AISD. To the extent there is any inconsistency between the provisions of the Project Plan and Financing Plan and the provisions of the AISD Interlocal Agreement among the City, AISD and the Zone relating to AISD's participation or the timing or construction of school facilities, the provisions of the AISD Interlocal Agreement shall control. Brazoria Drainage District No. 4 and Ft. Bend I.S.D. ("FBISD") have not yet finalized their interlocal agreements.

4. Ordinances. Neither the Plans nor the proposed development require any additional changes to City ordinances or building codes and the development will comply with all existing City regulations and procedures, except as described above.

C. *Non-Project Costs* §311.011(b)(3)

1. Public Non-Project Costs. "Non-Project Costs" represent costs and expenditures by the City and other parties necessary to complete the development in the Zone as contemplated, exclusive of Project Costs. Non-Project Costs are not subject to reimbursement by the TIRZ. Additional improvements in excess of \$ 228,000,000 are to be constructed in the Zone and are not subject to reimbursement by the Zone. These improvements include, but are not limited to, additional paving, sidewalks, lighting, signage, water, sewer, drainage, landscape and irrigation, community wall and recreational facilities.

2. Department of Transportation. The Texas Department of Transportation ("TX-DOT") will be requested by the City to expend approximately \$ 10,277,050 on transportation improvements to FM 2234 (McHard Rd., future Shadow Creek Parkway), C.R. 92 (FM 518 extension), and SH 288 frontage roads, to benefit the Zone.

3. Private Investment. Private Investment in the Zone for construction of housing, commercial, retail, industrial, and other similar items not included in Project Costs is estimated to total nearly \$ 1.4 billion.

4. City Non-Project Costs. City improvements are Non-Project Costs and include: wastewater system and treatment plant, water plant improvements and water line, sewer main oversizing, and associated engineering costs. (A Summary of Project and Non-Project Costs are shown in **Exhibit E** on page 17)

5. Acquisition of School Sites. The purchase of land for school sites set forth in **Exhibit F-6** shall be paid from that portion of funds generated from AISD's participation in the Zone that is retained by the Zone pursuant to the provisions of the Interlocal Agreement among AISD, the City and the Zone.

D. *Relocation* §311.011(b)(4)

Property within the Zone is currently vacant and unoccupied. No relocation will be required.

III. *Financing Plan*

A. *Estimated Project Cost Description* §311.011(c)(1)

Project Cost includes infrastructure, administration, creation, educational facilities and civic improvements.

1. Infrastructure Improvements. **Exhibit E**, on page 17, details the estimated Project Costs of the Zone, as supplemented below. Estimated Project Costs for infrastructure improvements is \$ 109,633,923.
2. Zone Administrative/Creation Costs. Included in the Project Costs are expenses associated with the creation, organization and administration of the Zone or any other administrative expenses required in the Interlocal Agreements. TIRZ Administration and Creation Costs are projected to be advanced by the Developer and are subject to reimbursement out of the first bond issue. Ongoing administration for the Zone is projected to be an annual expense paid out of the TIRZ increment based on a budget prepared by the Zone Board.
 - a. Administration: Administrative expenses may include the costs for legal counsel, auditors, accountants, administrative consultants, and other such consultants or City personnel or facilities as may be retained or required to assist in implementing the Plan. Total administrative expenses are expected to average approximately \$ 126,833 annually over the life of the Zone and are a Project Cost.
 - b. Creation: The expenses related to the creation and organizations of the Zone are expected to be \$ 900,000 and are a Project Cost.
 - c. City Reimbursement: The City has already incurred and will continue to incur substantial administrative costs, including the time spent by its employees, in connection with the implementation of the Plans and the conduct of the Zone. To aid the City and the Zone by providing for certainty in budgeting, the reimbursement due to the City for its administrative costs is included as a Project Cost. The City's administrative reimbursement (not shown in **Exhibit E**, TIRZ Budget) shall be the following amounts in the applicable calendar years, expressed as a percentage of the City's Tax Increment (the "City Increment"),

Years 1-3 (1999-2001)	No reimbursement.
Years 4-8 (2002-2006)	36 percent of the City Increment.
Years 9-30 (2007-2028)	64 percent of the City Increment.

provided that the amount deposited and retained annually by the Zone attributable to the City Increment for the applicable year shall in no event be less than (i) 44¢ per \$100.00 of the "Captured Appraised Value" (as such term is defined in §311.012(b) of the Act) of the City Increment in years four through eight, and (ii) 25½¢ per \$100.00 of the Captured Appraised Value in years nine through thirty.

d. AISD Reimbursement: AISD has incurred and will continue to incur substantial administrative costs, including the time spent by its employees, in connection with the determination of participation in the Zone, implementation of the Plans, and annual calculations required under Article IV of the AISD Interlocal Agreement (defined as "AISD Administrative Costs" in the AISD Interlocal Agreement). All AISD Administrative Costs shall be paid as Administrative Costs of the Zone (which are not reflected in **Exhibit E**, TIRZ Budget).

3. Educational Facilities. The educational facilities to be constructed as a part of the Plans shall be determined by AISD using a portion of the AISD Tax Increment, to be disbursed in accordance with the AISD participation agreement. Seventy-five percent of the AISD Tax Increment shall be disbursed to AISD to be used for the financing of educational facilities in accordance with the Act and applicable law relating to such facilities. TIRZ Bonds will not be issued to finance educational facilities. Estimated Project Costs for AISD educational facilities is \$ 97,100,000, and for FBISD educational facilities is \$ 37,000,000. Land cost for school sites will be based on the fair market value of residential property. All references to AISD are equally applicable to FBISD.
4. City Facilities. Police and fire facilities, the City public library and City annex in the Zone are considered Project Costs. Estimated Project Costs for City facilities is \$ 5,000,000.

The budgeted amounts may be revised or adjusted by the TIRZ Board within the four listed categories of improvements so long as the overall budgeted amounts for each category, stated in 1999 dollars, are not exceeded; provided that (i) the amounts available for Educational Facilities shall equal 75 percent of the AISD Increment and (ii) the Administration/Creation Costs shall be adjusted to reflect the actual costs thereof.

**EXHIBIT E
TIRZ BUDGET**

Items	TIRZ		City		TxDOT		Total Costs
	Project Costs (1)		Non-Project Costs		Non-Project Costs		
INFRASTRUCTURE							
Streets							
Pavement	\$	12,610,050			\$	5,875,650	\$ 18,485,700
Sidewalks	\$	1,859,400					\$ 1,859,400
Landscaping and Irrigation	\$	9,675,350					\$ 9,675,350
Entry Monuments	\$	735,320					\$ 735,320
Water System	\$	3,026,863					\$ 3,026,863
Wastewater System	\$	6,940,964	\$	3,500,000			\$ 10,440,964
Storm Sewer System	\$	10,195,776					\$ 10,195,776
Lakes & Channels							
Improvements	\$	29,121,916					\$ 29,121,916
Land Cost	\$	4,597,889					\$ 4,597,889
Parks & Recreation							
Improvements	\$	5,155,524					\$ 5,155,524
Land Cost	\$	2,383,545					\$ 2,383,545
Major Improvements							
Water Plants							
Improvements			\$	1,922,500			\$ 1,922,500
Land Cost	\$	20,000					\$ 20,000
W.W.T.P	\$	340,000	\$	20,200,000			\$ 20,540,000
Lift Station	\$	300,000					\$ 300,000
Traffic Signals	\$	600,000			\$	1,100,000	\$ 1,700,000
McHard Rd Reimbursables							
Miscellaneous	\$	150,000					\$ 150,000
Signal	\$	100,000					\$ 100,000
FM 2234 Bridge Widening					\$	148,500	\$ 148,500
SH 288 Access Road	\$	1,000,000			\$	1,000,000	\$ 2,000,000
EDA Water Line			\$	2,073,000			\$ 2,073,000
Sewer Main Oversizing			\$	269,400			\$ 269,400
Contingencies & Engineering							
Contingencies (10 %)	\$	8,181,116	\$	3,480,535	\$	812,415	\$ 12,474,066
Engineering (15 %)	\$	11,274,211	\$	4,025,626	\$	1,340,485	\$ 16,640,321
Subtotal	\$	108,287,923		35,471,061		10,277,050	\$ 154,016,034
ZONE ADMINISTRATION/CREATION							
TIRZ Administration (1-3 yrs.)	\$	466,000 (2)					\$ 466,000
Reimbursable TIRZ Creation Costs	\$	900,000					\$ 900,000
Subtotal	\$	1,366,000					\$ 1,366,000
TOTAL	\$	109,633,923	\$	35,471,061	\$	10,277,050	\$ 155,382,034
CITY FACILITIES							
Library							
Improvements	\$	2,395,000					\$ 2,395,000
Land Cost	\$	105,000					\$ 105,000
Fire / Police Station							
Improvements	\$	2,255,000					\$ 2,255,000
Land Cost	\$	245,000					\$ 245,000
Subtotal	\$	5,000,000					\$ 5,000,000
EDUCATIONAL FACILITIES							
AISD Elementary School	\$	41,600,000 (3)					\$ 41,600,000
AISD Jr. High School	\$	21,450,000 (3)					\$ 21,450,000
AISD Fresh/Soph Campus	\$	34,050,000 (3)					\$ 34,050,000
FBISD Elementary School	\$	11,000,000					\$ 11,000,000
FBISD Middle School	\$	26,000,000					\$ 26,000,000
Subtotal	\$	134,100,000					\$ 134,100,000
GRAND TOTAL	\$	248,733,923	\$	35,471,061	\$	10,277,050	\$ 294,482,034

Cost analysis provided by LJA Engineering & Surveying, Inc.

(1) Figures are subject to cost adjustment per the *Engineering News Record* Index over the life of the Zone.

(2) TIRZ Administration and Creation Costs are projected to be advanced by the Developer and are subject to reimbursement out of the first bond issue. Ongoing administration for the Zone is projected to be an annual expense paid out of the TIRZ increment based on a budget prepared by the Zone Board.

(3) Land cost will be included in the 25% AISD participation.

B. *Kind, Number and Location of TIRZ Improvements* §311.011(c)(2)

The following TIRZ Improvements are approved as Project Costs eligible for funding by the Zone. The anticipated number and locations are described on the exhibits. The size, number and location of TIRZ Improvements shown on the exhibits to the Plans may be adjusted to accommodate the development of the Zone, consistent with the budgeted categories. These exhibits will be updated as necessary to reflect the specific location as projects are designed:

1. Infrastructure Improvements.

a. Streets & Signals (**Exhibit F-1**)

- Construction and upgrade of major thoroughfares, thoroughfares, collector streets, and frontage roads
- Signalization and signage of intersections

[**Exhibit F-1a** illustrates the proposed street cross section for F.M. 2234 (McHard Rd.) and C.R. 92. **Exhibit F-1b** illustrates the proposed street cross section for C.R. 48 and Kirby Drive. **Exhibit F-1c** illustrates the proposed street cross section for the entrances to collector streets. **Exhibit F-1d** illustrates the proposed street cross section for collector streets.]

b. Water (**Exhibit F-2**)

- Extension of regional water facilities

c. Sewage (**Exhibit F-3**)

- Interim sewage treatment plant
- Extension of regional sewer facilities

d. Storm Water (**Exhibit F-4**)

- Regional storm drainage facilities, lakes, channels, detention and retention basins and outfall structures

e. Public Amenities & Beautification (**Exhibit F-5**)

- Construction of parks, trails and open spaces
- Landscaping and monumentation within public rights-of-way and easements

Land costs for public facilities are based on the actual land acquisition costs and are subject to reimbursement.

2. City Facilities. The location of City library, police facilities, fire facilities, and the City hall annex are shown in **Exhibit F-6**.

3. Educational Facilities. The kind, number and location of educational facilities are shown in **Exhibit F-6**.

Shadow Creek Ranch Maintenance Association, a not-for-profit corporation (or similar organization) supported through the payment of mandatory association dues enforced through property covenants, will be formed to maintain some of the public and certain of the private improvements in the Zone. The City will maintain water, sewer, storm sewers, streets not maintained by TxDOT, civic improvements and the regional park. The Shadow Creek Ranch Maintenance Association (or similar organization) will maintain the lakes, certain swimming pools and recreation centers, the hike and bike trail system, the greenbelts and open spaces, landscaping and monumentation within public rights of ways and easements.



SCALE: 1" = 1300'

U.S. 288

LEGEND

NOTE: THE PROPOSED T.I.R.Z. IMPROVEMENTS ARE SUBJECT TO CHANGE PER FINAL GOVERNMENTAL AGENCY APPROVALS, AND DO NOT REQUIRE PLAN AMENDMENTS.

- 80' R.O.W. WITH 28' PAVEMENT
- 80' R.O.W. WITH 2-25' PAVEMENT SECTIONS
- 100' R.O.W. WITH 2-25' PAVEMENT SECTIONS (7" CONC.)
- LOCATION OF STREET SIGNAL

- 100' R.O.W. WITH 2-25' PAVEMENT SECTIONS (8" CONC.)
- 160' R.O.W. - FUTURE WIDENING OF EXISTING MCHARD ROAD
- 100' R.O.W. WITH 4-12' LANES AND A 14' CONTINUOUS TURN LANE
- PRIMARY ENTRY MONUMENT

EXHIBIT F-1

SHADOW CREEK RANCH
MASTER PLAN

STREETS & SIGNALS MAP

LJA Engineering & Surveying, Inc. **LJA** 20

2929 Briarpark Drive Phone 713.953.5200
Suite 500 Houston, Texas 77042-3703 Fax 713.953.5026

1945-1903 JUNE 1999

c:\dgn\15493606.dgn
25-1199 8/14/99

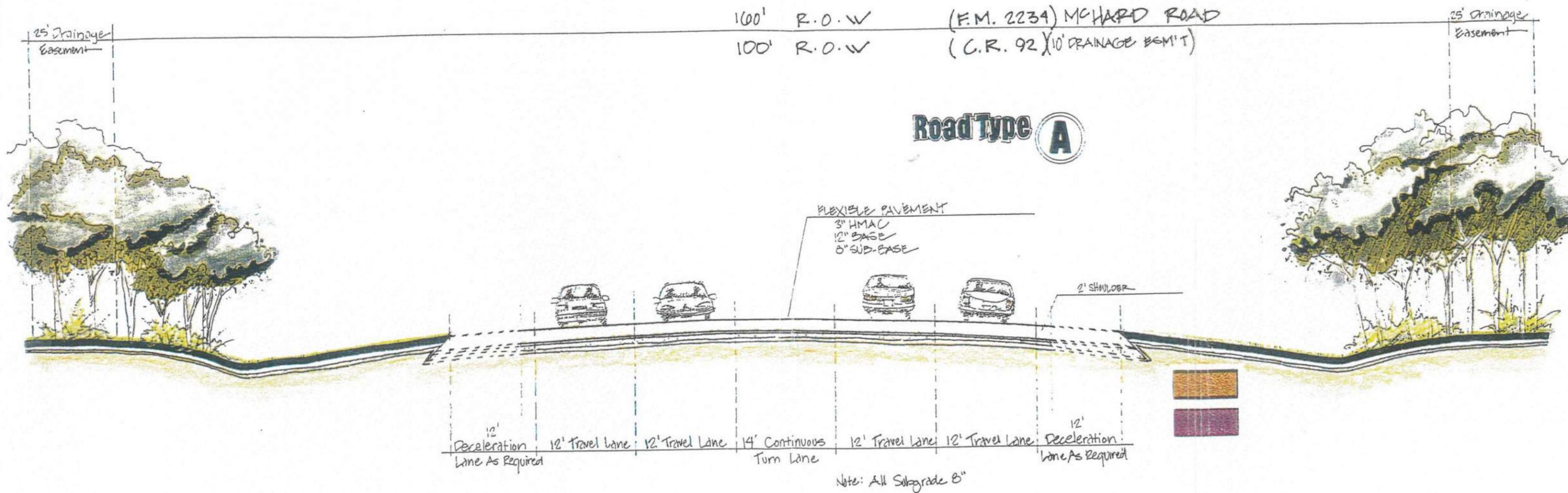


EXHIBIT F (1a)

CROSS SECTION
F.M. 2234 & C.R.92

100' R.O.W
KIRBY ROAD, C.R. 48

Road Type **B**

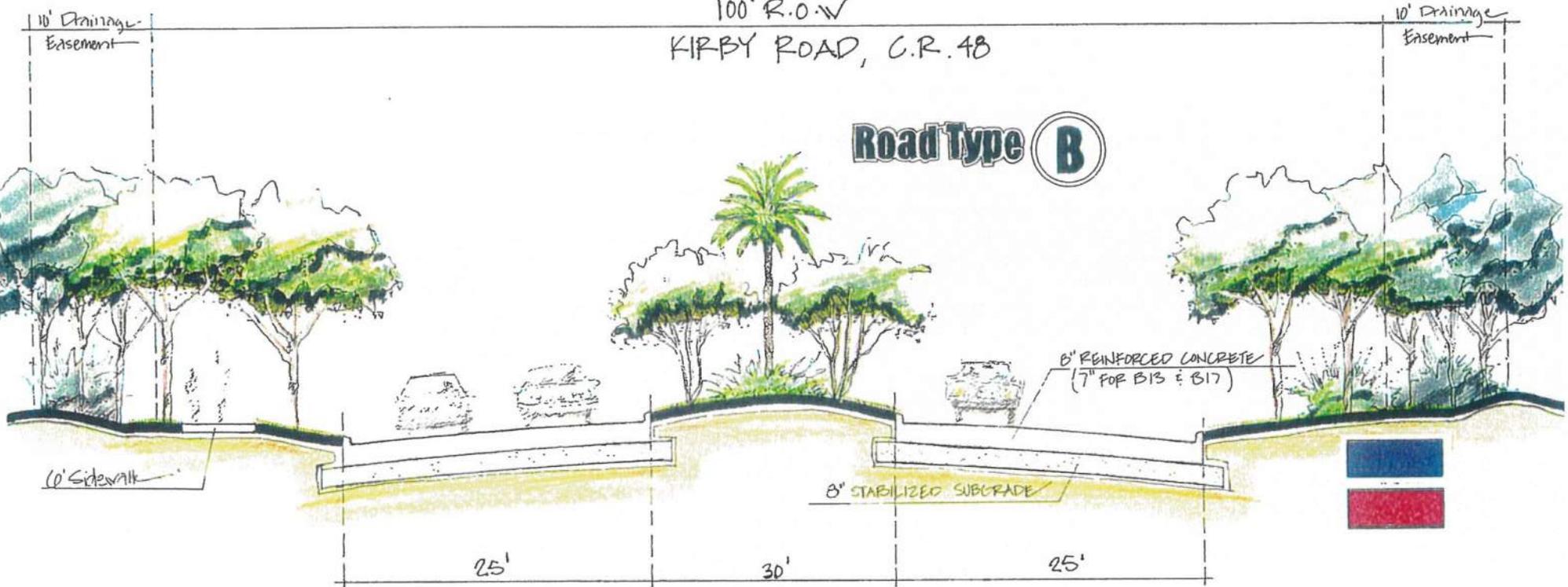


EXHIBIT F (1b)

CROSS SECTION
C.R. 48

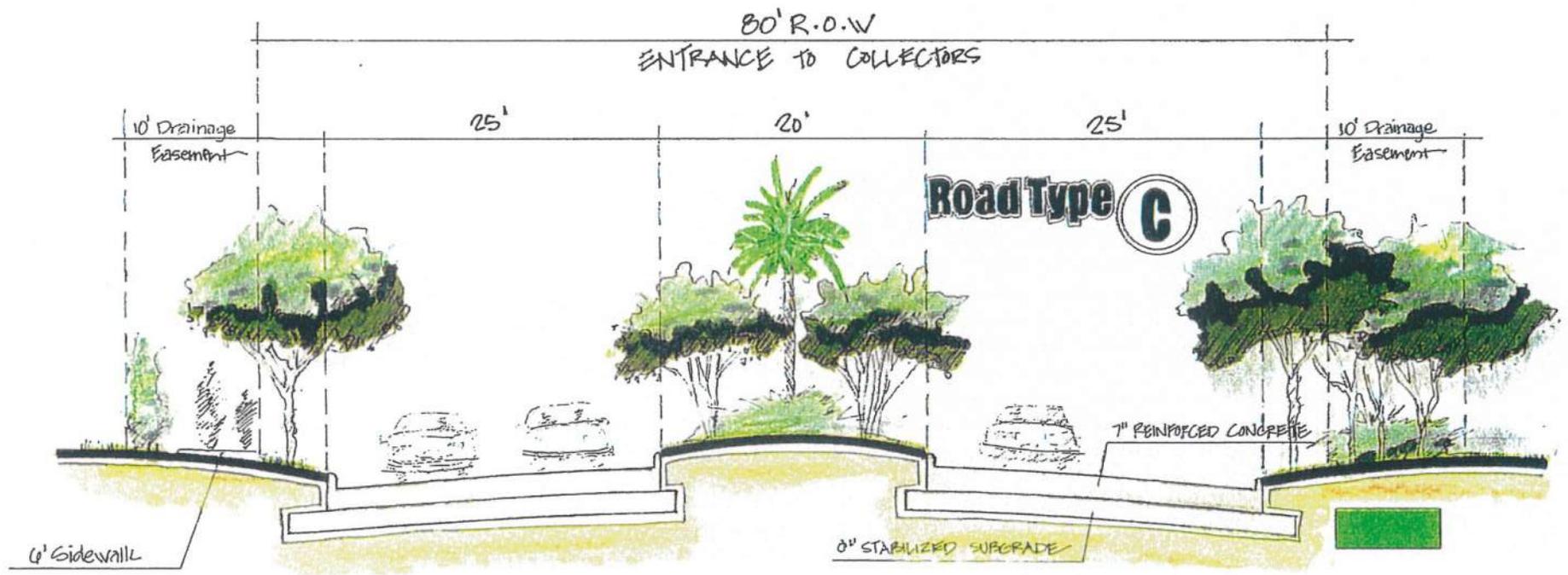
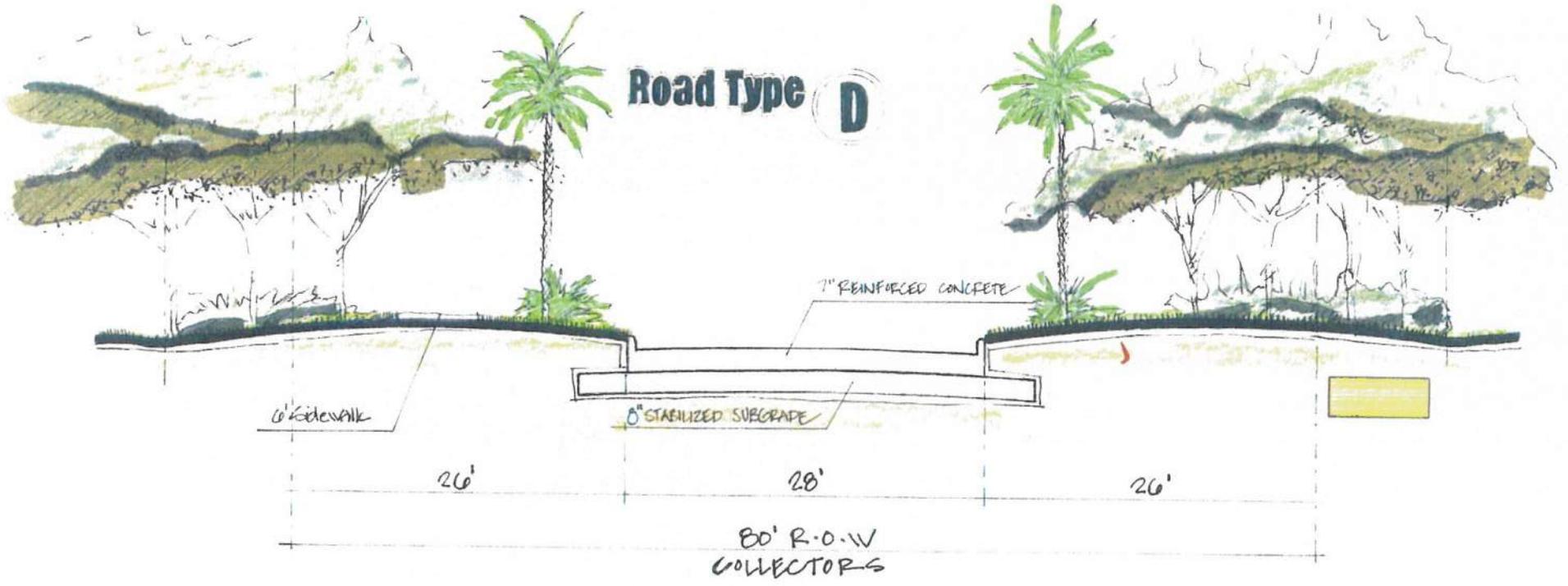


EXHIBIT F (1c)
CROSS SECTION
Collector Street Entrances

Road Type D



NOTE: TURN LANE AT INTERSECTIONS

EXHIBIT F (1d)

**CROSS SECTION
COLLECTOR STREETS**



20' BY CITY

N
SCALE: 1" = 1300'

U.S. 288

F.M. 521

F.M. 2234

C.R. 48

KIRBY DRIVE

C.R. 92

16' BY CITY

LEGEND

- PROPOSED WATER LINE
- CITY WATER LINE
- ▲ PROPOSED WATER PLANT

NOTE: THE PROPOSED T.I.R.Z. IMPROVEMENTS ARE SUBJECT TO CHANGE PER FINAL GOVERNMENTAL AGENCY APPROVALS, AND DO NOT REQUIRE PLAN AMENDMENTS.

EXHIBIT F-2

SHADOW CREEK RANCH
MASTER PLAN

WATER IMPROVEMENTS MAP

LJA Engineering & Surveying, Inc.

2929 Briarpark Drive Suite 500 Houston, Texas 77042-3703
Phone 713.953.5200 Fax 713.953.5026

1545-3803 JUNE 1993

c:\n\ogn\15453803\asprun.dgn
 6/23/93 8:11:33



SCALE: 1" = 1300'

U.S. 288

LEGEND

- PROPOSED SANITARY SEWER
- PROPOSED FORCE MAIN
- ◆ PROPOSED LIFT STATION
- INTERIM SEWAGE TREATMENT PLANT

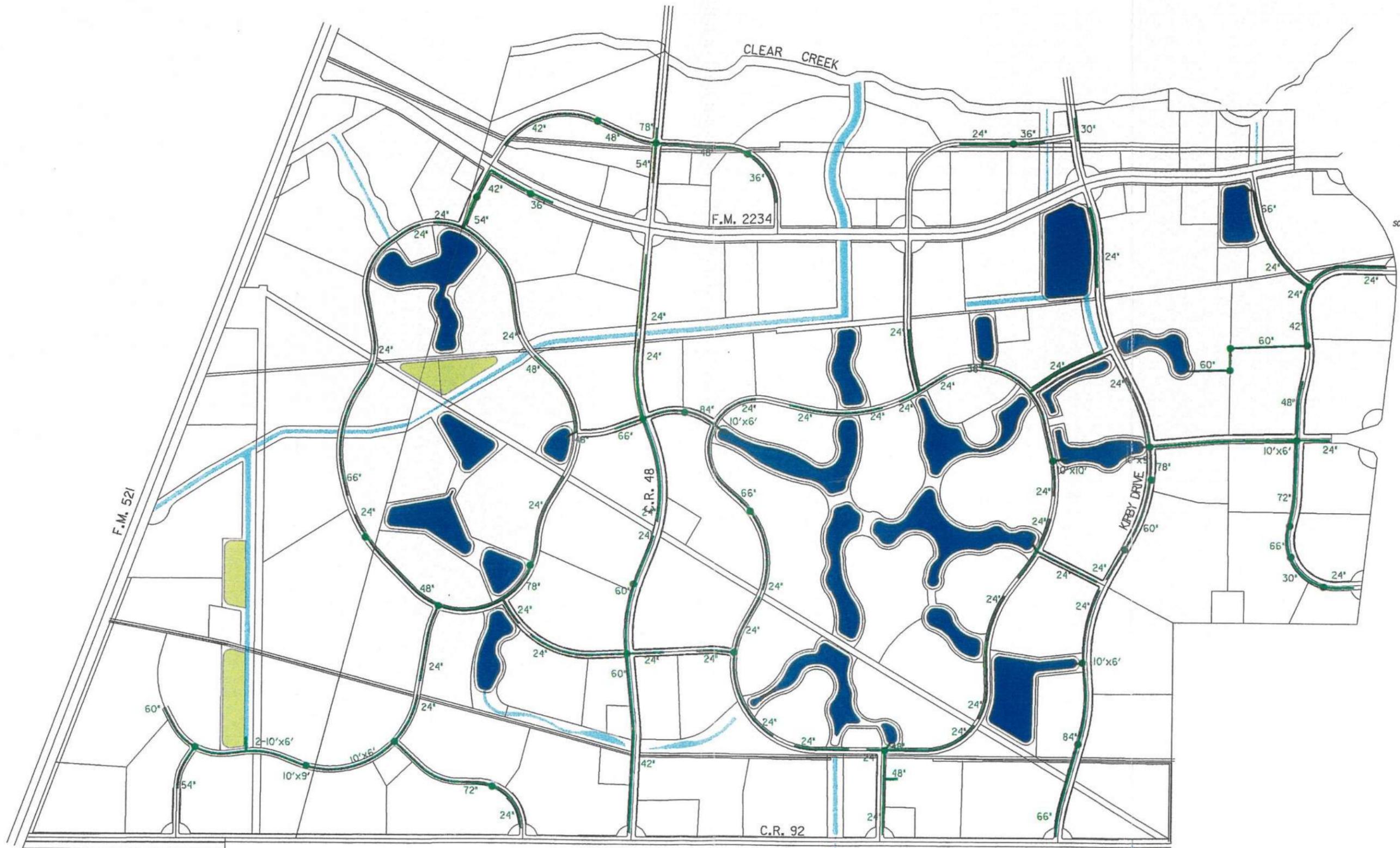
NOTE: THE PROPOSED T.I.R.Z. IMPROVEMENTS ARE SUBJECT TO CHANGE PER FINAL GOVERNMENTAL AGENCY APPROVALS, AND DO NOT REQUIRE PLAN AMENDMENTS.

EXHIBIT F-3

SHADOW CREEK RANCH MASTER PLAN	
SEWER IMPROVEMENTS MAP	
LJA Engineering & Surveying, Inc. LJA 2929 Briarpark Drive Phone 713.953.5200 Suite 500 Houston, Texas 77042-3703 Fax 713.953.5028	
1545-2803	26

d:\gdpr\15452803\sewrpt.dgn
 8-04-1999 10:00:58

SHADOW CREEK RANCH 1545-2803



SCALE: 1" = 1300'

U.S. 288

LEGEND

- PROPOSED STORM SEWER
- PROPOSED WET DETENTION AREA
- PROPOSED DRY DETENTION AREA
- PROPOSED CHANNEL IMPROVEMENTS

PROPOSED DIVERSION CHANNEL
(CHANNEL RIGHT-OF-WAY TO BE
ANNEXED INTO THE ZONE IN
THE FUTURE)

NOTE: THE PROPOSED T.I.R.Z. IMPROVEMENTS
ARE SUBJECT TO CHANGE PER FINAL
GOVERNMENTAL AGENCY APPROVALS,
AND DO NOT REQUIRE PLAN
AMENDMENTS.

EXHIBIT F-4

SHADOW CREEK RANCH
MASTER PLAN

STORM WATER IMPROVEMENTS MAP

LJA Engineering & Surveying, Inc.

2929 Briarpark Drive Phone 713.953.5200
Suite 500 Houston, Texas 77042-3703 Fax 713.953.5026

27

IR45-1803 AUG. 1999

en:\dgn\15459800\acpruf.dgn
 10/24/99 10:14:47

SHADOW CREEK RANCH 1545-9803

LEGEND

- PARKS / ATHLETIC FIELDS
- PEDESTRIAN / GREENBELT



NOLAN RYAN EXPRESSWAY/ S.H. 288

EXHIBIT F-5
 a public amenities & beautification map for
SHADOW CREEK RANCH
 prepared for
SHADOW CREEK RANCH DEV. CO., L.P.

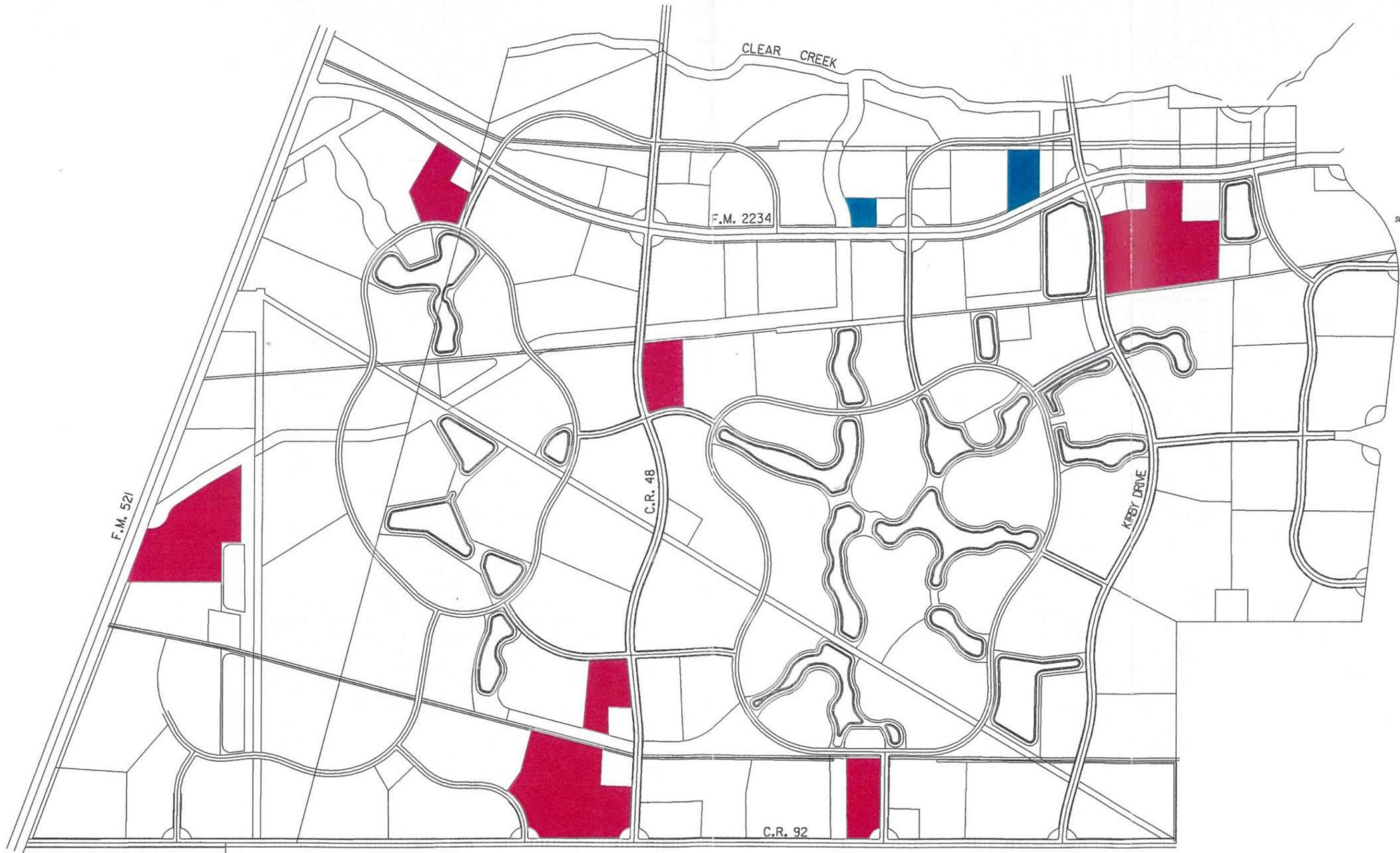
KERRY R. GILBERT & ASSOCIATES, INC.

Land Planning Consultants
 15810 Park Ten Place
 Suite 160
 Houston, Texas 77084
 (281) 579-0340



JULY 28, 1999
 KGA #03301-010

THIS MAP IS FOR PRESENTATION PURPOSES ONLY AND WAS PREPARED WITHOUT BENEFIT OF AN ENVIRONMENTAL ANALYSIS OR ENGINEERING STUDY AND IS SUBJECT TO CHANGE. NO WARRANTIES OR REPRESENTATION, EXPRESS OR IMPLIED, CONCERNING THE ACTUAL DESIGN, LOCATION, OR CHARACTER OF THE FACILITIES ILLUSTRATED ON THE MAP IS INTENDED. ADDITIONALLY, NO WARRANTY IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. SAID INFORMATION REPRESENTS A GRAPHIC COMPILATION OF DATUM OBTAINED FROM MAPS, SURVEYS, AND OTHER DOCUMENTS PROVIDED TO KERRY R. GILBERT & ASSOCIATES, INC. THE ILLUSTRATED IMPROVEMENTS ARE SUBJECT TO CHANGE PER FINAL GOVERNMENTAL APPROVAL. ANY SUCH CHANGE WILL NOT REQUIRE A PLANNED AMENDMENT.



LEGEND

- EDUCATIONAL FACILITIES
- CITY FACILITIES

NOTE: THE PROPOSED T.I.R.Z. IMPROVEMENTS ARE SUBJECT TO CHANGE PER FINAL GOVERNMENTAL AGENCY APPROVALS, AND DO NOT REQUIRE PLAN AMENDMENTS.

EXHIBIT F-6

SHADOW CREEK RANCH MASTER PLAN	
CITY FACILITIES AND EDUCATIONAL FACILITIES MAP	
2929 Briarpark Drive Suite 500 Houston, Texas 77042-3703	Phone 713.953.5200 Fax 713.953.5028

c:\dgn\15458800\lcp\out.dgn
4-02-1999 15:26:19

SHADOW CREEK RANCH 1545-9803

C. *Economic Feasibility Study* §311.011(c)(3)

Studies for the residential and commercial development of Shadow Creek Ranch are incorporated in the Appendix. Included is the Single Family Housing Market Demand Study by American METRO/STUDY Corporation, dated September 17, 1998 with an update, dated June 21, 1999. Also included are a Commercial Feasibility Study by Realty Advisory Group, Inc. covering the Shadow Creek Ranch Development and a Market Letter by the Realty Advisory Group on 139 acres located in the southeast corner of the Zone at the intersection of Hwy. 288 and C.R. 92.

D. *Estimate of Bonded Indebtedness* §311.011(c)(4)

The estimated bonded indebtedness to be incurred by the Zone is an amount sufficient to yield net proceeds of approximately \$ 114,633,923, in 1999 dollars, subject to cost adjustment according to the *Engineering News Record* Index over the life of the Zone.

E. *Timing of Incurring Costs or Monetary Obligations* §311.011(c)(5)

The TIRZ Improvements may be financed with bonds secured from the Tax Increment generated within the Zone, issued in several series. TIRZ improvements will be advance-funded by the developers, subject to reimbursement from TIRZ Bonds proceeds or other available TIRZ funds, as provided below in order of priority:

1. Administrative Costs. Costs related to the creation, organization, and administration of the Zone, including such costs paid on behalf of the Zone by developers or the City, paid to date at the time of the first bond issue, will be paid out of the proceeds of the Zone's first bond issue. The Master Developer shall be entitled to receive 8% simple interest on the first \$ 1,000,000 of advances made for such expenses, calculated in accordance with section 2 below. Administrative expenses incurred after the first bond issue will always be paid out of the increment prior to reimbursement to the developers for TIRZ Improvement costs.
2. Master Developer Improvements. Prior to the construction of any TIRZ improvements by the Master Developer, the TIRZ Board shall determine the area of the Zone to be benefited from such improvements. Reimbursement of the Master Developer shall be eligible at such time as the unencumbered tax increment generated within the benefited area is sufficient to support the applicable TIRZ Bonds bearing interest at the then-current rate of interest for comparable issues, with a debt coverage of not less than 1.25, after taking into account the portion of the tax increment required to pay administrative expenses and any outstanding TIRZ Bonds. The Master Developer shall be entitled to receive 8% simple interest on

advances for the first \$ 20,000,000 of TIRZ Improvements until reimbursed, for a maximum of five (5) years from the date of completion of the TIRZ Improvement. For Master Developer advances other than those entitled to 8% interest, interest shall be paid at 6.5% simple interest.

3. Sub-Developer Improvements. Prior to the construction of TIRZ improvements by a Sub-developer, the Sub-developer shall determine the boundaries of the proposed subdevelopment within the Zone. Reimbursements will be made from TIRZ Bonds proceeds or other available TIRZ funds only at such time as the tax increment generated within the subdevelopment is sufficient to support the applicable reimbursement with a debt coverage of not less than 1.25, taking into account the portion of the tax increment required to pay administrative expenses, and to support all outstanding TIRZ Bonds issued to finance TIRZ Improvements constructed by the Master Developer determined to benefit land within the subdevelopment. If TIRZ Bonds are used for the reimbursements, the applicable subdevelopment tax increment must be sufficient to support the TIRZ Bonds. A Sub-developer shall be entitled to receive simple interest on advances for a TIRZ Improvement until reimbursed, for a maximum of five (5) years from the date of completion of the TIRZ Improvement, calculated at 6.5% interest rate. Each Sub-developer will be required to enter into individual reimbursement agreements consistent with the Plans and the Development Agreement, which will set forth the documentation required and the terms for each reimbursement in a form approved by the City. A Sub-developer's reimbursement agreement will provide for (i) the construction of all TIRZ improvements in the applicable subdevelopment by or on behalf of the Sub-developer, and (ii) the priority of reimbursement on a per-improvement basis, with the TIRZ Improvements to be reimbursed in the order of their completion and acceptance.

4. City Facilities. The City Facilities will be financed with available Tax Increment or the proceeds of TIRZ Bonds on a schedule consistent with the development of the Zone, and as sufficient Tax Increment is created within the Zone, taking into consideration the requirements of all then-outstanding TIRZ Bonds; provided that the City may finance City Facilities using other available funds, to be reimbursed from TIRZ Bonds proceeds.

5. Educational Facilities. Educational facilities to be constructed as a part of the Plans shall be determined by AISD using a portion of the AISD Tax Increment, to be disbursed in accordance with the AISD participation agreement. Seventy-five percent of the AISD Tax Increment shall be disbursed to AISD to be used for the financing of educational facilities in accordance with the Act and applicable law relating to such facilities. TIRZ bonds will not be

issued to finance educational facilities. AISD shall construct school facilities as required by the Project Plan when they are needed to serve the population of the Zone. AISD shall not be required to build school facilities earlier than such facilities would be needed in accordance with customary procedures established by AISD. To the extent permitted by State Law, AISD shall determine in its sole discretion the location and timing of construction of all school facilities which serve the Zone. All references to AISD are equally applicable to FBISD.

F. *Method of Financing and Sources of Revenue* §311.011(c)(6)

1. **Funding Project Costs.** Project Costs may be funded directly from available tax increments if the TIRZ Board determines that such tax increments are not required for debt service, construction costs, or administrative expenses. Project Costs may also be funded by TIRZ Bonds if the TIRZ Board recommends, and the City approves, a TIRZ Bond sale.
2. **Tax Increment Participation.** The following are estimated contributing Tax Increments based on the percentages of the Captured Appraised Value shown:

Taxing Entity	Zone Years	Percent Participation
City of Pearland	1 - 3	100 %
	4 - 8	100 % (a)
	9 - 30	100 % (b)
Brazoria County	1 -30	38 %
Fort Bend County	1 - 10	100 %
	11 - 20	75 %
	21 -30	50 %
Brazoria Drainage Dist. No. 4	1 - 30	50 %
Alvin I.S.D.	1 - 30	100 % (c)
Fort Bend I.S.D.	1 - 30	100 % (d)

(a) 36 % to be repaid as an Administrative Cost, provided never more than \$.255

(b) 64 % to be repaid as an Administrative Cost, provided never more than \$.44

(c) 75 % to be disbursed to AISD for constructing educational facilities

(d) 75 % to be disbursed to FBISD for constructing educational facilities

All jurisdictions retain their revenues from base year valuations. During the life of the Zone, they will receive all revenues above their TIRZ contributions. The specifics of the tax increment are described in the various Participation Agreements. Gross revenues projected to be available for TIRZ Projects are shown in **Exhibit G**. Net revenues projected to be available to fund Non-educational TIRZ improvements are shown in **Exhibit H**. Participation levels are

subject to change in accordance with the participation agreements. If these participations are materially reduced, the Plans will not be required to be revised or amended unless it is determined by the Zone Board and the City that the available Tax Increment is no longer sufficient to implement the Plans.

