CITY OF SAN ANTONIO, TEXAS
Housing and Neighborhood Services Department

RIDGE STONE

Tax Increment Reinvestment Zone Twenty-Two

Final Project Plan

March 1, 2007

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Executive Summary

Ridge Stone

The City of San Antonio's Ridge Stone Tax Increment Reinvestment Zone Twenty- two ("TIRZ" or "Zone") was Designated on December 16, 2004. The 40.587 acres of undeveloped land will be utilized to construct 234 single-family homes.

The TIRZ project is located in Secondary Target Area as defined in the City's 2004 TIF Guidelines (inside Loop 410 and outside Loop 410, but south of Highway 90). The City may participate up to 90% of its tax increment generated for a term of up to 20 years. The TIRZ is located in City Council District four (4), in the southwest section of the City, just south of Medina Base Road. The project is located in the Southwest Independent School District.

This TIRZ will enhance the quality of life for the existing residents of the neighborhood, and the City will gain a self-sustaining, single-family neighborhood in the spirit of the initiatives set by the Community Revitalization Action Group (CRAG).

The Ridge Stone project includes 234 single-family homes with an average estimated sales price of $95,000. The developer of the property is Bigfish On Five, L.P., and is requesting participation from the City of San Antonio, and Bexar County.

The TIRZ will reimburse costs associated with the public infrastructure improvements for this project which include: site work, streets, drainage/retention, water, sewer, street lights, street signs, electrical, platting/zoning fees, storm water pollution prevention, park fees, drainage fees, off site drainage, sewer/water impact fees, Medina Base Road improvements, and a phase one environmental.

The Board of Directors for Ridge Stone TIRZ Twenty-two, met on January 31, 2007, and approved the attached Final Project Plan and Final Financing Plans. The life of the Tax Increment Reinvestment Zone (TIRZ) is projected to be 19.80 years with the TIRZ being in existence through September 30, 2024.

1. Policy and Program

A. *POLICY*

The City of San Antonio is dedicated to the revitalization of inner-city neighborhoods and commercial districts, particularly in those areas located inside Loop 410 and south of Highway 90, by using a tiered system of incentive tools, such as Tax Increment Financing (TIF). Development projects supported by a Tax Increment Reinvestment Zone (TIRZ) should act as economic stimuli to surrounding areas. By leveraging private investment for certain types of development within a targeted area, TIF can be a tool used to assist in financing needed public improvements and enhancing infrastructure. Each taxing entity that collects taxes against the property within a TIRZ has an opportunity to contribute these future tax revenues to a TIRZ fund to reimburse developers for the cost of public infrastructure improvements in the TIRZ.

B. *PROGRAM*

San Antonio's TIF Program strategy to support development and redevelopment is unique in the State. The TIF Program has evolved since 1998 to ensure that the incentive is used today to support the City's Economic Development, Community Development and Urban Design goals. TIF seeks to directly promote recommendations made in the City's Master Plan, CRAG Report, Neighborhood Plans, Community Plans, Corridor and Area Plans, and Housing Master Plan.

