

City of Houston, Texas, Ordinance No. 1999- 825

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

* * * * *

WHEREAS, by City of Houston Ordinance No. 97-1570, adopted December 17, 1997, the City created Reinvestment Zone Number Nine, City of Houston, Texas (the "South Post Oak Zone") pursuant to Chapter 311 of the Texas Tax Code (the "Code") for the purposes of redevelopment in the area of the City generally referred to as the South Post Oak area; and

WHEREAS, the Board of Directors of the South Post Oak Zone has adopted and recommended, and the City has approved, by City of Houston Ordinance No. 1999-0721, adopted July 14, 1999, the Project Plan and Reinvestment Zone Financing Plan (the "Plans") for the South Post Oak Zone; and

WHEREAS, Chapter 311 of the Code authorizes the amendment of the Plans; and

WHEREAS, the Board of Directors of the South Post Oak Zone, at its August 6, 1999, board meeting, considered and adopted proposed amendments to the Plans (the "Amendments"), and recommended the Amendments for approval by the City Council; and

WHEREAS, before the Board of Directors of the South Post Oak Zone may implement the Amendments, the City Council must approve the Amendments; and

WHEREAS, the Plans, as amended by the Amendments, continue to provide that one-third of the tax increment is dedicated to providing low-income housing during the term of the South Post Oak Zone; and

WHEREAS, a public hearing on the Amendments is required to be held by the provisions of Section 311.011 of the Code; and

WHEREAS, the City Council finds that notice of the public hearing was published in a newspaper of general circulation within the City in the time and manner required by law; and

WHEREAS, the City Council conducted a public hearing on the proposed Amendments on August 11, 1999; and

WHEREAS, at the public hearing, interested persons were allowed to speak for or against the proposed Amendments and the concept of tax increment financing; and

WHEREAS, evidence was received and presented at the public hearing in favor of the proposed Amendments and the concept of tax increment financing; **NOW, THEREFORE,**

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

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

Section 2. That the Project Plan and the Reinvestment Zone Financing Plan approved by City of Houston Ordinance No. 1999-0721, passed and adopted on July 14, 1999, are hereby amended as follows:

- A. By substituting page 11R attached hereto as Attachment "1" for page 11 in the Plans;
- B. By substituting page 14R attached hereto as Attachment "2" for page 14 in the Plans;
- C. By substituting Exhibit D - Project Costs and page 15R attached hereto as Attachment "3" for Exhibit D - Proposed Zone Budget and page 15 in the Plans;
- D. By substituting page 20R attached hereto as Attachment "4" for page 20 in the Plans;
- E. By substituting Exhibit F - Cash Flow Analysis and page 21R attached hereto as Attachment "5" for Exhibit F - Cash Flow Analysis and page 20 in the Plans;
- F. By substituting page 22R attached hereto as Attachment "6" for page 22 in the Plans;
- G. By substituting page 23R attached hereto as Attachment "7" for page 23 in the Plans; and
- H. By substituting Exhibit H and page 26R attached hereto as Attachment "8" for Exhibit H and page 26 in the Plans.

The Plans as so amended (the "Amended Plans") are hereby determined to be feasible and are approved. The appropriate officials of the City are authorized to take all steps reasonably necessary to implement the Amended Plans.

Section 3. That the City Secretary is directed to provide copies of the Amended Plans to each taxing unit levying ad valorem taxes in the South Post Oak Zone.

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

Section 5. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 11th day of August, 1999.

APPROVED this _____ day of _____, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is AUG 17 1999

[Signature]
City Secretary

(Prepared by Legal Dept. *[Signature]*
(MAM/mam 10/09/99) Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L. D. File No. 34-97601-08)

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AYE	NO	
✓		MAYOR BROWN
••••	••••	COUNCIL MEMBERS
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		BONEY
✓		TODD
✓		DRISCOLL
✓		KELLEY
ABSENT-ON PERSONAL BUSINESS		FRAGA
✓		CASTILLO
ABSENT-OUT OF CITY ON PERSONAL BUSINESS		PARKER
ABSENT-ON PERSONAL BUSINESS		ROACH
ABSENT-OUT OF CITY CITY BUSINESS		SANCHEZ
ABSENT		BELL
ABSENT		ROBINSON
CAPTION	ADOPTED	