EXHIBIT G
PROJECTED GROSS REVENUE AVAILABLE FOR TIRZ PROJECTS
ASSUMING NO APPRECIATION

YEAR	PEARLAND (1) INCREMENTAL REV @ \$0.695	BRAZORIA (2) INCREMENTAL REV @ \$0.3575	FT BEND (3) INCREMENTAL REV @ \$0.6241	DRAINAGE (4) INCREMENTAL REV @ \$0.14143	ALVIN ISD (5) INCREMENTAL REV @ \$1.5743	FT.BEND ISD (6) INCREMENTAL REV @ \$1.6773	TIRZ ADMIN EXPENSE	ANNUAL INCREMENTAL REVENUE
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	0	0	0	0	0	0	(175,000)	0
2000	0	0	0	0	0	0	(175,000)	0
2001	0	0	0	0	0	0	(175,000)	0
2002	212,545	32,847	0	17,375	439,358	0	(175,000)	527,124
2003	1,130,866	183,622	0	96,730	2,386,920	0	(175,000)	3,623,138
2004	2,213,588	358,455	20,656	188,706	4,625,987	64,991	(175,000)	7,297,384
2005	3,401,095	524,001	172,917	275,801	6,750,532	500,635	(175,000)	11,449,982
2006	4,619,547	667,949	453,408	351,491	8,569,711	1,335,936	(175,000)	15,823,041
2007	5,830,702	801,252	777,278	421,524	10,243,755	2,309,726	(175,000)	20,209,237
2008	7,044,833	979,629	885,302	515,187	12,522,502	2,641,279	(175,000)	24,413,732
2009	8,582,959	1,235,185	942,856	649,093	15,686,782	2,814,377	(175,000)	29,736,252
2010	9,702,270	1,408,678	750,308	740,267	17,904,475	2,987,474	(175,000)	33,318,473
2011	10,802,494	1,563,376	848,484	821,536	19,863,180	3,394,122	(175,000)	37,118,192
2012	11,625,594	1,636,754	1,077,648	859,833	20,730,682	4,342,764	(175,000)	40,098,275
2013	12,001,685	1,710,267	1,077,648	898,100	21,582,597	4,342,764	(175,000)	41,438,061
2014	12,115,526	1,728,832	1,090,353	907,763	21,797,734	4,388,292	(100,000)	41,928,501
2015	12,218,633	1,728,832	1,159,795	907,763	21,797,734	4,637,130	(100,000)	42,349,888
2016	12,218,633	1,728,832	1,159,795	907,763	21,797,734	4,637,130	(100,000)	42,349,888
2017	12,218,633	1,728,832	1,159,795	907,763	21,797,734	4,637,130	(100,000)	42,349,888
2018	12,218,633	1,728,832	1,159,795	907,763	21,797,734	4,637,130	(100,000)	42,349,888
2019	12,218,633	1,728,832	1,159,795	907,763	21,797,734	4,637,130	(100,000)	42,349,888
2020	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(100,000)	41,963,290
2021	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2022	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2023	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2024	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2025	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2026	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2027	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
2028	12,218,633	1,728,832	773,197	907,763	21,797,734	4,637,130	(60,000)	42,003,290
TOTAL	\$ 260,344,572	\$ 37,034,495	\$ 20,854,603	\$ 19,452,096	\$ 468,272,493	\$ 94,042,180	\$ (3,805,000)	896,195,440

(1) City of Pearland receives Administration Fees over the life of the Zone based on fees of 0% years 1-3; 36% years 4-8; and 64% years 9-30.

(2) Brazoria County Zone participation of 38% for the life of the Zone.

(3) Ft Bend County Zone participation at 100% years 1-10; 75% years 11-20; and 50% years 21-30.

(4) Brazoria Drainage District Number 4 participation at 50% for the life of the Zone.

(5) Alvin ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.

(6) Ft. Bend ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.

Assumes 90% collection rate.

The takedown schedule is based on market study. Any changes in the takedown over the course of the Zone will not require a Plan amendment.

The tax rates above are 1998 tax rates, which may change from year to year.

EXHIBIT G
PROJECTED GROSS REVENUE AVAILABLE FOR TIRZ PROJECTS
ASSUMING 3% APPRECIATION

YEAR	PEARLAND (1) INCREMENTAL REV @ \$0.695	BRAZORIA (2) INCREMENTAL REV @ \$0.3575	FT BEND (3) INCREMENTAL REV @ \$0.6241	DRAINAGE (4) INCREMENTAL REV @ \$0.14143	ALVIN ISD (5) INCREMENTAL REV @ \$1.5743	FT.BEND ISD (6) INCREMENTAL REV @ \$1.6773	TIRZ ADMIN EXPENSE	ANNUAL INCREMENTAL REVENUE
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	0	0	0	0	0	0	(175,000)	0
2000	0	0	0	0	0	0	(175,000)	0
2001	0	0	0	0	0	0	(175,000)	0
2002	225,544	34,879	0	18,433	468,803	0	(175,000)	572,660
2003	1,239,952	201,600	0	106,097	2,632,756	0	(175,000)	4,005,405
2004	2,501,201	405,640	23,300	213,311	5,262,603	73,872	(175,000)	8,304,927
2005	3,958,527	611,016	200,654	321,203	7,918,549	583,856	(175,000)	13,418,806
2006	5,538,095	802,552	542,162	421,759	10,363,891	1,607,552	(175,000)	19,101,012
2007	7,199,999	991,933	957,725	521,102	12,769,704	2,868,044	(175,000)	25,133,506
2008	8,960,603	1,249,174	1,124,072	655,961	16,086,820	3,385,047	(175,000)	31,286,677
2009	11,232,487	1,619,655	1,233,460	849,860	20,729,769	3,720,541	(175,000)	39,210,772
2010	13,079,676	1,902,914	1,011,342	998,375	24,390,377	4,073,914	(175,000)	45,281,598
2011	15,001,239	2,175,654	1,178,463	1,141,325	27,890,138	4,775,700	(175,000)	51,987,519
2012	16,630,906	2,346,620	1,542,848	1,230,685	29,982,088	6,314,943	(175,000)	57,873,090
2013	17,691,314	2,526,770	1,589,133	1,324,735	32,153,405	6,504,392	(175,000)	61,614,749
2014	18,394,248	2,630,654	1,656,025	1,379,094	33,443,422	6,768,390	(100,000)	64,171,833
2015	19,106,713	2,709,574	1,813,894	1,420,467	34,446,724	7,359,122	(100,000)	66,756,494
2016	19,679,915	2,790,861	1,868,311	1,463,081	35,480,126	7,579,896	(100,000)	68,762,189
2017	20,270,312	2,874,587	1,924,360	1,506,973	36,544,530	7,807,293	(100,000)	70,828,055
2018	20,878,421	2,960,824	1,982,091	1,552,182	37,640,866	8,041,511	(100,000)	72,955,896
2019	21,504,774	3,049,649	2,041,554	1,598,748	38,770,092	8,282,757	(100,000)	75,147,574
2020	22,149,917	3,141,138	1,401,867	1,646,710	39,933,194	8,531,239	(100,000)	76,704,067
2021	22,814,415	3,235,373	1,443,923	1,696,112	41,131,190	8,787,177	(60,000)	79,048,189
2022	23,498,847	3,332,434	1,487,241	1,746,995	42,365,126	9,050,792	(60,000)	81,421,435
2023	24,203,813	3,432,407	1,531,858	1,799,405	43,636,080	9,322,316	(60,000)	83,865,878
2024	24,929,927	3,535,379	1,577,814	1,853,387	44,945,162	9,601,985	(60,000)	86,383,654
2025	25,677,825	3,641,440	1,625,148	1,908,989	46,293,517	9,890,045	(60,000)	88,976,964
2026	26,448,160	3,750,684	1,673,903	1,966,258	47,682,323	10,186,746	(60,000)	91,648,072
2027	27,241,604	3,863,204	1,724,120	2,025,246	49,112,792	10,492,348	(60,000)	94,399,314
2028	28,058,853	3,979,100	1,775,843	2,086,003	50,586,176	10,807,119	(60,000)	97,233,094
TOTAL	\$ 448,117,286	\$ 63,795,714	\$ 34,931,110	\$ 33,452,496	\$ 812,660,225	\$ 166,416,597	(3,805,000)	\$ 1,556,093,430

- (1) City of Pearland receives Administration Fees over the life of the Zone based on fees of 0% years 1-3; 36% years 4-8; and 64% years 9-30.
- (2) Brazoria County Zone participation of 38% for the life of the Zone.
- (3) Ft Bend County Zone participation at 100% years 1-10; 75% years 11-20; and 50% years 21-30.
- (4) Brazoria Drainage District Number 4 participation at 50% for the life of the Zone.
- (5) Alvin ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.
- (6) Ft. Bend ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.

Assumes 90% collection rate.

The takedown schedule is based on market study. Any changes in the takedown over the course of the Zone will not require a Plan amendment.

The tax rates above are 1998 tax rates, which may change from year to year.

EXHIBIT H
PROJECTED NET REVENUE AVAILABLE TO FUND NON-EDUCATIONAL TIRZ IMPROVEMENTS
ASSUMING NO APPRECIATION

YEAR	PEARLAND (1) INCREMENTAL REV @ \$0.695	BRAZORIA (2) INCREMENTAL REV @ \$0.3575	FT BEND (3) INCREMENTAL REV @ \$0.6241	DRAINAGE (4) INCREMENTAL REV @ \$0.14143	ALVIN ISD (5) INCREMENTAL REV @ \$1.5743	FT.BEND ISD (6) INCREMENTAL REV @ \$1.6773	TOTAL TIRZ REVENUE	TIRZ ADMIN EXPENSE	NET TIRZ REVENUE
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	0	0	0	0	0	0	0	(175,000)	0
2000	0	0	0	0	0	0	0	(175,000)	0
2001	0	0	0	0	0	0	0	(175,000)	0
2002	212,545	32,847	0	17,375	109,839	0	372,606	(175,000)	197,606
2003	715,944	183,622	0	96,730	596,730	0	1,593,026	(175,000)	1,418,026
2004	1,401,408	358,455	20,656	188,706	1,156,497	16,248	3,141,971	(175,000)	2,966,971
2005	2,153,211	524,001	172,917	275,801	1,687,633	125,159	4,938,723	(175,000)	4,763,723
2006	2,924,605	667,949	453,408	351,491	2,142,428	333,984	6,873,864	(175,000)	6,698,864
2007	3,691,380	801,252	777,278	421,524	2,560,939	577,432	8,829,804	(175,000)	8,654,804
2008	2,584,795	979,629	885,302	515,187	3,130,626	660,320	8,755,858	(175,000)	8,580,858
2009	3,149,143	1,235,185	942,856	649,093	3,921,695	703,594	10,601,567	(175,000)	10,426,567
2010	3,559,826	1,408,678	750,308	740,267	4,476,119	746,868	11,682,066	(175,000)	11,507,066
2011	3,963,505	1,563,376	848,484	821,536	4,965,795	848,530	13,011,226	(175,000)	12,836,226
2012	4,265,506	1,636,754	1,077,648	859,833	5,182,671	1,085,691	14,108,102	(175,000)	13,933,102
2013	4,403,496	1,710,267	1,077,648	898,100	5,395,649	1,085,691	14,570,851	(175,000)	14,395,851
2014	4,445,265	1,728,832	1,090,353	907,763	5,449,434	1,097,073	14,718,720	(100,000)	14,618,720
2015	4,483,096	1,728,832	1,159,795	907,763	5,449,434	1,159,282	14,888,202	(100,000)	14,788,202
2016	4,483,096	1,728,832	1,159,795	907,763	5,449,434	1,159,282	14,888,202	(100,000)	14,788,202
2017	4,483,096	1,728,832	1,159,795	907,763	5,449,434	1,159,282	14,888,202	(100,000)	14,788,202
2018	4,483,096	1,728,832	1,159,795	907,763	5,449,434	1,159,282	14,888,202	(100,000)	14,788,202
2019	4,483,096	1,728,832	1,159,795	907,763	5,449,434	1,159,282	14,888,202	(100,000)	14,788,202
2020	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(100,000)	14,401,603
2021	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2022	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2023	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2024	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2025	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2026	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2027	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
2028	4,483,096	1,728,832	773,197	907,763	5,449,434	1,159,282	14,501,603	(60,000)	14,441,603
TOTAL	\$ 100,283,969	\$ 37,034,495	\$ 20,854,603	\$ 19,452,096	\$ 117,068,123	\$ 23,510,538	\$ 318,153,826	\$ (9,805,000)	\$ 314,873,826

- (1) City of Pearland - Participation in years 1-3 100% \$0.695; participation in years 4-8 64% (\$0.44); participation years 9-30 36% (\$0.255).
(2) Brazoria County Zone participation at 38% for the life of the Zone.
(3) Ft Bend County Zone participation 100% (\$0.6241) Years 1-10; 75% (\$0.468075) participation Years 11-20 and 50% (\$0.31205) participation years 21-2018
(4) Brazoria Drainage District Number 4 participation at 50% (\$0.070715) for the life of the Zone.
(5) Alvin ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.
(6) Ft. Bend ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.
(7) Assumes Incremental Revenue net of three years TIRZ Administration expense.

Assumes 90% collection rate

The takedown schedule is based on market study. Any changes in the takedown over the course of the Zone will not require a Plan amendment.

The tax rates above are 1998 tax rates, which may change from year to year.

EXH
PROJECTED NET REVENUE AVAILABLE TO FUND NON-EDUCATIONAL TIRZ IMPROVEMENTS
ASSUMING 3% APPRECIATION

YEAR	PEARLAND (1) INCREMENTAL REV @ \$0.695	BRAZORIA (2) INCREMENTAL REV @ \$0.3575	FT BEND (3) INCREMENTAL REV @ \$0.6241	DRAINAGE (4) INCREMENTAL REV @ \$0.14143	ALVIN ISD (5) INCREMENTAL REV @ \$1.5743	FT.BEND ISD (6) INCREMENTAL REV @ \$1.6773	TOTAL TIRZ REVENUE	TIRZ ADMIN EXPENSE	NET TIRZ REVENUE
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	0	0	0	0	0	0	0	(175,000)	0
2000	0	0	0	0	0	0	0	(175,000)	0
2001	0	0	0	0	0	0	0	(175,000)	0
2002	225,544	34,879	0	18,433	117,201	0	396,057	(175,000)	221,057
2003	785,006	201,600	0	106,097	658,189	0	1,750,891	(175,000)	1,575,891
2004	1,583,494	405,640	23,300	213,311	1,315,651	18,468	3,559,864	(175,000)	3,384,864
2005	2,506,118	611,016	200,654	321,203	1,979,637	145,964	5,764,593	(175,000)	5,589,593
2006	3,506,132	802,552	542,162	421,759	2,590,973	401,888	8,265,467	(175,000)	8,090,467
2007	4,558,273	991,933	957,725	521,102	3,192,426	717,011	10,938,469	(175,000)	10,763,469
2008	3,287,703	1,249,174	1,124,072	655,961	4,021,705	846,262	11,184,877	(175,000)	11,009,877
2009	4,121,272	1,619,655	1,233,460	849,860	5,182,442	930,135	13,936,824	(175,000)	13,761,824
2010	4,799,018	1,902,914	1,011,342	998,375	6,097,594	1,018,479	15,827,722	(175,000)	15,652,722
2011	5,504,052	2,175,654	1,178,463	1,141,325	6,972,535	1,193,925	18,165,953	(175,000)	17,990,953
2012	6,101,987	2,346,620	1,542,848	1,230,685	7,495,522	1,578,736	20,296,398	(175,000)	20,121,398
2013	6,491,058	2,526,770	1,589,133	1,324,735	8,038,351	1,626,098	21,596,145	(175,000)	21,421,145
2014	6,748,969	2,630,654	1,656,025	1,379,094	8,360,855	1,692,097	22,467,694	(100,000)	22,367,694
2015	7,010,377	2,709,574	1,813,894	1,420,467	8,611,681	1,839,781	23,405,773	(100,000)	23,305,773
2016	7,220,688	2,790,861	1,868,311	1,463,081	8,870,032	1,894,974	24,107,946	(100,000)	24,007,946
2017	7,437,309	2,874,587	1,924,360	1,506,973	9,136,132	1,951,823	24,831,184	(100,000)	24,731,184
2018	7,660,428	2,960,824	1,982,091	1,552,182	9,410,216	2,010,378	25,576,120	(100,000)	25,476,120
2019	7,890,241	3,049,649	2,041,554	1,598,748	9,692,523	2,070,689	26,343,404	(100,000)	26,243,404
2020	8,126,948	3,141,138	1,401,867	1,646,710	9,983,299	2,132,810	26,432,772	(100,000)	26,332,772
2021	8,370,757	3,235,373	1,443,923	1,696,112	10,282,798	2,196,794	27,225,755	(60,000)	27,165,755
2022	8,621,879	3,332,434	1,487,241	1,746,995	10,591,281	2,262,698	28,042,528	(60,000)	27,982,528
2023	8,880,536	3,432,407	1,531,858	1,799,405	10,909,020	2,330,579	28,883,804	(60,000)	28,823,804
2024	9,146,952	3,535,379	1,577,814	1,853,387	11,236,291	2,400,496	29,750,318	(60,000)	29,690,318
2025	9,421,360	3,641,440	1,625,148	1,908,989	11,573,379	2,472,511	30,642,827	(60,000)	30,582,827
2026	9,704,001	3,750,684	1,673,903	1,966,258	11,920,581	2,546,687	31,562,113	(60,000)	31,502,113
2027	9,995,121	3,863,204	1,724,120	2,025,246	12,278,198	2,623,087	32,508,976	(60,000)	32,448,976
2028	10,294,975	3,979,100	1,775,843	2,086,003	12,646,544	2,701,780	33,484,245	(60,000)	33,424,245
TOTAL	\$ 170,000,195	\$ 63,795,714	\$ 34,931,110	\$ 33,452,498	\$ 203,165,056	\$ 41,604,149	\$ 546,948,723	\$ (3,805,000)	\$ 543,668,723

- (1) City of Pearland - Participation in years 1-3 100% \$0.695; participation in years 4-8 64% (\$0.44); participation years 9-30 36% (\$0.255).
(2) Brazoria County Zone participation at 38% for the life of the Zone.
(3) Ft Bend County Zone participation 100% (\$0.6241) Years 1-10; 75% (\$0.468075) participation Years 11-20 and 50% (\$0.31205) participation years 21-2018
(4) Brazoria Drainage District Number 4 participation at 50% (\$0.070715) for the life of the Zone.
(5) Alvin ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.
(6) Ft. Bend ISD Zone participation at 100% for the life of the Zone, with 25% for non-educational facilities and 75% for educational facilities.
Assumes Incremental Revenue net of three years TIRZ Administration expense.

Assumes 90% collection rate

The takedown schedule is based on market study. Any changes in the takedown over the course of the Zone will not require a Plan amendment.

The tax rates above are 1998 tax rates, which may change from year to year.

G. *Current Appraised Value* §311.011(c)(7)

The base year of the Zone is 1998. The total base year certified value of the Zone within the City of Pearland is \$ 7,172,980.

H. *Estimated Captured Appraised Value* §311.011(c)(8)

The estimated Captured Appraised Value of the Zone in each of the 30 years is attached as **Exhibit I**. The actual Captured Appraised Value of the Zone for each of the 30 years will be as defined in §311.

I. *Duration of the Zone* §311.011(c)(9)

The Zone will exist for a period of 30 years; however, at such time as the financial and contractual obligations of the Zone are complete, fulfilled, or assumed by the City, the Zone may be terminated by the City. The City and the TIRZ Board will use their best efforts to provide for the payment of all Project Costs, TIRZ Bonds, and interest thereon, in order to minimize the life of the Zone. At the termination of the Zone, any residual funds from Incremental Revenues will be returned to the participating jurisdictions on a pro rata basis according to their levels of participation.

EXHIBIT I
ESTIMATED CAPTURED APPRAISED VALUE BY JURISDICTION
ASSUMING NO APPRECIATION

TAX YEAR	CITY TAXABLE VALUE	CITY CAPTURED APPRAISED VALUE	TAX YEAR	BRAZORIA TAXABLE VALUE	BRAZORIA CAPTURED APPRAISED VALUE	TAX YEAR	FT BEND TAXABLE VALUE	FT BEND CAPTURED APPRAISED VALUE	TAX YEAR	DRAINAGE TAXABLE VALUE	DRAINAGE CAPTURED APPRAISED VALUE	TAX YEAR	ALVIN ISD TAXABLE VALUE	ALVIN ISD CAPTURED APPRAISED VALUE	TAX YEAR	FT.BEND ISD TAXABLE VALUE	ALVIN ISD CAPTURED APPRAISED VALUE
1998	\$ 7,172,980	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 3,029,820	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 3,029,820	BASE YEAR
1999	7,172,980	0	1999	4,143,160	0	1999	3,029,820	0	1999	4,143,160	0	1999	4,143,160	0	1999	3,029,820	0
2000	7,172,980	0	2000	4,143,160	0	2000	3,029,820	0	2000	4,143,160	0	2000	4,143,160	0	2000	3,029,820	0
2001	41,153,030	33,980,050	2001	31,008,310	26,865,160	2001	3,029,820	0	2001	31,443,160	27,300,000	2001	35,152,200	31,009,040	2001	3,029,820	0
2002	187,986,938	180,793,958	2002	194,326,533	150,183,373	2002	3,029,820	0	2002	156,131,160	151,998,000	2002	172,607,428	169,464,266	2002	3,029,820	0
2003	361,063,994	353,891,014	2003	297,322,056	293,178,898	2003	6,707,345	3,877,525	2003	300,648,680	296,506,500	2003	330,636,566	326,493,406	2003	7,335,073	4,305,253
2004	550,913,255	543,740,275	2004	432,721,507	428,578,347	2004	33,815,024	30,785,204	2004	437,496,160	433,353,000	2004	480,582,919	476,439,759	2004	36,193,870	33,164,050
2005	745,709,617	738,536,637	2005	550,455,344	546,312,184	2005	83,751,924	80,722,104	2005	556,423,660	552,280,500	2005	608,977,109	604,833,949	2005	81,527,590	88,497,770
2006	939,339,803	932,166,623	2006	659,483,818	655,340,658	2006	141,411,803	138,381,983	2006	666,463,160	662,320,000	2006	727,128,002	722,984,842	2006	156,035,408	153,005,588
2007	1,133,445,170	1,126,272,190	2007	805,377,033	801,233,873	2007	160,643,781	157,813,961	2007	813,832,680	809,489,500	2007	887,957,659	883,814,499	2007	177,998,806	174,968,986
2008	1,379,348,607	1,372,175,627	2008	1,014,395,884	1,010,252,724	2008	179,890,396	167,880,576	2008	1,024,032,160	1,019,889,000	2008	1,111,286,486	1,107,143,326	2008	189,465,468	186,435,648
2009	1,558,285,292	1,551,122,312	2009	1,156,294,978	1,152,151,818	2009	181,137,011	178,107,191	2009	1,167,280,160	1,163,147,000	2009	1,267,807,111	1,263,663,951	2009	200,932,129	197,902,309
2010	1,734,190,348	1,727,017,368	2010	1,282,821,406	1,278,678,246	2010	204,441,989	201,412,179	2010	1,284,984,160	1,290,841,000	2010	1,406,048,759	1,401,905,599	2010	227,870,128	224,840,308
2011	1,865,781,102	1,858,608,122	2011	1,342,836,885	1,338,693,525	2011	258,840,641	255,810,821	2011	1,355,158,160	1,351,015,000	2011	1,467,275,433	1,463,132,273	2011	290,711,992	287,682,172
2012	1,925,907,602	1,918,734,622	2012	1,402,963,185	1,398,820,025	2012	258,840,641	255,810,821	2012	1,415,284,660	1,411,141,500	2012	1,527,401,933	1,523,258,773	2012	290,711,992	287,682,172
2013	1,944,107,602	1,936,934,622	2013	1,418,147,185	1,414,004,025	2013	261,858,641	258,826,821	2013	1,430,468,660	1,426,325,500	2013	1,542,585,933	1,538,442,773	2013	293,727,992	290,698,172
2014	1,960,591,602	1,953,418,622	2014	1,418,147,185	1,414,004,025	2014	278,340,641	275,310,821	2014	1,430,468,660	1,426,325,500	2014	1,542,585,933	1,538,442,773	2014	310,211,992	307,182,172
2015	1,980,591,602	1,953,418,622	2015	1,418,147,185	1,414,004,025	2015	278,340,641	275,310,821	2015	1,430,468,660	1,426,325,500	2015	1,542,585,933	1,538,442,773	2015	310,211,992	307,182,172
2016	1,980,591,602	1,953,418,622	2016	1,418,147,185	1,414,004,025	2016	278,340,641	275,310,821	2016	1,430,468,660	1,426,325,500	2016	1,542,585,933	1,538,442,773	2016	310,211,992	307,182,172
2017	1,980,591,602	1,953,418,622	2017	1,418,147,185	1,414,004,025	2017	278,340,641	275,310,821	2017	1,430,468,660	1,426,325,500	2017	1,542,585,933	1,538,442,773	2017	310,211,992	307,182,172
2018	1,980,591,602	1,953,418,622	2018	1,418,147,185	1,414,004,025	2018	278,340,641	275,310,821	2018	1,430,468,660	1,426,325,500	2018	1,542,585,933	1,538,442,773	2018	310,211,992	307,182,172
2019	1,980,591,602	1,953,418,622	2019	1,418,147,185	1,414,004,025	2019	278,340,641	275,310,821	2019	1,430,468,660	1,426,325,500	2019	1,542,585,933	1,538,442,773	2019	310,211,992	307,182,172
2020	1,980,591,602	1,953,418,622	2020	1,418,147,185	1,414,004,025	2020	278,340,641	275,310,821	2020	1,430,468,660	1,426,325,500	2020	1,542,585,933	1,538,442,773	2020	310,211,992	307,182,172
2021	1,980,591,602	1,953,418,622	2021	1,418,147,185	1,414,004,025	2021	278,340,641	275,310,821	2021	1,430,468,660	1,426,325,500	2021	1,542,585,933	1,538,442,773	2021	310,211,992	307,182,172
2022	1,980,591,602	1,953,418,622	2022	1,418,147,185	1,414,004,025	2022	278,340,641	275,310,821	2022	1,430,468,660	1,426,325,500	2022	1,542,585,933	1,538,442,773	2022	310,211,992	307,182,172
2023	1,980,591,602	1,953,418,622	2023	1,418,147,185	1,414,004,025	2023	278,340,641	275,310,821	2023	1,430,468,660	1,426,325,500	2023	1,542,585,933	1,538,442,773	2023	310,211,992	307,182,172
2024	1,980,591,602	1,953,418,622	2024	1,418,147,185	1,414,004,025	2024	278,340,641	275,310,821	2024	1,430,468,660	1,426,325,500	2024	1,542,585,933	1,538,442,773	2024	310,211,992	307,182,172
2025	1,980,591,602	1,953,418,622	2025	1,418,147,185	1,414,004,025	2025	278,340,641	275,310,821	2025	1,430,468,660	1,426,325,500	2025	1,542,585,933	1,538,442,773	2025	310,211,992	307,182,172
2026	1,980,591,602	1,953,418,622	2026	1,418,147,185	1,414,004,025	2026	278,340,641	275,310,821	2026	1,430,468,660	1,426,325,500	2026	1,542,585,933	1,538,442,773	2026	310,211,992	307,182,172
2027	1,980,591,602	1,953,418,622	2027	1,418,147,185	1,414,004,025	2027	278,340,641	275,310,821	2027	1,430,468,660	1,426,325,500	2027	1,542,585,933	1,538,442,773	2027	310,211,992	307,182,172
2028	1,980,591,602	1,953,418,622	2028	1,418,147,185	1,414,004,025	2028	278,340,641	275,310,821	2028	1,430,468,660	1,426,325,500	2028	1,542,585,933	1,538,442,773	2028	310,211,992	307,182,172
TOTAL	\$1,980,591,602	\$ 1,953,418,622	TOTAL	\$1,418,147,185	\$ 1,414,004,025	TOTAL	\$ 278,340,641	\$ 275,310,821	TOTAL	\$ 1,430,468,660	\$ 1,426,325,500	TOTAL	\$ 1,542,585,933	\$ 1,538,442,773	TOTAL	\$ 310,211,992	\$ 307,182,172
PER ACRE	\$ 580,433	\$ 588,273	PER ACRE	\$ 536,080	\$ 534,614	PER ACRE	\$ 441,811	\$ 437,001	PER ACRE	\$ 540,738	\$ 539,172	PER ACRE	\$ 464,550	\$ 463,303	PER ACRE	\$ 492,400	\$ 487,591

EXHIBIT I
ESTIMATED CAPTURED APPRAISED VALUE BY JURISDICTION
ASSUMING 3% APPRECIATION

TAX YEAR	CITY TAXABLE VALUE	CITY CAPTURED APPRAISED VALUE	TAX YEAR	BRAZORIA TAXABLE VALUE	BRAZORIA CAPTURED APPRAISED VALUE	TAX YEAR	FT BEND TAXABLE VALUE	FT BEND CAPTURED APPRAISED VALUE	TAX YEAR	DRAINAGE TAXABLE VALUE	DRAINAGE CAPTURED APPRAISED VALUE	TAX YEAR	ALVIN ISD TAXABLE VALUE	ALVIN ISD CAPTURED APPRAISED VALUE	TAX YEAR	FT.BEND ISD TAXABLE VALUE	FT.BEND ISD CAPTURED APPRAISED VALUE
1998	\$ 7,172,980	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 3,029,820	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 4,143,160	BASE YEAR	1998	\$ 3,029,820	BASE YEAR
1999	7,172,980	0	1999	4,143,160	0	1999	3,029,820	0	1999	4,143,160	0	1999	4,143,160	0	1999	3,029,820	0
2000	7,172,980	0	2000	4,143,160	0	2000	3,029,820	0	2000	4,143,160	0	2000	4,143,160	0	2000	3,029,820	0
2001	43,231,243	36,058,263	2001	32,670,880	28,527,720	2001	3,029,820	0	2001	33,105,730	28,962,570	2001	37,230,413	33,087,253	2001	3,029,820	0
2002	205,406,722	198,235,742	2002	169,030,751	164,887,591	2002	3,029,820	0	2002	170,848,424	166,705,264	2002	189,958,081	185,814,921	2002	3,029,820	0
2003	407,045,181	399,872,201	2003	335,914,360	331,771,200	2003	7,178,003	4,148,183	2003	339,308,538	335,165,378	2003	375,567,735	371,424,575	2003	7,923,395	4,893,575
2004	640,030,974	632,857,994	2004	503,890,537	499,747,377	2004	38,753,124	35,723,304	2004	508,834,591	504,691,431	2004	563,019,377	558,876,217	2004	41,706,815	38,676,995
2005	892,559,887	885,386,907	2005	660,547,103	656,403,943	2005	96,553,243	96,523,423	2005	666,833,142	662,689,982	2005	735,606,984	731,463,824	2005	109,520,526	106,490,706
2006	1,158,251,920	1,151,078,940	2006	815,440,619	811,297,459	2006	173,537,548	170,507,728	2006	822,926,265	818,783,105	2006	905,404,658	901,261,498	2006	193,020,639	189,990,819
2007	1,439,723,368	1,432,550,388	2007	1,025,837,227	1,021,694,067	2007	203,152,933	200,123,113	2007	1,034,823,727	1,030,680,567	2007	1,139,520,454	1,135,377,294	2007	227,288,980	224,239,180
2008	1,802,934,330	1,795,761,350	2008	1,328,851,601	1,324,708,441	2008	222,627,742	219,587,922	2008	1,339,488,345	1,335,345,185	2008	1,467,210,987	1,463,067,827	2008	249,483,442	246,463,622
2009	2,098,248,284	2,091,075,304	2009	1,560,528,005	1,556,384,845	2009	243,100,930	240,071,110	2009	1,572,842,758	1,568,699,598	2009	1,725,569,781	1,721,426,621	2009	272,902,306	269,872,486
2010	2,405,452,534	2,398,279,654	2010	1,783,500,642	1,779,457,482	2010	282,772,029	279,742,209	2010	1,797,452,409	1,793,309,249	2010	1,972,576,290	1,968,433,130	2010	319,391,452	316,361,632
2011	2,665,990,900	2,658,817,920	2011	1,923,433,394	1,919,290,234	2011	369,269,303	366,239,483	2011	1,937,859,435	1,933,716,275	2011	2,120,222,123	2,116,078,963	2011	421,357,123	418,327,303
2012	2,835,520,487	2,828,347,507	2012	2,070,777,151	2,066,633,991	2012	380,256,488	377,226,668	2012	2,085,635,973	2,081,492,813	2012	2,273,469,541	2,269,326,381	2012	433,906,942	430,877,122
2013	2,947,900,045	2,940,727,065	2013	2,155,743,333	2,151,600,173	2013	396,135,258	393,105,438	2013	2,171,047,920	2,166,904,760	2013	2,364,516,495	2,360,373,335	2013	451,395,226	448,365,406
2014	3,061,803,392	3,054,630,412	2014	2,220,291,338	2,216,148,178	2014	433,609,956	430,580,136	2014	2,236,055,063	2,231,911,903	2014	2,435,327,695	2,431,184,535	2014	490,527,723	487,497,903
2015	3,153,442,305	3,146,269,325	2015	2,286,775,784	2,282,632,624	2015	446,527,360	443,497,540	2015	2,303,012,420	2,298,869,260	2015	2,508,263,231	2,504,120,071	2015	505,152,650	502,122,840
2016	3,247,830,384	3,240,657,404	2016	2,355,254,763	2,351,111,603	2016	459,832,287	456,802,467	2016	2,371,878,498	2,367,735,338	2016	2,583,396,833	2,579,249,673	2016	520,216,346	517,186,526
2017	3,345,050,107	3,337,877,127	2017	2,425,788,111	2,421,644,951	2017	473,536,361	470,506,541	2017	2,443,013,558	2,438,870,398	2017	2,660,764,144	2,656,620,984	2017	535,731,841	532,702,121
2018	3,445,186,420	3,438,013,440	2018	2,498,427,459	2,494,294,299	2018	487,651,557	484,621,737	2018	2,516,179,870	2,512,036,510	2018	2,740,462,773	2,736,319,613	2018	551,713,005	548,683,185
2019	3,548,328,524	3,541,153,844	2019	2,573,266,288	2,569,123,128	2019	502,180,209	499,160,389	2019	2,591,540,765	2,587,397,605	2019	2,822,552,362	2,818,409,202	2019	568,173,501	565,143,681
2020	3,654,561,439	3,647,386,459	2020	2,650,339,982	2,646,196,822	2020	517,165,021	514,135,201	2020	2,669,162,693	2,665,019,533	2020	2,907,104,638	2,902,961,478	2020	585,127,811	582,097,991
2021	3,763,983,993	3,756,810,113	2021	2,729,725,887	2,725,582,727	2021	532,569,077	529,559,257	2021	2,749,113,279	2,744,970,119	2021	2,984,193,482	2,980,050,322	2021	602,580,751	599,560,931
2022	3,876,687,396	3,869,514,416	2022	2,811,493,368	2,807,350,208	2022	548,475,854	545,446,034	2022	2,831,462,383	2,827,319,223	2022	3,083,894,992	3,079,751,832	2022	620,577,579	617,547,759
2023	3,992,772,828	3,985,599,848	2023	2,895,713,875	2,891,570,715	2023	564,839,235	561,809,415	2023	2,916,281,960	2,912,138,800	2023	3,176,287,547	3,172,144,387	2023	639,104,011	636,074,191
2024	4,112,340,624	4,105,167,844	2024	2,982,460,996	2,978,317,836	2024	581,693,518	578,663,698	2024	3,003,646,124	2,999,502,964	2024	3,271,451,878	3,267,308,718	2024	658,186,237	655,156,417
2025	4,235,495,859	4,228,322,879	2025	3,071,810,531	3,067,667,371	2025	599,053,429	596,023,609	2025	3,093,631,212	3,089,488,052	2025	3,369,471,140	3,365,327,980	2025	677,840,930	674,811,110
2026	4,362,345,546	4,355,172,566	2026	3,163,840,552	3,159,697,392	2026	616,934,137	613,904,317	2026	3,186,315,854	3,182,172,694	2026	3,470,430,979	3,466,287,819	2026	698,085,263	695,055,443
2027	4,493,000,723	4,485,827,743	2027	3,258,631,474	3,254,488,314	2027	635,351,267	632,321,447	2027	3,281,781,035	3,277,637,875	2027	3,574,419,814	3,570,276,654	2027	718,936,928	715,907,106
2028	4,627,575,555	4,620,402,575	2028	3,356,266,123	3,352,122,963	2028	654,320,910	651,291,090	2028	3,380,110,171	3,375,967,011	2028	3,681,527,907	3,677,384,747	2028	740,414,140	737,384,320
TOTAL	\$4,627,575,555	\$ 4,620,402,575	TOTAL	\$3,356,266,123	3,352,122,963	TOTAL	\$ 654,320,910	\$ 651,291,090	TOTAL	\$3,380,110,171	\$ 3,375,967,011	TOTAL	\$3,681,527,907	\$ 3,677,384,747	TOTAL	\$ 740,414,140	\$ 737,384,320
PER ACRE	\$ 1,393,596	\$ 1,391,436	PER ACRE	\$ 1,268,718	\$ 1,267,152	PER ACRE	\$ 1,038,605	\$ 1,033,795	PER ACRE	\$ 1,277,731	\$ 1,276,165	PER ACRE	\$ 1,108,694	\$ 1,107,448	PER ACRE	\$ 1,175,261	\$ 1,170,451

Appendix A-1

**Single Family Housing Market Demand Study
Prepared by American Metro/Study Corporation**

***SINGLE FAMILY
HOUSING MARKET
DEMAND ANALYSIS***

• • •

Shadow Creek Ranch

Prepared for:

Shadow Creek Ranch Development Co., L.P.

September 17, 1998

American

METRO/STUDY

Corporation

Table of Contents

Shadow Creek Ranch, Market Demand Study

I EXECUTIVE SUMMARY 3

II HOUSTON ECONOMIC OVERVIEW..... 8

A. INTRODUCTION 8

B. ECONOMIC TRENDS..... 9

Job Growth..... 9

Employment Forecast..... 10

III HOUSTON HOUSING MARKET OVERVIEW 11

A. INTRODUCTION 11

B. HOUSING MARKET TRENDS-BACKGROUND 12

Apartment Market Trends 12

Resale Housing Market Trends 14

C. SINGLE FAMILY NEW CONSTRUCTION 16

Interest Rates..... 16

Single Family New Construction..... 17

Vacant Developed Lot Inventory Trends 19

New Home Inventory Trends..... 20

Price Range Distribution of New Home Starts and VDL..... 21

IV. TARGET MARKET AREA ANALYSIS 23

A. INTRODUCTION 23

B. TARGET MARKET AREA 24

Population and Household Count 26

Employment Trends 29

Employment Center Map..... 30

C. TMA NEW SINGLE FAMILY HOUSING MARKET 31

Vacant Developed Lots 33

Lot Delivery and Absorption 35

Price Range Distribution of New Home Starts and VDL..... 37

TMA Demand by Lot Size..... 39

TMA Subdivisions Ranked by Annual New Home Starts 41

Planned Housing Projects, Future Lot Inventory 42

D. SITE LOCATION AND EVALUATION..... 43

Apartment Market Analysis..... 45

Assumptions & Limiting Conditions 50

I. Executive Summary

This study has been prepared exclusively for Shadow Creek Ranch Development Co., L. P. The purpose of this market analysis is to assess the feasibility of a new Master Planned Community located in the City of Pearland, northern Brazoria County. This report is to be included in the creation of a Tax Increment Reinvestment Zone (also referred to as the "Zone"). Metro/Study has evaluated the overall Houston economy, looking particularly at the historical trends in household formation and employment growth to determine the correlation between economic expansion and single family housing demand. Metro/Study also performed an analysis of the demographics of the Target Market Area (TMA) to determine to what extent the population was capable of purchasing homes in the price range of the Zone. An overview of subdivisions located within the TMA boundaries, including historical starts, lot inventories, and demand by price, is also presented. A map of the Target Market Area is located on page 25 of the report.

By analyzing the historical trends and current competitive environment, we have established a forecast for housing starts in Houston and the TMA. The housing market supply of new homes is monitored on a quarterly basis by the Metro/Study single family housing survey, which allows us to accurately determine the size of the Houston market as well as the size and number of competing subdivisions in the TMA.

Shadow Creek Ranch Development Co., L. P. will be developing 3320 acres (yielding approximately 7,000 single-family lots). The Zone's property is located on the West Side of State Highway 288, south of McHard Road in the City of Pearland. Additional development in the community will include approximately 3,934 multi-family units and 1,828 senior and assisted living units. Planned for commercial, industrial and institutional sites have been included in the master design.

Planned amenities include a regional park, recreation centers, pools, lakes, pocket parks and a trail system throughout the community. Plans also include sites for 4 elementary schools, 2 middle schools and 1 high school.

The remainder of this section of the report summarizes the Houston economy and residential housing market, as well as the single-family home market in the Target Market Area. Final conclusions regarding the Zone are included at the end of this section.

Overall Houston Economy and Housing Market

- The Houston economy has recovered from its economic woes experienced in the mid-1980's and added over 550,000 jobs and 300,000 households since 1987.
- The excess supply of apartments and single family homes leftover from the recession in the 1980's has been eliminated.
- The greater Houston area is expected to add between 50,000 and 62,000 new jobs annually through the end of the year 2000.
- Demand for new homes has risen from a low of 6,500 units in 1987 to 21,579 units for the twelve months ending 2Q98.
- Houston is expected to start between 19,000 and 23,000 new homes *per year* over the next three years.

Target Market Area (TMA) Analysis - The TMA consists of communities mostly in northern Brazoria, eastern Fort Bend and northwestern Galveston Counties, located within the boundaries formed by Highway 59 to the west, the Sam Houston Tollway to the north, and Interstate 45 to the east. The southern boundary extends past the City of Alvin (see TMA map on page 25).

- The TMA is characterized by middle income families. The TMA's estimated average household income for 1998 is \$67,401, which is slightly above the Houston average of \$61,231.
- The annual starts rate in the TMA at the end of 2Q98 reached 3,794 units, up 69% from three years ago and the highest rate ever recorded for this area. The TMA's share of the Houston market has not changed from 2Q95 to 2Q98. TMA market share is expected to continue to climb over the next three years as the strong housing market has drawn the attention of other developers and homebuilders who will likely seek land positions in the area. Silverlake, a Johnson Development project, is the premier community in the area with almost 600 starts during the year ending 2Q98, ranking it second among all Houston area communities.
- Currently, the most active housing price range is the \$120,000 to \$150,000 bracket, accounting for 28.6% of 2Q98 annual starts. Overall, the TMA has a higher concentration of housing activity in the \$90,000 to \$180,000 price range than overall Houston. Over 65% of TMA new home starts are priced from \$90,000 to \$180,000 compared to only 59% of Houston area starts.
- The supply of lots is low in most of the price bands, especially for housing in the production builder price ranges, \$70,000 to \$300,000. In the six Metro/Study price bands between \$70,000 and \$300,000, lot supplies range from a mere 12.3 months to 27.6 months (24 to 30 months is considered equilibrium). The TMA could have started more homes had more lots been available in this high-demand range.
- Vacant developed lot inventory in the TMA stood at 4,769 lots at the end of 2Q98, down from 5,893 lots in 2Q95. Actual lot count has been going down in the TMA, similar to market trends for most areas of Houston. The 4,769 lots in inventory represent 15.1 months of supply, which is down from 24.1 months of supply as recently as 1Q97 and 31.5 months of supply in 2Q95. Lot inventory and months of supply figures have both been going

down due to increased lot absorption (starts) rates. Demand for lots in the TMA is very strong, and housing activity will pick up even further if capacity can be expanded with the development of new communities.