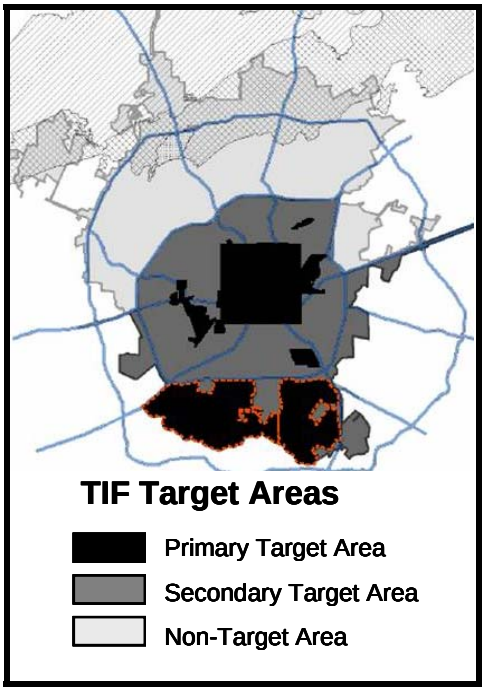
TIF GUIDELINES

The City of San Antonio (City) adopted the amended Guidelines and Criteria for TIF by Ordinance No. 98663 on January 8, 2004. The original Guidelines were established by the City in 1998 by Ordinance No. 88196 and were amended by Ordinance No. 92552 in 2000 and Ordinance No. 92710 in 2002. The Guidelines serve as policy direction to City staff and interested parties regarding the Application for Redevelopment specifically related to Tax Increment Financing, which supports certain types of development in targeted areas of the city. Reinvestment Zones may be designated either through (1) a City-initiated project following a Request for Proposals and the submission of an Application for Redevelopment to the City pursuant to the Guidelines, or (2) the independent

Tax Increment Reinvestment Zones Highlights:

- TIF is an incentive tool that local governments can use to finance public improvements and enhance infrastructure within a defined area, called a Tax Increment Reinvestment Zone (TIRZ)
- Tax Increment Financing is governed by the TIF Act found in Chapter 311 of the Texas Tax Code
- The TIF Act specifies that areas to be designated as a TIRZ must be economically distressed, unproductive, underdeveloped, or blighted, and impair the City's growth because of these factors
- Each taxing entity that collects taxes against the property within a TIRZ has an opportunity to contribute future tax revenues to a TIRZ fund to reimburse developers for the cost of public infrastructure improvements in the TIRZ

submission of an application for redevelopment to the City pursuant to the Guidelines in effect. This application would also be required to submit a petition for the project as detailed in Section 311.005 (a)(5) of the Texas Tax Code. The Ridge Stone TIRZ was designated following the submission of a petition of the property owner to the City Clerks Office in June 2004. All TIRZ are governed by the Guidelines in effect at the time of the TIRZ creation by City Council.



Ridge Stone is located in the Secondary Target Area

TIRZ BOARD

The TIF Act requires that the City Council establish a reinvestment zone Board of Directors when designating a TIRZ. As amended in 2001, the TIF Act provides a formula for calculating the number of seats a taxing entity may have based on its anticipated pro rata contributions to the zone fund. The minimum number of Board members for a TIRZ is nine. Based upon the required calculations for this Reinvestment Zone and the anticipated participation levels of the other taxing entities, the Ridge Stone Board shall consist of eleven members.

The City shall appoint seven directors and Bexar County shall appoint two directors. Additionally, the State Senator and State Representative in whose districts the zone is located shall also be members of this Board, except that either may designate another individual to serve in the member's place at the pleasure of the member. To be eligible for appointment, an individual must either be a qualified voter of the City, or be at least 18 and own real property in the zone or be an employee or agent of a person that owns real property in the zone. City appointees will be required to comply with all policies related to City Boards and Commissions to the extent there is no conflict with the TIF Act.

TARGETED ECONOMIC DEVELOPMENT

Implementation of the TIF incentive is tailored to the strengths and needs of specific areas of the City. The City has identified target areas where projects may be eligible for TIF with varying participation levels and terms. The Ridge Stone TIRZ is located within the Secondary Target Area. The City may participate up to 90% of its tax increment collected for a term of up to 20 years.

Primary Target Areas (Highest Priority Area): City may participate up to 100% and for a term of up to 25 years.

Secondary Target Areas: City may participate up to 90% and up to a term of 20 years.

Non-Target Areas: City may participate up to 65% and up to a term of 20 years.

The City may not designate any area as a Reinvestment Zone solely for the purpose of encouraging future development in that area, but may do so if development or redevelopment would not occur solely through private investment in the reasonably foreseeable future. In all proposed Zones, the Applicant(s) must make available an independent market feasibility study in order to demonstrate the demand, viability, and capacity for the project. This study should validate absorption rates, estimated values, adjacent property lease space and reference established and on-going neighborhood plans.