PART II. REINVESTMENT ZONE FINANCING PLAN

A. Estimated Project Costs (311.011(c)(1))

The principle purpose of the Zone is to provide financing for the public improvements for a residential development which will encompass 105 acres of the 247 acres constituting the Zone. The Zone will reimburse the Developer for the costs of constructing water, sewer and drainage facilities, interior street paving, regional stormwater detention expansion, noise barriers and an overhead pedestrian walkway required for the Residential Community as well as related professional fees and administrative costs for the Zone (collectively, the "Project Costs").

The Project Costs for the proposed public improvements, including schools and educational facilities, administrative and professional fees associated with the Zone, are estimated to be \$13,401,334 and are shown on Exhibit D.

1. *Residential Community.* The Owner, Kingdom Builders' Prayer Institute, a Texas non-profit corporation, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and owns 237 of the 247 acres located with the Zone. The Residential Community will be located on 105 acres located on the north side of West Orem, and will be developed by the Pyramid Residential Community Corporation (the "Developer"). The Developer is also a Texas non-profit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Developer was created for the charitable purpose of providing affordable, decent housing for families of low and moderate income, for elderly persons and for disabled persons. The Owner will develop the remaining 132 acres it owns in the Zone, as described herein.

The Owner will transfer approximately 105 acres of the property in the Zone (on which the Residential Community will be located) to the Developer in conjunction with the closing by the Developer on bank financing with Chase Bank of Texas to purchase and develop this portion of the Property. The Owner will develop its 132 acres located within the Zone for community, commercial, recreational and charitable purposes.

To facilitate the development of the Residential Community, the Zone will enter into a reimbursement agreement with the Developer to reimburse eligible development costs for public infrastructure for Corinthian Pointe. The reimbursement of these development costs allows the

11.	Landscaping on Public Rights-of-Way Trees, shrubs, flowering plants, hydroseeding, irrigation systems, decorative paving on the right-of-way on West Orem, the West Orem esplanade and the entrance at Croquet Lane.	\$169,542
12.	Streetscape and Neighborhood Entrances Landscaped beds for primary entrance and for other entrances.	\$120,000
13.	Neighborhood Park (1 acre) Playground equipment, benches, picnic tables, grills, bike rack, drinking fountain, pedestrian path, area lights, trees, hydroseeding and irrigation system.	\$125,000
14.	Developer advances	\$1,941,559
15.	Clearing, Grading & Staking for Utilities	\$68,250
16.	Economic Feasibility Study Initial economic feasibility study prepared by American METRO Study Corp. in 1997 and updated economic feasibility study in 1999	\$15,000
17.	Geotechnical Report for Utility Placement Report prepared by HVJ & Associates.	\$13,950
18.	Professional Fees for Creation of the Zone Legal, engineering and planning services	\$317,636
19.	Zone Administration (4 years) Planning and legal services	\$300,000
20.	Schools and Educational Facilities	<u>\$5,485,747</u>
	TOTAL	<u>\$13,401,334</u>

The Project Costs are summarized in Exhibit D. A map illustrating the location of the proposed improvements follows as Exhibit E.

EXHIBIT D
PROJECT COSTS

PUBLIC IMPROVEMENTS	
Paving	1,597,750
Water Service	327,837
Sanitary Sewer	553,325
Storm Sewer	832,830
Detention - On Site	312,000
Contingencies	362,374
Engineering	478,334
Detention - Regional	99,000
Subtotal	4,563,450
SITE IMPROVEMENTS	
Landscaping	169,542
Noise Barriers	171,200
Neighborhood Park	125,000
Streetscapte and Neighborhood Entrances	120,000
Overhead Pedestrian Walkway	110,000
Subtotal	695,742
LOT DEVELOPMENT	
Utilities Clearing	62,500
Geotechnical Report	13,950
Control Staking	5,750
Subtotal	82,200
CREATION OF THE ZONE	
Planning, Engineering and Legal Services	317,636
Economic Feasibility Study	15,000
Subtotal	332,636
HISD SCHOOLS & EDUCATIONAL FACILITIES	
HISD Schools & Educational Facilities	5,485,747
Subtotal	5,485,747
ADMINISTRATION COSTS	
Zone Administration	180,000
Legal Fees	120,000
Subtotal	300,000
Developer Advances	1,941,559
TOTAL	13,401,334