Shadow Creek Ranch Review and Projections

- The TMA is a very active suburban housing market that has demonstrated growing consumer demand in recent years. The opening of the South Sam Houston Tollway has increased accessibility to the Pearland area, contributing to its growth. Also, Highway 288 is one of the least congested of the eight main thoroughfares into downtown. The medical center, just southwest of downtown, is also very accessible from most communities in the TMA. The subject property is located near the City of Pearland, whose city facilities have grown along with the new household growth. The City of Pearland is a progressive community committed to growth, further contributing to the subject property's potential for success.
- Shadow Creek Ranch is well positioned within the TMA. Homes in the Zone, projected to have a median price of approximately \$160,000, and an average price of \$270,000, will target a high demand range that has been established in the TMA. Lot absorption in the Zone is expected to range from 550 to 950 units per year in a variety of lot sizes and housing price ranges.
- Based on our evaluation of market conditions in the area, METRO/STUDY believes the Apartment TMA could absorb 200 to 300 apartment units per year over the next five years.
- The property tax rate in the Zone has not yet been firmly established, but it is assumed it will not exceed \$3.60 per \$100 valuation. This tax rate would be similar to that of other successful communities in the TMA; therefore, lot absorption in the Zone should not be adversely affected. Silverlake, with a tax rate of \$3.54, is one of the most successful developments in all of Houston.
- Market support for the Master Planned Community, both the residential and commercial tracts is part of the natural growth of the Highway 288 corridor. Housing growth in Shadow Creek Ranch and the 288 corridor will determine, over time the feasibility and scale of the contemplated commercial uses. METRO/STUDY has not prepared any long range planning to establish when this might occur.

Shadow Creek Ranch Review and Projections

- The TMA is a very active suburban housing market that has demonstrated growing consumer demand in recent years. The opening of the South Sam Houston Tollway has increased accessibility to the Pearland area, contributing to its growth. Also, Highway 288 is one of the least congested of the eight main thoroughfares into downtown. The medical center, just southwest of downtown, is also very accessible from most communities in the TMA. The subject property is located near the City of Pearland, whose city facilities have grown along with the new household growth. The City of Pearland is a progressive community committed to growth, further contributing to the subject property's potential for success.
- Shadow Creek Ranch is well positioned within the TMA. Homes in the Zone, projected to have a median price of approximately \$160,000, and an average price of \$270,000, will target a high demand range that has been established in the TMA. Lot absorption in the Zone is expected to range from 550 to 950 units per year in a variety of lot sizes and housing price ranges.
- Based on our evaluation of market conditions in the area, METRO/STUDY believes the Apartment TMA could absorb 200 to 300 apartment units per year over the next five years.
- The property tax rate in the Zone has not yet been firmly established, but it is not likely to exceed \$3.60 per \$100 valuation. This tax rate would be similar to that of other successful communities in the TMA; therefore, lot absorption in the Zone should not be adversely affected. Silverlake, with a tax rate of \$3.54, is one of the most successful developments in all of Houston.

Based on the current competitive environment, market factors in the TMA, and the established performance of Silverlake, Metro/Study considers the above absorption projections reasonable based on the following assumptions.

1. The lots and/or homes will be priced competitively.
2. Lots will be available to accommodate demand for housing.
3. Amenities such as parks, pools, and recreation centers will be developed, as indicated, early in the construction process in order to draw prospective homebuyers.
4. An appropriate marketing effort will be employed.

II. Houston Economic Overview

A. Introduction

The purpose of the Houston Economic Overview is to:

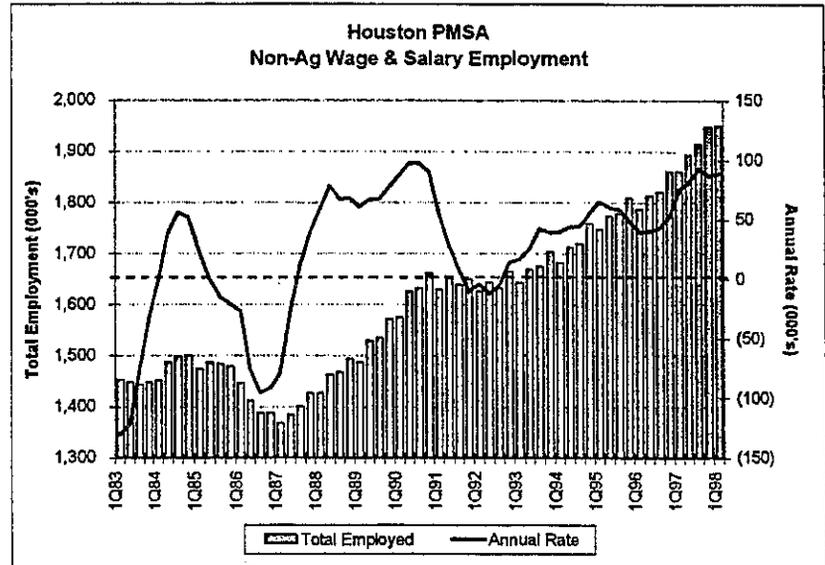
- Give an understanding of the economic forces that affect the housing market in the city of Houston and, the new single family home market.
- Analyze employment levels by studying employment, job growth, and unemployment.
- Study current and future employment trends that indicate growth in, or shrinkage of, the housing market, both single and multi-family.

B. Economic Trends

Job Growth

The Houston area showed tremendous job growth in the late 1980's. Beginning in 1987, the Houston area averaged annual job growth of 68,400 per year through 1990. In 1991, job growth began to slow and, in 1992, as a result of the national recession occurring in that year, the job market actually shrank.

By 1993 and 1994, Houston had returned to a growth mode, which has continued through 1998. Job growth in Houston has once again increased its pace; at the end of March 1998 annual job growth reached 89,000 new jobs. The chart below shows the trend in employment from 1983 to 1998 (first quarter).

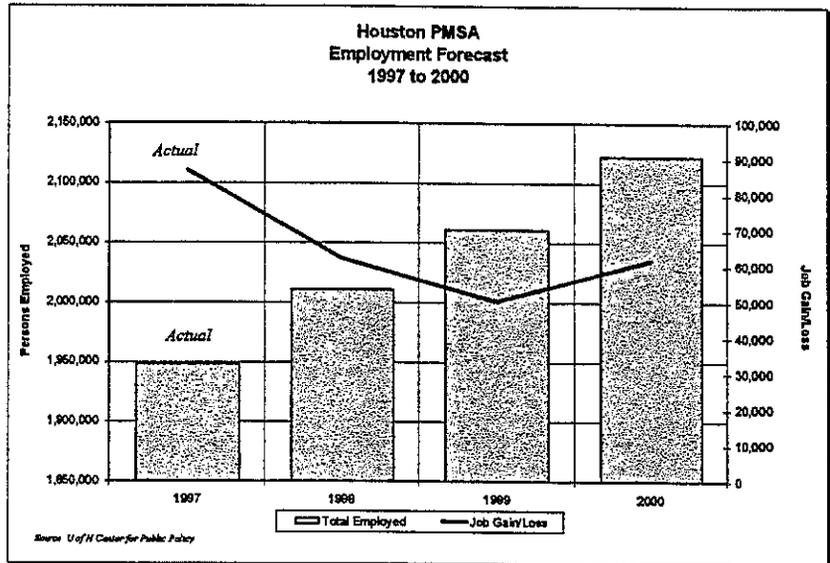


As displayed above, there were more persons employed at the end of 1Q98 than at any other time in Houston's history. The Texas Employment Commission estimates there to be 1,976,600 persons employed in the Houston PMSA as of the end of 1Q98.

Not only is job growth strong, but the Houston labor market is very tight at 5.02% unemployment as of June '98, below the 6.0% unemployment rate as of June '97.

Employment Forecast

The chart below shows the current and projected employment trends from 1997 to 2000. Projected growth in the local economy bodes well for all facets of the housing industry, as new jobs mean new households, which in turn results in absorption of housing units in the area.



Historically, for every one and a half to two new jobs created, a new housing unit, either single or multi-family, is absorbed. Based on the above projections, there will be a total of 174,400 jobs added during the time period from 1998 to 2000. With an average of 1.75 jobs necessary to absorb a housing unit, a total of 99,660 housing units are projected to be absorbed over the time frame mentioned above.

Metro/Study estimates, based upon historical trends in single family and multi-family absorption, that approximately 62% of all unit absorption in the Houston area is new single family housing, equating to a demand for approximately 61,800 new single family units absorbed from 1998 to 2000.

These projections and estimates are used as a basic underlying assumption in forecasting demand in the TMA and for housing units in the subject District. New single family unit projections are found later in this report.

III. Houston Housing Market Overview

A. Introduction

This section will examine:

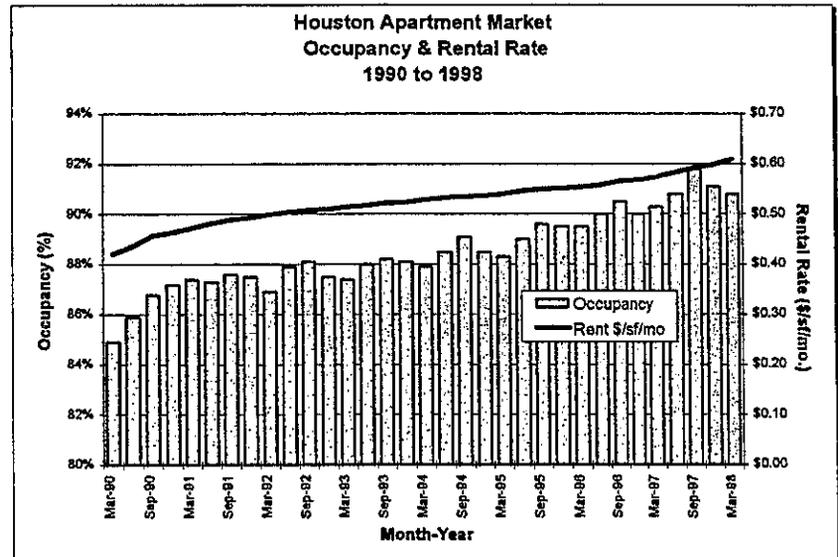
- The current patterns and trends effecting the housing market today.
- Single family re-sales and multi family housing trends for the purpose of better understanding current trends in housing stock and to foresee future patterns in both single and multi family housing markets.
- New home sales and starts against inventory levels in order to estimate the demand for new single family housing in the Houston PMSA.
- Data distributed over various price ranges for a clearer picture of the various demand components.

B. Housing Market Trends-Background

As the housing market in the Houston area becomes more competitive, it becomes even more necessary to keep a close eye on all facets of the housing industry. These major markets will be discussed in the following sections.

Apartment Market Trends

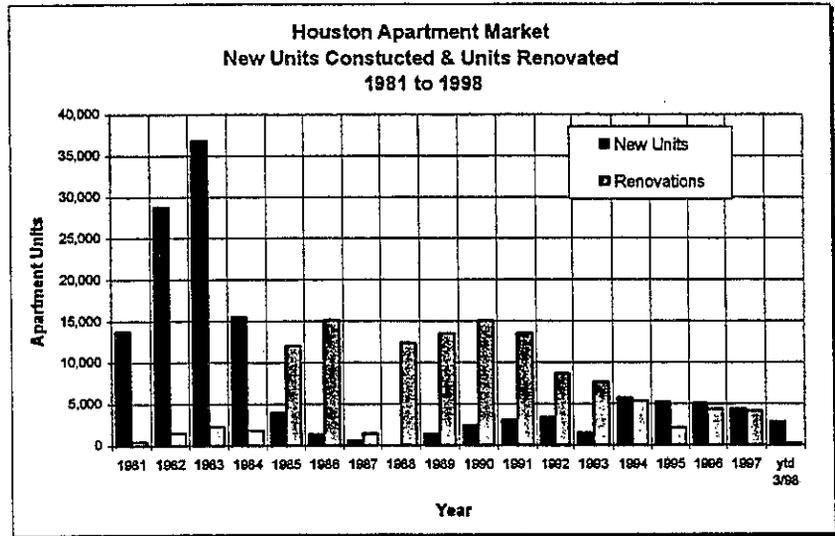
The Houston apartment occupancy continues to grow. From 1990 to 1993, occupancy rose just 0.8%, from 87.5% to 88.3%. More recently however, occupancy has begun to rise at an increased pace. Since June of 1996, Houston has eclipsed the 90% occupancy threshold and maintained this level. Apartment occupancy, as of the first quarter of 1998, stands at 90.8%.



From 1990 to 1993 rental rates increased by just 12.7%, not overly impressive over a three-year time span (4.2% per year). Recently, however, rental rates have inched upward to \$.609 for March 1998, a rise of 6.3% in one year. The forecast is for continued increases in occupancy and rental rates through much of the second half of 1998.

Apartment construction in Houston peaked in the early 1980's with almost 37,000 units constructed in 1983 alone. From 1980 to 1984 there were a total of 109,543 new units built. During the economic downturn experienced in the Houston market in the mid 1980's, new apartment construction came to a halt. In 1988, there were no new units constructed.

During the 1990's, however, construction of apartment units began once again to occur at meaningful levels. Also of note is the number of apartment renovations that have occurred since 1988. The graph below displays the trend in new apartment construction and apartment renovation since 1980 in Houston.



Apartment construction has remained relatively steady over the past four years, ranging from 5,789 new units in 1994 to 4,371 new units in 1997.

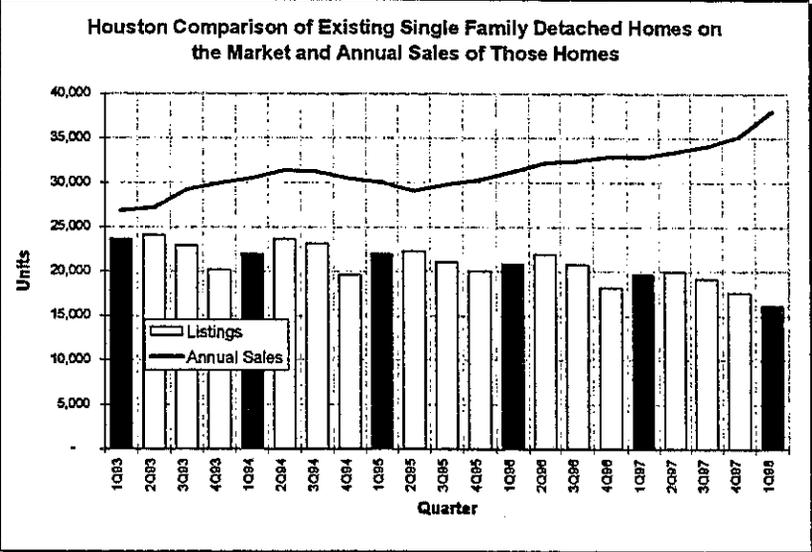
The high occupancy levels and rising rents have stimulated increased interest in new apartment construction. It is estimated that as many as 14,000 new units will come on line in 1998, due to a tight market. This would almost equal the entire production of new apartments constructed over the previous three years *combined*.

Resale Housing Market Trends

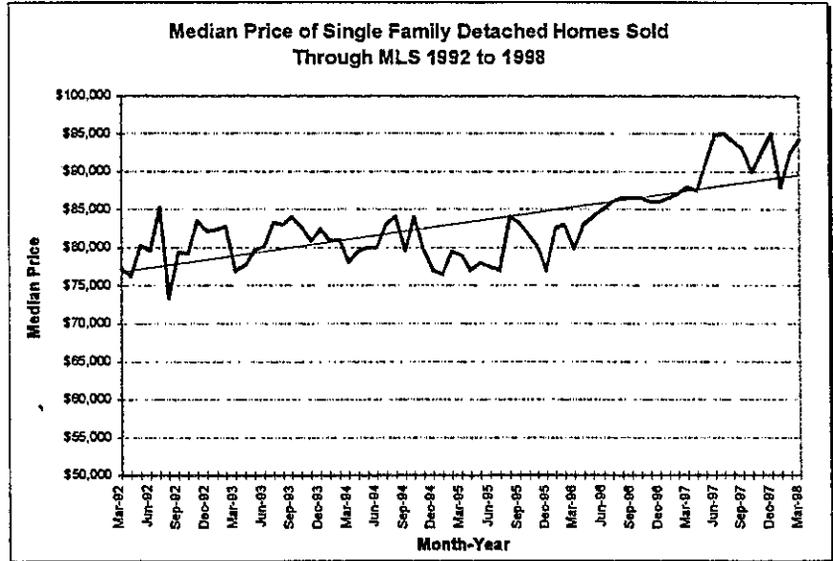
The existing home market has continued its steady improvement that began back in 1987. Since 4Q95 the months of supply calculation of existing home inventory has decreased from 7.9 to only 5.1 at the end of 1Q98, an all-time low. The amount of excess inventory that used to plague the Houston market has been almost completely eradicated.

The number of re-sale homes sold is at record levels; properly priced homes in good neighborhoods are becoming increasingly more difficult to find. It has been a "buyers' market" in Houston for many years, but the resale home market has finally shifted. Negotiating power now lies in favor of sellers over buyers.

The chart below details the available listings and annual sales of existing homes in the greater Houston area. As of first quarter 1998 there were a total of 16,118 homes on the market (a 5.1 month supply), while a total of 38,063 units were sold over the past 12 months.



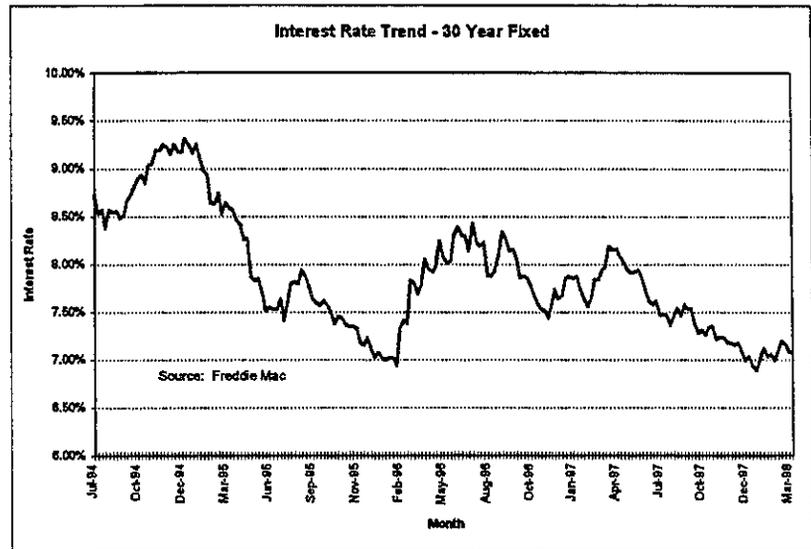
The chart below displays the trend in median price of single family detached housing sold through MLS since March of 1992. The median price reached \$95,000 in July and December of 1997, the highest ever recorded in Houston's MLS. The March 1998 median price, \$94,265, is just below this "high water" mark.



C. Single Family New Construction

Interest Rates

During the most recent upswing in the new home market, the consumer has become very sensitive to the interest rate issue. The chart below shows the trend in interest rates (30 year fixed rate conforming loan, according to Freddie Mac).

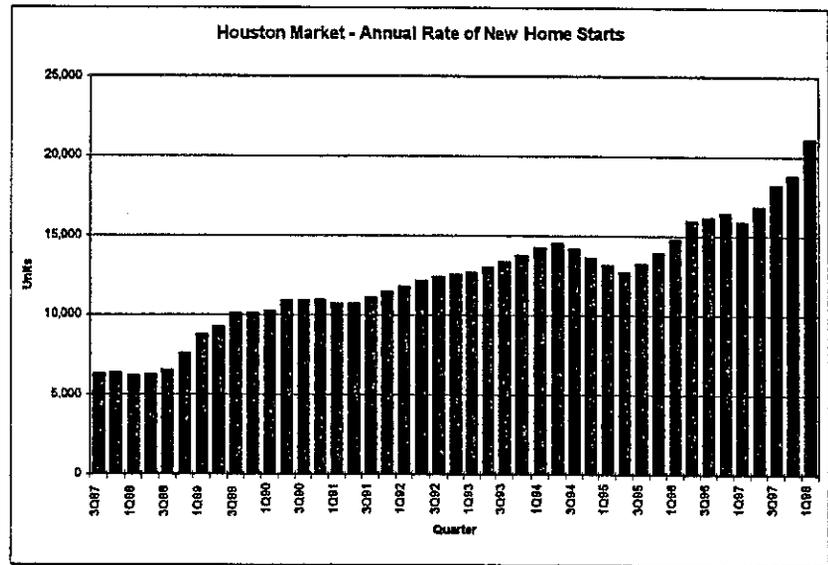


As shown above, interest rates stabilized during the second half of 1996 and actually began to decline. The interest rate as of March 28, 1998 stood at 7.08%, and it has remained below 7.25% throughout the first quarter. Projections foresee the interest rate staying below 8.0% over much of 1998, as inflation remains very well in check. As shown above, interest rates have remained at or below 9.0% since the temporary upswing of interest rates in 1994 that caused a slowdown in Houston housing sales.

Single Family New Construction

Beginning with the upturn in the employment picture in 1987, the new single family housing market began to grow considerably. As a result of this general improvement in market conditions, housing starts increased from the low point experienced in 1987 of 6,375 housing starts to 18,958 by year-end 1997, almost tripling the 1987 total.

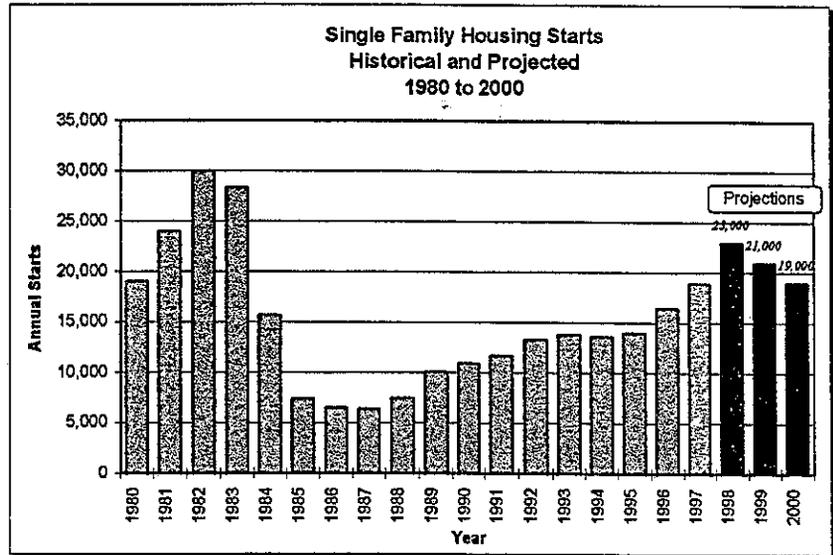
The rate of new home construction in the Houston market expanded steadily from 1987 to mid-1994, reaching 14,518 units (annual rate) by the second quarter of 1994. However, by the end of 1994 the annual rate of new home construction slowed to 13,586 units. This moderate decline in the rate of construction, the first to occur since the recession of 1991, was interest-rate induced and continued through mid 1995. Since that time, with more attractive interest rates and strong job growth, new home starts have increased, as illustrated on the following chart.



For the twelve months ending 1Q98, new home construction in the greater Houston area reached 21,579 units, a hearty increase of 33% from 1Q97.

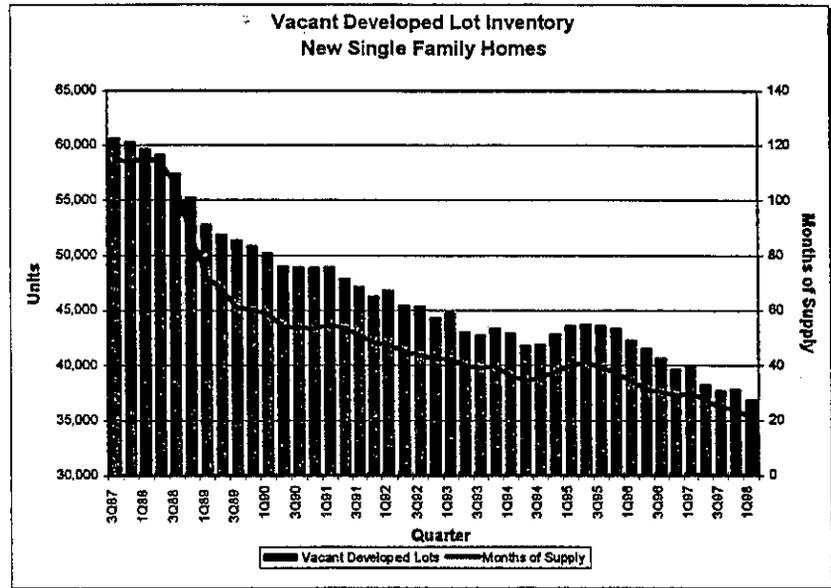
The projections for new home starts are based upon employment forecasts, historical ratios of jobs to household creations, and the ratio of single to multi-family unit absorption, as described earlier in this report. In the latter half of 1995 and through 1996, the Houston new home market once again returned to a growth mode, reaching 16,445 by year-end 1996. There were 18,958 starts in 1997, and Metro/Study

expects the Houston new home market to peak at 23,000 starts in 1998. Starts will probably experience a decline in 1999 and 2000 because of the cyclical nature of both the economy and the housing market in the Houston area.



Vacant Developed Lot Inventory Trends

The following graph illustrates the historical trends in vacant developed lot (VDL) inventory and its corresponding months of supply (based on the rate at which lots were absorbed) for the Houston area since 1987.

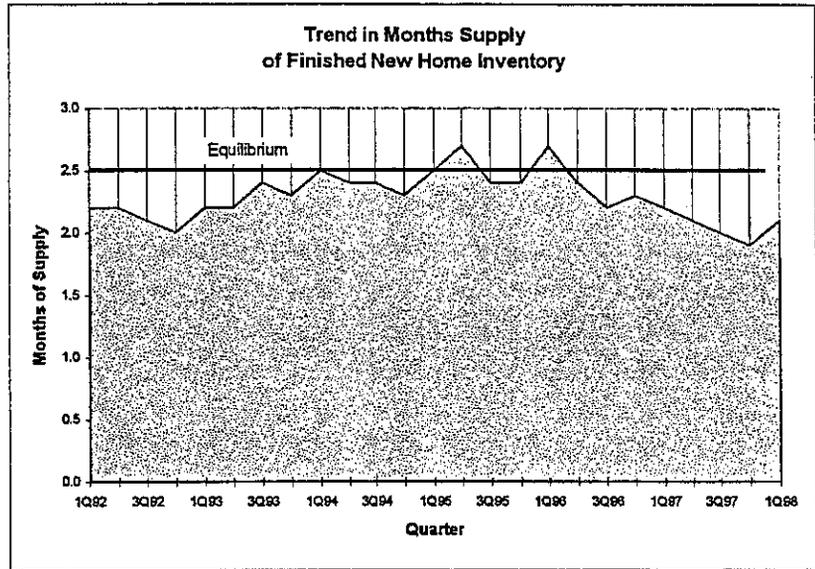


During the mid 1980's the number of vacant developed lots (VDL) increased from approximately 50,000 lots in 1983 to about 68,000 in 1986. At the same time, housing starts (lot absorption) fell drastically from 28,000 to just 7,000. Since that time, the supply and demand levels of subdivision lots have improved greatly. In the fourth quarter of 1986, there existed a 124 month supply of lot inventory. The current supply level of lots in Houston is at 21.0 months, approximately 1/6th of the 1986 level.

The months of supply figure has remained at or below the 60 months of supply level since the fourth quarter of 1989. The equilibrium level of lot supply in Houston has been demonstrated to be approximately 24.0 to 30.0 months, indicating that the Houston market is currently below equilibrium range and is, essentially, "sold out".

New Home Inventory Trends

From 1985 to 1987 the excess supply of new home inventory in Houston was sold off. American METRO/STUDY Corporation has considered the equilibrium level of new home inventory to be around two and a half months of supply. The graph below displays the trend in new home inventory supply since 1992.



The level of new home inventory has remained below two and a half months since 1988, with the exception of 2Q95 and 1Q96. Since the first quarter of 1996, the level of finished inventory supply has dropped off.

By the end of the first quarter of 1998, the months supply of vacant homes has dropped to 2.1 months. In the second half of 1997 it has been generally conceded that home inventory (both new and re-sale) is unusually tight. This has resulted in an atmosphere that is more of a "sellers' market" than at any time since 1983.

Price Range Distribution of New Home Starts and VDL

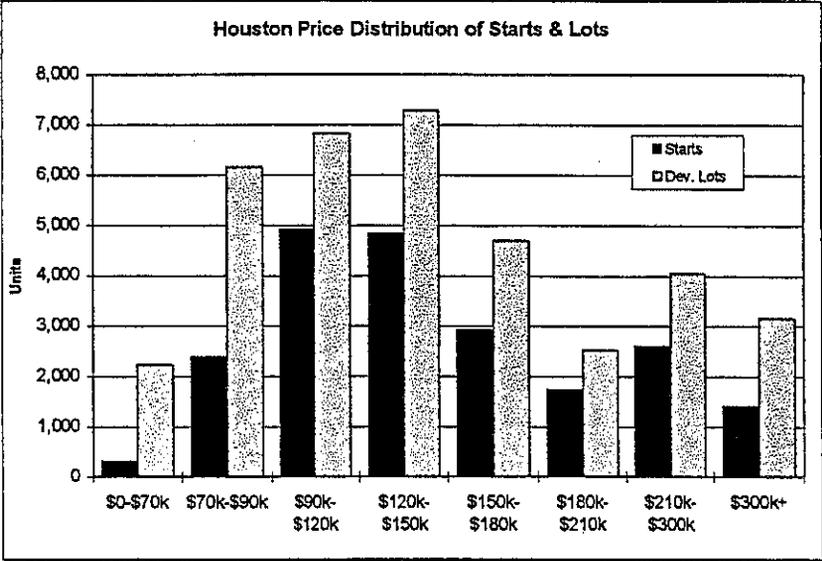
Metro/Study has segmented single family new home starts and vacant developed lot inventory by various price ranges for the total Houston market. The following table shows this distribution.

Houston Market Price Range Distribution of Housing Starts & Vacant Developed Lots 1Q98				
Price Range	Annual Starts	Percent Dist.	Vacant Dev. Lots	Months Supply
\$0-\$70k	307	1.5%	2,226	87.0
\$70k-\$90k	2,385	11.3%	6,156	31.0
\$90k-\$120k	4,902	23.2%	6,832	16.7
\$120k-\$150k	4,835	22.9%	7,281	18.1
\$150k-\$180k	2,928	13.9%	4,691	19.2
\$180k-\$210k	1,733	8.2%	2,515	17.4
\$210k-\$300k	2,598	12.3%	4,051	18.7
\$300k+	1,407	6.7%	3,150	26.9
Totals	21,095	100%	36,902	21.0
American METRO/STUDY Corporation				

The median price of new homes sold in 1997 was approximately \$145,000, well below the national average for new homes.

The most active segments of housing starts during the past twelve months have occurred in the \$90,000 to \$120,000 and \$120,000 to \$150,000 price ranges. These two price ranges accounted for approximately 46.1% of all single family housing starts. The \$70,000 to \$90,000 and \$150,000 to \$180,000 price segments combined for an additional 25.2% of Houston's new home starts.

The number of vacant developed lots totaled 36,902 at the end of the first quarter of 1998, 22,495 (61%) of which are for homes priced under \$150,000. There are 14,113 VDL in the \$90,000 to \$150,000 price ranges, representing a 17.4 month supply of lots. American METRO/STUDY Corporation considers a 24 month supply to be the equilibrium level at which the new lot development process is triggered. This price band represents a good opportunity for new lot development at this time, as supply is well below the 24 month threshold. Excellent lot development opportunities also exist in the \$150,000 to \$300,000 housing price range. These price distributions are further analyzed in light of information gathered at the Target Market Area level.



IV. Target Market Area Analysis

A. Introduction

Purpose:

- To provide a better understanding of the dynamics of the housing market surrounding the subject site.

Contents:

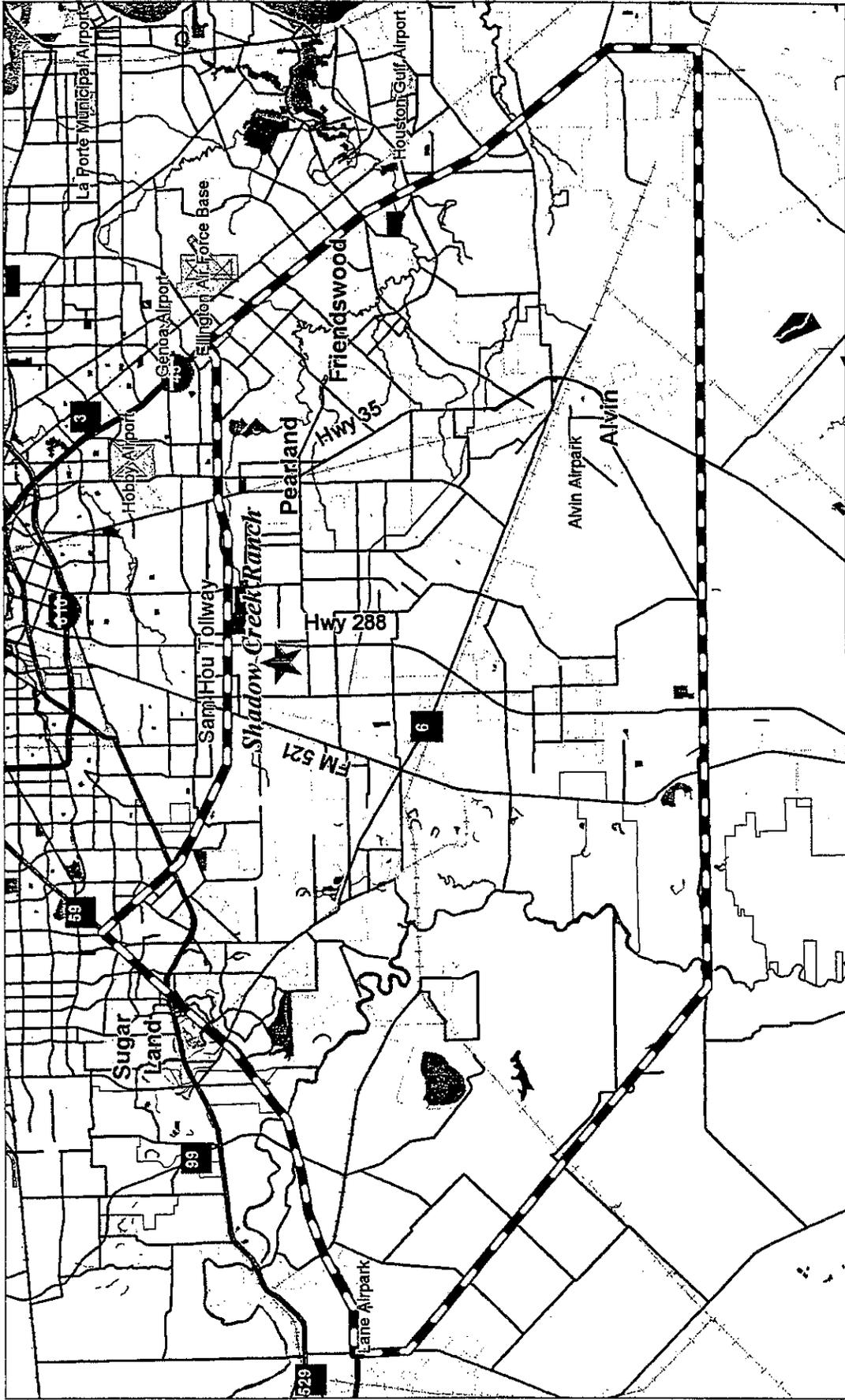
- A geographical area was selected and defined as the Target Market Area (also referred to as the TMA).
- TMA demographic and new home market trends are analyzed.
- The new home market is evaluated in terms of sales and starts activity, lot and house inventory levels, price distributions of demand, and future development plans.

B. Target Market Area

Definition and Justification - The Target Market Area (TMA) was chosen because of various market-related considerations. Many of the communities within the TMA's boundaries compete for the same buyer traffic along Highway 288, the Sam Houston Tollway, Highway 35 (Telephone Rd.), Highway 59, Interstate 45, and FM 518. These communities also share the same infrastructural advantages and disadvantages, such as retail and commercial locations, traffic patterns, drive time to and from employment centers, and recreational facility availability. Based on these considerations, those communities that make up the TMA are competitive with the subject site, and demonstrative of the demand that will exist in the area.

The TMA includes the area of Pearland (in northern Brazoria County), eastern Fort Bend and northwestern Galveston Counties, located within the boundaries formed by Highway 59 to the west, the Sam Houston Tollway to the north, and Interstate 45 to the east. The southern boundary extends past the City of Alvin (see TMA map on page 25).

Target Market Area Map



Population and Household Count

Metro/Study uses Claritas data as a basis for the characterization of the area and to establish ongoing trends. Metro/Study acknowledges that Claritas, a national demographic firm, while very accurate when estimating population and households in MSA's (Metropolitan Statistical Areas) is less precise estimating demographics in suburban fringe areas whose changes are more difficult to predict. Furthermore, Claritas projections tend to reflect historical trends rather than current market conditions.

The TMA population and household estimates and projections (by Claritas) indicate a continuing growth potential for the region. Average annual growth in total households is expected to approximate 3,364 per year over the next five years, making the annual population growth of 9,479 persons.

Target Market Area			
Population and Household Trends			
1980, 1990, 1998 Estimate, & 2003 Projection			

Year	Number	Net Change	Avg. Annual Growth
<i>Population</i>			
1980	187,618	*	*
1990	276,158	88,539	8,236
1998	376,159	100,001	11,429
2003	423,555	47,396	9,479
<i>Households</i>			
1980	58,111	*	*
1990	89,944	31,833	2,961
1998	123,668	33,724	3,854
2003	140,487	16,819	3,364

<i>SOURCE: Claritas</i>

Table 4.0

The TMA is a family market with an average household size of 3.02 persons, which is larger than the City of Houston's 2.75 persons per household. As this area of Houston grows over the next several years, families moving into the market will likely raise the average household size in the TMA.

Target Market Area Household Size Profile Estimates
--

Household Size	1998
1 Person	18,086
2 Persons	33,830
3-5 Persons	65,532
6+ Persons	6,219
TOTAL	123,668

TMA Average Household Size	3.02
Houston Metro Avg. Household Size	2.75

<i>SOURCE: Claritas</i>

Table 4.1

The TMA household income is slightly higher than the Houston average. The 1998 TMA median household income is estimated to be \$57,790, and average household income is estimated to be \$67,41. The average household income in the entire Houston area is \$61,231.

**Target Market Area
Income Profile of Households
1998 Estimates**

Household Income	1998	% of Total Households
Below \$15,000	11,260	9.1%
\$15,000-\$24,999	10,532	8.5%
\$25,000-\$34,999	12,806	10.4%
\$35,000-\$39,999	6,026	4.9%
\$40,000-\$49,999	13,997	11.3%
\$50,000-\$74,999	32,555	26.3%
\$75,000-\$99,999	18,511	15.0%
\$100,000-\$149,999	11,796	9.5%
\$150,000 Plus	6,186	5.0%
TOTAL	123,668	100%
TMA Median Household Income		\$57,790
TMA Average Household Income		\$67,401
Houston Metro Med. Household Inc.		\$50,009
Houston Metro Avg. Household Inc.		\$61,231

SOURCE: Claritas

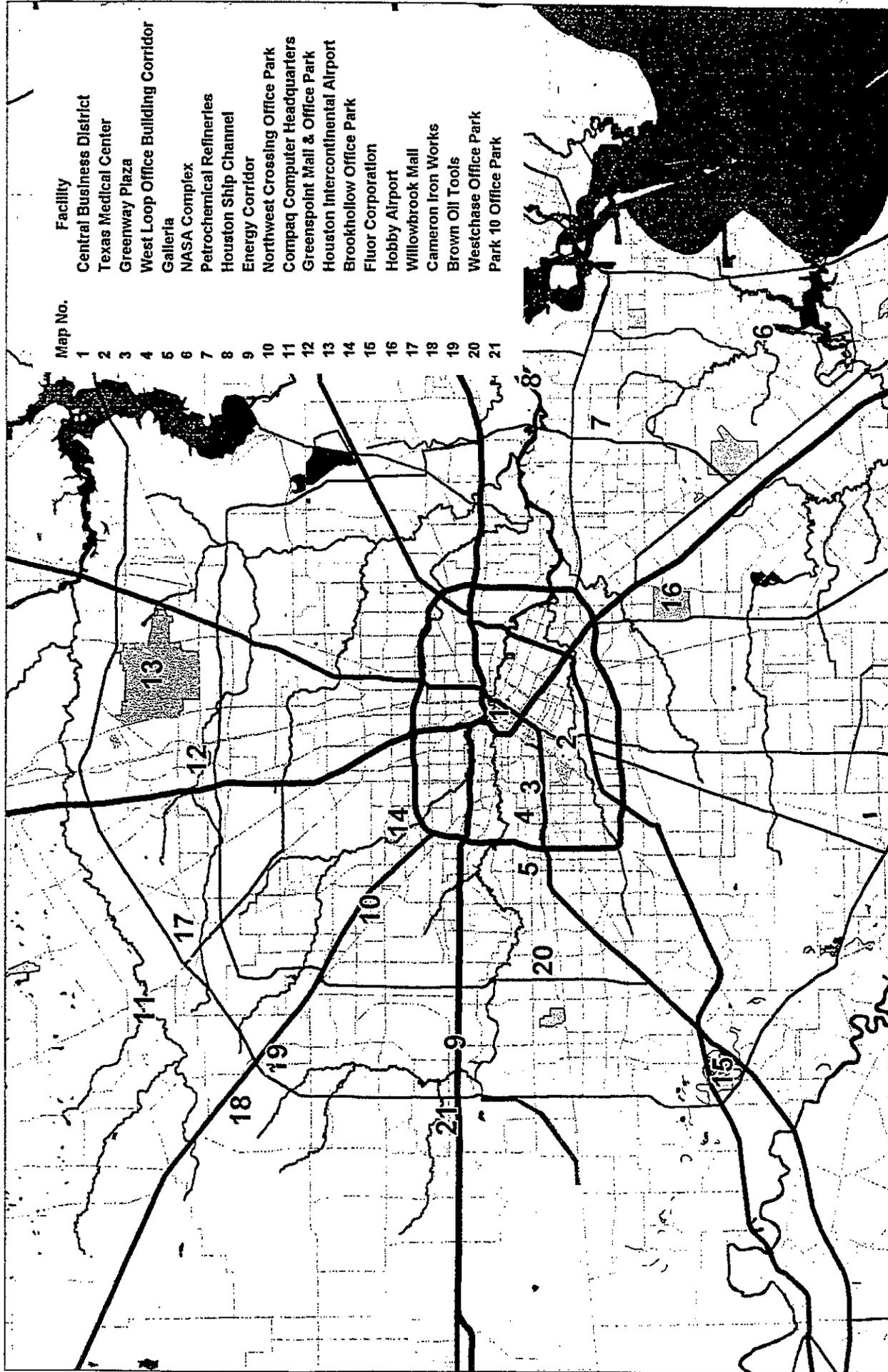
Table 4.2

Households in the TMA are concentrated in the \$40,000-\$100,000 income range (52.6% of all TMA households).