COMMUNITY DEVELOPMENT

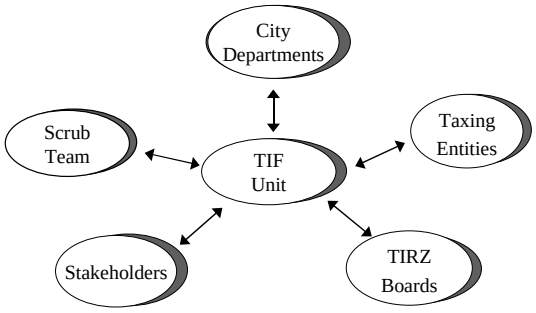
TIF Applicants must demonstrate how the planned investment will contribute to revitalization activities in the community of which the TIRZ is a part. The Applicant must also indicate how the input of nearby neighborhood residents, businesses, and schools has influenced the project planning process. All proposals must communicate and demonstrate how the project achieves objectives of the City's Master Plan, Southside Initiative and/or the CRAG.

DESIGN QUALITY

All projects supported by TIF should add long-term value to the public realm. Accordingly, projects must be built according to design principles that prioritize the safety and comfort of all public infrastructure users – whether they are walking, jogging, riding or driving. The City's Unified Development Code (UDC) sets out a menu of approaches to help designers and developers meet the program's Urban Design Goals.

Projects must also consider the long-term value of the private improvements supported by TIF. Specifically, the Master Plan calls for efforts to facilitate the provisions of choice in housing for special needs populations (Neighborhoods: Policy 4d). Efforts to meet this policy may include ensuring homes are visitable or easily adaptable to disabled persons. Policy 4i requires the community to explore the full range of options to allow people to remain in their homes throughout their lives.

Elements of the TIF Process



City of San Antonio, Texas

2004
Tax Increment Financing (TIF) Guidelines
Housing and Neighborhood Services Department
(210) 207-7881

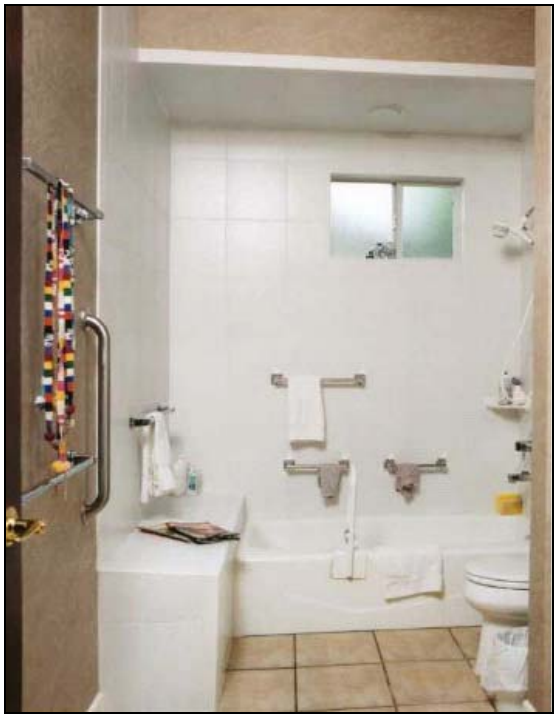
http://www.sanantonio.gov/nad/devdiv/tif/tif.asp

http://www.sanantonio.gov/ada/

The City of San Antonio adopted a Universal Design Policy (Ord. No. 95641) on April 18, 2002, requiring that any person receiving financial assistance from city, state, or federal funds administered by the City of San Antonio for the construction of new single family homes, duplexes, or triplexes, shall construct the units in accordance with specific features including entrance with no steps, wider doorways (2' 8"), lever door handles, lever controls on kitchen and lavatory faucets, and light switches and electrical receptacles within reachable height.

The Ridge Stone TIRZ contribution to the payment of public infrastructure improvements requires the housing development to comply with the City's Universal Design requirements (UD), located in the City Code, Chapter 6, Article XII. According to a compromise agreement reached with the Developer, 143 units in Phase 1, 2A, and 2B do not comply with UD, but only thirty-one (31) non-compliant units will be deducted from the captured appraised value of real property taxable by a taxing unit for each year, resulting in the reduction of the projected captured appraised value by $1,606,900.00 in tax year 2005, and $3,297,820.00 in tax year 2006 through 2023. The tax increment collection attributable to the reduction of captured appraised value is estimated to be $21,892.00 annually, which will not be deposited to the Ridge Stone TIRZ fund but will instead be retained by the Participating Taxing Entities (the City & Bexar County). The remaining 91 units in Phase 2C and 3 shall comply with the Universal Design requirements. If it is discovered that any units in Phase 2C and 3 do not comply, those non-compliant units will also be deducted from the captured appraised value in every year of their existence.