a tax increment in an amount equivalent to a rate of \$0.41661 per \$100 of assessed value; and HISD has agreed to an amount equivalent to a rate of \$1.459 per \$100 of assessed value. The Zone will pay HISD \$0.65267/\$100 of its participation to fund school and educational facilities. This figure is calculated by subtracting the one-third low-income set-aside from the total \$1.459 rate and then subtracting the \$0.32/\$100 originally designated for public infrastructure improvements from the remaining portion of the HISD participation rate. These educational facilities are not required to be located in the Zone, but must be in the City of Houston.

EXHIBIT F - CASH FLOW ANALYSIS

SOUTH POST OAK
PROJECTED TIRZ CASH FLOW (INCLUDES 1/3 SET ASIDE)

TAX YEAR	CITY (1) ZONE REV (\$)	COUNTY (2) ZONE REV (\$)	HISD (3) ZONE REV (\$)	TOTAL (5) ZONE REVENUE	TIRZ (6) ADMIN EXPENSE	TIRZ (6) DEBT SERVICE	HISD (7) EDU FACILITIES REV (\$)	TIRZ (8) DEBT SRV RESERVE	NET (9) TIRZ REVENUE	DIRECT PAY REIMBURSE	TIRZ (9) INTEREST FUND 4%	TIRZ FUND BALANCE	DEVELOPER ADVANCES	SIMPLE (10) INTEREST @ 8.5%	TIRZ BONDS REIMBURSE	TIRZ DIRECT PAY REIMBURSE	UNREIMBURSED DEV ADVANCES & INTEREST
1997																	
1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001	18,014	11,104	33,317	62,435	0	0	(14,904)	0	47,531	47,531	0	0	0	0	0	0	75,000
2002	60,572	37,312	111,172	209,055	(75,000)	0	(49,732)	10,000	94,323	94,323	0	0	0	0	0	0	3,783,049
2003	131,456	81,265	251,174	463,895	(75,000)	(249,988)	(112,360)	10,000	36,546	36,546	0	0	0	0	0	0	5,814,113
2004	200,963	124,355	388,157	713,478	(75,000)	(477,375)	(173,300)	19,095	233,944	233,944	0	0	0	0	0	0	6,538,591
2005	246,448	153,648	476,817	878,912	(75,000)	(477,375)	(238,550)	24,646	132,332	132,332	0	0	0	0	0	0	4,327,068
2006	281,246	173,473	532,263	988,251	(75,000)	(477,375)	(275,486)	24,646	221,972	221,972	0	0	0	0	0	0	2,604,988
2007	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	2,615,387
2008	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	1,101,781
2009	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	875,973
2010	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	650,165
2011	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	424,357
2012	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	198,549
2013	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	(27,259)
2014	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2015	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2016	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2017	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2018	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2019	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2020	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2021	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2022	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
2023	320,647	198,313	615,831	1,134,791	(42,000)	(616,143)	(275,486)	24,646	225,808	225,808	0	0	0	0	0	0	0
TOTAL	6,391,702	3,952,755	12,263,020	22,607,477	(1,089,000)	(11,929,157)	(5,485,747)	1,117,953	5,221,526	1,660,472	104,239	3,457,336	5,974,028	1,941,559	(6,047,159)	(1,895,688)	0