Employment Trends

Employment levels are important indicators of an area's vitality and good indicators of housing demand. The TMA can rely upon a much broader region for its employment base; thus, the area from which the subject can expect to draw new homebuyers has also increased. It is estimated that as much as 50% of the Houston area employment base is within a 45-minute commute from most communities in the TMA, including the subject site. Hobby Airport, Ellington Field, and NASA are convenient to the Zone, as are employment opportunities in West Houston, Sugar Land, and even the Ship Channel area, via the Sam Houston Tollway. More importantly, the Central Business Zone (CBD) and areas closer to downtown (like the Medical Center) are within an acceptable commute to residents living in the TMA. Highway 288 goes directly to the CBD, and it is one of the least congested freeways accessing downtown Houston. A map located on the following page shows major employment areas in the Houston region.

Access to employment in the broader Houston metro area means housing demand in the TMA is reliant on *regional* employment trends rather than local TMA employment for its primary housing demand.



Major Employment Centers

C. TMA New Single Family Housing Market

The following analysis is based upon information for the Target Market Area (TMA) and the subject site. The TMA boundary is referred to earlier in this report.

Housing Starts - The following table displays the annual rate of new home starts quarterly from 2Q95 through 2Q98 for both the overall Houston market and the TMA. The percent share of the overall market captured by the TMA is also shown. The TMA's share of the Houston market has changed little over the past three years.

**Target Market Area Annual Starts Rate
and Market Share of Total Houston Starts
2Q95 to 2Q98 and Projected**

Qtr/Yr	Ann. Starts Houston	Ann. Starts TMA	TMA Share of Houston
2Q95	12,712	2,242	17.6%
3Q95	13,241	2,350	17.7%
4Q95	13,937	2,433	17.5%
1Q96	14,794	2,489	16.8%
2Q96	15,977	2,691	16.8%
3Q96	16,145	2,715	16.8%
4Q96	16,445	2,903	17.7%
1Q97	15,867	2,878	18.1%
2Q97	16,834	3,029	18.0%
3Q97	18,175	3,285	18.1%
4Q97	18,749	3,418	18.2%
1Q98	20,895	3,748	17.9%
2Q98	21,579	3,794	17.6%
<i>Projected</i>			
1998	23,000	4,140	18.0%
1999	21,000	3,885	18.5%
2000	19,000	3,610	19.0%
Avg. '98-'00	21,000	3,878	18.5%

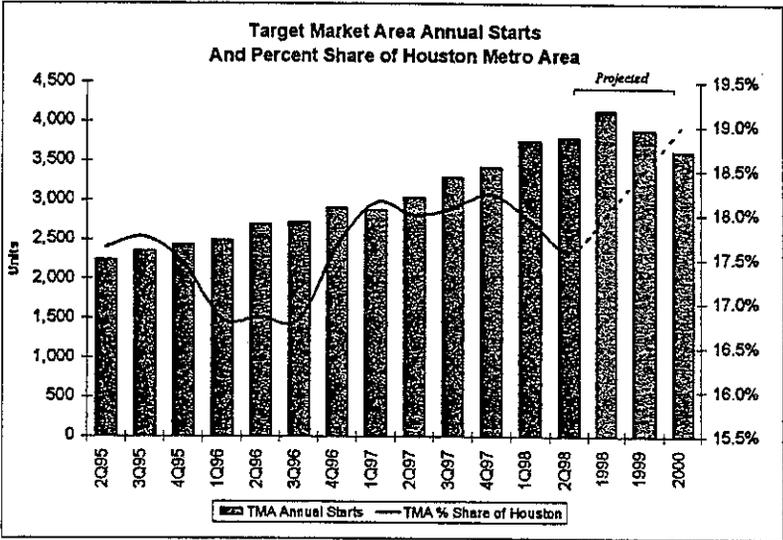
American METRO/STUDY Corporation

Table 4.3

Starts in the TMA have grown steadily over the past several years, mainly driven by the success of the Silverlake development in western Pearland. Located east of Highway 288 on the south side of FM 518, Silverlake has been well received by the home buying public. Amenities such as an 18-hole golf course and 29 acre lake have helped

produce 568 closings during the year ending 2Q98, ranking it second in closings behind The Woodlands among Houston area communities.

TMA market share is expected to continue to climb as several projects are just coming online or are expected to come online in the near future. Though new developments will create competition for the Zone, their presence will result in the continued development of South Houston with improved accessibility to the TMA and enhanced mobility within it. Because of this and the combined advertising/marketing efforts of the developers and builders, more prospective homebuyers will be drawn to the area, and the TMA will capture a growing percentage of the overall market



Overall, the TMA can be expected to see a healthy 18.5% market capture over the next three years. If the current projected Houston demand is used, the TMA can expect between 3,610 and 4,140 starts per year from 1998 to 2000.

Vacant Developed Lots

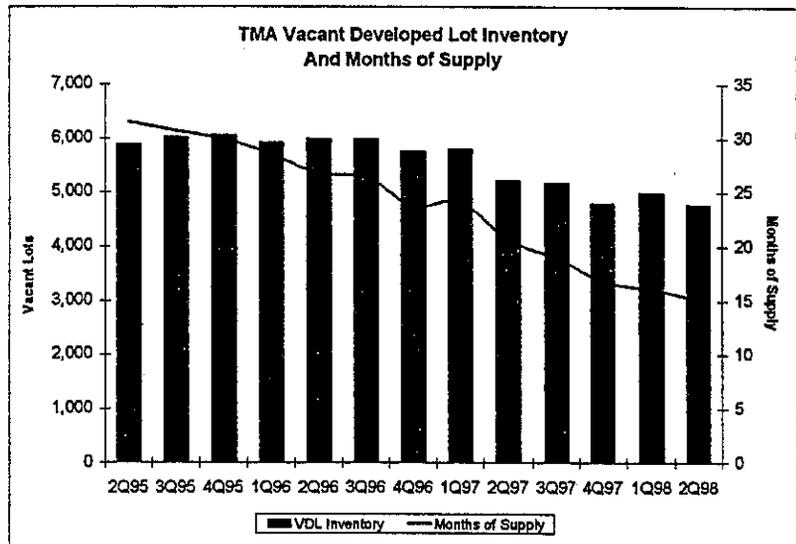
The following table shows lot inventory trends since 2Q95 in Houston and the TMA.

**Houston and Target Market Area
Vacant Developed Lot Inventory and Months of Supply
2Q95 to 2Q98**

Qtr/Yr	Houston VDL	Months of Supply	TMA VDL	Months of Supply
2Q95	43,049	40.6	5,893	31.5
3Q95	42,913	38.9	6,020	30.7
4Q95	42,699	36.8	6,055	29.9
1Q96	41,570	33.7	5,906	28.5
2Q96	40,837	30.7	5,982	26.7
3Q96	39,950	29.7	5,979	26.4
4Q96	38,933	28.4	5,742	23.7
1Q97	39,142	29.6	5,789	24.1
2Q97	37,480	26.7	5,209	20.6
3Q97	36,884	24.4	5,170	18.9
4Q97	36,223	23.2	4,793	16.8
1Q98	35,320	20.3	4,984	16.0
2Q98	34,139	19.0	4,769	15.1

American METRO/STUDY Corporation

Table 4.4



The inventory of vacant lots on the ground in the TMA has dropped from 5,209 lots in 2Q97 to only 4,769 lots in 2Q98, an 8% decline. Not only has actual lot count dwindled over the past year, but lot absorption has increased as well. The annual lot absorption rate ending 2Q98 was up 25% over the previous year, further straining lot availability. This increase in lot absorption combined with the declining lot inventories resulted in the months supply calculation of lots dropping from an already low 20.6 months in 2Q97 to a mere 15.1 months in 2Q98. Only three years ago, there was a 31.5 months supply of lots. Similar to the overall Houston market, there is a shortage of lots available in the TMA at this time. Supply amounts between 24 and 30 months are considered "equilibrium", so the TMA is behind in its capacity to meet existing demand. If more lots were available in the area, the TMA would have started more homes.

Lot Delivery and Absorption

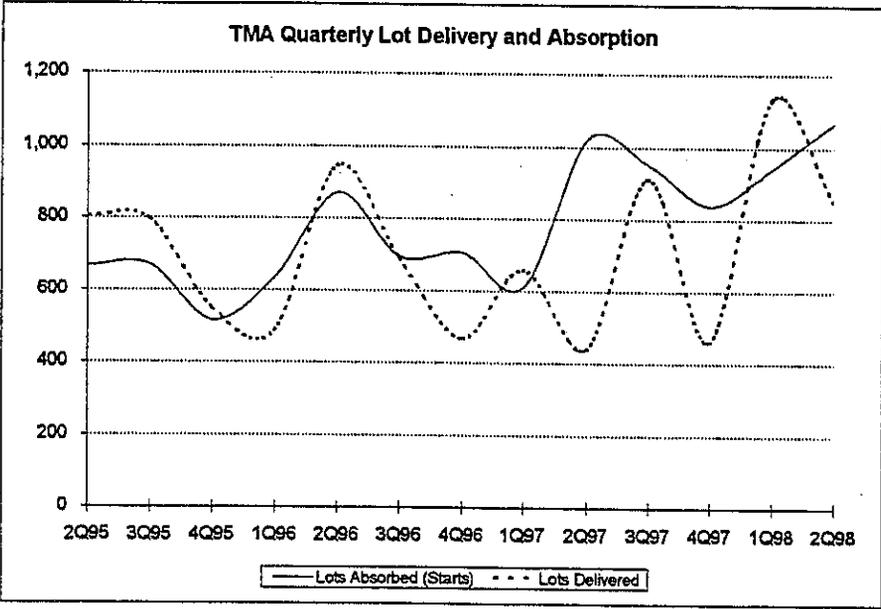
Over the past three years, there have been two cycles of lot delivery and absorption. From 2Q95 to 3Q96, 222 more lots were delivered than were absorbed, and lot inventory eventually climbed to 5,979 lots. From 4Q96 to 2Q98, however, 1,210 more lots were absorbed than were delivered, lowering the number of lots in inventory from 5,979 to 4,769 lots. The TMA needs to deliver more lots at a faster pace in order to keep up with demand.

Target Market Area Quarterly Lot Delivery and Lot Absorption 2Q95 to 2Q98
--

Yr/Qtr	Lots Absorbed	Lots Delivered	Net Increase or (Decrease)
2Q95	667	803	136
3Q95	670	797	127
4Q95	516	551	35
1Q96	636	487	(149)
2Q96	869	945	76
3Q96	694	691	(3)
4Q96	704	467	(237)
1Q97	611	658	47
2Q97	1,020	440	(580)
3Q97	950	911	(39)
4Q97	837	460	(377)
1Q98	941	1,132	191
2Q98	1,066	851	(215)

<i>American METRO/STUDY Corporation</i>

Table 4.5



Price Range Distribution of New Home Starts and VDL

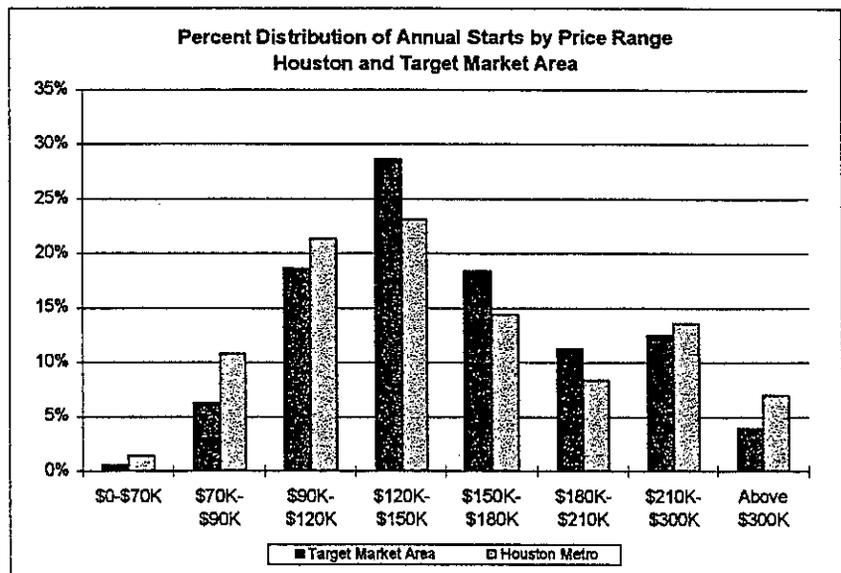
New home construction in the TMA is strongest in the \$120,000 to \$150,000 price band, which accounted for 28.6% of annual new home starts in the TMA ending 2Q98. The \$90,000 to \$120,000 price band accounts for a healthy 18.6% of TMA starts, and the \$150,000 and \$180,000 bracket also captured over 18% of TMA starts. Housing product in the Zone will average approximately \$160,000, enhancing its potential for healthy lot absorption rates.

**Target Market Area
Price Range Distribution of
2Q98 Annual Starts & Vacant Developed Lots**

Price Range	Annual Starts	Percent Distribution	Vacant Dev. Lots	Months of Supply
\$0-\$70K	20	0.5%	91	53.8
\$70K-\$90K	239	6.3%	548	27.6
\$90K-\$120K	705	18.6%	723	12.3
\$120K-\$150K	1086	28.6%	1,122	12.4
\$150K-\$180K	698	18.4%	836	14.4
\$180K-\$210K	426	11.2%	481	13.6
\$210K-\$300K	472	12.4%	654	16.6
Above \$300K	148	3.9%	315	25.5
TOTAL	3,794	100%	4,769	15.1

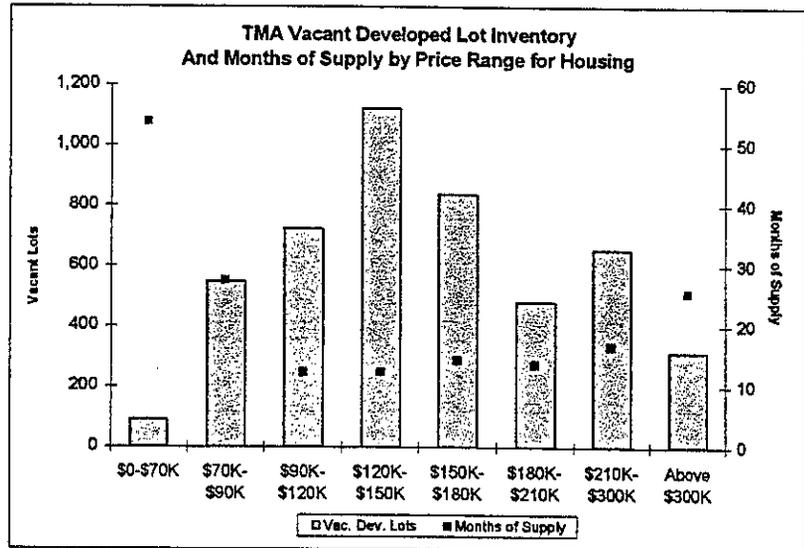
American METRO/STUDY Corporation

Table 4.6



For the overall Houston market, the \$120,000 to \$150,000 price band is strongest, accounting for 23% of single family starts. Likewise, the \$120,000 to \$150,000 price range is strongest in the TMA with 29% of starts compared to Houston's 23% in the same price range. Overall, the TMA has a much higher concentration of housing activity in the \$120,000 to \$210,000 price range than does Houston as a whole.

The vacant developed lot supply is considered "tight" across most price bands. There is a 14.4 months supply of lots for all housing priced between \$70,000 and \$300,000 in the TMA, which is well below the overall equilibrium range of 24 to 30 months. There is opportunity for lot development in every price band within this range, the price range in which Houston area production builders concentrate their efforts. Only the very low (below \$70,000) end of the market is above lot supply equilibrium range.



TMA Demand by Lot Size

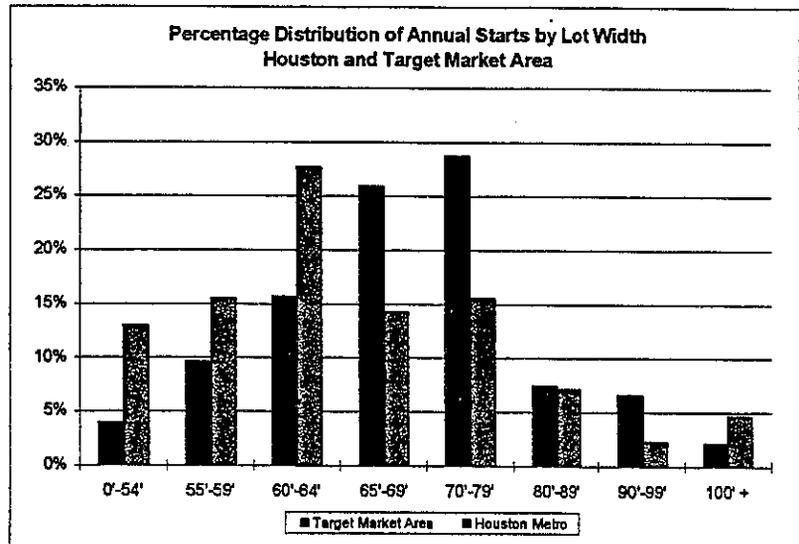
The analysis of demand by lot size is consistent with the analysis by housing price range. The TMA is dominated by housing starts on lots ranging in width from 60' to 79', accounting for over 70% of TMA starts. The supply of lots in this size range is a low 15.3 months. The supply of lots that are 80' to 99' wide is higher at 28.2 months, but this is still at the bottom of the equilibrium range. In fact, the TMA has a very healthy distribution of lots by lot size, with only the largest lots (100' +) in an over-supplied condition.

**Target Market Area
2Q98 Annual Starts & Vacant Developed Lot Inventory
Distributed by Lot Width**

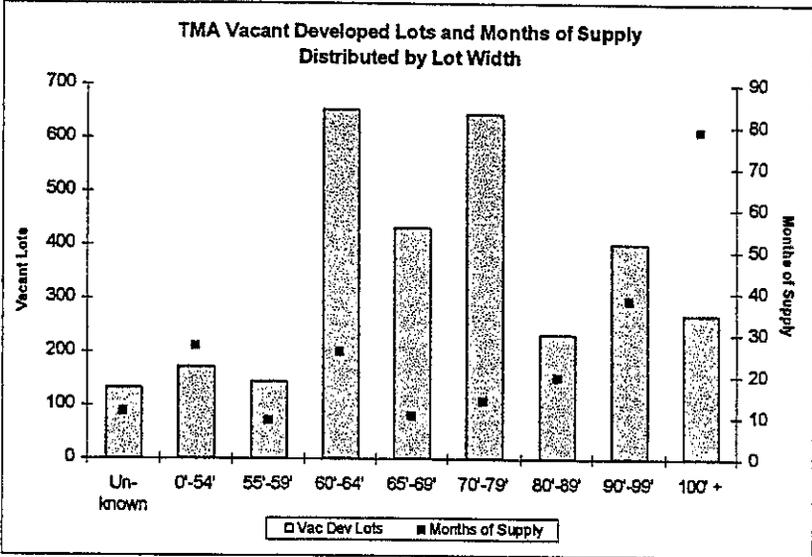
Lot Width	Vacant Dev Lots	Annual Starts	Percent of Total	VDL Months of Supply
Un-known	133	140	-	11.4
0'-54'	172	76	3.9%	27.2
55'-59'	144	186	9.6%	9.3
60'-64'	653	303	15.7%	25.9
65'-69'	431	500	25.9%	10.3
70'-79'	644	555	28.7%	13.9
80'-89'	232	143	7.4%	19.5
90'-99'	402	127	6.6%	38.0
100' +	269	41	2.1%	78.7
TOTAL	3,080	2,071	100%	17.8

American METRO/STUDY Corporation

Table 4.7



Shadow Creek Ranch will offer home products on various lot sizes, from starter homes on small lots to move-up homes on larger lots. The TMA needs more lots, and the community (with lots sized mostly below 80') will be supplying lots that are in shortest supply.



TMA Subdivisions Ranked by Annual New Home Starts

The table below shows the top 20 subdivisions in the TMA ranked by the total number of new homes started for the twelve months ending 2Q98.

Target Market Area Subdivisions Ranked by 2Q98 Annual Starts						
Rank	Subdivision Name	Price Range	2Q98 Ann Closings	2Q98 Ann Starts	Vac Dev Lots	Months of Supply
1	Sienna Plantation/Steep Bank Vg I	\$133-\$275	61	136	29	2.6
2	Teal Run/Manor	\$89-\$115	73	113	74	7.9
3	Morningside Place	\$79-\$119	114	111	102	11.0
4	Southdown/The Meadows	\$114-\$134	105	105	73	8.3
5	Heritage Park Pointe	\$112-\$154	106	103	20	2.3
6	First Colony/Heritage Colony	\$125-\$188	71	88	150	20.5
7	Green Valley Estates	\$75-\$105	71	82	229	33.5
8	Dixie Woods	\$121-\$188	54	75	34	5.4
9	Silverlake/Sedgefield	\$109-\$143	27	73	96	15.8
10	Silverlake/Weatherford	\$167-\$267	34	67	59	10.6
11	Silverlake/Emerald Point	\$101-\$135	96	66	8	1.5
12	Lks of Brightwtr/Lakeshore Park	\$168-\$252	52	65	13	2.4
13	Bridlewood Estates	\$171-\$334	15	64	0	0.0
14	Colony Lakes	\$113-\$206	60	64	52	9.8
15	Quail Green West	\$100-\$128	24	64	48	9.0
16	Silverlake/Huntington Park	\$129-\$166	58	64	69	12.9
17	Greatwood Arbor	\$203-\$280	89	59	1	0.2
18	Claremont Park	\$112-\$168	13	58	26	5.4
19	First Colony/Plantation Creek	\$118-\$174	54	58	28	5.8
20	First Colony/Sweetwater	\$190-\$350	41	58	58	12.0
Top 20 Total			1,218	1,573	1,169	8.9
Balance of TMA			2,092	2,221	3,600	19.5
TMA Total			3,310	3,794	4,769	15.1
Top 20 Subs % of Entire TMA			36.8%	41.5%	24.5%	

American METRO/STUDY Corporation

Table 4.8

The top twelve subdivisions, covering a variety of home price ranges (but not exceeding \$275,000), all started at least 65 homes in the past twelve months. No subdivision in the top twenty started fewer than 58 homes.

Many of the top performing subdivisions are located in Silverlake, the TMA's dominant community. The subdivisions in the Silverlake community combined for 536 home starts, which would rank it number one in the TMA and number five in the overall Houston area.

The top twenty subdivisions in the TMA, accounting for 41.5% of the area starts, has a vacant developed lot (VDL) supply of 8.9 months. This is well below the 15.1 months of supply for the entire TMA.

Planned Housing Projects, Future Lot Inventory

A total of 6,431 undeveloped lots have received either preliminary or final approval in the TMA. It is worth noting that just because a plat is approved, it does not mean that these lots are actually under development. Delivery of lots will depend on the type of lot, the supply and demand for the lot type, and whether the lots are for brand new communities or "add-ons" to existing communities.

The 6,431 future lots represent an additional 20.3 months supply of lots for the TMA, based on 2Q98 annual lot absorption rates. Future lots in Avalon (734), Oak Lake (678), Sienna Plantation (547), Lake Olympia (462), Bridlewood Estates (356), Heritage Park (345), Brittany Lakes (323), and Claremont Park (301) account for 58% of the known future lots in the TMA. However, considering the recent growth in northern Brazoria County and the availability of developable land, it is certain that the future lot count represents only a portion of the TMA's potential development.

D. Site Location and Evaluation

The TMA is a very active suburban housing market that has demonstrated strong consumer demand. The opening of the South Sam Houston Tollway, making East and West Houston more accessible for Pearland residents, is one of many factors leading to the TMA becoming one of the hottest growth areas in Houston. Furthermore, the impending build out of Clear Lake City and lack of suitable replacement property on the East Side of Interstate 45 has caused a shift in demand from Southeast Houston to South Houston.

Metro/Study conducted a visual inspection of the Zone, and no adverse use of adjacent property was observed. No title search was made, however, and Metro/Study makes no claims as to the future use of adjacent land.

Proposed Lot and House Sales - Based upon information provided by the developer, 100% of the single family lots covered in the creation of the Zone will be marketed to builders, with all of the lots intended to provide primary housing to the end user.

Medical Facilities - In addition to numerous clinics and doctors' offices in the TMA, the Zone is only a 25 minute drive to Houston's famed Medical Center located just southwest of downtown. Residents of the Zone will also be supported by local medical facilities such as:

Columbia Alvin Medical Center
301 Medic Lane
Alvin, Texas

Memorial Hospital Southwest
11800 Astoria
Houston, Texas

Churches - Due to the strong family orientation in the TMA (prominence of single family housing), churches of many denominations are located conveniently to the subject site.

Schools - Subdivisions in the Zone will all be served by the Alvin Independent School Zone (all levels), and schools that children residing in the Zone will attend are convenient to the subject sites. Also within an acceptable commute are the University of Houston (main campus) and Rice University.

Shopping Facilities - A number of retail facilities are conveniently located within an acceptable commute of the site. This includes a

variety of shopping centers along FM 518 and Highway 35. The nearest regional mall is Almeda Mall near the corner of Interstate 45 and the South Sam Houston Tollway.

Services – Electricity, natural gas, and phone service will all be provided to residents of the Zone. Houston Lighting and Power will provide the electricity, Entex the gas, and Southwestern Bell the phone service.

Apartment Market Analysis

The Apartment Target Market Area (see map on next page) consists of *operating* Pearland and Friendswood area apartment complexes located south of the Sam Houston Tollway between FM 521 and Interstate 45. There are 5 non-operating complexes in this area that were neither considered nor included with the data presented in this report.

Apartment Target Market Area Summary*
--

No. of Projects	24
No. of Units	4,653
Average Price (\$/month)	\$598
Average Size (sq.ft.)	835
Rental Rate (\$/sf/mo)	\$0.717

* Data considers *operating units* only.

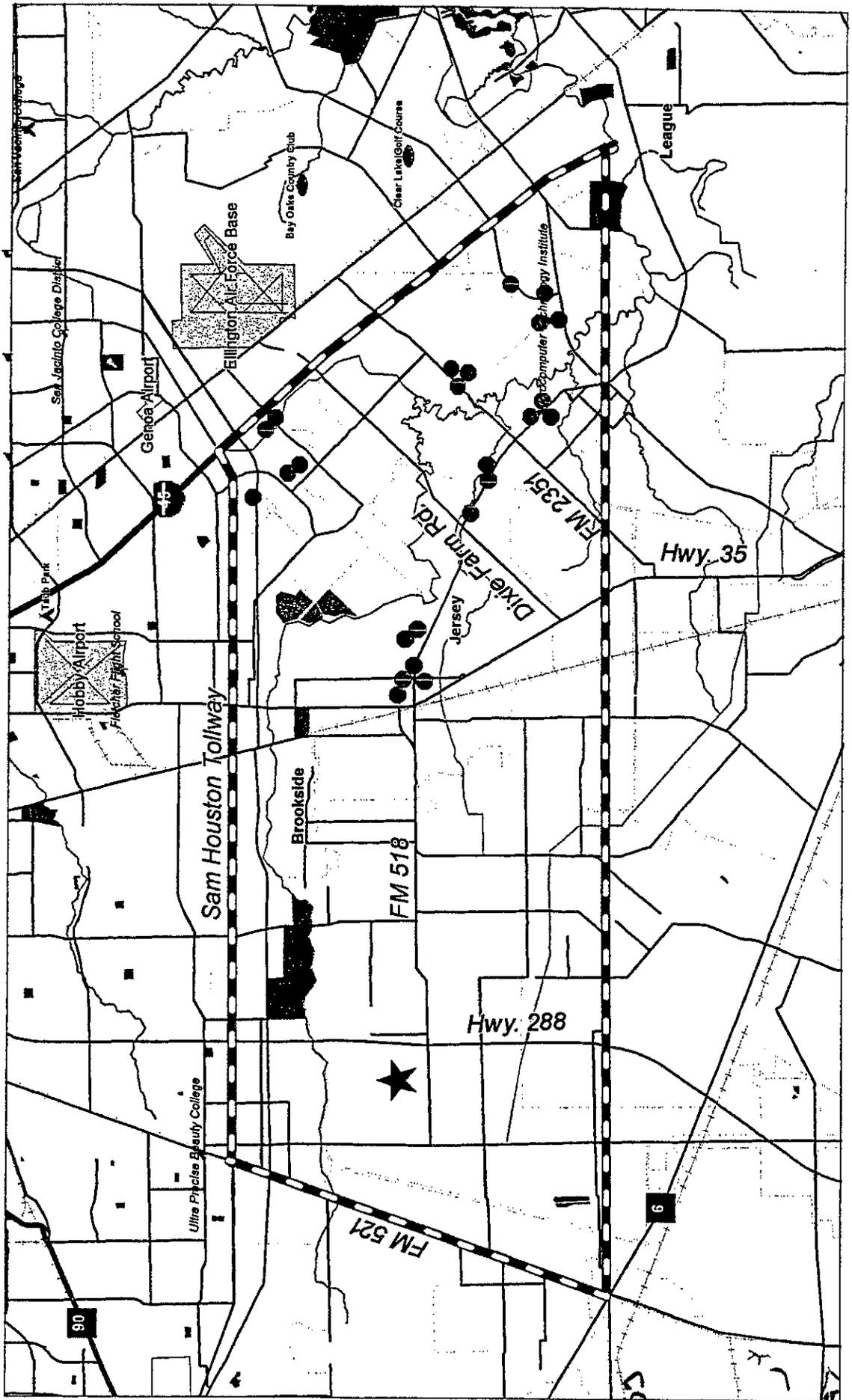
<i>Source: Apartment Data Services, Inc.</i>
--

Apartment Target Market Area Analysis by Classification
--

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>
No. of Projects	7	15	1	0
No. of Units	998	3,385	153	-
Average Price (\$/month)	\$697	\$561	\$592	-
Average Size (sq.ft.)	878	817	928	-
Rental Rate (\$/sf/mo)	\$0.794	\$0.686	\$0.638	-

<i>Source: Apartment Data Services, Inc.</i>
--

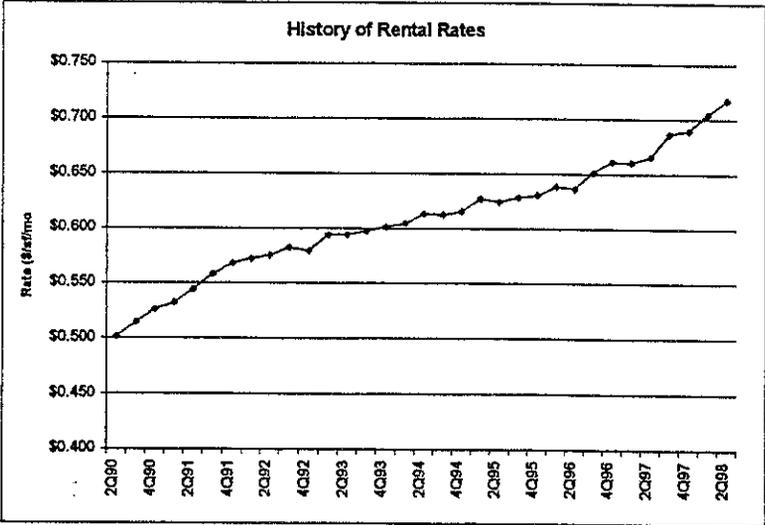
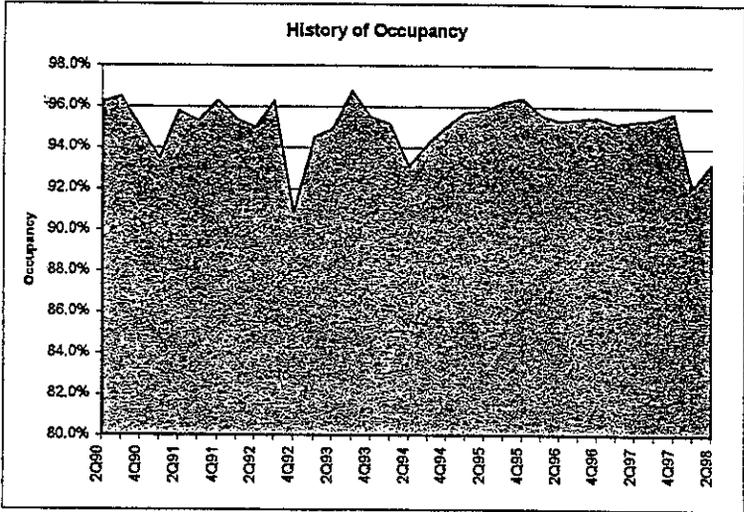
Apartment Target Market Area



**Apartment Target Market Area
History of Occupancy and Rent**

Qtr/Yr	Occupancy	Rental Rate (\$/sf/mo)
1Q90	95.7%	\$0.482
2Q90	96.2%	\$0.501
3Q90	96.5%	\$0.514
4Q90	95.0%	\$0.526
1Q91	93.5%	\$0.532
2Q91	95.8%	\$0.544
3Q91	95.3%	\$0.558
4Q91	96.3%	\$0.568
1Q92	95.4%	\$0.572
2Q92	95.0%	\$0.575
3Q92	96.3%	\$0.582
4Q92	90.9%	\$0.579
1Q93	94.5%	\$0.594
2Q93	94.9%	\$0.594
3Q93	96.8%	\$0.597
4Q93	95.5%	\$0.601
1Q94	95.2%	\$0.604
2Q94	93.1%	\$0.613
3Q94	94.2%	\$0.612
4Q94	95.0%	\$0.615
1Q95	95.7%	\$0.627
2Q95	95.8%	\$0.624
3Q95	96.2%	\$0.628
4Q95	96.4%	\$0.630
1Q96	95.6%	\$0.638
2Q96	95.3%	\$0.636
3Q96	95.4%	\$0.651
4Q96	95.5%	\$0.661
1Q97	95.2%	\$0.660
2Q97	95.3%	\$0.665
3Q97	95.4%	\$0.686
4Q97	95.7%	\$0.689
1Q98	92.1%	\$0.704
2Q98	93.3%	\$0.717

Source: Apartment Data Services, Inc.



**Apartment Target Market Area
History of Construction and Renovation**

Year	# of Units Built	# of Units Renovated
<1973	852	-
1973	-	-
1974	-	-
1975	200	-
1976	298	-
1977	152	-
1978	130	-
1979	776	-
1980	76	-
1981	-	-
1982	544	153
1983	619	-
1984	286	-
1985	-	-
1986	33	260
1987	150	-
1988	-	399
1989	-	-
1990	-	-
1991	72	141
1992	152	-
1993	-	-
1994	72	-
1995	-	-
1996	45	-
1997	-	-
1998	196	-
Total*	4,653	953

* Totals do not include 236 apartments units currently under construction in Silverlake

Source: Apartment Data Services, Inc.

Assumptions & Limiting Conditions

The following contingencies and limiting conditions are noted as fundamental assumptions that may affect the validity of the analysis and conclusions reached in this report:

1. All information contained in this report, while based upon information obtained from the client and other sources deemed to be reliable, is in no way warranted by American METRO/STUDY Corporation.
2. The City of Houston, State of Texas, and the nation as a whole will not suffer any major economic shock during the time period of the forecast contained in this report.
3. Population will continue to increase at or above the rate forecast.
4. The basic sources of statistical data and estimates used in this analysis are sufficiently accurate to be useful for planning purposes.
5. The development, when completed, will be designed, promoted, and managed in a manner that will have an adequate impact on the local market.
6. The recommendations set forth in this report will be acted upon within a reasonable period of time to preclude major changes in the conditions evaluated.

Radical changes in factors affecting the major assumptions noted above could alter the conclusions reached in this analysis or necessitate the re-evaluation of portions of this report.

American METRO/STUDY Corporation

Participating Staff:

Michael H. Inselmann
President

David Jarvis
Director, Marketing and Consulting

Ben Sage
Market Analyst

American METRO/STUDY Corporation

One West Loop South
Suite 890
Houston, Texas 77027
(713) 622-9909

Appendix A-2

**Update To Single Family Housing Market Demand Study
Prepared by American Metro/Study Corporation**

AMERICAN
METRO/STUDY
CORPORATION

1001 West Loop South, Suite 890 • Houston Texas 77027
713/622-9909 • Fax: 713/622-4834

June 21, 1999

Shadow Creek Development Co., L. P.
C/O Mr. Gary Cook
Collins Brothers Corp.
P.O. Box 42427
Las Vegas, NV 89116

Dear Mr. Cook:

Below is an update to the Shadow Creek Ranch Market Study.

Houston's Economic Outlook

The demand for housing in any metropolitan region is essentially dependent on the health of the overall economy in the region. Houston is a good example of that fact. Housing is a secondary industry that will react to Houston's economic business cycles. In mid 1998 the local economic outlook was decidedly 'bearish' as excess oil supply and a slowdown in worldwide economic activity resulted in a slump in oil prices. Houston, as a center of oil industry activity and technology began to feel the effects of those factors. Oil prices declined from around \$20 per barrel in late 1997 to around \$12 per barrel at its low point. Nevertheless, Houston's trend toward a more diversified economic base has served it well in this business cycle. The continued robust national economy has helped Houston to sustain momentum in job formation in the face of the oil industry slowdown. The result is slower *positive* growth rather than *negative* growth in the local economy. Job growth has remained positive with roughly 40,000 new jobs added in the 12 months ending May 1999. While this number is expected to end calendar year 1999 with net job growth between 10,000 and 30,000, the fact is despite the oil industry woes, Houston has continued to expand, and is even suffering from a shortage of labor for many industries.

In recent months, the outlook for Houston's economic health has improved on the strength of the improvement in world oil prices. Between the beginning of March and the end of May oil prices rose from \$12.23 per barrel to nearly \$19. Higher oil and gas prices offer a ray of hope to Houston oil producers and oil service companies, who have suffered through a serious slump for the past year. A recovering oil industry and continued expansion of the national economy imply that growth in local job formation may return to between 30,000 to 50,000 new jobs in the year 2000 and beyond, according to the U of H. Center for Public Policy and the Federal Reserve economists.



Houston Housing Trends

In the meantime, Houston's housing industry continues to enjoy a robust level of activity not seen since the early 1980's. New home starts in 1998 were 22,687 and are expected to repeat that performance in 1999. Home builders are dealing with a large backlog of sold, unfinished homes that should carry them through the end of 1999. In our original study in September 1998 Metro/Study projected single family housing starts of 21,000 in 1999 and 19,000 in 2000. Based on current trends the 1999 actual starts will approximate 23,000 and will, therefore, most likely exceed the projection. Currently Metro/Study expects single family home starts for the years 2000-2001 to range between 20,000 and 23,000 given the improved outlook for the economy and the tight housing supply in the existing home market and the apparent cut back in the rate of apartments being built in 1999 and 2000.

Because of the increased demand for housing in the face of short supply, home prices have appreciated more than they have in the past decade. Metro/Study data for new homes built in the past four years indicate that the median price of new homes built in greater Houston have increased 9% in the past year. The current median price is \$150,587 compared to a median of \$128,407 in 1996. In the past three years the median has risen an average of 5.8%. Metro/Study expects new homes to rise an average of 6% to 8% for the next three years as increased costs of construction and development combine with a tight supply of homes to drive up home prices.

Shadow Creek Ranch

The developer of Shadow Creek Ranch has modified the original land plan to replace the golf course amenity with extensive lakes and open space. Lake frontage and golf course frontage homes historically secure price premiums of 20% or more over homes located on non-amenitized lots. It appears that Shadow Creek Ranch will have a relatively large percentage of lots located on the amenities.

I have forwarded a copy of this update to Sue Darcy as well. Feel free to call if you have any questions.

Sincerely,

David Jarvis

cc: Mike Inselmann
Sue Darcy



Appendix A-3

**Commercial Development Study
Prepared by Realty Advisory Group, Inc.**

SHADOW CREEK RANCH

Prepared for

Gary Cook

**Charles M. Lusk, III, CRE, CCIM
Fred L. Fargo**

TABLE of CONTENTS

Executive Summary

Economic and Demographic Overview _____ **Section I** *Public Policy Issues*

Office/Research & Development _____ **Section II** *Market Overview* *Shadow Creek Ranch Office/Research & Development Submarket* *Shadow Creek Ranch Submarket - Prognosis for the Future*

Retail _____ **Section III** *Market Overview* *Shadow Creek Ranch Retail Submarket* *Shadow Creek Ranch Submarket - Prognosis for the Future*

Industrial _____ **Section IV** *Market Overview* *The South Houston Industrial Submarket* *Shadow Creek Ranch Submarket - Prognosis for the Future*

Apartments _____ **Section V** *Market Overview* *The South Houston Multi-Family Submarket* *Shadow Creek Ranch Submarket – Prognosis for the Future*

Conclusion _____ **Section VI**

Appendix _____ **Section VII** *Attachment 1.1: Shadow Creek Ranch Demographic & Economic Statistics* *Attachment 1.2: Shadow Creek Ranch Area Maps* *Attachment 1.3: Shadow Creek Ranch Commercial Land Proforma*

EXECUTIVE SUMMARY

Realty Advisory Group, Inc. has completed a review of Shadow Creek Ranch's commercial real estate opportunities and our assessment of future market conditions. The scope of this study included the following:

- A general overview of economic and public policy issues which may affect commercial development in the Houston Metropolitan area and Shadow Creek Ranch.
- A market assessment for the commercial improved properties in the market including absorption, lease rates, competitive advantages/disadvantages, and opportunities, for new construction. Property types covered include office, research & development, retail, medical, schools, churches and industrial.

For purposes of this analysis, we have used the State Highway 90A corridor as the west boundary, State Highway 6 as the southern boundary, the I45 South Freeway as the east boundary and the 610 Loop as the northern boundary to define the Target Market Area.

State Highway 288 was completed in 1986, just as Houston entered a dramatic economic downturn that created over 240,000 job losses and a significantly overbuilt real estate market. The recovery of those lost jobs occurred during the latter part of the 1980's and with the exception of a slight recession in 1990 and 1991, employment has continued to expand at an average of 50,000 jobs per year each year since 1992.

This has resulted in the highest employment numbers in Houston's history and more importantly, dilution of the energy related employment from a high of approximately 82% to 56% today. The base employment is now centered on applied technology in the region's three key industries: energy, aerospace, and medicine.

SHADOW CREEK RANCH

It is important to note that with the completion of State Highway 288, access to The Texas Medical Center, (TMC) the largest facility of its kind in the world, is only a fifteen minute commute north. Five minutes further north is the Central Business District (CBD). More recently, the opening of the Sam Houston Tollway, less than one mile north of Shadow Creek Ranch, provides excellent access to NASA and the Ship Channel industries to the east and the Sugarland-north Fort Bend County area to the west. This provides excellent access to significant employment opportunities in each of these respective markets.

Historically, the residential and commercial development was restricted to areas north of the Shadow Creek Ranch Submarket. With the opening of SH288 and the Sam Houston Tollway, this area has experienced significant growth. Historically, Harris County has been the dominant market with 74 percent of the region's population growth. Fort Bend County accounts for 7 percent and Brazoria 5 percent while Galveston and Montgomery Counties account for 6 percent each. It is reasonable to assume that with the more direct access available to the Shadow Creek Ranch Submarket via SH288 and the Sam Houston Tollway, a significant increase in market share will occur over time.

In conclusion, Shadow Creek Ranch Submarket offers its residential and commercial property developers a variety of strong benefits, including: close proximity to the highest concentration of employment in Houston including the Texas Medical Center, CBD, the Galleria, and with the completion of the South Belt, excellent access to NASA, the industries along the Houston Ship Channel, and Fort Bend County. Close proximity to an upscale and skilled residential population base and fine recreational amenities contribute to this submarket's current success in attracting residential buyers, as can be evidenced by SilverLake, the number two absorption rate master planned community in the overall Houston market which is immediately south and east of Shadow Creek Ranch.