No Step entrance



Walls shall be reinforced around showers; tubs and toilet for future installation of grab bars.

ENVIRONMENTAL PROTECTION

No applications will be accepted for a TIF where all or part of the proposed project falls over the Edwards Aquifer Recharge Zone. The Ridge Stone TIRZ is not located over the Edwards Aquifer Recharge Zone.

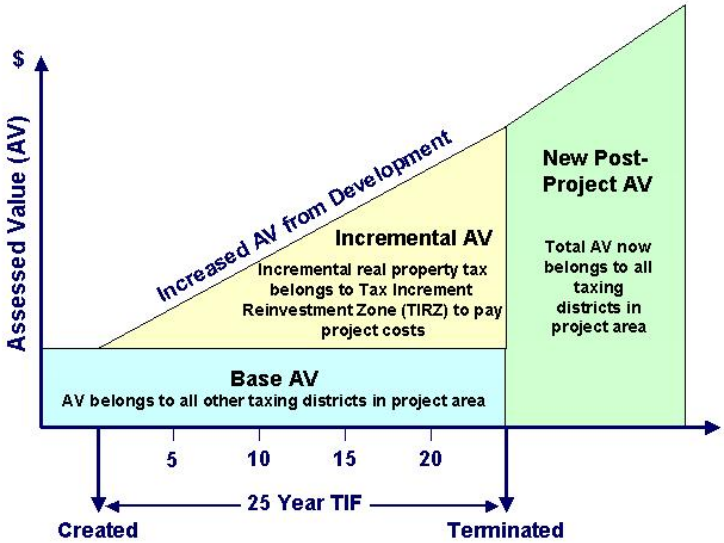
TIF Applications where all or part of the proposed project falls over the Contributing Zone or the Contributing within the Transition Zone will be

considered on a case-by-case basis. For projects located over the Contributing Zone or the Contributing within the Transition Zone, the City will not accept fees in lieu of parks or drainage unless recommended by City Staff, a maximum of 30% impervious cover is required and a Supermajority of City Council (8) votes is required for designation of the zone. Furthermore, residential projects may only utilize the Conservation Subdivision Use Pattern, while commercial and mixed-use projects must utilize one of the nine non-conventional Use Patterns or Special Districts. The Ridge Stone TIRZ is not located over the Contributing Zone or the Contributing within the Transition Zone.

2. Designation and Participation

The long-term success of any Tax Increment Reinvestment Zone is contingent on the participation of a number of taxing entities and long-term commitment of the applicant. In addition to the City of San Antonio, the Ridge Stone project developers have secured a commitment from Bexar County to participate in this TIRZ project.

A. TIF MECHANISM



Base Assessed Values in a TIRZ continue to be collected by taxing entities – only the new values (the increment) are collected in the TIRZ Fund.

Participating Taxing Entities:

City of San Antonio

Bexar County

Once a Reinvestment Zone has been established, an increase in incremental real property taxes resulting from new construction, public improvements, and redevelopment efforts may be collected and deposited into the TIRZ Fund. The City of San Antonio enters into a written agreement with all participating taxing entities to specify: (1) the conditions for payment of the tax increment into a TIRZ Fund, (2) the portion of tax increment to be paid by each entity into the TIRZ Fund, and (3) term of the agreement. Participating taxing entities continue to collect taxes on the base value and taxing entities that do not participate, such as local school districts, collect taxes on both the base and all increased value.

B. CITY OF SAN ANTONIO

The City of San Antonio's Housing and Neighborhood Services Department's TIF Unit is responsible for the administration of the TIF Program. Its roles and responsibilities include, but are not limited to:

- Application review and analysis
- Statutory presentations
- TIRZ Board administration
- TIRZ Fund administration
- Processing of reimbursement requests for eligible public improvements
- Ongoing monitoring of construction

The City of San Antonio will be participating at 90%. The life of the TIRZ is projected to be 19.80 years with the TIRZ being in existence until September 30, 2024.