- (1) City of Houston Zone participation is 100% of total tax rate of \$0.665.
- (2) Harris County Zone participation is \$0.41660; includes 1/3 set aside revenue.
- (3) HISD Zone participation is \$1.459; includes 1/3 set aside (\$0.48633) and Zone rate of \$0.32.
- (4) HISD Zone Educational Facility participation is \$0.65287; which is revenue that goes back to HISD for Schools and Educational Facilities project costs.
- (5) Total Zone Revenue includes all jurisdictions annual revenue.
- (6) TIRZ Revenues exclusive of 4 years TIRZ Administration Expense which are calculated in the Developer Advances/Reimbursements.
- (7) TIRZ Administration fees estimated. Actual fees will be determined by the number of meetings and the services performed by the consultants.
- (8) Revenue available for Direct Pay to Developer.
- (9) TIRZ Fund Interest - 4% interest calculated on the cumulative TIRZ Fund Balance remaining after Developer Reimbursement.
- (10) Assumes 1997 base year; 25 year Zone; 0% growth rate and a 92% collection rate on incremental values.
- (11) Assumes 1997 base year; 25 year Zone; 0% growth rate and a 92% collection rate on incremental values.
- (12) Assumes 80 SFU annually per American Metro Market Study.
- (13) Assumed 6.5% simple interest for 5 years only on each developer advance.
- (14) Jurisdiction participation show in 1999 rate; over the life of the Zone participation levels may vary in accordance with the interlocal agreements.

E. Estimate of Time When Monetary Obligations Are Incurred (311.011(c)(5))

The Owner and the Developer have, to date, incurred substantial financial obligations with respect to creating the Zone and planning the development of Corinthian Pointe, including engineering fees, and legal fees. Included in the schedule constituting Exhibit H is information regarding the years between which the development is expected to occur.

Upon adoption of the Plan, the Zone Board will advertise for construction bids on Phase I of the Residential Community and the Developer will proceed with construction of the Residential Community.

F. Method of Financing (311.011(c)(6))

The Developer will advance all funds for development of the Residential Community, including all expenses to provide public improvements, except schools and educational facilities, which will be financed and administered by HISD. The Zone will provide reimbursement for the cost of the public improvements directly from the tax increment revenues and/or the proceeds of its debt obligation, the principal and interest of which will be paid from the tax increments revenues. Based on conservative assumptions recommended by the Zone's financial advisor, First Southwest Company, the Zone expects to issue one or more series of bonds prior to the year 2006, as shown on Exhibit F.

While more than eighty percent of the homes in Corinthian Pointe will be priced between \$69,900 and \$103,000, the Zone will design a separate program (as described below) that stimulates and encourages home ownership for families with incomes that are eighty percent or below the median income, as determined and revised by the U.S. Department of Housing and Urban Development ("HUD") ("Median Income"). A range of income levels will assist in the integration of all families in the community.

Through the reimbursement of certain public improvement infrastructure costs incurred by the Developer, the Developer will sell lots to homebuilders at a price to facilitate the pricing of homes in a range described above.

G. Current Appraised Value of Taxable Real Property In Zone (311.011(c)(7))

The Property's taxable value as of December 31, 1997 was \$1,018,000 (the "Tax Increment Base"). A copy of HCAD's certificate of 1997 appraised value for the Property is attached as Exhibit G.

H. Estimated Captured Appraised Value of Taxable Real Property in the Zone (311.011(c)(8))

At the completion of the development of Corinthian Pointe, expected to be the year 2006, the incremental taxable value resulting from the development within the Zone is shown on Exhibit H. This revenue estimate is based on (a) a 20 percent homestead exemption applicable to all of the homes, (b) an over-the-age of 65 exemption applicable to approximately three percent of the homes, (c) a 92 percent tax collection rate in the Zone over the duration of the Zone and (d) zero percent increase in the taxable value of the property in the Zone over the duration of the Zone.

Participation from the following jurisdictions has been requested:

City of Houston	=	100 percent of tax levy on incremental value (\$0.665 per \$100)
Harris County	=	64 percent of tax levy on incremental value (\$0.41661 per \$100)
HISD	=	100% of tax levy on incremental value (\$1.0459/\$100), \$0.806 per \$100 incremental value to be used in the Zone and \$0.65267 per \$100 to be used for HISD school or educational facilities

The total participation for the Zone from the City, County and HISD (excluding HISD participation designated for educational facility projects) is estimated at \$1.88761 per \$100 of assessed value which will generate approximately \$17,121,730 of tax increment revenues over the life of the Zone to finance the public improvements in the Zone. The \$0.65267 per \$100 of HISD tax increment revenues (described above) must be used for school or educational facilities in the City of Houston. Exhibit H illustrates the annual projected captured appraised value and the derivative revenue by taxing jurisdiction.