Section I

Economic and Demographic Overview

The economic performance of Houston has historically been perceived to move in a countercyclical fashion to the U.S. economy; this held true during the 1970s and much of the 1980s. However, since 1986, changes in Houston's economy and the energy industry have altered this tendency. Barring any international crises, Houston is now expected to move in the same direction as the U.S. economy.

A key to Houston's economy of the past 10 years has been the expansion of services - including engineering, legal, financial, computer (software systems management), research and consulting - exported to other U.S. cities and foreign countries. Services employment now represents 29.3% of Houston's economy, as compared to 26.4% for Texas and 28.2% for the United States. Further, while manufacturing jobs were declining nationally, Houston's manufacturing base was expanding.

Houston's demographics indicate the continuation of a trend of steady, sustainable growth. The table below provides historical data and predictions for several demographic and economic indicators.

	1985	1990	1995	Proj. 2000
Population	3,140,400 .4%	3,322,000 2.5%	3,545,500 2.1%	3,993,500 2.5%
Per Capita Income	\$15,857 4.4%	\$19,745 8.5%	\$24,290 5.4%	\$31,092 6.1%
Retail Sales (000s)	\$25,369,268 (1.7%)	\$30,199,309 9.9%	\$39,426,978 8.1%	\$55,214,997 7.3%
Total Employment	1,484,200 .2%	1,611,200 6.0%	1,766,400 3.3%	2,017,400 2.9%

NOTE: Percentages reflect an annual percentage change

Public Policy Issues

Six public policy issues, in particular, will exert considerable influence on future real estate development and investment in this region:

Redevelopment in the Inner City and CBD. Construction is underway on a new baseball stadium for the Houston Astros in Houston's CBD, the intent of which is to stimulate development in an underdeveloped area. Houston has completed 71 "neighborhoods to standard," investing \$123 million in neighborhood improvements since 1992. Over \$1 billion in public and private improvements were completed, underway, or planned for Houston's downtown, including the stadium, an arena for the NBA Rockets, a convention center hotel, and public office renovations, as well as attractions such as Cordish's "Bayou Place," waterfront improvements, and redevelopment of The Music Hall. Significant residential development has occurred in the CBD and Mid Town Area immediately south of the CBD, the first infusion of capital for residential projects in the CBD in approximately 70 years.

Suburban Incentives. Suburban counties such as Fort Bend and Montgomery were successful in offering tax abatements and other incentives to entice Harris County businesses to relocate, accelerating the decentralization of jobs from the urban core. An example of this is the significant employment that has been created in north Fort Bend County to the west of Shadow Creek Ranch within a twenty minute commute.

Infrastructure Improvements. Houston initiated aggressive programs to upgrade and expand water and wastewater systems (providing adequate capacity for at least 30 to 50 years of growth). After spending \$1 billion annually for ten years on highway improvements, competition for state and federal funds reduced construction funding. The state's plan for Houston calls for \$1.4 billion in construction over the next four years. The SH288 and Sam Houston Tollway are prime examples of the impact of these fundings.

Clean Air Regulations. Houston gained a reprieve from regulatory requirements (such as employer trip reduction (ETR) program and centralized vehicle inspection and maintenance). The community was still classified as a severe nonattainment area for ozone, and enforced compliance may affect the community after 1999. The city of Houston was working on a strategy with the EPA and state agencies to embrace a holistic air quality plan.

Land Use Controls. Some elements within the community continued to pursue localized land use controls, even after the defeat of citywide zoning and approval of the requirement for zoning referenda in the future. This has been accomplished principally through the creation of tax increment finance districts principally located in the core of the City.

Annexation. Houston recently stepped up its aggressive annexation program after almost 15 years of relative inaction. The annexation of the master-planned community of Kingwood and some other areas was accomplished in 1997, adding almost 50,000 to the city's population. Houston's legal right to annex within its extraterritorial jurisdiction (ETJ) area means local area objections cannot stop the annexation.

The controversial annexation of Kingwood by the City of Houston however, has led to a sustained assault of the City of Houston's annexation powers. The Texas legislature is currently reviewing a number of bills, which will either curtail or better define Houston's future annexation powers.

Shadow Creek Ranch

Shadow Creek Ranch, a 3300-acre master-planned community, is located in northern Brazoria County in the south sector of the Houston Metropolitan Area. Brazoria County historically represents 5% percent of the population growth in the Houston Metropolitan area.

Further economic and demographic statistics pertaining to Shadow Creek Ranch are provided in the Appendix. In addition, maps of the Shadow Creek Ranch area are also provided.

Section II
Office/Research & Development

Market Overview

The Houston metropolitan office market of the early 1990s was best characterized by oversupply of general purpose office space in most primary submarkets (including the Central Business District), leading to depressed rental rates, high vacancies, and minimal new development. However, current conditions indicate that the Houston real estate market is now in a strong recovery. General office occupancy in the Houston Metropolitan area is now 95% for Class A space and 90% for Class B space, a 4.5% increase from one year ago, with the highest occupancy rate in 17 years.

Over more than a decade, a large amount of available sublease space and companies opting to build their own facilities (as opposed to paying rent) have significantly driven the slow pace of increases in occupancy rates. Over the past two years, the amount of sublease space available has decreased considerably, as have large blocks of contiguous space. In addition, companies continue to consider Houston as an attractive option for relocation. All of these factors have contributed to the improvement of occupancy and lease rates.

The Houston overall lease rate for prime Class A space is now at \$21.00psf and Class B space at \$16.00psf. Given no economic downslide or unknown crisis, lease rates should continue to improve over the next few years. While overall lease rates still remain lower in Houston than other major metropolitan cities, there are certain submarkets that offer more attractive rates. For instance, Class A rates for prime properties in the CBD submarket are currently in the \$21.00psf range, \$16.50psf for the better properties in the Clear Lake City area, and \$20.00psf for similar properties in the Medical Center area.

Since 1990, there have been only 23 office properties built in the Houston area - 18 of which were owner-occupied or single tenant buildings. In 1994, the completion of Eight Greenspoint Plaza (North Belt), the Stone & Webster Engineering Building (Westchase), Parkwood II (The Woodlands), and an expansion of

Schlumberger's complex (Fort Bend County) added an additional 768,000 square feet to the office inventory. The only office building constructed in 1995 was the 47,600 square foot Western Hemisphere Operations Headquarters (Northwest Freeway). In 1996 the Tenneco Business Services 71,000 square foot building in The Woodlands represented the only new office construction in the Houston metropolitan area. Over the past twelve months, Houston has experienced new office construction of approximately 4.8 million square feet, 2.2 million in the Energy Corridor on Interstate 10 west and 1.1 million in the Westchase market, approximately 50% of which is preleased.

This new development in the Houston area is confined primarily to two areas:

- Owner occupied/single-tenant buildings
- 200,000 square foot and smaller speculative office buildings in highly select submarkets (95% plus current occupancy and the ability to demand the \$21.00-\$25.00psf lease rates required to support new development) primarily in the oil corridor.

Shadow Creek Ranch Office/Research & Development Submarket

The Shadow Creek Ranch submarket is approximately 7 miles from the Houston CBD and 5 miles from the Texas Medical Center, its most directly competitive office submarket. Close proximity of Shadow Creek Ranch submarket to the Houston CBD, the Medical Center, NASA, and other main population and business activity centers provides the potential of tenants which could realistically be expected to relocate from existing Houston locations to Shadow Creek Ranch. Over time, as the Houston metropolis expands further south, this potential will be realized.

It is important to note that in the office category of space in the Gulf Freeway Submarket, 55 percent were owner-occupied facilities while 20 percent of The Texas Medical Center Submarket office facilities are owner-occupied. It should also be noted that there is no Class "A" office space available in The Texas Medical Center Submarket. The best opportunities for Shadow Creek Ranch commercial development appear to be build-to-suit Office/Research & Development

specifically targeted to pharmaceutical and medical science and technology companies capitalizing on the synergies of The Texas Medical Center, NASA and the petrochemical industries of Lake Jackson/Freeport, approximately 50 miles south of Shadow Creek Ranch.

**Shadow Creek Ranch Submarket - Prognosis
for the Future**

When it comes to the Houston office market, predicting future absorption or lease rates is "fret with peril." Historical trend analysis is of limited use due to the general weakness of the Houston office market over a number of years. And although all indications are that the office market is in the midst of a strong recovery, an economic downturn or an unexpected event could precipitate a "stall out." The Shadow Creek Ranch submarket is experiencing strong occupancy and a good deal of positive momentum with a recent announcement of the development of medical/professional buildings in the Medical Center.

Market Overview

The Houston metropolitan retail market has experienced steady improvement in the 1990s, averaging 5.7% annual growth in retail sales and 2.8 million square feet of new construction annually. Houston retail health since 1990 has been driven by expansion of total population (2% annually), employment (2% annually), and median household income (3% annually). The current occupancy rate for regional-shopping centers is 87% and for smaller shopping centers, 83%. NNN Lease rates have been somewhat flat since 1994, averaging \$32.00 for regional centers and, for community shopping centers, \$16.50psf.

Much of the recent growth in regional shopping centers has been driven by category killers, large discounters, mega-theaters, and grocery-anchored centers. The opening of The Woodlands Mall in 1994 and First Colony Mall in 1996 continues the trend towards the formation of retail activity areas centered around the large master planned communities along the perimeters of the Houston market area.

The majority (75%) of Houston's 121 million square feet of retail space is in community and neighborhood centers. Nearly 15 million square feet of such space (12%) is currently available. Whether one of these centers contains a grocery store or other major anchor has served as a good indicator of its health and future prospects. Anchored shopping centers enjoy 90% occupancy and \$16.50psf average lease rates, compared with unanchored shopping centers, with 85% occupancy and \$12.00psf average lease rates.

The fundamentals for significant near-term improvement in the retail market are absent. Structural changes will continue to shift the focus from mall-based retailing to a combination of malls plus power centers or value retailing. The negative effect of the growing number of discount and category killer retailers on the market will continue to build. This "over-stored" condition has and will continue to slow lease rate increases. The weakest product and location for all categories will be hit as retail dollars are spread thin.

In the face of firm competition, additional centers were built in 1997 (3.1 million square feet) and 1998 (2.8 million square feet). Most were driven by national retailers adding stores to increase market penetration. However, pocket opportunities should continue to exist for community and neighborhood centers to be developed in areas of expected outsized and/or upscale population growth.

Shadow Creek Ranch Retail Submarket

Regional Shopping Centers that serve the South Houston retail market would include First Colony Mall in Sugarland to the west and Baybrook and Almeda Malls on I45 South to the east of Shadow Creek Ranch. With the accelerating growth in the SH288 corridor, it is reasonable to assume a regional shopping center development in this submarket. It is most likely that the intersection of FM518 and SH288 will be the location for this development and more specifically, the northwest corner or conceivably, the southeast corner at the entrance to SilverLake. Included below is a profile of these regional centers.

Regional Shopping Center	Year Built	Location	NRA Square Feet
First Colony Mall	1996	SH59 @ Hwy.6	1,000,000
Almeda Mall	1968	12200 I45 South	807,046
Baybrook Mall	1978	19000 I45 South	1,094,000

Grocery-anchored shopping centers are existent to the east in Pearland and include:

Retail Center	Year Built	Location	Square Feet	Anchor Tenants
Super Kmart	1995	N. Main @ SH35	202,000	Super Kmart
Pearland Plaza		3205 E. Broadway	140,000	Kroger, Walgreens & Palais Royal
Albertsons	1998	FM518 @ Manvel		Albertsons
Randall's	Planned			Randall's

There are two grocery-anchored shopping centers north of the Sam Houston Tollway, one, Southgate Shopping Center, west of SH288 and the other, Cullen Plaza, east of SH288.

SHADOW CREEK RANCH

Retail Center	Year Built	Location	Square Feet	Anchor Tenants
Southgate SC	1964	4451 Fuqua	117,079	PriceLo Foods, Weiners
Cullen Plaza	1968	9400 Cullen	82,931	Rice Food Market, Walgreens, Weiners

Shadow Creek Ranch Submarket - Prognosis for the Future

The accelerated housing demand that is evident in this submarket would support a grocery-anchored retail shopping center in the near term. This grocery anchored center will serve a market that includes Ridgemont and Green Valley Estates Subdivisions to the west of SH288 on FM 2234, Country Place and Southdown Subdivisions, directly east of Shadow Creek Ranch and SilverLake, at the southeast quadrant of SH288 and FM518.

Subdivision	Occupied Homes	Total Potential Homes
Ridgemont	1,221	-0-
Green Valley Estates	295	642
Country Place	780	1,540
Southdown	1,060	2,000
SilverLake	1,546	3,160
TOTAL	4,902	7,342

A grocery anchored shopping center development more central to the above-described residential communities will most probably occur within the next twelve months. SilverLake, with its frontage on FM518, the major thoroughfare serving the Pearland populous, is the most probable location for this development. Once in place, it will most likely satisfy the need for grocery anchored shopping centers until additional occupied homes are in place.

Specialty and entertainment-oriented shopping centers have been flooding the market in other parts of the country. Houston has lagged behind this trend, but is expected to catch-up over the next few years. Shadow Creek Ranch should conceptually include such a specialty retail center to be constructed west of intersection of Shadow Creek Ranch Road at SH 288, reserving the corner for major retail. Capitalizing on the water-oriented development envisioned for Shadow Creek Ranch would provide the venue for such a specialty shopping center development. If Shadow Creek Ranch is able to generate sufficient "pre-

leasing" interest, such a center will likely be justifiable within five to ten years.

In general, power center development in the Houston area is expected to slow down. Most of the large tenants of such centers have completed their Houston expansion plans and very few new players are expected to enter the market. Sluggish sales performances have also hurt the category killers' ability to acquire financial backing for continued expansion. This said, the development of future such centers in the Shadow Creek Ranch submarket must be driven by local population growth and demographic trends, not by speculation. With the growth experienced in the 288 submarket, significant retail development should occur within the next five to ten years.

Market Overview

Strong economic fundamentals for energy, energy-related, and electronic companies are the key factors behind Houston's improved industrial market. Notwithstanding the contractions in the energy sector, 1998 was a year of continued job growth, with 56,400 net jobs gained. In addition, the area's growing number of business relocations, driven in part by energy company mergers and consolidations, has equated to substantial industrial build-to-suit activity. Strong demand for warehouse/distribution product has also increased interest in speculative construction. Approximately 7,139,000 square feet of new industrial space was completed in 1998.

The recent strength of the industrial real estate market is demonstrated by an average of 7.8 million square feet of absorption annually since 1994. Occupancy levels, lease rates, and new construction activity all have gone up in tandem.

The Houston Metropolitan area has a total industrial inventory of 262 million square feet. The composition of the space is 65% warehouse/distribution, 23% manufacturing, and 12% service center. The highest concentration (nearly 49%) of industrial space activity is in the northwest and southwest sectors of Houston. The Northwest sector outperformed the overall industrial market, accounting for 25% of supply, with a 5.5% vacancy factor. The Northwest market is driven in large part by Compaq Computer Corporation. The southwest sector is driven by Fort Bend County's favorable tax situation, including the freeport exemption.

In 1998 rents for quality dock-high distribution properties reached levels that encouraged additional construction. This new space came both in the form of build-to-suit construction and speculative development. The outlying regions of Houston commanded the highest industrial gross lease rates, particularly the northwest and southwest, typically from \$3.12-\$4.44psf.

Planned business and industrial parks where land use is controlled and deed restricted are the preferred locations for new construction.

The same market drivers in place in 1998 should continue to generate improvement. Demand will come from a healthy combination of local businesses, regional and national U.S. companies, and international businesses expanding into the United States. Houston's affordability has increased the region's attractiveness to companies. Pent-up demand and the need for different physical characteristics in facilities will create additional demand for new space. Limited existing product in the most-favored locations should result in additional construction activity.

The South Houston Industrial Submarket

The South Houston industrial market is bounded (approximately) by the Sam Houston Tollway to the south, SH90A to the West, and I45 South to the East. Within this market are approximately 28 million square feet with occupancy of 89% and gross industrial lease rates that average \$2.50psf.

The South Houston Industrial Submarket, is not an area of significant industrial expansion. Rather, it is comprised of older, decayed industrial development in the area bounded by Almeda Road (FM521) to the west, the South 610 Loop to the north, and Mykawa to the east, primarily along rail.

This area, referred to as the Far South industrial submarket is, like other areas of outdated industrial buildings, suffering a higher vacancy rate, 12.9%, than areas of new product. Most new product was build-to-suit projects for local firms that are expanding or consolidating and are typically concrete tilt-up construction with dock-high space, 10 percent finished as offices and 22 to 24-foot ceilings. Many new projects are incorporating 30-foot ceilings to accommodate computerized stocking systems.

The near-south and far-south submarkets of industrial development represent just 12 percent of the overall market. Combined with an above-average vacancy rate and warehouse lease rates averaging approximately \$2.50psf, the prospects for industrial development,

per se, for Shadow Creek Ranch are not advantageous at this time.

Shadow Creek Ranch Submarket - Prognosis for the Future

The Shadow Creek Ranch Submarket, a submarket more influenced by its proximity to residential development, is not presently an area of industrial growth. The historical impediment to residential and commercial development in this submarket has been the blighted area of industrial development described above. The opening of SH288 bridged this gap providing a clean window of opportunity for expansion, again, with very close proximity to employment.

Therefore, notwithstanding the conclusion achieved above regarding industrial development prospects for Shadow Creek Ranch, the opening of the South Sam Houston Tollway combined with the SH288 corridor, provides a new development opportunity for business expansion with excellent access to NASA, The Houston Ship Channel, north Fort Bend County, The Texas Medical Center, and the CBD. It is therefore our conclusion that a concerted effort to attract employment in the medical services/research and pharmaceutical business may provide a significant opportunity for Shadow Creek Ranch. This employment will include some demand for industrial facilities as contemplated by the Shadow Creek Ranch Land Plan. It is presumed that these facilities will be rail-served by spur access from the Missouri Pacific Railroad Line on the west line of SH521.

Section V
Apartments

Market Overview

The housing market, both single-family and multi-family, has experienced significant increased absorption over the past several years. The multi-family construction was significantly up in 1998, 14,000 new units versus 5,000 new units delivered in 1997. The new construction was concentrated along a line south of Interstate 10 west from the CBD to the Energy Corridor in far west Harris County. Additional areas of concentrated development include new apartment communities developed in the mature Master Planned Communities of First Colony, Kingwood, The Woodlands, Clear Lake City, and the far northwest FM 1960 (Compaq) area.

Houston's apartment market consists of 405,000 units in 2,300 active projects with overall occupancy in excess of 91 percent and an average rental rate of \$0.62 per square foot (\$509 per month). A number of submarkets achieved an average rent of \$0.70psf or greater and higher than average occupancy: the Galleria (\$0.76 @ 94 percent); Greenway (\$0.84psf at 95 percent); the Texas Medical Center (\$0.75psf @ 95 percent); The Woodlands (\$0.72psf @ 95 percent); Clear Lake City (\$0.71psf @ 95 percent) and Westchase (\$0.70psf @ 97 percent).

Class "A" rents now average \$0.83psf and drop significantly to the Class "B" rent average of \$0.61psf. Class "A" occupancies have declined over the past two years signaling a potential overbuilding condition, particularly inside the Loop 610 submarket. The inner city activity of the past three years should abate to some degree and new construction should be confined to niche markets that demonstrate demand for new product.

The South Houston Multi-Family Submarket

The South Houston Multi-Family Submarket is a market influenced by The Texas Medical Center as the primary economic generator. As a submarket, the fundamentals are strong with 14,233 units in 82 properties with

rents averaging \$0.81psf @ 94 percent occupancy. The tenant profile is strongly influenced by The Medical Center employment including students, nurses, medical and lab technicians and service personnel. Not surprisingly, the buyer profile in SilverLake is heavily influenced by the same employment profile.

The Shadow Creek Ranch Multi-Family Submarket includes a number of properties, 24 according to The American Metro Study, in the Pearland and Friendswood communities. There is a total of 4,653 units in these projects with average rents of \$0.72psf and occupancy in excess of 93 percent. Current new apartment construction in the Shadow Creek Ranch Submarket includes a 236-unit development by Martin Fein Interests on FM518 in SilverLake and a 200-unit development on Bay Area Boulevard south of FM528.

Shadow Creek Ranch Submarket - Prognosis for the Future

The Shadow Creek Ranch development will support multi-family development over the term however, the absorption of multi-family in Shadow Creek Ranch will be dramatically impacted by the rate of commercial property development. Should significant retail development occur early in the development stages of Shadow Creek Ranch, the multi-family component will quickly follow. If however, employment opportunities are realized in the Shadow Creek Ranch Development, i.e., medical facilities, medical science and technology and/or other office/office service center tenancy, Shadow Creek Ranch residential demand, both single family and multi-family will be dramatically impacted.

Section VI
Conclusion

Generally, the overall Houston real estate market is very healthy with tight supplies of inventory in almost every category of real estate. While Houston has greatly diversified its economy since the 1980's, with over 80 percent of the economy concentrated in the energy sector, it is still over 50 percent today. This extends Houston's vulnerability to the current low oil prices and if sustained, the low oil prices will negatively impact the Houston economy. While oil exploration and production costs have fallen due to new technology and overall efficiencies, Houston remains a world energy center, capitalizing on technical and engineering expertise.

Shadow Creek Ranch represents the first true test of a new corridor, SH288, being developed since the Northwest Freeway, SH290, was opened in the seventies. No other area provides the access to employment centers that this submarket enjoys, especially with the opening of the South Sam Houston Tollway. Much of the land along these two new thoroughfares is land not served by utilities. There is a tremendous opportunity to attract significant commercial land development to this newly opened submarket by presenting an attractive, deed restricted, mixed-use development. Shadow Creek Ranch is ideally located to capitalize on this opportunity. The more mature developments of SilverLake, Country Place, Southdown, and Green Valley Estates provide immediate retail sales opportunity.

Our projections of commercial land absorption are based on the initiation of major infrastructure by third quarter, 1999 with delivery of the developed pad sites by mid-year 2000, in the FM2234/Kriby Dr. Extension area.

Concurrent with this development process, a refined marketing approach should be undertaken to attempt to capitalize on the following opportunities:

- a. Major medical - a regional medical facility is an immediate opportunity for this submarket and therefore, Shadow Creek Ranch;
- b. Retail - a grocery-anchored shopping center will be developed in the foreseeable future, either in SilverLake or Shadow Creek Ranch. SilverLake, by virtue of its current development status has the advantage;
 - a factory outlet or power center development is a high probability for an immediate use on the 40-acre corner of SH288 and FM2234.
- c. Office/Research and Development - a marketing effort specifically targeted at medical research and development, pharmaceuticals, and other life science companies, again, combining the synergies of The Medical Center, NASA, and the petrochemical complex of Lake Jackson/Freeport, for facilities to be built in a quality office park environment within the Shadow Creek Ranch commercial frontage.

It should be noted that significant risk is created for the long term single-family development contemplated in Shadow Creek Ranch by emplacing infrastructure at the front door to the community and building it out from the east (SH288) to the west (FM521). Historically, new communities have been developed from the back coming forward to the major thoroughfare, presenting prospective buyers with a constant view of new construction and avoiding the difficulty of marketing past potentially dated product.

That said, Shadow Creek Ranch possesses a unique opportunity to capitalize on potential employment opportunities in many different arenas with immediate potential. Obviously, if executed well, this could positively affect the residential absorption in Shadow Creek Ranch materially. We believe this new window of opportunity in the SH288/South Sam Houston Tollway will soon be home to commercial property uses that

SHADOW CREEK RANCH

include major medical, regional retail, automobile dealerships, multiplex theatre development, office and office service facilities, as well as numerous other institutional types of land uses. All of this, if well executed, will have a very positive affect on residential development, of all densities, within Shadow Creek Ranch.

Section VII
Appendices

- Attachment 1.1: Shadow Creek Ranch Demographic &
Economic Status
- Attachment 1.2: Shadow Creek Ranch Area Maps
- Attachment 1.3: Shadow Creek Ranch Commercial
Land Proforma

Attachment 1.1

Shadow Creek Ranch Demographic & Economic Statistics

- POPULATION**
- * population growth will be very high during the 1990's
 - * population growth during the 1980's was average compared to the nation as a whole
 - * population density is very low
 - * this area has a slightly younger population than the nation as a whole
- HOUSEHOLDS**
- * household size is slightly above average
- INCOME**
- * average income is well above the national average
 - * a high share of households earn over \$50,000 per year
- EMPLOYMENT**
- * unemployment rates are at average levels
 - * female labor force participation rates are high
 - * mining is important in the local economy
- HOUSING**
- * a majority of housing units are owner occupied

NOTE: This report is intended as a brief snapshot of the selected area. Only those key characteristics which are considerably different from national average values are reported. There may be other unique features of this area that are not reported. Use this report only in conjunction with a thorough review of the actual report figures.

- POPULATION**
- * population growth will be strong during the 1990's
 - * population growth during the 1980's was average compared to the nation as a whole
 - * population density is very low
 - * this area has a slightly younger population than the nation as a whole
- HOUSEHOLDS**
- * household size is slightly above average
- INCOME**
- * average income is well above the national average
 - * a high share of households earn over \$50,000 per year
- EMPLOYMENT**
- * unemployment rates are at average levels
 - * female labor force participation rates are high
 - * mining is important in the local economy
 - * white collar occupations dominate
- HOUSING**
- * a majority of housing units are owner occupied

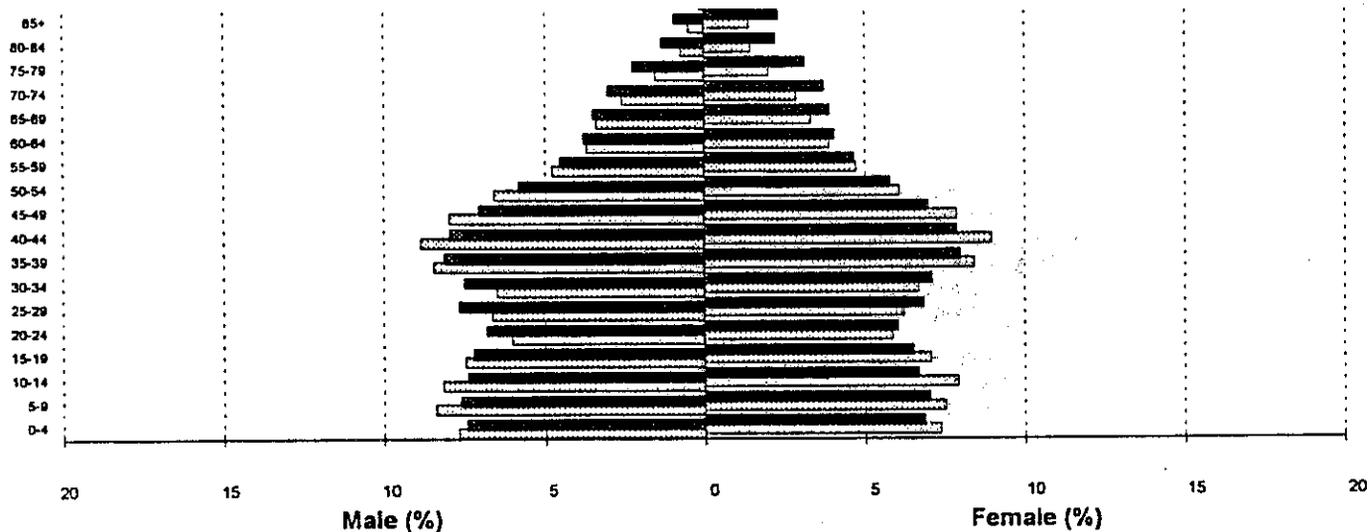
NOTE: This report is intended as a brief snapshot of the selected area. Only those key characteristics which are considerably different from national average values are reported. There may be other unique features of this area that are not reported. Use this report only in conjunction with a thorough review of the actual report figures.

3 Mile Ring
United States

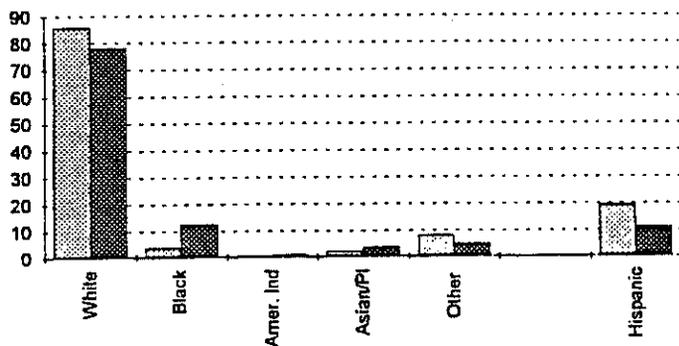


	Population	Households	Families	Median Age
3 Mile Ring	31,803	11,216	8,985	35.1
United States	269,412,836	100,657,535	69,661,028	35.4

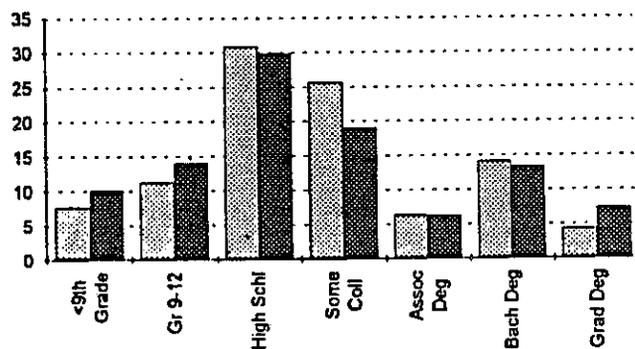
Population by Age and Sex (1998)



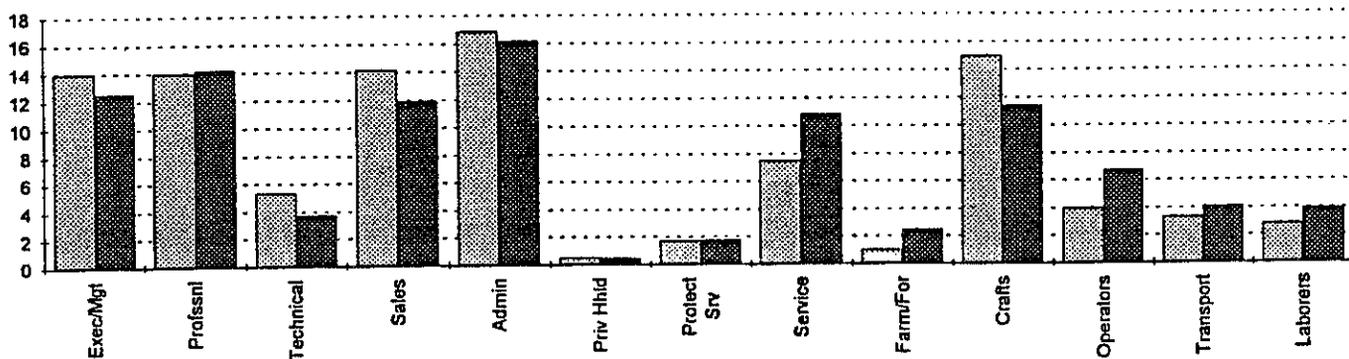
Race/Hispanic Origin, 1998 (%)



Educational Attainment, 1998 (%)

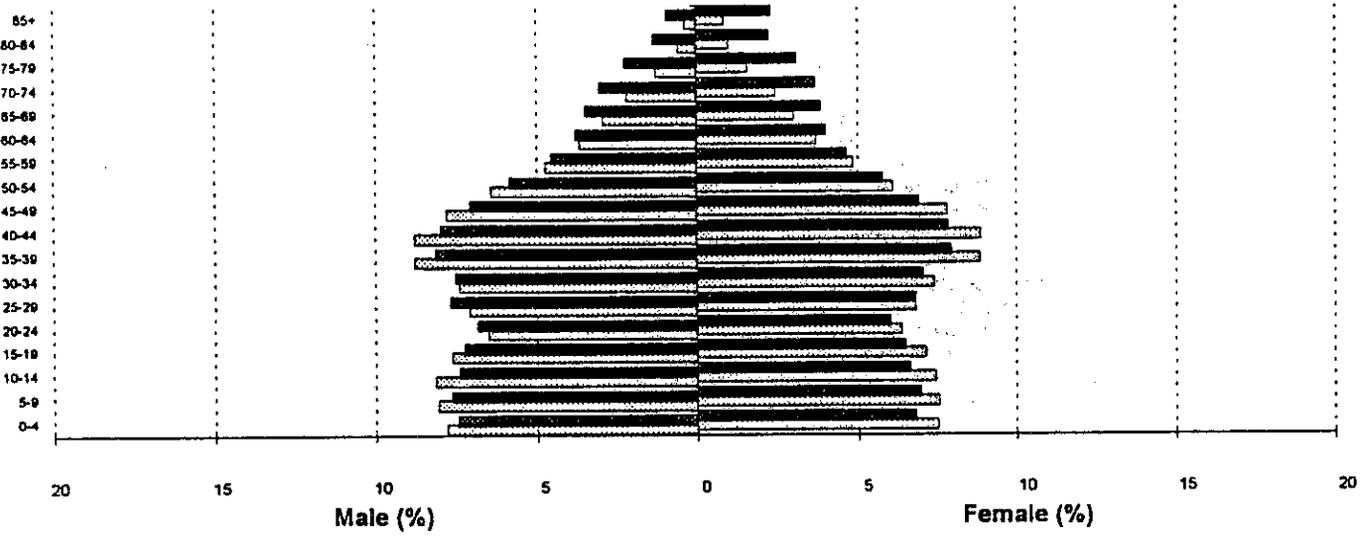


Occupation, 1998 (%)

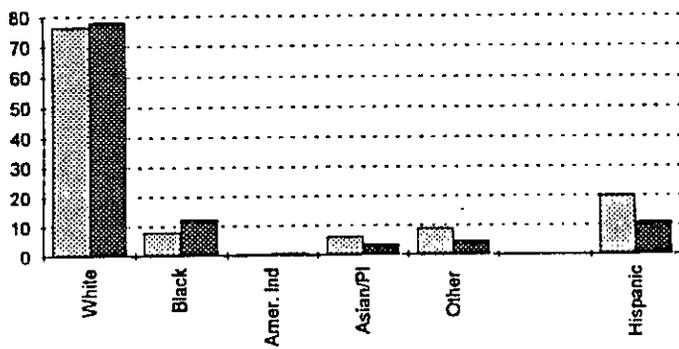


	Population	Households	Families	Median Age
Mile Ring	92,160	31,964	25,055	34.0
United States	269,412,836	100,657,535	69,661,028	35.4

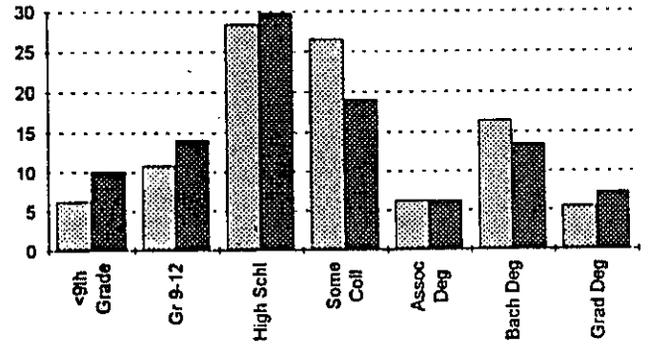
Population by Age and Sex (1998)



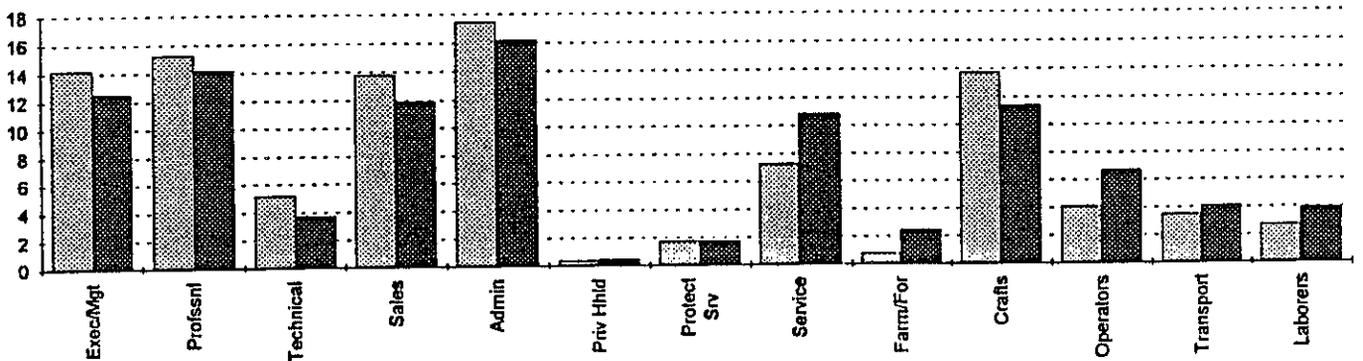
Race/Hispanic Origin, 1998 (%)



Educational Attainment, 1998 (%)



Occupation, 1998 (%)



	1990 Census		1998 Estimate		2003 Projection	
POPULATION	22,511		31,803		36,144	
In Group Quarters	131		159		159	
PER CAPITA INCOME	\$15,566		\$20,642		\$24,698	
Aggregate Income (\$Mil)	350.4		656.5		892.7	
HOUSEHOLDS	7,717	%	11,216	%	12,992	%
By Income						
Less than \$ 5,000	283	3.7%	291	2.6%	289	2.2%
\$ 5,000 - \$ 9,999	335	4.3%	461	4.1%	543	4.2%
\$ 10,000 - \$ 14,999	330	4.3%	440	3.9%	504	3.9%
\$ 15,000 - \$ 19,999	573	7.4%	539	4.8%	547	4.2%
\$ 20,000 - \$ 24,999	616	8.0%	717	6.4%	760	5.9%
\$ 25,000 - \$ 29,999	529	6.9%	750	6.7%	724	5.6%
\$ 30,000 - \$ 34,999	593	7.7%	793	7.1%	826	6.4%
\$ 35,000 - \$ 39,999	497	6.4%	552	4.9%	852	6.6%
\$ 40,000 - \$ 49,999	1,132	14.7%	1,297	11.6%	1,330	10.2%
\$ 50,000 - \$ 59,999	992	12.9%	1,119	10.0%	1,029	7.9%
\$ 60,000 - \$ 74,999	882	11.4%	1,787	15.9%	1,735	13.4%
\$ 75,000 - \$ 99,999	592	7.7%	1,339	11.9%	1,908	14.7%
\$100,000 - \$ 124,999	184	2.4%	571	5.1%	884	6.8%
\$125,000 - \$ 149,000	72	0.9%	197	1.8%	374	2.9%
\$150,000 +	104	1.3%	364	3.2%	688	5.3%
Median Household Income	\$40,672		\$48,221		\$51,191	
Average Household Income	\$45,688		\$58,457		\$68,621	
FAMILIES	6,287	%	8,985	%	10,278	%
By Family Household Income						
Less than \$ 5,000	151	2.4%	181	2.0%	202	2.0%
\$ 5,000 - \$ 9,999	129	2.1%	169	1.9%	196	1.9%
\$ 10,000 - \$ 14,999	261	4.2%	265	3.0%	249	2.4%
\$ 15,000 - \$ 19,999	373	5.9%	392	4.4%	413	4.0%
\$ 20,000 - \$ 24,999	435	6.9%	490	5.5%	556	5.4%
\$ 25,000 - \$ 29,999	425	6.8%	511	5.7%	529	5.1%
\$ 30,000 - \$ 34,999	470	7.5%	624	6.9%	574	5.6%
\$ 35,000 - \$ 39,999	389	6.2%	423	4.7%	628	6.1%
\$ 40,000 - \$ 49,999	978	15.6%	1,032	11.5%	1,049	10.2%
\$ 50,000 - \$ 59,999	919	14.6%	940	10.5%	824	8.0%
\$ 60,000 - \$ 74,999	853	13.6%	1,613	18.0%	1,513	14.7%
\$ 75,000 - \$ 99,999	549	8.7%	1,261	14.0%	1,706	16.6%
\$100,000 - \$ 124,999	182	2.9%	536	6.0%	826	8.0%
\$125,000 - \$ 149,000	69	1.1%	189	2.1%	346	3.4%
\$150,000 +	104	1.7%	358	4.0%	668	6.5%
Median Family HH Income	\$45,366		\$54,302		\$59,021	
Average Family HH Income	\$49,647		\$64,254		\$75,110	

	1990 Census		1998 Estimate		2003 Projection	
POPULATION	74,502		92,160		100,287	
In Group Quarters	185		230		233	
PER CAPITA INCOME	\$15,291		\$21,085		\$25,675	
Aggregate Income (\$Mil)	1,139.2		1,943.2		2,574.9	
HOUSEHOLDS	25,496	%	31,964	%	35,222	%
By Income						
Less than \$ 5,000	863	3.4%	735	2.3%	699	2.0%
\$ 5,000 - \$ 9,999	1,051	4.1%	1,130	3.5%	1,199	3.4%
\$ 10,000 - \$ 14,999	1,130	4.4%	1,143	3.6%	1,209	3.4%
\$ 15,000 - \$ 19,999	1,644	6.4%	1,393	4.4%	1,347	3.8%
\$ 20,000 - \$ 24,999	2,125	8.3%	1,658	5.2%	1,722	4.9%
\$ 25,000 - \$ 29,999	1,797	7.0%	1,953	6.1%	1,629	4.6%
\$ 30,000 - \$ 34,999	1,933	7.6%	2,013	6.3%	1,965	5.6%
\$ 35,000 - \$ 39,999	2,011	7.9%	1,580	4.9%	1,893	5.4%
\$ 40,000 - \$ 49,999	3,775	14.8%	3,709	11.6%	3,303	9.4%
\$ 50,000 - \$ 59,999	3,184	12.5%	3,400	10.6%	3,243	9.2%
\$ 60,000 - \$ 74,999	3,021	11.9%	4,927	15.4%	4,599	13.1%
\$ 75,000 - \$ 99,999	2,008	7.9%	4,499	14.1%	5,530	15.7%
\$100,000 - \$ 124,999	506	2.0%	2,064	6.5%	3,085	8.8%
\$125,000 - \$ 149,000	132	0.5%	815	2.5%	1,444	4.1%
\$150,000 +	316	1.2%	944	3.0%	2,356	6.7%
Median Household Income	\$40,394		\$51,963		\$58,161	
Average Household Income	\$44,913		\$60,742		\$73,029	
FAMILIES	20,305	%	25,055	%	27,281	%
By Family Household Income						
Less than \$ 5,000	451	2.2%	449	1.8%	492	1.8%
\$ 5,000 - \$ 9,999	437	2.2%	437	1.7%	442	1.6%
\$ 10,000 - \$ 14,999	708	3.5%	611	2.4%	592	2.2%
\$ 15,000 - \$ 19,999	1,030	5.1%	873	3.5%	829	3.0%
\$ 20,000 - \$ 24,999	1,475	7.3%	1,106	4.4%	1,183	4.3%
\$ 25,000 - \$ 29,999	1,315	6.5%	1,302	5.2%	1,150	4.2%
\$ 30,000 - \$ 34,999	1,510	7.4%	1,550	6.2%	1,327	4.9%
\$ 35,000 - \$ 39,999	1,661	8.2%	1,141	4.6%	1,423	5.2%
\$ 40,000 - \$ 49,999	3,223	15.9%	2,841	11.3%	2,502	9.2%
\$ 50,000 - \$ 59,999	2,917	14.4%	2,838	11.3%	2,461	9.0%
\$ 60,000 - \$ 74,999	2,800	13.8%	4,302	17.2%	3,903	14.3%
\$ 75,000 - \$ 99,999	1,846	9.1%	4,059	16.2%	4,722	17.3%
\$100,000 - \$ 124,999	494	2.4%	1,883	7.5%	2,764	10.1%
\$125,000 - \$ 149,000	130	0.6%	762	3.0%	1,323	4.8%
\$150,000 +	307	1.5%	901	3.6%	2,167	7.9%
Median Family HH Income	\$44,489		\$57,810		\$64,758	
Average Family HH Income	\$49,080		\$66,661		\$79,987	

Source: 1990 Census, April 1, 1998 VNU PMG Estimates.