C. BEXAR COUNTY

On May 12, 2004, Commissioners Court approved the Guidelines and Criteria for Bexar County. In accordance with their Guidelines, the participation level for the County for all projects will not exceed 80% of its increment collected and they do not participate longer than 25 years for the term of the zone.

The City of San Antonio provided a statutory presentation of the Ridge Stone project to Bexar County in November 2004; their participation level is 50% of Operations and Maintenance portion of the tax rate. Their participation shall not extend beyond September 30, 2024.

D. DEVELOPER

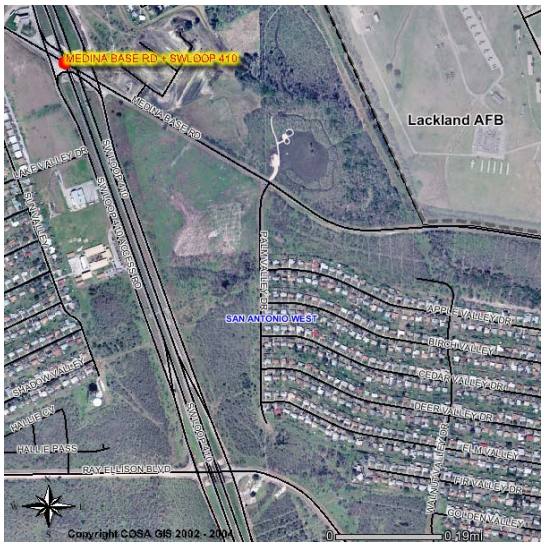
Bigfish On Five, L.P., is owned by Turner Bowman. Bigfish On Five, L.P., has purchased and developed parcels of land and sells lots to homebuilders in the affordable housing market. They have constructed a 90 single-family home development called Meadow Way, located on the north side of San Antonio.

The Developer responsibilities include providing accurate Quarterly Reports (project status reports) to the TIF Unit (due the 15th of January, April, July and October or the first business day thereafter) that includes, but are not limited to: copies of publicly bid documents for public improvements, detailed invoices related to project costs, disclosure of any relevant changes in project, ownership, financial stability, and monitoring the construction in accordance with the Development Agreement or any additional anticipated assignment. Bigfish On Five, L.P., has arranged the financing for this project through Ozona National Bank for all infrastructure and site improvements.

3. Existing Conditions

A. *REGIONAL*

The Ridge Stone TIRZ is located in the southwest section of the City of San Antonio, east of Loop 410 and south of Medina Base Road. The site is within the Lower Leon Creek Watershed and is in close proximity to the Lackland Air Force Base. Lackland Hills TIRZ # 13, Hallie Heights TIRZ # 19 and Heathers Cove TIRZ # 21 are also nearby. The project will serve as an infill development for an area that has been vacant for some time. The TIRZ is located in close proximity to major arteries, which include Military Drive West, Medina Base Road, SW Loop 410 and Highway 90.



Ridge Stone Aerial

Schools and School Districts

Ridge Stone TIRZ is in the Southwest Independent School District (SWISD). Elementary Schools located in close proximity to the project are Sun Valley, Valley Hi. Middle Schools located near the project are Rayburn and Sheperd. Walking to any of these schools would be hazardous given the distance from the project and lack of pedestrian infrastructure on Medina Base Road. A bus route would be needed to accommodate any students attending any of these SWISD Schools.

Existing Homes around the Ridge Stone Project

Parks and other facilities

The TIRZ site is within close proximity to Medina Base Road Park, which includes portable skate components for a skate plaza and trails; another park is Millers Pond Park, which includes a community center pavilion, restrooms, playscape, pond, athletic fields, basket ball

court and trails. Another facility in the area is the Johnston Library.

Emergency Services

The Ridge Stone TIRZ will be serviced by two Fire Stations one is # 36 and the other is # 836 both located at 5826 Ray Ellison, which provides Firefighting and Emergency Medical services in the standard response time of 4.25 minutes.