NDS/UDS Data Services / 5375 Mira Sorrento Place Suite 400 / San Diego, CA 92121 / (800) 866-6510

(INP)

522667

	1990 Census		1998 Estimate		2003 Projected	
POPULATION	22,511		31,803		36,144	
In Group Quarters	131		159		159	
HOUSEHOLDS	7,670	%	11,216	%	12,992	%
1 Person	1,137	14.8%	1,864	16.6%	2,295	17.7%
2 Person	2,367	30.9%	3,524	31.4%	4,119	31.7%
3-4 Person	3,157	41.2%	4,529	40.4%	5,177	39.8%
5+ Person	1,008	13.1%	1,299	11.6%	1,401	10.8%
Average Hhld Size	2.92		2.82		2.77	
FAMILIES	6,287		8,985		10,278	
RACE						
White	19,514	86.7%	27,309	85.9%	30,651	84.8%
Black	939	4.2%	1,187	3.7%	1,346	3.7%
Asian/Pacific Islander	341	1.5%	651	2.0%	867	2.4%
American Indian	82	0.4%	115	0.4%	148	0.4%
Other	1,635	7.3%	2,541	8.0%	3,133	8.7%
HISPANIC ORIGIN	3,815	16.9%	6,132	19.3%	7,541	20.9%
AGE		%		%		%
0 - 4	1,778	7.9%	2,393	7.5%	2,543	7.0%
5 - 13	3,538	15.7%	4,593	14.4%	4,988	13.8%
14 - 17	1,364	6.1%	1,976	6.2%	2,135	5.9%
18 - 20	923	4.1%	1,234	3.9%	1,549	4.3%
21 - 24	978	4.3%	1,487	4.7%	1,910	5.3%
25 - 34	3,943	17.5%	4,143	13.0%	4,339	12.0%
35 - 44	3,941	17.5%	5,523	17.4%	5,248	14.5%
45 - 54	2,428	10.8%	4,535	14.3%	5,791	16.0%
55 - 64	1,860	8.3%	2,726	8.6%	3,617	10.0%
65 - 74	1,105	4.9%	1,956	6.2%	2,307	6.4%
75 - 84	490	2.2%	929	2.9%	1,317	3.6%
85 +	162	0.7%	308	1.0%	400	1.1%
Median Age	32.1		35.1		36.3	
MALES	11,068	%	15,604	%	17,696	%
0 - 20	3,853	34.8%	5,147	33.0%	5,664	32.0%
21 - 44	4,331	39.1%	5,492	35.2%	5,687	32.1%
45 - 64	2,180	19.7%	3,594	23.0%	4,630	26.2%
65 - 84	667	6.0%	1,292	8.3%	1,620	9.2%
85 +	38	0.3%	77	0.5%	95	0.5%
FEMALES	11,443	%	16,199	%	18,449	%
0 - 20	3,751	32.8%	5,048	31.2%	5,552	30.1%
21 - 44	4,531	39.6%	5,660	34.9%	5,810	31.5%
45 - 64	2,108	18.4%	3,667	22.6%	4,778	25.9%
65 - 84	928	8.1%	1,593	9.8%	2,004	10.9%
85 +	124	1.1%	230	1.4%	305	1.7%
Owner-Occupied Hhlds	5,622		7,963		9,124	
Renter-Occupied Hhlds	2,048		3,252		3,868	

	1990 Census		1998 Estimate		2003 Projected	
POPULATION	74,502		92,160		100,287	
In Group Quarters	185		230		233	
HOUSEHOLDS	25,365	%	31,964	%	35,222	%
1 Person	4,107	16.2%	5,491	17.2%	6,290	17.9%
2 Person	7,516	29.6%	9,565	29.9%	10,601	30.1%
3-4 Person	10,241	40.4%	12,768	39.9%	13,963	39.6%
5+ Person	3,501	13.8%	4,140	13.0%	4,368	12.4%
Average Hhld Size	2.93		2.88		2.84	
FAMILIES	20,305		25,055		27,281	
RACE						
White	58,990	79.2%	70,383	76.4%	74,497	74.3%
Black	5,930	8.0%	7,308	7.9%	8,071	8.0%
Asian/Pacific Islander	3,505	4.7%	5,787	6.3%	7,344	7.3%
American Indian	290	0.4%	358	0.4%	427	0.4%
Other	5,787	7.8%	8,324	9.0%	9,947	9.9%
HISPANIC ORIGIN	12,807	17.2%	18,504	20.1%	22,050	22.0%
AGE		%		%		%
0 - 4	6,008	8.1%	7,059	7.7%	7,233	7.2%
5 - 13	11,380	15.3%	12,961	14.1%	13,629	13.6%
14 - 17	4,706	6.3%	5,725	6.2%	5,953	5.9%
18 - 20	3,317	4.5%	3,775	4.1%	4,290	4.3%
21 - 24	3,758	5.0%	4,677	5.1%	5,529	5.5%
25 - 34	13,826	18.6%	13,244	14.4%	13,129	13.1%
35 - 44	13,151	17.7%	16,286	17.7%	15,538	15.5%
45 - 54	8,522	11.4%	12,980	14.1%	15,488	15.4%
55 - 64	5,503	7.4%	7,859	8.5%	9,953	9.9%
65 - 74	2,914	3.9%	4,959	5.4%	5,837	5.8%
75 - 84	1,123	1.5%	2,060	2.2%	2,956	2.9%
85 +	295	0.4%	574	0.6%	751	0.7%
Median Age	31.1		34.0		35.3	
MALES	37,066	%	45,730	%	49,631	%
0 - 20	12,973	35.0%	15,065	32.9%	15,873	32.0%
21 - 44	15,141	40.8%	16,974	37.1%	17,061	34.4%
45 - 64	7,099	19.2%	10,321	22.6%	12,479	25.1%
65 - 84	1,766	4.8%	3,198	7.0%	4,007	8.1%
85 +	86	0.2%	171	0.4%	211	0.4%
FEMALES	37,436	%	46,430	%	50,656	%
0 - 20	12,437	33.2%	14,456	31.1%	15,233	30.1%
21 - 44	15,593	41.7%	17,232	37.1%	17,136	33.8%
45 - 64	6,926	18.5%	10,518	22.7%	12,961	25.6%
65 - 84	2,271	6.1%	3,821	8.2%	4,786	9.4%
85 +	208	0.6%	403	0.9%	540	1.1%
Owner-Occupied Hhlds	18,368		22,856		25,052	
Renter-Occupied Hhlds	6,997		9,108		10,170	

	1990 Census		1998 Estimate		2003 Projected	
PULATION	22,511		31,803		36,144	
In Group Quarters	131	0.6%	159	0.5%	159	0.4%
PULATION AGE 16+	16,599		23,829		27,522	
Employed	11,329	68.2%	16,315	68.5%	18,876	68.6%
Unemployed	521	3.1%	736	3.1%	840	3.1%
In Armed Forces	38	0.2%	59	0.2%	66	0.2%
Not In Labor Force	4,712	28.4%	6,719	28.2%	7,739	28.1%
Unemployment Rate	4.4%		4.3%		4.2%	
EMPLOYMENT BY INDUSTRY						
Agriculture, Fishing, Forestry	109	1.0%	160	1.0%	186	1.0%
Mining	414	3.7%	621	3.8%	726	3.8%
Construction	930	8.2%	1,335	8.2%	1,532	8.1%
Manufacturing: Durables	906	8.0%	1,316	8.1%	1,530	8.1%
Manufacturing: Non-Durables	1,141	10.1%	1,604	9.8%	1,844	9.8%
Transportation	564	5.0%	811	5.0%	938	5.0%
Communications	337	3.0%	489	3.0%	566	3.0%
Wholesale Trade	824	7.3%	1,209	7.4%	1,404	7.4%
Retail Trade	1,713	15.1%	2,428	14.9%	2,803	14.8%
Finance/Real Estate/Insurance	672	5.9%	992	6.1%	1,156	6.1%
Business/Repair Services	577	5.1%	852	5.2%	997	5.3%
Personal Services	199	1.8%	283	1.7%	329	1.7%
Entertainment/Recreation	130	1.1%	188	1.2%	217	1.1%
Health Services	664	5.9%	913	5.6%	1,047	5.5%
Educational Services	1,011	8.9%	1,459	8.9%	1,685	8.9%
Other Services	657	5.8%	956	5.9%	1,111	5.9%
Public Administration	482	4.3%	699	4.3%	806	4.3%
EMPLOYMENT BY OCCUPATION						
Total White Collar	7,233	63.8%	10,481	64.2%	12,161	64.4%
Executive and Managerial	1,590	14.0%	2,276	14.0%	2,638	14.0%
Professional	1,561	13.8%	2,276	13.9%	2,636	14.0%
Technicians	611	5.4%	869	5.3%	1,007	5.3%
Sales	1,605	14.2%	2,307	14.1%	2,668	14.1%
Admin. Support/Clerical	1,867	16.5%	2,753	16.9%	3,212	17.0%
Total Blue Collar	4,096	36.2%	5,835	35.8%	6,715	35.6%
Private Household	48	0.4%	81	0.5%	98	0.5%
Protective Service	186	1.6%	277	1.7%	322	1.7%
Other Service Occupations	874	7.7%	1,222	7.5%	1,404	7.4%
Farming/Forestry/Fishing	107	0.9%	162	1.0%	191	1.0%
Production/Craft/Repair	1,692	14.9%	2,447	15.0%	2,820	14.9%
Operatives	481	4.2%	653	4.0%	742	3.9%
Transportation/Material Moving	381	3.4%	536	3.3%	615	3.3%
Handlers and Laborers	327	2.9%	457	2.8%	523	2.8%

	1990		1998		2003	
	Census		Estimate		Projected	
POPULATION	74,502		92,160		100,287	
In Group Quarters	185	0.2%	230	0.2%	233	0.2%
POPULATION AGE 16+	54,923		69,314		76,450	
Employed	38,855	70.7%	49,149	70.9%	54,256	71.0%
Unemployed	1,873	3.4%	2,299	3.3%	2,504	3.3%
In Armed Forces	114	0.2%	145	0.2%	157	0.2%
Not In Labor Force	14,081	25.6%	17,722	25.6%	19,533	25.5%
Unemployment Rate	4.6%		4.5%		4.4%	
EMPLOYMENT BY INDUSTRY						
Agriculture, Fishing, Forestry	346	0.9%	450	0.9%	493	0.9%
Mining	1,051	2.7%	1,406	2.9%	1,584	2.9%
Construction	2,966	7.6%	3,763	7.7%	4,142	7.6%
Manufacturing: Durables	2,994	7.7%	3,819	7.8%	4,229	7.8%
Manufacturing: Non-Durables	3,415	8.8%	4,372	8.9%	4,849	8.9%
Transportation	2,507	6.5%	3,127	6.4%	3,436	6.3%
Communications	1,454	3.7%	1,851	3.8%	2,039	3.8%
Wholesale Trade	2,470	6.4%	3,162	6.4%	3,509	6.5%
Retail Trade	6,256	16.1%	7,787	15.8%	8,556	15.8%
Finance/Real Estate/Insurance	2,309	5.9%	2,939	6.0%	3,260	6.0%
Business/Repair Services	2,059	5.3%	2,586	5.3%	2,854	5.3%
Personal Services	740	1.9%	916	1.9%	1,006	1.9%
Entertainment/Recreation	587	1.5%	728	1.5%	795	1.5%
Health Services	2,375	6.1%	2,897	5.9%	3,173	5.8%
Educational Services	3,204	8.2%	4,123	8.4%	4,566	8.4%
Other Services	2,601	6.7%	3,277	6.7%	3,612	6.7%
Public Administration	1,521	3.9%	1,948	4.0%	2,155	4.0%
EMPLOYMENT BY OCCUPATION						
Total White Collar	25,474	65.6%	32,401	65.9%	35,829	66.0%
Executive and Managerial	5,496	14.1%	6,986	14.2%	7,747	14.3%
Professional	5,838	15.0%	7,495	15.2%	8,297	15.3%
Technicians	2,030	5.2%	2,547	5.2%	2,811	5.2%
Sales	5,341	13.7%	6,780	13.8%	7,496	13.8%
Admin. Support/Clerical	6,769	17.4%	8,594	17.5%	9,478	17.5%
Total Blue Collar	13,381	34.4%	16,748	34.1%	18,427	34.0%
Private Household	113	0.3%	163	0.3%	188	0.3%
Protective Service	677	1.7%	854	1.7%	937	1.7%
Other Service Occupations	2,855	7.3%	3,571	7.3%	3,928	7.2%
Farming/Forestry/Fishing	298	0.8%	381	0.8%	424	0.8%
Production/Craft/Repair	5,302	13.6%	6,745	13.7%	7,457	13.7%
Operatives	1,633	4.2%	1,998	4.1%	2,184	4.0%
Transportation/Material Moving	1,419	3.7%	1,719	3.5%	1,873	3.5%
Handlers and Laborers	1,084	2.8%	1,317	2.7%	1,436	2.6%

	1990 Census		1998 Estimate		2003 Projection	
HOUSEHOLDS UNDER 25	194	%	463	%	599	%
Less than \$ 5,000	29	15.1%	66	14.2%	63	10.5%
\$ 5,000 - \$ 9,999	29	14.8%	51	11.0%	67	11.2%
\$ 10,000 - \$ 14,999	12	6.2%	44	9.5%	47	7.9%
\$ 15,000 - \$ 24,999	41	21.2%	102	22.0%	120	20.1%
\$ 25,000 - \$ 34,999	12	6.2%	92	19.9%	114	19.1%
\$ 35,000 - \$ 49,999	38	19.5%	39	8.4%	87	14.6%
\$ 50,000 - \$ 74,999	33	17.0%	56	12.0%	59	9.8%
\$ 75,000 - \$ 99,999	0	0.0%	11	2.3%	30	5.0%
\$100,000 or more	0	0.0%	4	0.8%	11	1.8%
MEDIAN HOUSEHOLD INCOME	\$21,543		\$21,983		\$25,140	
HOUSEHOLDS 25 TO 34	1,774	%	1,892	%	2,006	%
Less than \$ 5,000	49	2.8%	33	1.7%	30	1.5%
\$ 5,000 - \$ 9,999	50	2.8%	55	2.9%	50	2.5%
\$ 10,000 - \$ 14,999	76	4.3%	82	4.4%	71	3.5%
\$ 15,000 - \$ 24,999	333	18.8%	251	13.3%	233	11.6%
\$ 25,000 - \$ 34,999	283	15.9%	324	17.1%	295	14.7%
\$ 35,000 - \$ 49,999	498	28.0%	390	20.6%	438	21.9%
\$ 50,000 - \$ 74,999	357	20.1%	501	26.5%	455	22.7%
\$ 75,000 - \$ 99,999	82	4.6%	154	8.1%	267	13.3%
\$100,000 or more	46	2.6%	104	5.5%	167	8.3%
MEDIAN HOUSEHOLD INCOME	\$37,890		\$42,761		\$46,101	
HOUSEHOLDS 35 TO 44	2,241	%	3,075	%	2,955	%
Less than \$ 5,000	63	2.8%	46	1.5%	38	1.3%
\$ 5,000 - \$ 9,999	28	1.2%	42	1.4%	35	1.2%
\$ 10,000 - \$ 14,999	75	3.4%	71	2.3%	54	1.8%
\$ 15,000 - \$ 24,999	222	9.9%	254	8.3%	219	7.4%
\$ 25,000 - \$ 34,999	340	15.2%	355	11.5%	296	10.0%
\$ 35,000 - \$ 49,999	524	23.4%	623	20.2%	535	18.1%
\$ 50,000 - \$ 74,999	710	31.7%	1,005	32.7%	826	28.0%
\$ 75,000 - \$ 99,999	192	8.5%	417	13.6%	531	18.0%
\$100,000 or more	88	3.9%	263	8.6%	421	14.2%
MEDIAN HOUSEHOLD INCOME	\$46,240		\$53,676		\$59,095	
HOUSEHOLDS 45 TO 54	1,412	%	2,509	%	3,207	%
Less than \$ 5,000	11	0.8%	24	1.0%	27	0.8%
\$ 5,000 - \$ 9,999	42	3.0%	49	1.9%	64	2.0%
\$ 10,000 - \$ 14,999	35	2.5%	47	1.9%	66	2.0%
\$ 15,000 - \$ 24,999	159	11.3%	184	7.3%	193	6.0%
\$ 25,000 - \$ 34,999	196	13.8%	291	11.6%	293	9.1%
\$ 35,000 - \$ 49,999	252	17.8%	376	15.0%	479	14.9%
\$ 50,000 - \$ 74,999	450	31.9%	724	28.8%	748	23.3%
\$ 75,000 - \$ 99,999	151	10.7%	453	18.1%	613	19.1%
\$100,000 or more	115	8.2%	361	14.4%	723	22.6%
MEDIAN HOUSEHOLD INCOME	\$50,602		\$59,763		\$66,069	

	1990 Census		1998 Estimate		2003 Projection	
HOUSEHOLDS 55 TO 64	1,080	%	1,500	%	1,996	%
Less than \$ 5,000	75	7.0%	57	3.8%	63	3.2%
\$ 5,000 - \$ 9,999	23	2.2%	38	2.5%	57	2.9%
\$ 10,000 - \$ 14,999	58	5.4%	41	2.7%	53	2.7%
\$ 15,000 - \$ 24,999	162	15.0%	165	11.0%	193	9.7%
\$ 25,000 - \$ 34,999	122	11.3%	204	13.6%	238	11.9%
\$ 35,000 - \$ 49,999	209	19.4%	208	13.9%	314	15.8%
\$ 50,000 - \$ 74,999	220	20.4%	334	22.2%	381	19.1%
\$ 75,000 - \$ 99,999	122	11.3%	185	12.3%	283	14.2%
\$100,000 or more	88	8.1%	269	17.9%	413	20.7%
MEDIAN HOUSEHOLD INCOME	\$42,115		\$52,800		\$55,153	
HOUSEHOLDS 65 TO 74	689	%	1,183	%	1,401	%
Less than \$ 5,000	36	5.2%	39	3.3%	41	2.9%
\$ 5,000 - \$ 9,999	69	10.0%	89	7.5%	98	7.0%
\$ 10,000 - \$ 14,999	46	6.7%	82	6.9%	95	6.8%
\$ 15,000 - \$ 24,999	171	24.8%	200	16.9%	215	15.3%
\$ 25,000 - \$ 34,999	136	19.8%	192	16.2%	198	14.1%
\$ 35,000 - \$ 49,999	71	10.3%	171	14.5%	230	16.4%
\$ 50,000 - \$ 74,999	90	13.1%	209	17.7%	226	16.1%
\$ 75,000 - \$ 99,999	46	6.6%	92	7.7%	130	9.3%
\$100,000 or more	24	3.4%	110	9.3%	168	12.0%
MEDIAN HOUSEHOLD INCOME	\$26,664		\$34,535		\$38,509	
HOUSEHOLDS 75+	327	%	593	%	828	%
Less than \$ 5,000	20	6.1%	27	4.6%	27	3.3%
\$ 5,000 - \$ 9,999	94	28.9%	138	23.3%	170	20.6%
\$ 10,000 - \$ 14,999	27	8.3%	73	12.4%	117	14.2%
\$ 15,000 - \$ 24,999	100	30.7%	100	16.8%	133	16.1%
\$ 25,000 - \$ 34,999	34	10.3%	85	14.3%	117	14.1%
\$ 35,000 - \$ 49,999	38	11.6%	42	7.0%	97	11.7%
\$ 50,000 - \$ 74,999	13	4.0%	78	13.2%	69	8.3%
\$ 75,000 - \$ 99,999	0	0.0%	28	4.8%	55	6.6%
\$100,000 or more	0	0.0%	21	3.6%	44	5.3%
MEDIAN HOUSEHOLD INCOME	\$17,178		\$20,800		\$22,466	
TOTAL HOUSEHOLDS	7,717	%	11,216	%	12,992	%
Less than \$ 5,000	283	3.7%	291	2.6%	289	2.2%
\$ 5,000 - \$ 9,999	335	4.3%	461	4.1%	543	4.2%
\$ 10,000 - \$ 14,999	330	4.3%	440	3.9%	504	3.9%
\$ 15,000 - \$ 24,999	1,189	15.4%	1,256	11.2%	1,307	10.1%
\$ 25,000 - \$ 34,999	1,122	14.5%	1,543	13.8%	1,550	11.9%
\$ 35,000 - \$ 49,999	1,630	21.1%	1,848	16.5%	2,182	16.8%
\$ 50,000 - \$ 74,999	1,874	24.3%	2,906	25.9%	2,764	21.3%
\$ 75,000 - \$ 99,999	592	7.7%	1,339	11.9%	1,908	14.7%
\$100,000 or more	361	4.7%	1,132	10.1%	1,947	15.0%
MEDIAN HOUSEHOLD INCOME	\$40,672		\$48,221		\$51,191	

	1990 Census		1998 Estimate		2003 Projection	
HOUSEHOLDS UNDER 25	741	%	1,480	%	1,759	%
Less than \$ 5,000	118	15.9%	168	11.4%	156	8.9%
\$ 5,000 - \$ 9,999	76	10.3%	134	9.0%	157	8.9%
\$ 10,000 - \$ 14,999	75	10.1%	136	9.2%	142	8.1%
\$ 15,000 - \$ 24,999	239	32.3%	308	20.8%	347	19.7%
\$ 25,000 - \$ 34,999	74	10.0%	309	20.9%	326	18.5%
\$ 35,000 - \$ 49,999	100	13.5%	170	11.5%	264	15.0%
\$ 50,000 - \$ 74,999	59	7.9%	165	11.2%	198	11.2%
\$ 75,000 - \$ 99,999	0	0.0%	57	3.8%	94	5.3%
\$ 100,000 or more	0	0.0%	33	2.2%	76	4.3%
MEDIAN HOUSEHOLD INCOME	\$19,232		\$24,805		\$27,396	
HOUSEHOLDS 25 TO 34	6,407	%	6,042	%	5,981	%
Less than \$ 5,000	187	2.9%	106	1.7%	83	1.4%
\$ 5,000 - \$ 9,999	219	3.4%	172	2.8%	139	2.3%
\$ 10,000 - \$ 14,999	273	4.3%	227	3.8%	194	3.2%
\$ 15,000 - \$ 24,999	1,075	16.8%	649	10.7%	566	9.5%
\$ 25,000 - \$ 34,999	1,142	17.8%	888	14.7%	714	11.9%
\$ 35,000 - \$ 49,999	1,781	27.8%	1,328	22.0%	1,149	19.2%
\$ 50,000 - \$ 74,999	1,368	21.4%	1,665	27.6%	1,559	26.1%
\$ 75,000 - \$ 99,999	248	3.9%	628	10.4%	885	14.8%
\$ 100,000 or more	113	1.8%	379	6.3%	692	11.6%
MEDIAN HOUSEHOLD INCOME	\$37,583		\$46,070		\$52,340	
HOUSEHOLDS 35 TO 44	7,502	%	8,833	%	8,407	%
Less than \$ 5,000	172	2.3%	118	1.3%	93	1.1%
\$ 5,000 - \$ 9,999	175	2.3%	157	1.8%	130	1.5%
\$ 10,000 - \$ 14,999	231	3.1%	205	2.3%	158	1.9%
\$ 15,000 - \$ 24,999	871	11.6%	608	6.9%	505	6.0%
\$ 25,000 - \$ 34,999	1,098	14.6%	955	10.8%	686	8.2%
\$ 35,000 - \$ 49,999	1,778	23.7%	1,574	17.8%	1,242	14.8%
\$ 50,000 - \$ 74,999	2,147	28.6%	2,744	31.1%	2,227	26.5%
\$ 75,000 - \$ 99,999	759	10.1%	1,356	15.4%	1,569	18.7%
\$ 100,000 or more	271	3.6%	1,116	12.6%	1,795	21.4%
MEDIAN HOUSEHOLD INCOME	\$45,156		\$57,283		\$65,587	
HOUSEHOLDS 45 TO 54	5,088	%	7,176	%	8,501	%
Less than \$ 5,000	71	1.4%	69	1.0%	65	0.8%
\$ 5,000 - \$ 9,999	117	2.3%	111	1.5%	130	1.5%
\$ 10,000 - \$ 14,999	147	2.9%	139	1.9%	153	1.8%
\$ 15,000 - \$ 24,999	495	9.7%	433	6.0%	452	5.3%
\$ 25,000 - \$ 34,999	584	11.5%	634	8.8%	601	7.1%
\$ 35,000 - \$ 49,999	1,122	22.1%	962	13.4%	1,001	11.8%
\$ 50,000 - \$ 74,999	1,617	31.8%	2,053	28.6%	1,930	22.7%
\$ 75,000 - \$ 99,999	602	11.8%	1,481	20.6%	1,658	19.5%
\$ 100,000 or more	332	6.5%	1,294	18.0%	2,512	29.5%
MEDIAN HOUSEHOLD INCOME	\$50,100		\$65,105		\$73,953	

	1990 Census		1998 Estimate		2003 Projection	
HOUSEHOLDS 55 TO 64	3,316	%	4,209	%	5,309	%
Less than \$ 5,000	155	4.7%	100	2.4%	112	2.1%
\$ 5,000 - \$ 9,999	125	3.8%	117	2.8%	144	2.7%
\$ 10,000 - \$ 14,999	116	3.5%	115	2.7%	141	2.7%
\$ 15,000 - \$ 24,999	539	16.3%	387	9.2%	425	8.0%
\$ 25,000 - \$ 34,999	420	12.7%	579	13.7%	576	10.8%
\$ 35,000 - \$ 49,999	700	21.1%	654	15.5%	810	15.3%
\$ 50,000 - \$ 74,999	750	22.6%	987	23.5%	1,095	20.6%
\$ 75,000 - \$ 99,999	323	9.7%	619	14.7%	825	15.5%
\$100,000 or more	188	5.7%	652	15.5%	1,181	22.2%
MEDIAN HOUSEHOLD INCOME	\$41,493		\$53,892		\$60,195	
HOUSEHOLDS 65 TO 74	1,765	%	2,914	%	3,421	%
Less than \$ 5,000	101	5.7%	104	3.6%	112	3.3%
\$ 5,000 - \$ 9,999	174	9.9%	196	6.7%	203	5.9%
\$ 10,000 - \$ 14,999	181	10.2%	162	5.6%	188	5.5%
\$ 15,000 - \$ 24,999	388	22.0%	436	15.0%	456	13.3%
\$ 25,000 - \$ 34,999	337	19.1%	427	14.6%	452	13.2%
\$ 35,000 - \$ 49,999	234	13.2%	465	16.0%	523	15.3%
\$ 50,000 - \$ 74,999	228	12.9%	550	18.9%	630	18.4%
\$ 75,000 - \$ 99,999	70	4.0%	279	9.6%	363	10.6%
\$100,000 or more	51	2.9%	296	10.2%	494	14.4%
MEDIAN HOUSEHOLD INCOME	\$26,136		\$39,296		\$43,589	
HOUSEHOLDS 75+	677	%	1,310	%	1,844	%
Less than \$ 5,000	59	8.7%	71	5.4%	77	4.2%
\$ 5,000 - \$ 9,999	164	24.3%	245	18.7%	295	16.0%
\$ 10,000 - \$ 14,999	107	15.9%	159	12.1%	234	12.7%
\$ 15,000 - \$ 24,999	160	23.6%	230	17.6%	318	17.2%
\$ 25,000 - \$ 34,999	74	11.0%	175	13.3%	239	13.0%
\$ 35,000 - \$ 49,999	71	10.4%	136	10.4%	207	11.2%
\$ 50,000 - \$ 74,999	36	5.3%	163	12.4%	203	11.0%
\$ 75,000 - \$ 99,999	6	0.9%	80	6.1%	136	7.4%
\$100,000 or more	0	0.0%	53	4.0%	135	7.3%
MEDIAN HOUSEHOLD INCOME	\$15,503		\$22,838		\$24,928	
TOTAL HOUSEHOLDS	25,496	%	31,964	%	35,222	%
Less than \$ 5,000	863	3.4%	735	2.3%	699	2.0%
\$ 5,000 - \$ 9,999	1,051	4.1%	1,130	3.5%	1,199	3.4%
\$ 10,000 - \$ 14,999	1,130	4.4%	1,143	3.6%	1,209	3.4%
\$ 15,000 - \$ 24,999	3,769	14.8%	3,051	9.5%	3,069	8.7%
\$ 25,000 - \$ 34,999	3,730	14.6%	3,965	12.4%	3,594	10.2%
\$ 35,000 - \$ 49,999	5,786	22.7%	5,289	16.5%	5,196	14.8%
\$ 50,000 - \$ 74,999	6,206	24.3%	8,327	26.1%	7,841	22.3%
\$ 75,000 - \$ 99,999	2,008	7.9%	4,499	14.1%	5,530	15.7%
\$100,000 or more	954	3.7%	3,823	12.0%	6,886	19.5%
MEDIAN HOUSEHOLD INCOME	\$40,394		\$51,963		\$58,161	

HOUSING PROFILE: 1990
 Pearland, TX: FM 518 and Hwy 35
 3 Mile Ring

NDS/UDS Data Services
 3/31/99

POPULATION	22,511	HOUSEHOLDS	7,670	Avg Size	2.92
Group Quarters	131	FAMILIES	6,287	Avg Size	3.24
HOUSING UNITS	8,046				
TENURE	Units			TENURE BY RACE	Owner Renter
Occupied	7,670	95.3%		White	6,867 74.1% 25.9%
Owner-occupied	5,622	69.9%		Black	275 74.5% 25.5%
Renter-occupied	2,048	25.4%		Other	528 61.9% 38.1%
Vacant	376	4.7%		Hispanic	1,015 62.4% 37.6%
For sale	111	1.4%		PERSONS/UNIT	Owner Renter
For rent	103	1.3%		1	1,137 55.7% 44.3%
Not yet occupied	37	0.5%		2	2,367 75.1% 24.9%
For occasional use	4	0.1%		3	1,657 76.1% 23.9%
For migrant workers	0	0.0%		4	1,501 80.0% 20.0%
Other vacant	120	1.5%		5	694 76.3% 23.7%
Boarded-up	10	0.1%		6	203 68.6% 31.4%
				7+	111 71.2% 28.8%
HOUSING VALUE	Units			MONTHLY RENT	Units %
\$ 0-\$ 19,999	51	1.1%		No cash rent	99 4.9%
\$ 20,000-\$ 39,999	258	5.4%		\$ 1-\$ 199	120 6.0%
\$ 40,000-\$ 59,999	930	19.4%		\$ 200-\$ 299	308 15.3%
\$ 60,000-\$ 74,999	1,431	29.8%		\$ 300-\$ 349	381 19.0%
\$ 75,000-\$ 99,999	1,336	27.8%		\$ 350-\$ 399	376 18.7%
\$100,000-\$124,999	364	7.6%		\$ 400-\$ 449	243 12.1%
\$125,000-\$149,999	210	4.4%		\$ 450-\$ 499	177 8.8%
\$150,000-\$174,999	101	2.1%		\$ 500-\$ 549	99 5.0%
\$175,000-\$199,999	50	1.0%		\$ 550-\$ 599	88 4.4%
\$200,000-\$249,999	39	0.8%		\$ 600-\$ 649	47 2.3%
\$250,000-\$299,999	15	0.3%		\$ 650-\$ 699	24 1.2%
\$300,000-\$399,999	11	0.2%		\$ 700-\$ 749	15 0.7%
\$400,000-\$499,999	4	0.1%		\$ 750-\$ 999	23 1.1%
\$500,000 or more	4	0.1%		\$1000 or more	8 0.4%
Total	4,803			Total	2,007
Median value	\$72,180			Median Rent	\$369
Average value	\$79,996			Average Rent	\$383
UNITS IN STRUCTURE	Units		Owner-Occ. Avg. Value	HOUSING VALUE/ RENT BY RACE	Avg Value Avg Rent
1, detached	5,932	73.7%	\$81,335	White	\$69,266 \$363
1, attached	148	1.8%	\$87,018	Black	\$67,438 \$293
2	43	0.5%	\$32,500	Other Race	\$54,494 \$323
3 or more	1,097	13.6%	\$119,818	Hispanic Origin	\$51,730 \$303
3-4	98	1.2%		VACANT UNITS	Units Avg \$
5-9	276	3.4%		For sale	111 \$73,002
10-19	216	2.7%		For rent	103 \$311
20-49	189	2.4%		ROOMS/UNIT	Own Rent
50 or more	318	3.9%			6.26 4.30
Mobile home/trailer	762	9.5%	\$23,702		
Other	64	0.8%	\$72,446		

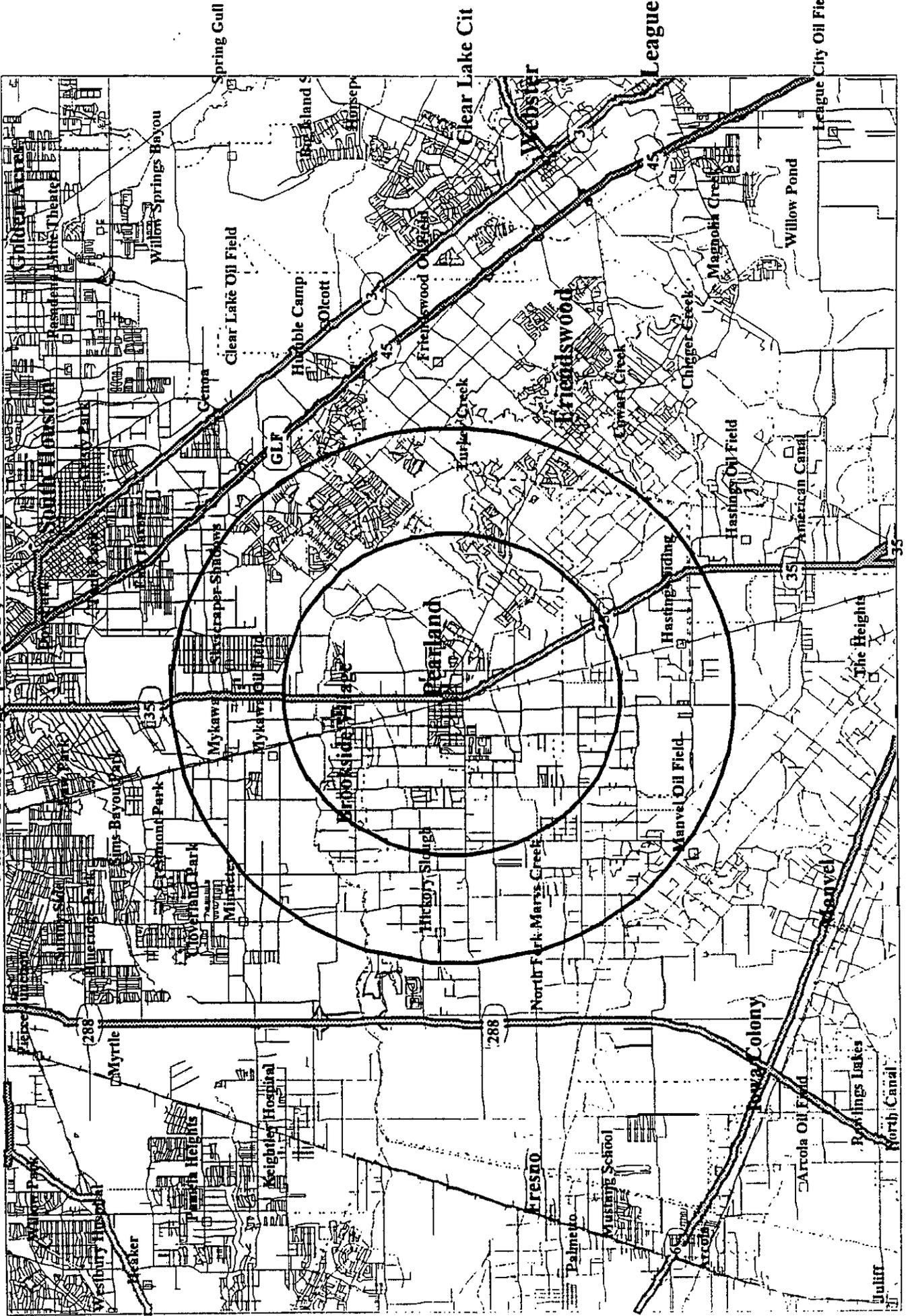
HOUSING PROFILE: 1990
 Pearland, TX: FM 518 and Hwy 35
 5 Mile Ring

NDS/UDS Data Services
 3/31/99

POPULATION	74,502	HOUSEHOLDS	25,365	Avg Size	2.93	
Group Quarters	185	FAMILIES	20,305	Avg Size	3.30	
HOUSING UNITS	27,202	TENURE BY RACE		Owner	Renter	
TENURE	Units	White	21,059	73.8%	26.2%	
Occupied	25,365	93.2%	Black	1,886	60.8%	39.2%
Owner-occupied	18,368	67.5%	Other	2,419	69.5%	30.5%
Renter-occupied	6,997	25.7%	Hispanic	3,398	67.5%	32.5%
Vacant	1,837	6.8%	PERSONS/UNIT		Owner	Renter
For sale	427	1.6%	1	4,107	53.2%	46.8%
For rent	722	2.7%	2	7,516	73.1%	26.9%
Not yet occupied	145	0.5%	3	5,339	76.4%	23.6%
For occasional use	20	0.1%	4	4,902	80.2%	19.8%
For migrant workers	0	0.0%	5	2,238	78.4%	21.6%
Other vacant	523	1.9%	6	793	74.2%	25.8%
Boarded-up	60	0.2%	7+	471	72.1%	27.9%
HOUSING VALUE	Units		MONTHLY RENT	Units	%	
\$ 0-\$ 19,999	135	0.9%	No cash rent	257	3.7%	
\$ 20,000-\$ 39,999	1,087	6.9%	\$ 1-\$ 199	355	5.2%	
\$ 40,000-\$ 59,999	4,483	28.6%	\$ 200-\$ 299	1,013	14.7%	
\$ 60,000-\$ 74,999	4,574	29.2%	\$ 300-\$ 349	921	13.4%	
\$ 75,000-\$ 99,999	3,457	22.1%	\$ 350-\$ 399	1,123	16.3%	
\$100,000-\$124,999	924	5.9%	\$ 400-\$ 449	875	12.7%	
\$125,000-\$149,999	503	3.2%	\$ 450-\$ 499	829	12.0%	
\$150,000-\$174,999	223	1.4%	\$ 500-\$ 549	585	8.5%	
\$175,000-\$199,999	107	0.7%	\$ 550-\$ 599	441	6.4%	
\$200,000-\$249,999	93	0.6%	\$ 600-\$ 649	215	3.1%	
\$250,000-\$299,999	30	0.2%	\$ 650-\$ 699	129	1.9%	
\$300,000-\$399,999	25	0.2%	\$ 700-\$ 749	53	0.8%	
\$400,000-\$499,999	10	0.1%	\$ 750-\$ 999	64	0.9%	
\$500,000 or more	10	0.1%	\$1000 or more	22	0.3%	
Total	15,660		Total	6,881		
Median value	\$66,969		Median Rent	\$396		
Average value	\$73,221		Average Rent	\$406		
UNITS IN STRUCTURE	Units	Owner-Occ.	Avg. Value	HOUSING VALUE/ RENT BY RACE	Avg Value	Avg Rent
1, detached	19,678	72.3%	\$74,511	White	\$63,091	\$394
1, attached	439	1.6%	\$68,850	Black	\$66,113	\$355
2	98	0.4%	\$122,274	Other Race	\$53,756	\$341
3 or more	4,110	15.1%	\$75,625	Hispanic Origin	\$53,079	\$329
3-4	230	0.8%		VACANT UNITS	Units	Avg \$
5-9	665	2.4%		For sale	427	\$62,359
10-19	1,207	4.4%		For rent	722	\$296
20-49	552	2.0%		ROOMS/UNIT	Own	Rent
50 or more	1,456	5.4%			6.27	4.32
Mobile home/trailer	2,410	8.9%	\$26,117			
Other	467	1.7%	\$64,329			

POPULATION			RACE			HOUSEHOLD INCOME			%		
In Group Quarters	74,502		Black	5,930	8.0%	Under \$10,000	1,914	7.5%			
	185	0.2%	Other	9,582	12.9%	\$10-\$19,999	2,774	10.9%			
HOUSEHOLDS			FAMILIES								
1 Person	25,365		With Children	20,305		\$20-\$24,999	2,125	8.3%			
2 Person	4,107	16.2%	Married Couples	11,878	58.5%	\$25-\$29,999	1,797	7.0%			
3-4 Person	7,516	29.6%	With Children	16,978	83.6%	\$30-\$34,999	1,933	7.6%			
5+ Person	10,241	40.4%	Avg Family Size	9,699	57.1%	\$35-\$39,999	2,011	7.9%			
Average Hhld Size	3,501	13.8%	Non-Family Hhd	3,30		\$40-\$49,999	3,775	14.8%			
HISPANIC ORIGIN			OCCUPATION								
	12,807	17.2%	In Armed Forces	5,060	20.0%	\$50-\$74,999	6,206	24.3%			
				114	0.2%	\$75-\$99,999	2,008	7.9%			
						\$100-\$124,999	506	2.0%			
						\$125-\$149,999	132	0.5%			
						\$150,000 +	316	1.2%			
AGE			LABOR FORCE			UNEMP PARTIC			VEHICLES/HSOLD		
0-5	7,267	9.8%	Male	37,066	49.8%	22,797	4.3%	84.5%	0	641	2.5%
6-13	10,121	13.6%	Female	37,436	50.2%	18,045	5.0%	64.6%	1	6,661	26.3%
14-17	4,706	6.3%							2	12,273	48.5%
18-20	3,317	4.5%							3-4	5,428	21.5%
21-24	3,758	5.0%							5+	292	1.2%
25-34	13,826	18.6%							HOUSING UNITS		
35-44	13,151	17.7%							27,202		
45-54	8,522	11.4%							Owner Occupied	18,368	67.5%
55-64	5,503	7.4%							Renter Occupied	6,997	25.7%
65-74	2,914	3.9%							Vacant/All Year	1,294	4.8%
75-84	1,123	1.5%							Vacant/Seasonal	543	2.0%
85+	295	0.4%							Condominiums	249	0.9%
Median Age	31.1								Mobile Homes	2,410	8.9%
SEX			RENT (Monthly)			HOUSING VALUE			STABILITY		
			Under \$100	108	1.6%	Under \$30,000	414	2.6%	Stability	55.6%	
			\$100-\$199	246	3.7%	\$30-\$49,999	2,496	15.9%	Turnover	8.2%	
			\$200-\$299	1,013	15.3%	\$50-\$74,999	7,368	47.1%			
			\$300-\$399	2,044	30.9%	\$75-\$99,999	3,457	22.1%			
			\$400-\$499	1,704	25.7%	\$100-\$149,999	1,427	9.1%			
			\$500-\$599	1,026	15.5%	\$150-\$199,999	330	2.1%			
			\$600-\$699	345	5.2%	\$200-\$299,999	123	0.8%			
			\$700-\$999	117	1.8%	\$300-\$499,999	35	0.2%			
			Over \$1,000	22	0.3%	\$500,000 +	10	0.1%			
			Median Rent	\$396		Median Value	\$66,969				
			Average Rent	\$406		Average Value	\$73,221				
YEAR MOVED IN			YEAR BUILT			UNITS/STRUCTURE					
1985-90	Hhlds	%	1985-90	Units	%	1	20,117	82.7%			
1980-84	12,573	49.7%	1980-84	6,020	22.2%	2	98	0.4%			
1970-79	3,971	15.7%	1970-79	11,067	40.8%	3-4	230	0.9%			
1960-69	6,617	26.2%	1960-69	5,444	20.1%	5+	3,880	16.0%			
Before 1959	1,755	6.9%	Before 1959	2,009	7.4%						
	379	1.5%									