Neighborhood Plans and Associations

The nearest neighborhood plan, the United Southwest Communities land use plan, does not include this property. However, several elements of the draft plan relate to the area of the TIRZ. Neighborhood residents have requested the installation of a stoplight at Medina Base Road and Palm Valley – which is the entrance to the public park. Public Works reviewed this intersection and found that it warranted a traffic signal; the traffic signal was installed June of 2006.

Ridge Stone Community Facilities

B. *SITE CONDITIONS*

Topography and Hydrology

The zone includes about 40.587 acres of undeveloped land. The site lies approximately between 740 to 770 feet above mean sea level. The topography of the site slopes gently to the east, toward Indian Creek. The Site lies outside the influence of 100-year flood plain of any defined water stream.

Geology

The surface geology on the site is of Houston Black Gravelly Clay. The surface layer is dark gray and is about 38 inches thick. The pebbles on the surface reduce somewhat the risk of water erosion. Terracing, contour tillage, fertilization and proper use of plant residues help to conserve moisture and maintain fertility and tilts.

Environmental Assessment

Environmental Site Assessment, Phase I, Project # 02168.esa was completed in May 2002 and an update was completed on November 2004. At the time of the Soil Testing the Ridge Stone Subdivision was covered in a moderate dense to dense stand of vegetative cover consisting of mature juniper/oak woodlands with a variety of oaks and other broadleaf species interspersed with mature ash juniper.

Historic Use

The northern portion of the project site was developed into a drive-in movie-theater prior to 1973 and had a residential structure located in the southwestern portion of the project site prior to 1983. After 1983 the project site remained undeveloped and the drive-in theater was abandoned. The surrounding farmland was extensively developed between 1973 and 2000. Minor residential development has continued to the present.

C. DEMOGRAPHICS

Ridge Stone TIRZ is located in Census Tract 1615.02, and is immediately bounded by Tracts 1613.01, 1613.02, 1614.01, 1615.01, 1617, 1618. These Census Tracts are within a quarter-mile of the project boundaries, and were used to analyze demographics and property values for the TIRZ.

Education

According to the 2000 U.S. Census (DP-2. Profile of Selected Social Characteristics. 2000 Data Set: Census 2000 Summary File 3 (SF 3) - Sample Data), the percentage of San Antonio's population without a high school degree is 24.9%. The Ridge Stone Census Tracts contain a percentage of people without a high school degree that is slightly lower than the City average: 23.5%. The larger project area (including neighboring census tracts) can be described as higher than the City average, with a rate of 35.1%.

Health

The Metropolitan Health District publishes an annual listing of the County's unhealthy zip codes. These zip codes are chosen for high rates of teen births, drop-outs, sexually transmitted diseases, domestic violence cases, juvenile probation cases, stray animal calls, elevated blood lead levels, juvenile asthma cases, EMS calls, and infant deaths. The Ridge Stone TIRZ is in zip code 78242, which is listed as unhealthy by the Metropolitan Health District.