Pearland, TX: FM 518 and Hwy 35
3 and 5 Mile Rings [29.5635, -95.2862]



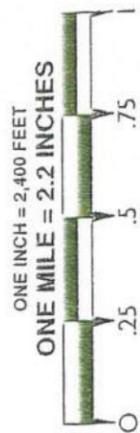
Attachment 1.2

Shadow Creek Ranch Area Maps

Houston
SOUTH
PHOTO DATE
MARCH
1998

REAL ESTATE PHOTO BOOK
FOR HOUSTON - SOUTH

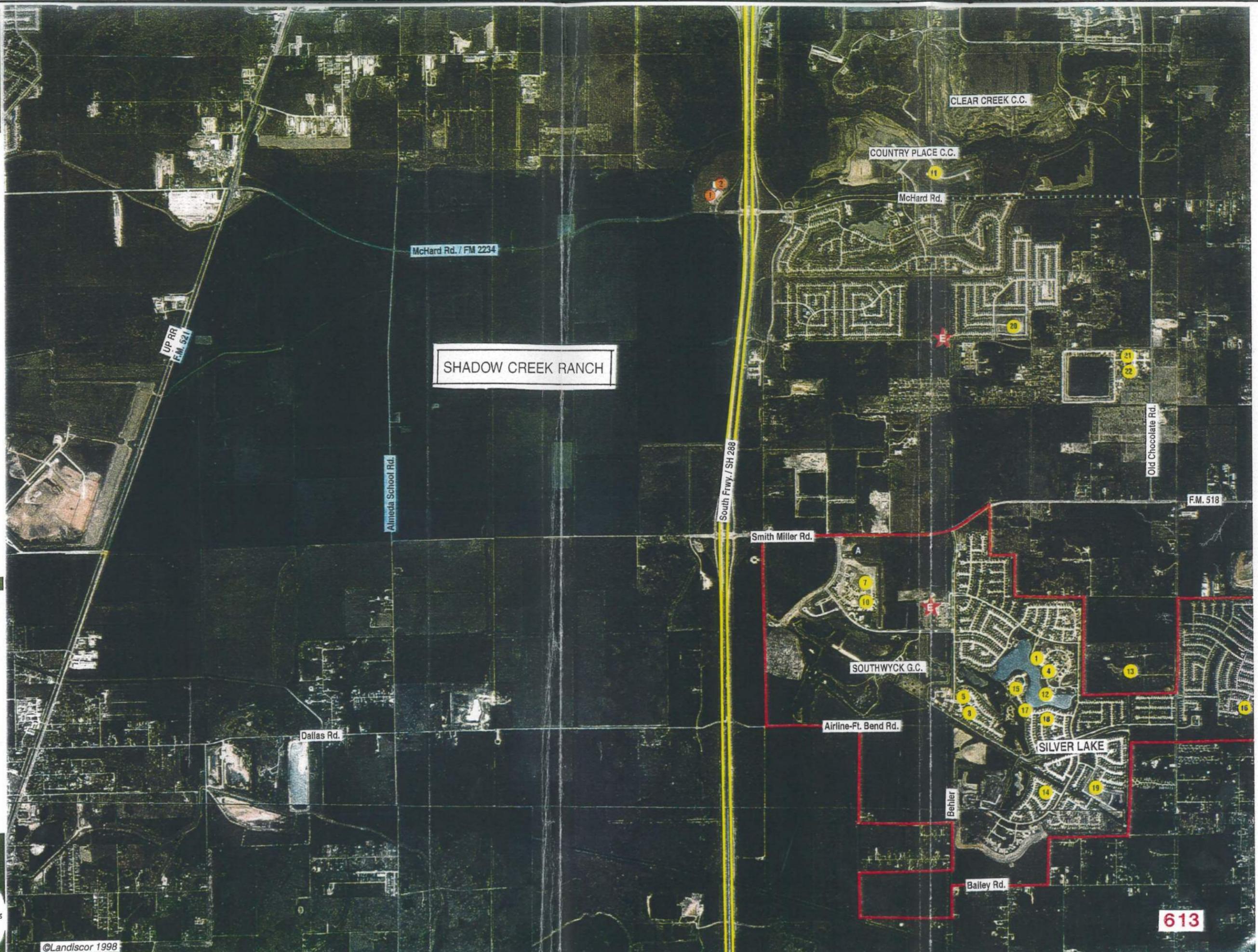
PHOTO PAGE SCALE



ADJOINING
PHOTO PAGES



©Landiscor 1998

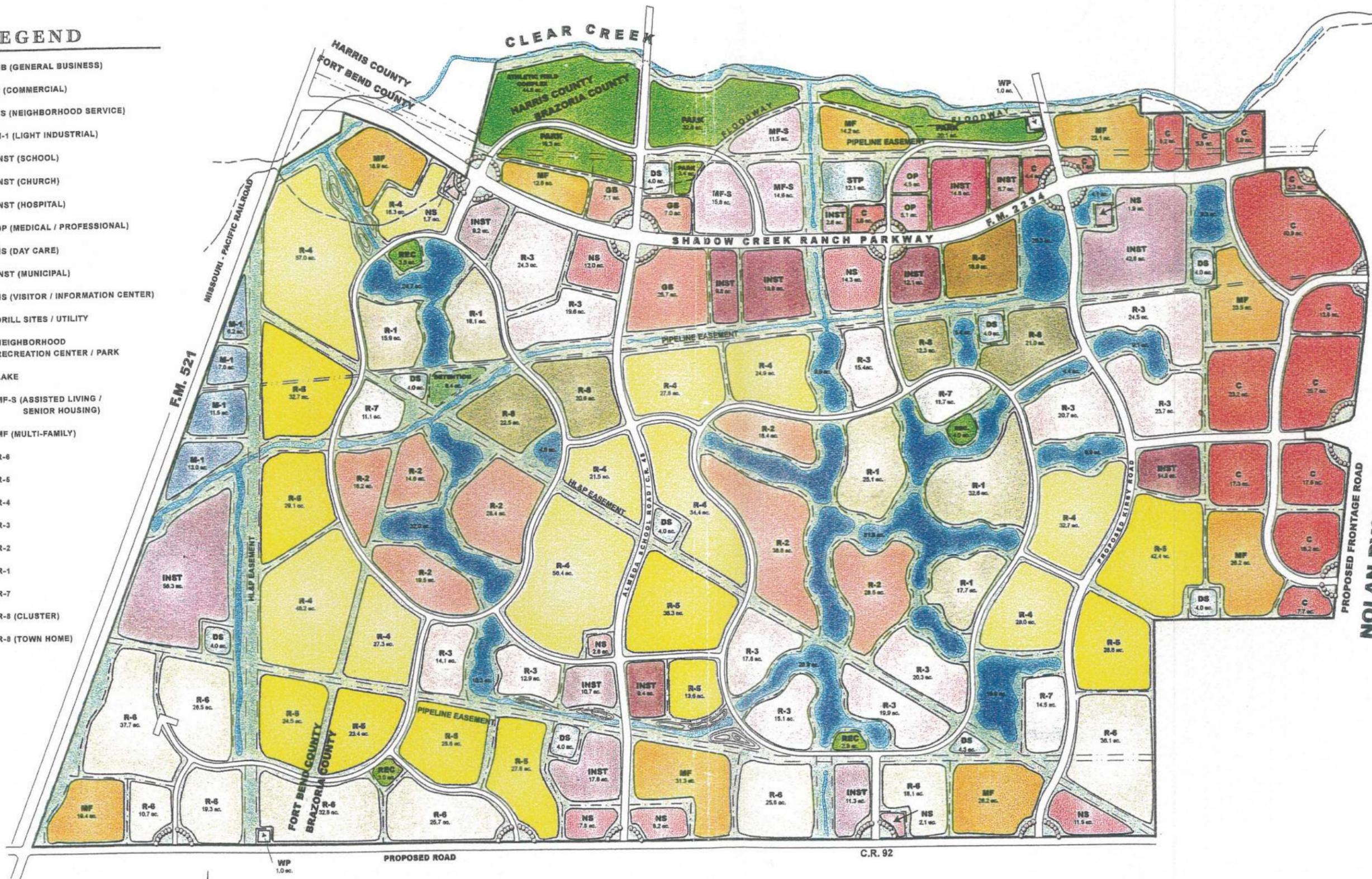


SHADOW CREEK RANCH OVERALL ACREAGE ANALYSIS

CONSTRAINTS	
McHard Road	39.8
Kirby Drive (100')	22.7
County Road #48 (100')	23.4
County Road #92 (50' from Centerline)	17.1
Collector Streets (80')	128.9
Pipeline Easements	48.0
H. L. & P. Co. Easements	50.0
Water Pump Stations	2.0
Sewage Treatment Plant	12.1
Clear Creek (125')	31.5
Proposed Drainage Ditches	123.1
CONSTRAINTS SUBTOTAL	498.6
NET DEVELOPABLE	2,822.0
COMMERCIAL	
	285.4
INDUSTRIAL	
	37.8
INSTITUTIONAL	
Schools	147.6
Churches	65.6
Hospital	14.8
Medical / Professional (Office)	9.6
Day Care	6.6
Library	2.8
Fire Station/ Police Annex	6.7
INSTITUTIONAL SUBTOTAL	253.7
PARKS / RECREATION	
Neighborhood Recreation Centers	13.5
Parks / Open Space	119.9
Tot Lots / Pocket Parks	6.5
Visitor / Information Center	1.9
Drill Sites	36.5
Proposed Lakes (Includes Existing Ponds)	260.4
Neighborhood Entry	13.2
McHard Road Landscape Buffer (25')	12.4
Kirby Road Landscape Buffer (10')	4.5
County Road #48 Landscape Buffer (10')	4.7
County Road #92 Landscape Buffer (10') (North Side Only)	1.7
F.M. 521 Landscape Buffer (Adjacent to Residential)	10.3
SUBTOTAL PARKS / RECREATION / OPEN SPACE	485.6
PEDESTRIAN PATHWAYS (Linear Foot)	
	116,467.0 LF
NET RESIDENTIAL	
Multi - Family	194.2
Assisted Living / Senior Housing	41.9
Single - Family	1,523.4
SUBTOTAL RESIDENTIAL	1,759.5
TOTAL ACRES	
	3,320.6
LOT SIZE	
55' X 115'	232.8
60' X 115'	284.5
65' X 115'	374.5
70' X 120'	227.7
80' X 120'	162.1
90' X 130'	109.4
55' X 115' (Patio)	37.1
Cluster (110' x 230' - 4 Lots)	76.4
Townhouse (30' x 90')	18.9
TOTALS	1523.4

LEGEND

- GB (GENERAL BUSINESS)
- C (COMMERCIAL)
- NS (NEIGHBORHOOD SERVICE)
- M-1 (LIGHT INDUSTRIAL)
- INST (SCHOOL)
- INST (CHURCH)
- INST (HOSPITAL)
- OP (MEDICAL / PROFESSIONAL)
- NS (DAY CARE)
- INST (MUNICIPAL)
- NS (VISITOR / INFORMATION CENTER)
- DRILL SITES / UTILITY
- NEIGHBORHOOD RECREATION CENTER / PARK
- LAKE
- MF-S (ASSISTED LIVING / SENIOR HOUSING)
- MF (MULTI-FAMILY)
- R-6
- R-5
- R-4
- R-3
- R-2
- R-1
- R-7
- R-8 (CLUSTER)
- R-8 (TOWN HOME)



a general land use plan for
SHADOW CREEK RANCH
 prepared for
SHADOW CREEK RANCH DEV. CO., L.P.

KERRY R. GILBERT & ASSOCIATES, INC.

Land Planning Consultants
 15810 Park Ten Place
 Suite 160
 Houston, Texas 77084
 (281) 579-0340

NOT TO SCALE

JANUARY 6, 1999
 KGA #03301-010

THIS MAP IS FOR PRESENTATION PURPOSES ONLY AND WAS PREPARED WITHOUT BENEFIT OF AN ENVIRONMENTAL ANALYSIS OR ENGINEERING STUDY AND IS SUBJECT TO CHANGE. NO WARRANTIES OR REPRESENTATION, EXPRESS OR IMPLIED, CONCERNING THE ACTUAL DESIGN, LOCATION, OR CHARACTER OF THE FACILITIES ILLUSTRATED ON THE MAP IS INTENDED. ADDITIONALLY, NO WARRANTY IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. SAID INFORMATION REPRESENTS A GRAPHIC COMPILATION OF DATUM OBTAINED FROM MAPS, SURVEYS, AND OTHER DOCUMENTS PROVIDED TO KERRY R. GILBERT & ASSOCIATES, INC.

NOLAN RYAN EXPRESSWAY / S.H. 288
 PROPOSED FRONTAGE ROAD

Attachment 1.3

Shadow Creek Ranch Commercial Land Proforma

**Shadow Creek Ranch
Overall Developed Values of Commercial Properties**

In an effort to estimate the built-out value of Shadow Creek Ranch commercial property, we have taken a simplified construction and lease rate yield model for the various property types of projected commercial uses. These models are generic reflections of construction costs and were derived from various sources including the Marshall Valuation Service, an industry standard construction cost service utilized by real estate appraisers and developers nationwide. Additionally, appraised values for existing properties of similar uses were used to estimate developed values. Land utilization is based on the Land Plan provided to Realty Advisory Group, Inc. by the developer of Shadow Creek Ranch. Land cost figures used are a reflection of comparable land use analysis performed by Realty for similar land uses in Houston area Master Planned Communities.

**Shadow Creek Ranch
Low-Rise Office Development Model**

Building Size:	20,000 square feet; 2 stories	
Building Type:	Class "A"	
Land:	3 acres @ \$2.25psf	\$ 300,000
Primary Construction Costs:	\$83.00 psf	1,660,000
	(includes base building, t.i. allow., and site costs)	
Parking:	80 Spaces x \$5.00psf	80,000
Soft Costs:		400,000
	(includes professional fees, leasing commissions, and financing costs)	
Developer's Fee:	5% of Hard/Soft Costs	103,000
TOTAL COST		\$2,543,000
		127.15 psf
Requisite NOI to Justify Construction:	12% Return	15.26
Add Operating Expenses:	<u>6.50</u>	
Requisite Adjusted Gross Income:		21.75
Adjustment for Occupancy:	95%	+ <u>.95</u>
Lease Rate to Justify New Construction:		\$22.90 psf

**Shadow Creek Ranch Proforma
Commercial Land Sales**

Assumptions

According to the Engineer for the development, Mr. David R. Tinney, P.E., LJA Engineering & Surveying, Inc., the first phase major infrastructure improvements will be initiated September, 1999 and completed approximately six months later. This will include the improvements to FM2234 and the extension of Kirby Drive south terminating in Shadow Creek Ranch; the extension of a water line from Pearland via FM518; the emplacement of a temporary wastewater treatment plant; and the emplacement of drainage improvements sufficient to serve the initial phase of development.

Based on the above described development time frame, if developed sites were deliverable to builder/developers at mid-year 2000, we projected the acquisition and development of residential pods that would achieve the occupancy of 500 single-family units by January, 2002. We conformed to The American Metro Study projection of an average of 700 units per year absorption thereafter and based the commercial land absorption on the Shadow Creek Ranch residential absorption as well as the continued submarket growth reflected in the nearby communities of SilverLake, Country Place, Southdown and Green Valley Estates.

Our assumptions are influenced by the more regional influence that the Shadow Creek Ranch commercial land enjoys because of the traffic to and from major employment centers to the north, such as the Texas Medical Center and the CBD, to the "bedroom" communities of Pearland, Alvin, and Angleton to the south. An important consideration in the first phase improvements is the access road along SH288. To create a clean marketing window with access to the commercial land, it is recommended that the first phase infrastructure include the access road from FM2234 south to the primary SH288 entry, the entry road connection from SH288 to Kirby Drive, and Kirby Drive from FM2234 to the SH288 connector for circulation purposes in the commercial land development area in addition to the northeast quadrant of the first residential pod and its related access spine roads out to FM2234 and Kirby Drive.

**Shadow Creek Ranch
Service Center and Warehouse Distribution Development
Model**

	Service Center	Warehouse/Distribution
Square Feet:	75,000 s.f.	150,000 s.f.
Land:	4.5 acres @ \$2.00psf \$392,000	8.5 acres @ \$2.50psf \$926,000
Primary Const. Costs:	\$62.00 psf \$4,650,000	\$28.00 psf \$4,200,000
Parking/Site Costs:	\$202,000	\$214,000
Soft Costs: (profession fees, leasing commissions, and fin. Costs)	\$344,000	\$318,000
Developer's Fee (5% of hard/soft costs)	\$260,000	\$237,000
TOTAL COST	\$5,848,000 \$77.98 psf	\$5,895,000 \$39.30 psf
Requisite NOI (12%):	\$9.36 psf	\$4.72 psf
Adjust for Occupancy		
Avg. Lease Rate to	+.95	+.95
Just. New Const.:	\$9.85 psf	\$5.00 psf

**Shadow Creek Ranch
Retail Development Model for Grocery-Anchored and
Power Shopping Centers**

	Neighborhood Shopping Center	Power Center
Description / Square Feet:	Grocery anchor: 65,000sf Speculative retail: 85,000sf	Big box retailers (6-8) 310,000sf Connector retail: 40,000sf
Land:	8.5 acres @ \$7.00psf \$2,439,000	10 acres @ \$7.00psf \$3,049,000
Primary Const. Costs:		
- Anchors/big boxes	\$61.00psf \$3,965,000	\$63.00psf \$19,530,000
- In-line	\$60.00psf \$5,270,000	\$62.00psf \$2,480,000
Parking/Site Costs:	\$544,000	\$856,000
Soft Costs: (profession fees, leasing commissions, and fin. Costs)	\$894,000	\$2,201,000
Developer's Fee (5% of hard/soft costs)	\$534,000	\$1,253,000
TOTAL COST	\$13,646,000 \$90.98 psf	\$29,369,000 \$83.91 psf
Requisite NOI (12%):	\$10.92 psf	\$10.07 psf
Non-Recoverable Exp:	\$1.00 psf	\$1.00 psf
Requisite Adj. G.I.	\$11.92 psf	\$11.07 psf
Adjust for Occupancy		
Avg. Lease Rate to	+.95	+.95
Just. New Const.:	- Overall \$12.55 psf - Grocery Store \$9.75 psf - Spec Space \$16.25 psf	- Overall \$11.65 psf - Big Box Retail \$11.00 psf - Spec Space \$17.00 psf

**Developed Property Valuation
Shadow Creek Ranch Land Plan Commercial Land Proforma
(Includes Regional Shopping Center)**

<u>Total Acreage</u>	<u>Use</u>	<u>Site(s)</u>	<u>Estimated Value</u>
6.6 acres	Day Care	1.7 acres	13,000sf @ \$92.00psf + land = \$1,496,000
		2.1 acres	17,000sf @ \$92.00psf + land = \$1,850,000
		2.8 acres	20,000sf @ \$92.00psf + land = \$2,140,000
2.3 acres	Conv. Store/ Gas & Restaurant	2.3 acres	3,000sf bldg., 12 gas pumps + land @ \$10.00psf = \$2,500,000
40.5 acres	Office/Service Center	23.2 acres	388,000sf @ \$10.00psf NNN = \$38,800,000
		17.3 acres	288,000sf @ \$10.00psf NNN = \$28,800,000
222.6 acres	Comm./Retail	20.9 acres	6.5 acre grocery - 65,000sf @ \$9.75psf NNN @ 10% cap = \$6,337,500 12.0 acres support retail 130,000sf @ \$13.75psf @ 10% cap = \$17,875,000 2.4 acre restaurant pad sites (2) 12,000sf bldg. + land @ \$1,180,000 10,000sf bldg. + land @ \$1,000,000
		4.4 acres	Convenience store/retail strip 48,000sf @ \$100psf = \$4,800,000
		54.7 acres	Regional Shopping Center (includes 40.9 & 13.8 ac. sites) 650,000sf (3 anchors - 200,000sf spec) valued @ \$90.00psf = \$58,500,000
		2.10 acres	Bank site/retail 23,000sf @ \$100psf = \$2,300,000
		25.7 acres	Power Center 280,000sf @ \$100psf = \$28,000,000
		3.6 acres	Retail development 39,000sf @ \$100psf = \$3,900,000
		11.5 acres	Neighborhood Shopping Center 125,000sf @ 100psf \$12,500,000
		14.3 acres	Neighborhood Shopping Center 155,000sf @ \$100psf = \$15,500,000
		17.6 acres	Multiplex Cinema Theater (30 screens) 127,200sf @ \$60.00psf + land = \$9,350,000
		8.2 acres	Neighborhood Shopping Center 90,000sf @ \$100psf = \$9,000,000
7.10 acres	Commercial retail development 77,000sf @ \$100psf = \$7,700,000		
7.00 acres	Commercial retail development 76,000sf @ \$100psf = \$7,600,000		

SHADOW CREEK RANCH

<u>Total Acreage</u>	<u>Use</u>	<u>Site(s)</u>	<u>Estimated Value</u>	
	Retail	7.8 acres	Commercial retail development 85,000sf @ \$100psf =	\$8,500,000
		12 acres	Neighborhood Shopping Center 130,000sf @ \$100psf =	\$13,000,000
		25.7 acres	Commercial retail development 280,000 @ \$90.00psf =	\$25,188,000
23.9 acres	Office/Hotel	16.2 acres	10.2 acres-Office Park Dev. (low-rise) 80,000sf @ \$125.00psf =	\$10,000,000
			6.0 acres-200 room hotel @ \$50,000/room =	\$10,000,000
		7.7 acres	Office Bldg. Development (2 bldgs.) 60,000sf @ \$125.00psf =	\$7,500,000
194.6 acres	Multi-Family (@ 20 units/acre)	23.5 acres	\$65,000/unit value	\$30,550,000
		22.10 acres	\$65,000/unit value	\$28,730,000
		26.20 acres	\$60,000/unit value	\$31,440,000
		14.20 acres	\$60,000/unit value	\$17,040,000
		12.8 acres	\$65,000/unit value	\$16,640,000
		18.9 acres	\$65,000/unit value	\$24,570,000
		31.3 acres	\$60,000/unit value	\$37,560,000
		26.2 acres	\$65,000/unit value	\$34,060,000
		19.4 acres	\$60,000/unit value	\$23,280,000
14.8 acres	Hospital	14.8 acres	150 bed regional facility 144,000sf @ \$225.00psf =	\$32,400,000
9.6 acres	Medical Off.	4.5 acres	75,000sf bldg. @ \$126.00psf =	\$9,450,000
		5.1 acres	75,000sf bldg. @ \$126.00psf =	\$9,450,000
14.6 acres	Assisted Living	14.6 acres	20 unit/acre density @ \$85,000/unit value =	\$24,820,000
27.1 acres	Senior Housing	15.6 acres	20 unit/acre density @ \$70,000/unit value =	\$21,840,000
		11.5 acres	20 unit/acre density @ \$70,000/unit value =	\$16,100,000
37.8 acres	Industrial	8.2 acres	145,000sf @ \$50psf	\$7,250,000
		7.0 acres	125,000sf @ \$50psf =	\$6,250,000
		11.5 acres	200,000sf @ \$50psf =	\$10,000,000
		13.0 acres	230,000sf @ \$50psf =	\$11,500,000
			TOTAL	\$728,246,500

Estimated values are based on land use map prepared by Kerry Gilbert & Associates, Inc. and Single Family Housing Market Demand Analysis prepared by American Metro Study.
(Includes Regional Shopping Center)

SHADOW CREEK RANCH COMMERCIAL LAND PROJECTION

DEVELOPMENT PLAN/ACRES

(INCLUDES REGIONAL SHOPPING CENTER)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Acres Allocation	Acres																
SFR	1,523.40	15 year development															
Office	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000						
Retail	12.00			11.30		30.00		10.00									
Office/Retail								25.00									
Office/Hotel								56.00									
Commercial	15 year development																
Day Care	1.70				2.10			2.80									
Service Station		2.30															
Office/Service		23.20		17.30													
Retail		20.90	4.40	2.10	3.60	14.30	17.6	7.10		7.80	12.00	25.70					
Office/Hotel				25.70	11.50				7.00								
Office/Hotel						7.70											
Regional SC			54.70														
Regional SC				22.10		10.20		14.70		12.00		18.90	21.30	26.20		19.40	
Industrial					6.70												
Industrial			14.70	2.80	12.10	9.40			9.80			19.60					
Industrial					14.80												
Industrial					4.50	5.10											
Industrial				15.60			11.50										
Industrial				7.30			7.30										
Industrial	39.70	15 year development															
OTHER Acreage	815.70	13.70	69.90	90.00	119.00	40.50	92.70	44.60	115.10	16.80	20.60	12.00	64.20	31.30	26.20	0.00	19.40
Net Resld/Acres	1,523.40	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0
TOTAL	2,339																
Lots Developed	0	Lots	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0

SHADOW CREEK RANCH COMMERCIAL LAND PROJECTION

ESTIMATED AD VALOREM TAX VALUES

(INCLUDES REGIONAL SHOPPING CENTER)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Acres Allocation	Acres																		
SPR	1,523.40	15 year development	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000						
Commercial	15 year development																		
Day Care	6.60		1,495,000				1,850,000			2,140,000									
Service Station	2.30			2,500,000															
Office Service	40.50			38,800,000		28,800,000													
Retail	115.50		26,392,500	4,800,000	2,300,000	3,900,000	15,500,000	9,350,000	7,700,000		8,500,000	13,000,000	25,188,000						
					28,000,000	12,500,000				7,600,000									
								9,000,000											
Office Hotel	23.90			20,000,000			7,500,000												
Regional S/C	51.70				58,500,000														
Industrial	39.70	15 year development			7,250,000	6,250,000		10,000,000		11,500,000									
OTHER Acres	521.10	Acres	0	1,495,000	98,242,500	24,800,000	212,980,000	27,700,000	63,890,000	46,860,000	26,820,000	7,600,000	25,140,000	13,000,000	49,758,000	37,560,000	34,060,000	0	23,280,000
Net Resd/Acres	1,523.40	Lots	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0	0
TOTAL	2,345																		
Lots Developed	0	Lots	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0	0

**Developed Property Valuation
Shadow Creek Ranch Land Plan Commercial Land Proforma
(No Regional Shopping Center)**

<u>Total Acreage</u>	<u>Use</u>	<u>Site(s)</u>	<u>Estimated Value</u>
6.6 acres	Day Care	1.7 acres	13,000sf @ \$92.00psf + land = \$1,496,000
		2.1 acres	17,000sf @ \$92.00psf + land = \$1,850,000
		2.8 acres	20,000sf @ \$92.00psf + land = \$2,140,000
2.3 acres	Conv. Store/ Gas & Restaurant	2.3 acres	3,000sf bldg., 12 gas pumps + land @ \$10.00psf = \$2,500,000
40.5 acres	Office/Service Center	23.2 acres	388,000sf @ \$10.00psf NNN = \$38,800,000
		17.3 acres	288,000sf @ \$10.00psf NNN = \$28,800,000
222.6 acres	Comm./Retail	20.9 acres	6.5 acre grocery - 65,000sf @ \$9.75psf NNN @ 10% cap = \$6,337,500 12.0 acres support retail 130,000sf @ \$13.75psf @ 10% cap = \$17,875,000 2.4 acre restaurant pad sites (2) 12,000sf bldg. + land @ \$1,180,000 10,000sf bldg. + land @ \$1,000,000
		4.4 acres	Convenience store/retail strip 48,000sf @ \$100psf = \$4,800,000
		40.9 acres	Power Center 445,000sf @ \$100psf = \$44,500,000
		13.8 acres	Multiplex Theater Complex (20 screens) 84,800sf @ \$60.00psf + land = \$6,440,000
		2.10 acres	Bank site/retail 23,000sf @ \$100psf = \$2,300,000
		25.7 acres	Commercial retail development 280,000sf @ \$100psf = \$28,000,000
		3.6 acres	Retail development 39,000sf @ \$100psf = \$3,900,000
		11.5 acres	Neighborhood Shopping Center 125,000sf @ 100psf \$12,500,000
		14.3 acres	Neighborhood Shopping Center 155,000sf @ \$100psf = \$15,500,000
		17.6 acres	Commercial retail development 190,000sf @ \$100psf = \$19,000,000
8.2 acres	Neighborhood Shopping Center 90,000sf @ \$100psf = \$9,000,000		
7.10 acres	Commercial retail development 77,000sf @ \$100psf = \$7,700,000		
7.00 acres	Commercial retail development 76,000sf @ \$100psf = \$7,600,000		

SHADOW CREEK RANCH

<u>Total Acreage</u>	<u>Use</u>	<u>Site(s)</u>	<u>Estimated Value</u>	
	Retail	7.8 acres	Commercial retail development 85,000sf @ \$100psf = \$8,500,000	
		12 acres	Neighborhood Shopping Center 130,000sf @ \$100psf = \$13,000,000	
		25.7 acres	Commercial retail development 280,000 @ \$90.00psf = \$25,188,000	
23.9 acres	Office/Hotel	16.2 acres	10.2 acres-Office Park Dev. (low-rise) 80,000sf @ \$125.00psf = \$10,000,000 6.0 acres-200 room hotel @ \$50,000/room = \$10,000,000	
		7.7 acres	Office Bldg. Development (2 bldgs.) 60,000sf @ \$125.00psf = \$7,500,000	
194.6 acres	Multi-Family (@ 20 units/acre)	23.5 acres	\$65,000/unit value	\$30,550,000
		22.10 acres	\$65,000/unit value	\$28,730,000
		26.20 acres	\$60,000/unit value	\$31,440,000
		14.20 acres	\$60,000/unit value	\$17,040,000
		12.8 acres	\$65,000/unit value	\$16,640,000
		18.9 acres	\$65,000/unit value	\$24,570,000
		31.3 acres	\$60,000/unit value	\$37,560,000
		26.2 acres	\$65,000/unit value	\$34,060,000
		19.4 acres	\$60,000/unit value	\$23,280,000
14.8 acres	Hospital	14.8 acres	150 bed regional facility 144,000sf @ \$225.00psf = \$32,400,000	
9.6 acres	Medical Off.	4.5 acres	75,000sf bldg. @ \$126.00psf = \$9,450,000	
		5.1 acres	75,000sf bldg. @ \$126.00psf = \$9,450,000	
14.6 acres	Assisted Living	14.6 acres	20 unit/acre density @ \$85,000/unit value = \$24,820,000	
27.1 acres	Senior Housing	15.6 acres	20 unit/acre density @ \$70,000/unit value = \$21,840,000	
		11.5 acres	20 unit/acre density @ \$70,000/unit value = \$16,100,000	
37.8 acres	Industrial	8.2 acres	145,000sf @ \$50psf = \$7,250,000	
		7.0 acres	125,000sf @ \$50psf = \$6,250,000	
		11.5 acres	200,000sf @ \$50psf = \$10,000,000	
		13.0 acres	230,000sf @ \$50psf = \$11,500,000	
			TOTAL	\$730,336,000

Estimated values are based on land use map prepared by Kerry Gilbert & Associates, Inc. and Single Family Housing Market Demand Analysis prepared by American Metro Study.
(No Regional Shopping Center)

SHADOW CREEK RANCH COMMERCIAL LAND PROJECTION

DEVELOPMENT PLAN/ACRES

(NO REGIONAL SHOPPING CENTER)

Year		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Acres Allocation	Acres																
SFR	1,523.40	15 year development															
		500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000					
		12.00			11.30		30.00		10.00								
									25.00								
									56.00								
Commercial		15 year development															
Day Care	6.60	1.70				2.10			2.80								
Service Station	2.30		2.30														
Office Service	40.50		23.20		17.30												
Retail	118.50		20.90	4.40	2.10	3.60	14.30	17.6	7.10		7.80	12.00	25.70				
			40.90	13.80	25.70	11.50				7.00							
								8.2									
Office/Hotel	23.90			16.20			7.70										
						6.70											
				14.70	2.80	12.10	9.40			9.80			19.60				
					14.80		4.50	5.10									
					15.60			11.50									
					7.30			7.30									
Industrial	39.70	15 year development															
				8.20		7.00		11.50		13.00							
OTHER Acreage	815.70	13.70	110.80	49.10	119.00	40.50	92.70	44.60	115.10	16.80	29.60	12.00	64.20	31.30	26.20	0.00	19.40
Net Resid/Acres	1,523.40	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0
TOTAL	2,339																
Lots Developed	0	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0

SHADOW CREEK RANCH COMMERCIAL LAND PROJECTION

ESTIMATED AD VALOREM TAX VALUES

(NO REGIONAL SHOPPING CENTER)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SPR	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000						
Commercial																	
Day Care		1,496,000				1,850,000			2,140,000								
Service Station			2,500,000														
Other Service			38,800,000		28,800,000												
Retail			26,392,500	4,800,000	2,300,000	3,900,000	15,500,000	9,350,000	7,700,000		8,500,000	13,000,000	25,188,000				
			44,500,000	6,440,000	28,000,000	12,500,000				7,609,000							
Office Hotel				20,000,000			7,500,000										
Industrial					32,400,000												
						9,450,000	9,450,000										
					21,840,000			16,100,000									
					12,410,000			12,410,000									
									10,000,000								
										11,500,000							
OTHER Acreage	0	1,496,000	142,742,500	31,240,000	154,480,000	27,700,000	63,890,000	46,860,000	26,888,000	7,600,000	25,140,000	13,000,000	49,758,000	37,560,000	34,060,000	0	23,280,000
Net Retail/Acreage	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0	0
TOTAL	2,345																
Lot Development	0	500	1,200	1,900	2,600	3,300	4,000	4,700	5,400	6,100	6,800	7,000	0	0	0	0	0

The information in this report is derived from many sources, which are deemed reliable. However, Realty Advisory Group, Inc. does not guarantee the accuracy of information and there is no express or implied warranty as to the accuracy of such information, which should be independently verified. It should be noted opinions and projections contained in this study are based on assumptions relating to the general economy, competition, real estate market trends, and other factors beyond the control of Realty Advisory Group, Inc. They are, therefore, subject to material variation, and may not be consistent with views or assumptions held by other real estate professionals.

The following individuals and organizations provided information used as a basis for this report: Bill Gilmer, Houston Branch, Federal Reserve Bank; Baca Landata; REVAC; Apartment Data Services; The American Metro Study; Cushman and Wakefield of Texas, Inc.; C.B. Richard Ellis, and The Urban Land Institute.

Appendix A-4

Market Letter

Prepared by Realty Advisory Group, Inc.

Realty Advisory Group, Inc.

Houston
Austin

June 17, 1999

Mr. Gary Cook
Collins Brothers Corp.
P.O. Box 42427
Las Vegas, NV 89116

RE: 139+ acres, NWC FM518 at SH288,
Brazoria County, Texas

Dear Gary:

Enclosed herewith please find an analysis of the approximately 139 acres at the above-referenced intersection which property is to be a part of the Shadow Creek Ranch TIRZ. The analysis contemplates 4.5 acres of land being utilized for detention in concert with approximately 9.5 acres contiguous to the 139 acres being utilized for the same purpose. Further, approximately 15 acres will be dedicated to rights-of-way and easements leaving net usable acreage of approximately 120 acres.

The land uses envisioned will be similar in nature to the commercial land uses in Shadow Creek Ranch near the intersection of FM2234 and SH288. An allowance of time for delivery of infrastructure to the 139 acres has been made based on the Shadow Creek Ranch improvements projections. We trust the information provided is adequate for your purposes and should you have any questions or comments concerning the above, please do not hesitate to contact us.

Sincerely,



Charles M. Lusk, III, CRE, CCIM

Enclosure

1001 West Loop South, Suite 690
Houston, Texas 77027
713/621-6556 FAX 713/621-6132

Shadow Creek Ranch - Addendum
139 acres NWC FM518 @ SH288

The purpose of this Addendum to the Shadow Creek Ranch Commercial Property Market Analysis is to address the residual land contained in the Shadow Creek Ranch Tax Increment Reinvestment Zone, specifically, the approximately 139 acres at the northwest corner of FM518 and SH288. It is contemplated by the owners of Shadow Creek Ranch that the offsite infrastructure required to develop the 139 acre tract will be in place in approximately 2005. For purposes of analysis of absorption, we assume a delivery date of January, 2006 as the date improvements can be delivered in the 139 acres.

We have assumed a scenario of potential land use compatible with the Shadow Creek Ranch land uses, allowing 4.5 acres of land dedicated to detention and 15 acres of land in street rights-of-way and easements.

SHADOW CREEK RANCH

Developed Property Valuation
139 acre Tract,
Southeast Quadrant of Shadow Creek Ranch

<u>Total Acreage</u>	<u>Use</u>	<u>Site(s)</u>	<u>Estimated Value</u>
43.5 acres	Conv. Store/ Gas & Restaurant	2.5 acres	3,000sf bldg., 12 gas pumps + land @ \$10psf = \$2,500,000
	Comm./Ret Mixed Use	41 acres	450,000sf @ \$100psf = \$45,000,000
10 acres	Office/Bank	10 acres	85,000sf bldg. @ \$125psf = \$10,150,000
18 acres	Mixed Use	6 acres	200 room hotel @ \$50,000 per room = \$10,000,000
		12 acres	Commercial retail development 76,000sf @ \$100psf = \$7,600,000
25 acres	Office/ Service	12.5 acres	200,000sf @ \$10psf NNN = \$20,000,000
		12.5 acres	200,000sf @ \$10psf NNN = \$20,000,000
23 acres	Multifamily	23 acres	20 units/acre x \$60,000/unit = \$27,600,000

Appendix A-5

Fort Bend County Agreement

THE STATE OF TEXAS
COUNTIES OF FORT BEND,
BRAZORIA AND HARRIS

§
§
§
§

AGREEMENT

I. PARTIES

A. Address

THIS AGREEMENT ("Agreement") is made by and between the **CITY OF PEARLAND, TEXAS** ("City"), a municipal corporation and home-rule city of the State of Texas principally situated in the Counties of Fort Bend, Brazoria, and Harris, acting by and through its governing body, the City Council; **FORT BEND COUNTY** ("County"), located at 301 Jackson, Suite 719, Richmond, Texas 77469; and the **REINVESTMENT ZONE NUMBER TWO, CITY OF PEARLAND, TEXAS** (the "Reinvestment Zone"), a reinvestment zone created by the City of Pearland pursuant to Chapter 311 of the Texas Tax Code, acting by and through its Board of Directors. This Agreement is made pursuant to Section 311.013 of the Texas Tax Code, which Section permits a taxing unit to enter into agreements to pay into the tax increment fund any of its tax increment produced from property located in a reinvestment zone.

The initial addresses of the parties, which one party may change by giving written notice of its changed address to the other parties, are as follows:

<u>City</u>	<u>County</u>	<u>The Reinvestment Zone</u>
City Manager or Designee City of Pearland, Texas 3519 Liberty Drive Pearland, Texas 77581	Fort Bend County Attention County Judge 301 Jackson Street, Suite 719 Richmond, Texas 77469	Reinvestment Zone Number Two, City of Pearland, Texas Attention: Chairman c/o City of Pearland, Texas 3519 Liberty Drive Pearland, Texas 77581

B. Index

The City, the County and the Reinvestment Zone hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section/Description</u>	<u>Page</u>
I. PARTIES	1
II. DEFINITIONS	5
III. BACKGROUND	6
IV. OBLIGATIONS OF THE COUNTY	6
V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE	8
VI. TERM AND TERMINATION	8
VII. MISCELLANEOUS	9

Exhibit "A" — City of Pearland Ordinance No. 891

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

IN WITNESS HEREOF, the City, the County and the Reinvestment Zone have made and executed this Agreement in multiple copies, each of which is an original.

CITY OF PEARLAND, TEXAS,
a home rule municipality

John F. Reed 12-15-98
City Mayor Date

FORT BEND COUNTY

Wade D. Boyd 12-29-98
County Judge Date

ATTEST:

Young Lee 12-15-98
City Secretary Date
(SEAL)

Commissioner Date

Commissioner Date

COUNTERSIGNED:

Alan R. Ekin 3/12/99
City Manager Date

Commissioner Date

Commissioner Date

APPROVED AS TO FORM:

Darin M. Oker 3-10-99
City Attorney Date

APPROVED AS TO FORM:

Portia Paundelle 7/8/99
Attorney Date

REINVESTMENT ZONE NUMBER TWO,
CITY OF PEARLAND, TEXAS

By: _____ Date _____
Title: Chairman, Board of Directors

ATTEST/SEAL:

By: _____ Date _____
Title: Secretary, Board of Directors

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

II. DEFINITIONS

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

"Administrative Costs" means the costs of organizing the Reinvestment Zone, the costs of operating the Reinvestment Zone and the imputed administrative costs associated with the Reinvestment Zone incurred by the City in connection with the implementation of the project plan.

"Agreement" means this agreement between the City, the County and the Reinvestment Zone.

"Agreement Term" is defined in Section VI.

"Captured Appraised Value" means the captured appraised value of the Reinvestment Zone as defined by Chapter 311, Texas Tax Code.

"City" is defined in Section I of this Agreement and includes its successors and assigns.

"Countersignature Date" means that date shown as the date countersigned by the City Manager on the signature page of this Agreement.

The "County" is defined in Section I of this Agreement and includes its successors and assigns.

The "County Tax Increment Participation" means the amount of the County tax levy on the Captured Appraised Value which the County agrees to contribute to the Reinvestment Zone pursuant to Subsections A and B of Section IV of this Agreement.

"Project Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City.

"Reinvestment Zone" means Reinvestment Zone Number Two, City of Pearland, Texas created by the City on Dec 21, 1998, by Ordinance No. 891, attached as Exhibit "A," and includes its successors and assigns.

"Tax Increment Fund" means the tax increment fund created by the City in the City Treasury for the Reinvestment Zone.

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

III. BACKGROUND

By Ordinance No. 891, adopted Dec 21, 1998, the City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone. The City will deposit tax increments produced in the Reinvestment Zone in the Tax Increment Fund. The County desires to participate in the Reinvestment Zone in consideration for the agreements set forth below.

The County received written notice from the City of the City's intent to establish the Reinvestment Zone. Such notice was received more than sixty (60) days before the public hearing on the creation of the Reinvestment Zone and conforms in all respects to the requests of §311.003 of the Texas Tax Code.

IV. OBLIGATIONS OF THE COUNTY

A. Tax Increment Participation by the County

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, the County agrees to participate in the Reinvestment Zone by contributing the below listed amounts of the tax increment produced in the Reinvestment Zone attributable to the County to the Tax Increment Fund during the term of this Agreement (the "County Tax Increment Participation").

(1) The amount in the years 1999 through 2008 is the amount of taxes collected by the County in each of such years at a County tax rate of \$0.624100 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.624100 during such period, then the County Tax Increment Participation is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected during such period by result of a County tax levy at a tax rate greater than \$0.624100 shall be retained by the County.

(2) The amount in years 2009 through 2018 is the amount of taxes collected by the County in each of such years at a rate of \$0.468075 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.468075 for such year, then the County Tax Increment Participation in such year is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected by result of a County tax levy at a tax rate greater than \$0.468075 shall be retained by the County.

(3) The amount in years 2019 through 2028 is the amount of taxes collected by the County in each of such years at a rate of \$0.312050 per \$100 valuation on the Captured Appraised Value. If the County tax rate is less than \$0.312050 for such year, then the County Tax Increment Participation in such year is the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. Taxes collected by result of a County tax levy at a tax rate greater than \$0.312050 shall be retained by the County.

The County's Tax Increment Participation and obligation to participate in the Reinvestment Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Reinvestment Zone in the amounts shown above. The County shall not be obligated to pay its County Tax Increment Participation from other County taxes or revenues or until the County Tax Increment Participation in the Reinvestment Zone is actually collected. The obligation to pay the County Tax Increment Participation shall accrue as taxes representing the County tax increment are collected and payment shall be due on the first day of each calendar quarter.

B. Expansion of the Investment Zone

The obligation of the County to participate in the Reinvestment Zone is limited to the area described in Exhibit "A" attached hereto. The County's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless the County approves the participation.

C. Board of Directors

As a participating taxing unit, the County shall have the right to appoint one (1) member on the Reinvestment Zone Board of Directors. Failure of the County to appoint a person to the Board of Directors of the Reinvestment Zone by March 1, 1999, shall be deemed a waiver of the County's right to make an appointment by a later date.

V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE

A copy of the Reinvestment Zone Project Plan and any amendments thereto shall be provided to the County before any such plan is finally approved by the Reinvestment Zone.

VI. TERM AND TERMINATION

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until thirty (30) years later. The first payment of the County Tax Increment Participation shall be for those taxes levied by the County in the year 1999 and the last payment by the County under this Agreement is for those taxes levied by the County in the year 2028.

B. Early Termination

The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than the duration of the Zone established in Ordinance No. 891, without the prior consent of the County, provided that the Reinvestment Zone may otherwise terminate by operation of law.

C. Disposition of Tax Increments

Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to the County all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation.

VII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either the County, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County's contributions or participation, then this Agreement shall be void as to the County and the County shall have no liability for any incremental or other payments as may otherwise be provided for in this Agreement.

B. Entire Agreement

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

C. Written Amendment

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

D. Notices

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

E. Non-Waiver

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

F. Assignment

No party shall assign this Agreement at law or otherwise without the prior written consent of the other parties.

No party shall delegate any portion of its performance under this Agreement without the written consent of the other parties.

G. Successors

This Agreement shall bind and benefit the parties and their legal successors. This Agreement does not create any personal liability on the part of any officer or agent of the City or of any trustee, officer, agent or employee of the County.

H. No Waiver of Immunity

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

Appendix A-6

**Alvin I.S.D.
Interlocal Agreement**

B. Index

The City, AISD and the Reinvestment Zone hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section/Description</u>	<u>Page</u>
I. PARTIES	1
II. DEFINITIONS	5
III. BACKGROUND	6
IV. OBLIGATIONS OF AISD	6
V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE	7
VI. LIMITATIONS ON THE PARTICIPATION OF AISD	7
VII. TERM AND TERMINATION	9
VIII. MISCELLANEOUS	9

Exhibit "A" — City of Pearland Ordinance No. _____

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

IN WITNESS HEREOF, the City, AISD and the Reinvestment Zone have made and executed this Agreement in multiple copies, each of which is an original.

CITY OF PEARLAND, TEXAS,
a home rule municipality

ALVIN INDEPENDENT SCHOOL
DISTRICT

Sam Reed 6/22/99
City Mayor Date

Charlie Quinn 6-11-99
President, Board of Trustees Date

ATTEST:

Young Lopez 6/22/99
City Secretary Date

M. Mayfield 5-11-99
Secretary, Board of Trustees Date

(SEAL)

Vigil Seman 5/11/99
Superintendent of Schools Date

COUNTERSIGNED:

Glen R. Evers 6/22/99
City Manager Date

APPROVED AS TO FORM:

Darin Cook 6-22-99
City Attorney Date

REINVESTMENT ZONE NUMBER TWO,
CITY OF PEARLAND, TEXAS

By: _____ Date _____
Title: Chairman, Board of Directors

ATTEST/SEAL:

By: _____ Date _____
Title: Secretary, Board of Directors

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

II. DEFINITIONS

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

"Administrative Costs" means the costs of organizing the Reinvestment Zone, the costs of operating the Reinvestment Zone and the imputed administrative costs associated with the Reinvestment Zone incurred by the City in connection with the implementation of the project plan and the AISD Administrative Costs.

"Agreement" means this agreement between the City, AISD and the Reinvestment Zone.

"Agreement Term" is defined in Section VI.

"AISD" is defined in Section I of this Agreement and includes its successors and assigns.

"AISD Administrative Costs" the reasonable consulting, accounting, and legal fees incurred by AISD in determining to participate in the Reinvestment Zone, to be incurred by AISD in connection with the approval of the Project Plan, and to be incurred by AISD annually in making the determinations in accordance with Article VI. hereof.

"AISD Tax Increment Participation" means the amount of the AISD tax levy on the Captured Appraised Value which AISD agrees to contribute to the Reinvestment Zone pursuant to Subsections A and B of Section IV of this Agreement.

"Captured Appraised Value" means the captured appraised value of the Reinvestment Zone as defined by Chapter 311, Texas Tax Code.

"City" is defined in Section I of this Agreement and includes its successors and assigns.

"Countersignature Date" means that date shown as the date countersigned by the City Manager on the signature page of this Agreement.

"Project Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City.

"Reinvestment Zone" means Reinvestment Zone Number Two, City of Pearland, Texas created by the City on December 21, 1998, by Ordinance No. 891, attached as Exhibit "A," and includes its successors and assigns.

"State Funds" means the funds provided or potentially available to AISD from the State of Texas, currently being Tier One, Tier Two, and Instructional Facilities Allotment, and any successor or replacement form of revenues provided or potentially available to AISD from the State of Texas.

"State Funds Formula Calculations" means the current method of calculation and allocation utilized by the Comptroller of Public Accounts of the State of Texas and the Texas Education Agency, or any successors thereto, in determining the amount of State Funds.

"Tax Increment Fund" means the tax increment fund created by the City in the City Treasury for the Reinvestment Zone.

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

III. BACKGROUND

By Ordinance No. 891, adopted December 21, 1998, the City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone. The City will deposit tax increments produced in the Reinvestment Zone in the Tax Increment Fund. AISD desires to participate in the Reinvestment Zone in consideration for the agreements set forth below.

AISD received written notice from the City of the City's intent to establish the Reinvestment Zone. Such notice was received more than sixty (60) days before the public hearing on the creation of the Reinvestment Zone and conforms in all respects to the requirements of §311.003 of the Texas Tax Code.

IV. OBLIGATIONS OF AISD

A. Tax Increment Participation by AISD

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, AISD agrees to participate in the Reinvestment Zone, contributing the below listed amounts of the tax increment produced in the Reinvestment Zone attributable to AISD to the Tax Increment Fund during the term of this Agreement (the "AISD Tax Increment Participation")

The amount to be contributed by AISD is one hundred percent (100%) of all taxes collected by AISD each year during the term of this Agreement at the prevailing AISD tax rate on the Captured Appraised Value.

AISD's Tax Increment Participation and obligation to participate in the Reinvestment Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Reinvestment Zone in the percentage shown above. AISD shall not be obligated to pay its AISD Tax Increment Participation from other AISD taxes or revenues or until the taxes representing the AISD tax increment are actually collected. The obligation to pay the AISD Tax Increment Participation shall accrue as taxes representing the AISD Tax Increment are collected by AISD and payment shall be due on the first day of each calendar quarter. The City and the Reinvestment Zone agree that no interest or penalty will be charged to AISD.

B. Expansion of the Investment Zone

The obligation of AISD to participate in the Reinvestment Zone is limited to the area described in Exhibit "A" attached hereto. AISD's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless AISD approves the participation.

C. Board of Directors

As a participating taxing unit, AISD shall have the right to appoint one (1) member on the Reinvestment Zone Board of Directors. Failure of AISD to appoint a person to the Board of Directors of the Reinvestment Zone by June 1, 1999, shall be deemed a waiver of AISD's right to make an appointment by a later date. In addition, AISD and the City agree that AISD and the City shall jointly appoint one (1) member of the Reinvestment Zone Board of Directors. AISD agrees that, in accordance with State law, AISD Trustees are not eligible for appointment to the Reinvestment Zone Board of Directors.

V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE

A. Copy of Project Plan

A copy of the Reinvestment Zone Project Plan and any amendments thereto shall be provided to AISD before any such plan is finally approved.

B. Timing of School Construction

The City and the Reinvestment Zone agree that AISD will only be asked to build the school facilities as required by the Project Plan when they are needed to serve the population of the Reinvestment Zone. AISD will not be required to build school facilities earlier than such facilities would be needed in accordance with customary procedures established by AISD. Notwithstanding

anything herein to the contrary, the City and the Reinvestment Zone agree that AISD shall have the right to determine the location of all school facilities which serve the Reinvestment Zone and such location may be outside the boundaries of the Reinvestment Zone.

VI. LIMITATIONS ON THE PARTICIPATION OF AISD

A. Changed Circumstances

In the event that State Funds Formula Calculations applicable to AISD change so that the participation of AISD in the Reinvestment Zone will result in a decrease or decreases the amount of State Funds available and/or received by AISD, or AISD determines in its sole and independent discretion that it would be in AISD's best interest due to negative financial impact to AISD, resulting from participation in the Reinvestment Zone, the City and the Reinvestment Zone agree that, at the option of AISD in its sole and independent discretion, (i) the AISD Tax Increment Participation shall be decreased by an amount determined by AISD to account for the amount of the decrease in AISD State Funding as a result of AISD's participation in the Reinvestment Zone, (ii) the percentage of payments to be made by the Reinvestment Zone to AISD from taxes generated from the AISD Tax Increment Participation under Article VI.C. hereof shall be increased by an amount determined by AISD to account for the amount of the decrease in AISD State Funding as a result of AISD's participation in the Reinvestment Zone, (iii) any combination of the options set forth in subparagraphs (i) or (ii) above, or (iv) AISD may completely withdraw from further participation in the Reinvestment Zone. In addition, in the event the City determines that the continued participation by AISD in the Reinvestment Zone has or will have a negative financial impact on the Reinvestment Zone, then the City shall have the right to terminate AISD's participation in the Reinvestment Zone.

In the event that the laws applicable to AISD or tax increment reinvestment zones are changed so that the participation of AISD in the Reinvestment Zone is prohibited, the City and the Reinvestment Zone agree that AISD shall withdraw from further participation in the Reinvestment Zone. If such change of law occurs and AISD withdraws from participation in the Reinvestment Zone, AISD agrees to finance and build school facilities to serve development in the Reinvestment Zone in accordance with customary procedures established by AISD.

The City, the Reinvestment Zone and AISD agree that (i) any change to the percentage of the AISD Tax Increment Participation, (ii) any change to the percentage of the taxes generated from the AISD Tax Increment Participation to be paid to AISD in accordance with Article VI.C. hereof, or (iii) the withdraw by AISD from further participation in the Reinvestment Zone, shall be selected by AISD not later than October 31 of each calendar year and shall be effective as of December 31 of the immediately preceding calendar year. AISD agrees to provide written notice to the City and the Reinvestment Zone of any election hereunder on or before October 31 of each calendar year.

In the event that AISD elects to withdraw from further participation in the Reinvestment Zone, the City and the Reinvestment Zone agree that AISD shall be paid by the Reinvestment Zone an amount equal to the negative financial impact resulting to AISD during the preceding calendar year from its participation in the Reinvestment Zone. The City and the Reinvestment Zone agree that the Reinvestment Zone's obligation to make such payment shall be payable solely from the prior years taxes generated from AISD Tax Increment Participation, plus any investment earnings thereon. The City and the Reinvestment Zone agree that all taxes generated from AISD Tax Increment Participation, other than those funds disbursed to AISD pursuant to Article VI.C. hereof, shall be held in a special account of the tax increment fund for the Reinvestment Fund (the "AISD Suspense

Account") for a period of one (1) calendar year. All funds held in the AISD Suspense Fund shall be invested at the written direction of AISD in accordance with Article 2256, Texas Government Code, as amended, and shall not be used, disbursed, pledged or encumbered in any way by the City or the Reinvestment Zone for one (1) full calendar year and during which time such funds shall solely be used to reimburse AISD.

Further, the City and the Reinvestment Zone agree that the AISD Administrative Costs shall be paid as Administrative Costs of the Reinvestment Zone.

B. Project Plan Approval

The City, the Reinvestment Zone and AISD agree that the Project Plan shall specifically include the construction timing, financing and location of school facilities. AISD shall have the right to review and approve the sections of the Project Plan relating to the location, construction timing and financing of school facilities. In the event that the sections of the Project Plan relating to the location, construction timing and financing of school facilities are not approved by AISD, the City and the Reinvestment Zone agree that AISD shall have the right to withdraw from further participation in the Reinvestment Zone. If AISD withdraws from participation in the Reinvestment Zone, all school facilities shall be deleted from the Project Plan and AISD agrees to finance and construct school facilities to serve development in the Reinvestment Zone in accordance with customary procedures established by AISD. Notwithstanding the above, in the event AISD does not approve the Project Plan by August 1, 1999, the City and the Reinvestment Zone shall have the right to terminate the provisions of this Agreement.

C. Use of the AISD Tax Increment Participation

The Reinvestment Zone agrees that twenty-five percent (25%) of the funds generated from the AISD Tax Increment Participation will be used to fund (i) the acquisition of land for school facilities, (ii) the construction of park and recreation improvements benefitting AISD taxpayers, (iii) the acquisition of land for such park and recreation improvements, (iv) AISD's pro rata share of water, sewer and drainage facilities to serve the school facilities, and (v) other public improvements in the Project Plan which benefit AISD taxpayers.

The Reinvestment Zone agrees that seventy-five percent (75%) of the funds generated from the AISD Tax Increment Participation, without deduction or setoff for costs of collection or any other costs, will be paid to AISD to be used by AISD to construct and operate school facilities within the Reinvestment Zone and for any other lawful purpose consistent with the Project Plan as determined by AISD. Such amounts shall be paid to AISD by the Reinvestment Zone within thirty (30) days of the receipt by the Reinvestment Zone of the taxes generated from the AISD Tax Increment Participation in accordance with Article IV.A. hereof.

Notwithstanding the above, AISD agrees that the first school facility to be constructed by AISD for the Reinvestment Zone will be constructed within the boundaries of the Reinvestment Zone if either the Reinvestment Zone or any developer of the Reinvestment Zone funds the costs of such school facility or provides financing acceptable to AISD for the costs of such school facility.

VII. TERM AND TERMINATION

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until the earlier of (a) thirty (30) years later, (b) the later of the fund maturity of any bonds issued by the Reinvestment Zone or final payment of all contractual obligations to complete

the Project Plan, or (c) the date of earlier termination by AISD in accordance with Article VI hereof. The first payment of the AISD Tax Increment Participation shall be for those taxes levied by AISD in the year 1999, and, unless AISD terminates earlier as provided hereunder, the last payment by AISD under this Agreement is for those taxes levied by AISD in the year 2028.

B. Early Termination

The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than the duration of the Zone established in Ordinance No. 891, without the prior consent of AISD, provided that the Reinvestment Zone may otherwise terminate by operation of law.

C. Disposition of Tax Increments

Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to AISD all monies remaining in the Tax Increment Fund that are attributable to the AISD Tax Increment Participation.

VIII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either AISD, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on AISD's contributions or participation, then this Agreement shall be void as to

AISD and AISD shall have no liability for any incremental or other payments as may otherwise be provided for in this Agreement.

B. Entire Agreement

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

C. Written Amendment

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

D. Notices

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

E. Non-Waiver

Failure of any party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict

compliance with any other obligation hereunder or to exercise any right or remedy occurring as a result of any future default or failure of performance.

F. Assignment

No party shall assign this Agreement at law or otherwise without the prior written consent of the other parties.

No party shall delegate any portion of its performance under this Agreement without the written consent of the other parties.

G. Successors

This Agreement shall bind and benefit the parties and their legal successors. This Agreement does not create any personal liability on the part of any officer or agent of the City or of any trustee, officer, agent, employee, or consultant of AISD.

H. No Waiver of Immunity

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

I. Enforceability

In the event the provisions of this Agreement are determined to be unenforceable by a court of competent jurisdiction, the City, the Reinvestment Zone and AISD agree that this Agreement shall terminate immediately and the parties shall have no further obligations hereunder.

Appendix A-7

Brazoria County Tax Increment Participation Agreement

B. Index

The City, the County and the Reinvestment Zone hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section</u>	<u>Description</u>	<u>Page</u>
I.	Parties	1
II.	Definitions	5
III.	Background	6
IV.	Obligations of the County	6
V.	Obligations of City and the Reinvestment Zone	8
VI.	Term and Termination	9
VII.	Miscellaneous	9

Exhibit "A" — City of Pearland Ordinance No. 891

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

REINVESTMENT ZONE NUMBER TWO,
CITY OF PEARLAND, TEXAS

By: _____ Date _____
Title: Chairman, Board of Directors

ATTEST/SEAL:

By: _____ Date _____
Title: Secretary, Board of Directors

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

II. DEFINITIONS

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

"Administrative Costs" means the costs of organizing the Reinvestment Zone, the costs of operating the Reinvestment Zone and the imputed administrative costs associated with the Reinvestment Zone incurred by the City in connection with the implementation of the project plan.

"Agreement" means this agreement between the City, the County and the Reinvestment Zone.

"Agreement Term" is defined in Section VI.

"Captured Appraised Value" for a given tax year means the total appraised value of the real property in the Reinvestment Zone less the Tax Increment Base.

"City" is defined in Section I of this Agreement and includes its successors and assigns.

"Consumer Price Index" means the Consumer Price Index for All Urban Consumers (CPI-U) U. S. City Average, Dallas-Fort Worth, and Houston-Galveston-Brazoria (1982-1984 = 100) as published by the U. S. Department of Labor, Bureau of Labor Statistics.

"Countersignature Date" means that date shown as the date countersigned by the City Manager on the signature page of this Agreement.

"The County" is defined in Section I of this Agreement and includes its successors and assigns.

"County Actual Cost of Service" is the total annual amount Brazoria County has budgeted in a given fiscal year for the Governmental Services and Operations listed in Exhibit B to this Agreement, divided by the total number of dwelling units in Brazoria County certified to the County by the Brazoria County Appraisal District.

"County Unit Cost of Service" means initially the sum of \$218 which sum shall be increased by the percentage increase in the CPI from the Base Month (January, 2000) to the respective Comparison Month (January) as determined by the following formula

(Comparison Month CPI divided by Base Month CPI times \$218.)

If the Bureau of Labor Statistics discontinues publication of the CPI, the City and County agree to adopt a substitute index or procedure based on data published by the U. S. Department of Labor or by a public or private university which is intended to reflect any changes in consumer prices.

"The County Tax Increment Participation" means the amount of the County tax levy on the Captured Appraised Value which the County agrees to contribute to the Reinvestment Zone pursuant to Subsections A and B of Section IV of this Agreement.

"Project Plan" means the project plan and reinvestment zone financing plan for the Reinvestment Zone adopted by the board of directors of the Reinvestment Zone and approved by the City Council of the City.

"Reinvestment Zone" means Reinvestment Zone Number Two, City of Pearland, Texas created by the City on December 21, 1998, by Ordinance No. 891, attached as Exhibit "A," and includes its successors and assigns.

"Tax Increment Base" means the market value of all real property located in the Reinvestment Zone for the 1998 tax year, as determined by the Brazoria County Central Appraisal District (excluding exemptions).

"Tax Increment Fund" means the tax increment fund created by the City in the City Treasury for the Reinvestment Zone.

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

III. BACKGROUND

By Ordinance No. 891, adopted December 21, 1998, the City created the Reinvestment Zone for the purposes of development and redevelopment in the area of the Reinvestment Zone. The City will deposit tax increments produced in the Reinvestment Zone in the Tax Increment Fund. The County desires to participate in the Reinvestment Zone in consideration for the agreements set forth below.

IV. OBLIGATIONS OF THE COUNTY

A. Tax Increment Participation by the County

For and in consideration of the agreement of the parties set forth herein, and subject to the remaining subsections of this section, the County agrees to participate in the Reinvestment Zone by contributing the amount of tax increment produced in the Reinvestment Zone attributable to the County collected by the County in each of the tax years at the tax rate described in Table IV-A below.

Table IV-A

<u>Tax Year</u>	<u>County Tax Rate Per One Hundred Dollars of Assessed Value</u>	<u>Percentage of Total County Tax Rate</u>
1999 - 2028	\$0.1359	38%

In the event the County tax rate is less than the tax rate for the indicated tax year listed above, then the County Tax Increment Participation is the percentage of the total amount of taxes collected by the County at the actual tax rate of the County on the Captured Appraised Value. In a tax year in which the tax rate is greater than the County Tax Rate set forth in Table IV-A ("County Tax Rate"), the County Tax Increment Participation shall be limited to the amount of tax produced at the County Tax Rate, and the County shall retain that portion of the taxes attributable to the County in excess of the actual tax rate levied by the County over the applicable County Tax Rate.

The County's Tax Increment Participation and obligation to participate in the Reinvestment Zone shall be restricted to its tax increment collected on the Captured Appraised Value in the Reinvestment Zone in the amounts shown above. The County shall not be obligated to pay its County Tax Increment Participation from other County taxes or revenues or until the County Tax Increment Participation in the Reinvestment Zone is actually collected. The obligation to pay the County Tax Increment Participation shall accrue as taxes representing the County tax increment are collected and payment shall be due on August 1 of each year.

B. Expansion of the Investment Zone

The obligation of the County to participate in the Reinvestment Zone is limited to the area described in Exhibit "A" attached hereto. The County's participation shall not extend to the tax increment on any additional property added to the Reinvestment Zone by the City unless the County approves the participation.

C. Board of Directors

As a participating taxing unit, the County shall have the right to appoint one (1) member on the Reinvestment Zone Board of Directors. Failure of the County to appoint a person to the Board of Directors of the Reinvestment Zone by September 30, 1999, shall be deemed a waiver of the County's right to make an appointment by a later date.

V. OBLIGATIONS OF CITY AND THE REINVESTMENT ZONE

A. Copy of the Project Plan

A copy of the Reinvestment Zone Project Plan and any amendments thereto shall be provided to the County before any such plan is finally approved by the Reinvestment Zone. Any amendment to the Project Plan shall be submitted to the County for review prior to adoption.

B. Operation of Libraries

The City and the Reinvestment Zone agree that a County-operated public library will not be constructed in the Reinvestment Zone, unless the County consents to the construction of such library.

C. Disannexation

Once Reinvestment Zone bonds have been sold, the City agrees that it will never disannex any property within the Reinvestment Zone.

D. Responsibility for Reinvestment Zone Debt

The City and the Reinvestment Zone agree that the County is not liable for the debt of the Reinvestment Zone, or any debt issued by the City or related instrumentality thereof secured by revenues of the tax increment fund, or other revenues available to pledge to such bonds.

E. Development in Accordance with the Planned Unit Development

The City agrees that all development within the Reinvestment Zone will be in accordance with the Planned Unit Development. The City will enforce the requirements of the Planned Unit Development on all development within the Reinvestment Zone.

F. Audit

The Reinvestment Zone and the City agree that the County has the right to conduct a reasonable audit of the records, including the financial records of the Reinvestment Zone and access to such records shall not be unreasonably withheld or delayed. The Reinvestment Zone and the City agree to provide the annual financial audit of the Reinvestment Zone within 90 days of the completion of such audit.

G. Expenses

The City agrees to pay solely from the tax increment fund the direct expenses of the County incurred for financial, legal and planning consultants in determining its participation in the Reinvestment Zone, and in connection with the review of the Project Plan and the negotiation of this Agreement.

H. Developer Interest

The City agrees that the Project Plan will include a provision that limits the amount of reimbursement to the Developer (for the full amount of eligible Master Improvements, plus amounts required to reimburse the Developer for funds advanced in connection with the creation and administration of the Reinvestment Zone and the conception, design and construction of the TIRZ Improvements), that is reimbursable at simple interest calculated at eight percent per annum, until paid, for a maximum period of five years from the completion of the applicable TIRZ Improvements, to \$20 million for the eligible Master Improvements and \$1 million for the creation and administration of the Reinvestment Zone.

VI. TERM AND TERMINATION

A. Agreement Term

This Agreement shall become effective as of the date of the final signature hereto, and shall remain in effect until thirty (30) years later. The first payment of the County Tax Increment Participation shall be for those taxes levied by the County in the year 1999 and the last payment by the County under this Agreement is for those taxes levied by the County in the year 2028.

B. Early Termination by City

The City shall not adopt an ordinance terminating the Reinvestment Zone earlier than the duration of the Zone established in Ordinance No. 891, without the prior consent of the County, provided that the Reinvestment Zone may otherwise terminate by operation of law.

C. Early Termination or Modification by the County

(a) Subject to (c) below, the County may reduce its participation in the Zone under this Agreement for the remaining term of the Zone, by the adoption of a written order of the Commissioner's Court adopted prior to September 30 of such year if the Captured Appraised Value is less than 50% of the values for each of the listed tax years indicated in Table VI-C, or

(b) Subject to (c) below, that in such listed tax years, if the County Unit Cost of Service is lower than the County's Actual Cost of Service, the County may reduce its participation in the Zone under this Agreement for the remaining term of the Zone so that the County's retained tax increment covers the County's Actual Cost of Service for dwelling units in the Zone by at least 1.32 times, but the reduction percentage may not increase the County's retained tax increment revenue to cover more than County Unit Cost of Service plus ten percent.

Table VI-C

<u>Tax Year</u>	<u>Captured Appraised Value</u>
2006	\$ 655,340,658
2011	\$ 1,338,693,425
2016	\$ 1,414,004,025
2021	\$ 1,414,004,025
2026	\$ 1,414,004,025

(c) Provided, however, that if the City, the Zone or an agency or instrumentality of the City or Zone have (1) issued bonds or notes (the "Bonds") secured by revenues in the tax increment fund or under a contract secured by payments of the tax increment revenues, or (2) entered into a project cost agreement(s) for the implementation of the Zone Project Plan pledging the payment of the tax increment for the payment of developer advances then incurred or construction contracts awarded and executed, the County may not reduce its participation under the provisions of subparagraphs (a) or (b) of this Section to an amount less than its cumulative annual pro rata share of the tax increment pledged to make payments on all of such Bonds or agreements. For the purpose of identifying the County's pro rata obligations under this Section, at the time of each issuance of Bonds or the execution of each agreement, the City shall provide to the County a schedule showing the County's pro rata share of all payments to be made for such Bonds or under such agreements that are secured by the County's tax increment under this Agreement.

The City may not issue bonds or notes, the payment of principal, interest or premium of which are secured by the tax increment attributable to the County tax increment paid under this Agreement unless the City's financial advisor shall certify in writing to the City Council that the total annual tax increment revenues, less TIRZ administrative fees, is equal to or greater than 125% of the total annual amount to all outstanding and proposed TIRZ bond or note payments and contractual obligations.

In the event that no additional taxable improvements are constructed in the Zone by January 1, 2006, the County may terminate this Agreement.

D. Disposition of Tax Increments

Upon termination of the Reinvestment Zone, if all public improvements in the Project Plan have been constructed and financed and if all Reinvestment Zone debt is paid in full, the City and the Reinvestment Zone shall pay to the County all monies remaining in the Tax Increment Fund that are attributable to the County Tax Increment Participation.

VII. MISCELLANEOUS

A. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained, provided that such invalidity does not materially prejudice either the County, the City or the Reinvestment Zone in their respective rights and obligations contained in the valid terms, covenants or conditions hereof.

In the event any term, covenant or condition shall be held invalid and affects in any manner the limitations on the County's contributions or participation, then this Agreement shall be void as to the County and the County shall have no liability for any incremental or other payments as may otherwise be provided for in this Agreement.

B. Entire Agreement

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

C. Written Amendment

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

D. Notices

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

E. Non-Waiver

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

F. Assignment

No party shall assign this Agreement at law or otherwise without the prior written consent of the other parties.

No party shall delegate any portion of its performance under this Agreement without the written consent of the other parties.

G. Successors

This Agreement shall bind and benefit the parties and their legal successors. This Agreement does not create any personal liability on the part of any officer or agent of the City or of any trustee, officer, agent or employee of the County.

H. No Waiver of Immunity

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

AN ORDINANCE DESIGNATING A CONTIGUOUS GEOGRAPHIC AREA WITHIN THE CITY OF PEARLAND AS REINVESTMENT ZONE NUMBER TWO, CITY OF PEARLAND, TEXAS; CREATING A BOARD OF DIRECTORS FOR SUCH ZONE; MAKING VARIOUS FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND PROVIDING A SEVERABILITY CLAUSE.

* * * * *

WHEREAS, the City Council has received petitions (the "Petitions"), requesting that a contiguous geographic area in the City of Pearland (the "City"), be designated as a reinvestment zone under the provisions of Chapter 311 of the Texas Tax Code; and

WHEREAS, the Petitions were submitted by the owners of property constituting at least fifty percent of the appraised value of the property in the proposed reinvestment zone according to the most recent certified appraisal rolls for Brazoria and Fort Bend Counties, Texas, the counties in which the proposed zone is located; and

WHEREAS, the City has prepared a preliminary reinvestment zone financing plan and has presented the plan to the governing body of each taxing unit that levies taxes on real property in the proposed reinvestment zone; provided written notice of its intent to establish the reinvestment zone on September 30, 1998, and made a formal presentation to representatives of Brazoria County, Fort Bend County, Alvin Community College, Brazoria Drainage District No. 4, Pearland Independent School District, Alvin Independent School District and Fort Bend Independent School District pursuant to Section 311.003 of the Texas Tax Code; and

WHEREAS, the preliminary reinvestment zone financing plan provides that the City's 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, following notice thereof, published on December 13, 1998, in the *Houston Chronicle*, a newspaper of general circulation in the City, a hearing was held on the creation of the proposed zone on December 21, 1998, such hearing being more than 60 days following notice to the taxing units described above; and

WHEREAS, at the public hearing, all interested persons were allowed to speak for or against the creation of the proposed zone, its boundaries, or the concept of tax increment financing and evidence was received and presented at the public hearing in favor of the creation of the proposed zone under the provisions of Chapter 311, Texas Tax Code;

WHEREAS, no owner of real property in the proposed zone protested the inclusion of his property in the proposed zone; and

WHEREAS, in its consideration of the creation of the proposed reinvestment zone, the City Council anticipates the participation of the various other taxing units at levels sufficient to carry out the proposed projects, and if the actual level of participation by the other taxing units is insufficient in the determination of the City Council, the proposed reinvestment zone may be terminated by the City pursuant and subject to the applicable provisions of Chapter 311 of the Texas Tax Code; and

WHEREAS, the City will not incur financial obligation solely as a result of the approval of the creation of the reinvestment zone, with any such financial obligations to be incurred only upon further approval by City Council,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

Section 1. Findings.

(a) That the facts and recitations 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 zone will significantly enhance the value of all the 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 reinvestment zone meets the criteria of Section 311.005 of the Texas Tax Code because the proposed zone is an area designated in a petition submitted by the owners of property constituting at least 50 percent of the appraised value of the property in the area requesting that the area be designated as a reinvestment zone.

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

- (1) That the proposed zone is a contiguous geographic area located wholly within the corporate limits of the City of Pearland;
- (2) That the total appraised value of taxable real property in the proposed zone, and in existing reinvestment zones, if any, does not exceed fifteen percent of the total appraised value of taxable real property in the City and in industrial districts created by the City;
- (3) That the proposed zone does not contain more than fifteen percent of the total appraised value of real property taxable by Brazoria County, Fort Bend County, Alvin Independent School District, or Fort Bend Independent School District;
- (4) That development or redevelopment within the boundaries of the proposed zone will not occur solely through private investment in the reasonably foreseeable future.

Section 2. Designation of the Zone

That the City, acting under the provisions of Chapter 311, Texas Tax Code (the "Act"), including Section 311.005(a)(5), does hereby create and designate a reinvestment zone over the area

described in Exhibit "A" and depicted in the map attached hereto as Exhibit "B." The reinvestment zone shall hereafter be identified as Reinvestment Zone Number Two, City of Pearland, Texas (the "Zone"). The City Council specifically declares that the Zone is designated pursuant to Section 311.005(a)(5) of the Texas Tax Code.

Section 3. Board of Directors

That there is hereby created a Board of Directors for the Zone, which shall consist of nine (9) members. Position One on the Board of Directors shall be filled by the State Senator representing the area included within the Zone or his or her designee. Position Two on the Board shall be filled by the State Representative representing the area included within the Zone or his or her designee. The Mayor is hereby authorized to nominate and appoint the remaining seven (7) members of the Board to Positions Three through Nine, subject to the consent and approval of the City Council; provided, however, that (i) Brazoria County shall be entitled to appoint a director to Position Nine if Brazoria County approves the payment of all or part of the tax increment attributable to Brazoria County, (ii) Fort Bend County shall be entitled to appoint a director to Position Eight if Fort Bend County approves the payment of all or part of the tax increment attributable to Fort Bend County, (iii) the Alvin Independent School District ("Alvin ISD") shall be entitled to appoint a director to Position Seven if Alvin ISD approves the payment of all or part of the tax increment attributable to Alvin ISD, and (iv) the Fort Bend Independent School District ("Fort Bend ISD") shall be entitled to appoint a director to Position Six if Fort Bend ISD approves the payment of all or part of the tax increment attributable to Fort Bend ISD. Failure of Brazoria County, Fort Bend County, Alvin ISD, or Fort Bend ISD to appoint a director by March 1, 1999, shall be deemed a waiver of that taxing unit's right to appoint a director, and the Mayor shall be entitled to nominate and appoint persons to such positions, subject to the consent and approval of City Council.

The directors or their designees in Position One and Position Two shall be members of the board by operation of law pursuant to Section 311.009(b), Texas Tax Code. The initial directors appointed to Positions Three, Four and Five shall be appointed for two-year terms, beginning January 1, 1999, while the directors appointed to Positions Six, Seven, Eight and Nine shall be appointed to one-year terms, beginning January 1, 1999. All subsequent appointments shall be for two-year terms. The member of the Board of Directors appointed to Position Three is hereby designated to serve as the chair of the Board of Directors for a term beginning January 1, 1999, and ending December 31, 1999. Thereafter, the Mayor shall annually nominate and appoint, subject to City Council approval, a member to serve as chair for a term of one year beginning January 1 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 sees fit.

The Board of Directors shall prepare or cause to be prepared and adopt a project plan and a reinvestment zone financing plan for the Zone as described in Section 311.011, Texas Tax Code, and shall submit such plans to the City Council for its approval. The City hereby delegates to the Board of Directors all powers necessary to administer, manage and operate the Zone and prepare and implement the project plan and reinvestment zone financing plan, subject to approval by the City Council, including the power to employ any consultants or enter into any reimbursement agreements payable solely from the Tax Increment Fund established pursuant to Section 6 of this Ordinance subject to the approval of the City Manager, that may be reasonably necessary to assist the Board of Directors in the preparation of the project plan and reinvestment zone financing plan and in the issuance of tax increment obligations.

Section 4. Duration of the Zone

That the Zone shall take effect on January 1, 1999, and termination of the operation of the Zone shall occur on December 31, 2028, or at an earlier 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 on the bonds, have been paid in full.

Section 5. Tax Increment Base

That the Tax Increment Base for the Zone is the total appraised value of all real property taxable by the City and located in the Zone, determined as of January 1, 1998, the year in which the Zone was effective and designated as a reinvestment zone (the "Tax Increment Base").

Section 6. 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 in the Tax Increment Fund. The Tax Increment Fund and any subaccounts shall be maintained at the depository bank of the City and shall be secured in the manner prescribed by law for Texas cities. The annual Tax Increment shall equal the amount by which the then-current appraised value of all taxable real property located in the Zone exceeds the Tax Increment Base of the Zone, less any amounts that are to be allocated from the Tax Increment pursuant to the Act. All revenues from the sale of any tax increment bonds or other notes hereafter issued by the City, if any, revenues from the sale of property acquired as part of the tax increment financing plan, if any, and other revenues to be used in the Zone shall be deposited into the Tax Increment Fund. 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 pursuant to any agreement the Board of Directors considers necessary or convenient to implement the Zone's project plan and reinvestment zone financing plan and achieve their purposes.

Section 7. 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 contained 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 8. Open Meetings

It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and rapidly accessible at all times to the general public at the City Hall of the City for the Time required by law preceding this meeting, as required by the Open Meetings Law, Texas Gov't Code Ann., ch. 551, 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 hereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 9. Notices

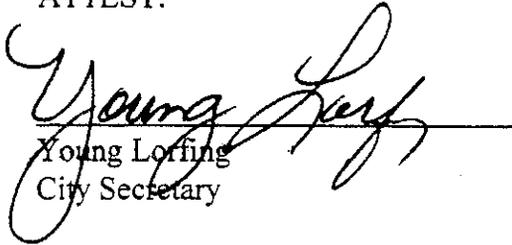
The contents of the notice of the public hearing, which hearing was held before the City Council on December 21, 1998, and the publication of said notice, is hereby ratified, approved and confirmed.

PASSED AND APPROVED on First Reading this the 14th day of December, 1998.



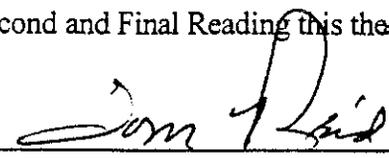
Tom Reid
Mayor

ATTEST:



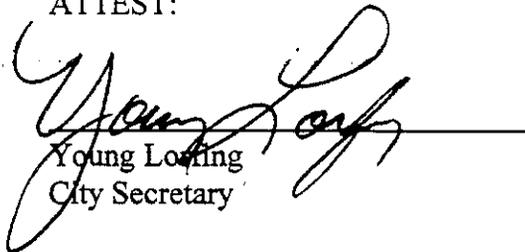
Young Loring
City Secretary

PASSED, APPROVED AND ADOPTED on Second and Final Reading this the 21st day of December, 1998.



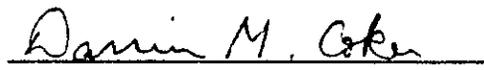
Tom Reid
Mayor

ATTEST:



Young Loring
City Secretary

APPROVED AS TO FORM:



Darrin M. Coker
City Attorney

DESCRIPTION OF
3467 ACRES, MORE OR LESS
SHADOW CREEK RANCH
TAX INCREMENT REINVESTMENT ZONE

Being 3467 acres of land, more or less, located in the Dupuy and Roberts Survey, Abstract 726, Brazoria County; William Morris Survey, Abstract 344, Brazoria County; T. C. R. R. Co. Survey, Section 3, Abstract 678, Brazoria County; T. C. R. R. Co. Survey, Section 4 (John W. Maxcy), Abstract 675, Brazoria County; Obediah Pitts Survey, Abstract 717, Brazoria County; H.T. & B. R. R. Co. Survey, Section 80 (J.S. Talmage), Abstract 564, Brazoria County; H. T. & B. R. R. Co. Survey, Section 81, Abstract 300, Brazoria County; H. T. & B. R. R. Co. Survey, Section 82 (J. S. Talmage), Abstract 565, Brazoria County; H. T. & B. R. R. Co. Survey, Section 83, Abstract 305 in Brazoria County and Abstract 761 in Fort Bend County; S.G. Haynie Survey, Abstract 212 in Brazoria County and Abstract 620 in Fort Bend County; Franklin Hooper Survey, Abstract 198, Fort Bend County; George W. McDonald Survey, Abstract 577, Fort Bend County; I. C. Stafford Survey, Abstract 668, Fort Bend County and the H. Levering Survey, Abstract 279, Fort Bend County, Texas; said 3467 acres, more or less, being more particularly described as follows:

BEGINNING at the common north corner of Lots 3 and 4, Block 10 of the ALLISON - RICHEY GULF COAST HOME CO'S PART OF SUBURBAN GARDENS, SEC.'S 3 & 4, T.C.R.R. SURVEY AND SEC. 82, H. T. & B. R. R. CO. SURVEY & OBEDIAH PITTS SURVEY, a subdivision of record in Volume 2, Page 99 of the Plat Records of Brazoria County, Texas (B.C.P.R.) also being on the common line of the aforementioned T.C.R.R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, SOUTHERLY, 782 feet, more or less, along the common line of said Lots 3 and 4, to a point for corner on the southerly right-of-way line of Farm to Market Road 2234, 160 feet wide;

THENCE, EASTERLY, 998 feet, more or less, along said southerly right-of-way line and its easterly extension, to a point for corner on the west line of the J. Crawley Survey, Abstract 174, Brazoria County, Texas;

THENCE, SOUTHERLY, 3482 feet, more or less, along the west line of said J. Crawley Survey to a point for corner on the centerline of Hughes Ranch Road, also being the southwest corner of said J. Crawley Survey;

THENCE, EASTERLY, 421 feet, more or less, along the southerly line of said J. Crawley Survey and along said centerline of Hughes Ranch Road, to a point for corner on the centerline of State Highway 288;

THENCE, SOUTHERLY, 5326 feet, more or less, along said centerline of State Highway 288 to a point for corner on the southerly line of County Road 92, 40 foot wide, a dedicated road as shown on aforementioned ALLISON-RICHEY GULF COAST HOME CO.'S PART OF SUBURBAN GARDENS:

THENCE, WESTERLY, 9448 feet, more or less, along the southerly line of said County Road 92, to a point for corner on the west line of aforementioned H. T. & B. R. R. Co. Survey, Section 80 and the east line the H. T. & B. R. R. Co. Survey, Section 84 (R. B. Lyle), Abstract 538 in Brazoria County and Abstract 767 in Fort Bend County;

THENCE, NORTHERLY, 20 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84, to a point for corner, same being the common corner of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84 and aforementioned H. T. & B. R. R. Co. Survey, Section 82 and Section 83;

THENCE, WESTERLY, 5280 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84, to a point for corner on the east line of aforementioned Franklin Hooper Survey, same being the common west corner of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84;

THENCE, SOUTHERLY, 158 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 84 and the Franklin Hooper Survey, to a point for corner, same being the southeast corner of said Franklin Hooper Survey and the northeast corner of the A.B. Langerman Survey, Abstract 555, Fort Bend County, Texas;

THENCE, EASTERLY, 2636 feet, more or less, along the common line of said Franklin Hooper Survey and said A.B. Langerman Survey, to a point for corner on the easterly right-of-way line of Farm to Market Road 521;

THENCE, NORTHEASTERLY, 9667 feet, more or less, along said easterly right-of-way line, to a point for corner on the centerline of Clear Creek;

THENCE, NORTHEASTERLY, 1327 feet, more or less, along the centerline of Clear Creek to a point for corner on the aforementioned southerly right-of-way line of Farm to Market Road 2234;

THENCE, SOUTHEASTERLY, 1519 feet, more or less, along said southerly right-of-way line to a point for

corner on the of Fort Bend and Brazoria County line;

THENCE, NORTHEASTERLY, 577 feet, more or less, along said county line, to a point for corner at the common corner of Brazoria, Fort Bend and Harris Counties;

THENCE, NORTHEASTERLY, 2426 feet, more or less, along the of Brazoria and Harris County line, to a point for corner in the aforementioned centerline of Clear Creek;

THENCE, EASTERLY, 8250 feet, more or less, along the centerline meanders of Clear Creek to a point for corner on the northerly line of aforementioned Lot 3, Block 10 of said ALLISON-RICHEY GULF COAST HOME CO'S PART OF SUBURBAN GARDENS, same being on the aforementioned common survey line of the T. C. R. R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, EASTERLY, 453 feet, more or less, along said north line of Lot 3, Block 10 and said common survey line to the POINT OF BEGINNING and containing 3467 acres, more or less.

LJA Engineering & Surveying, Inc.

Exhibit 1**Brazoria County Budget Line Items to be included in Cost of Service Calculation**

<u>Department</u>	<u>1999 Budgeted Amount</u>	
County Court at Law #1	\$	249,672
County Court at Law #2	\$	259,457
County Court at Law #3	\$	257,965
District Courts	\$	596,395
Judicial Miscellaneous	\$	1,138,831
District Attorney	\$	1,836,822
Constable - Precinct 2	\$	42,031
Sheriff's Office	\$	-
Detention Center	\$	8,092,359
Juvenile Probation	\$	1,533,007
JP Precinct #2, Place 1	\$	202,343
JP Precinct #2, Place 2	\$	290,389
County Clerk	\$	1,297,985
District Clerk	\$	962,000
EMS	\$	6,000
Fire	\$	4,478
Total	\$	16,769,734