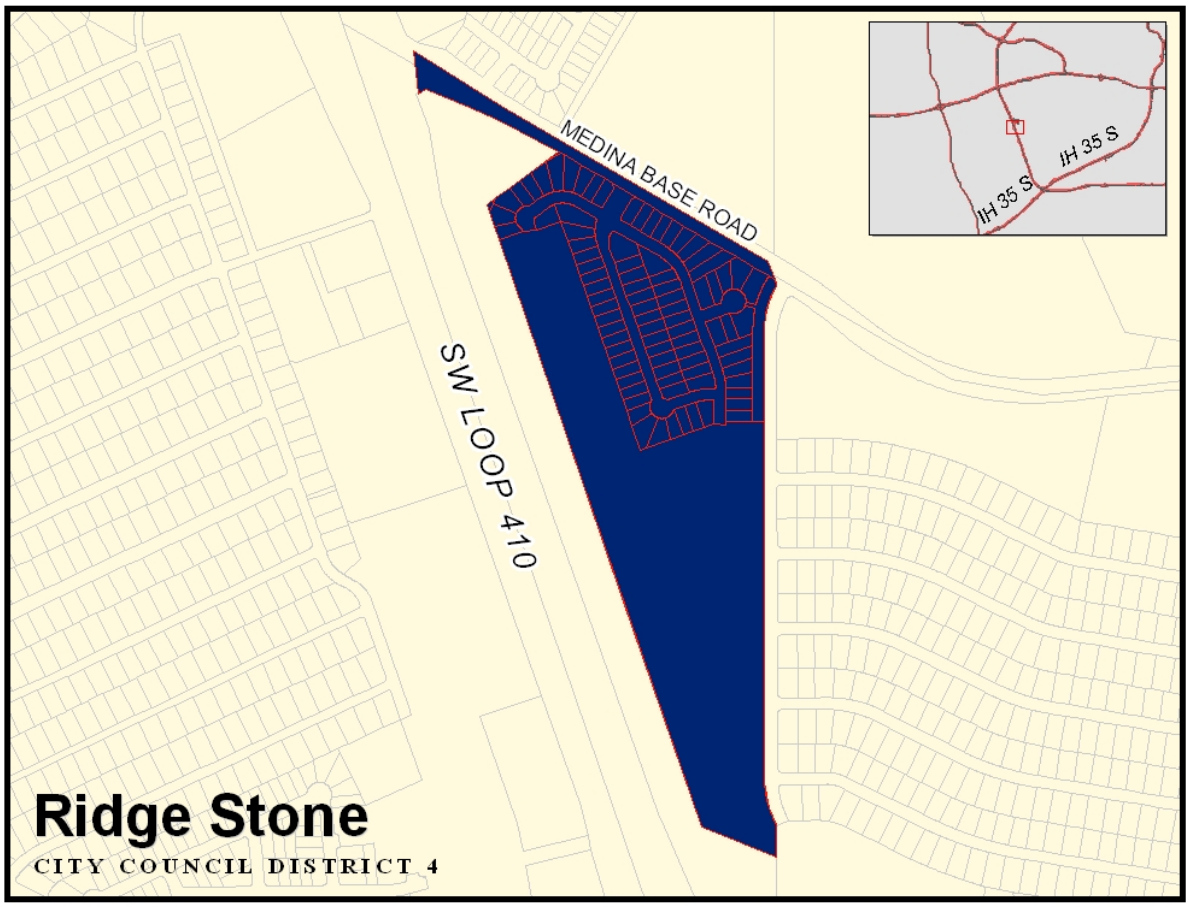
Poverty

The 2000 Census (QT-P43. Poverty Status in 1999 of Individuals: 2000 Data Set: Census 2000 Summary File 3 (SF 3) - Sample Data) describes San Antonio's percentage of population living below poverty level at 17.3%. Ridge Stone Census Tracts' percentage of population reflects a slightly higher poverty level: 19.1%. The larger project area (including neighboring census tracts) can similarly be described as experiencing high-poverty levels, with a rate of 27%.

Employment

The 2000 Census (QT-P43. Employment Status by Sex: 2000 Data Set: Census 2000 Summary File 3 (SF3) Sample Data) reports San Antonio's percentage of unemployed civilians at 6.2%. Ridge Stone Census Tracts' unemployment percentage is better than the City average, at 3.2%.

4. Project Information



A. *CONCEPT*

Ridge Stone TIRZ is about 40.587 acres in size and will finance the construction of public infrastructure to help facilitate the development of a residential neighborhood. The construction includes: 234 single-family homes, a local street network and drainage work. The TIRZ will also finance a section of Medina Base Road improvements.

B. *INFRASTRUCTURE*

The successful development of the Ridge Stone project will require reimbursements of public infrastructure improvements and related capital costs that include: site work, streets, drainage/retention, water, sewer, street lights, street signs, electrical, platting/zoning fees, storm water pollution prevention, park fees, drainage fees, off site drainage, sewer/water impact fees, Medina Base Road improvements, engineering

expenses, geo-technical services, phase one environmental, contingency, construction management, legal and formation fees.

The Ridge Stone TIRZ project is also committed to contributing increment to Medina Base Road improvements. TIRZ increment will help pay for the construction of sidewalks, drainage, medians, and signalization.

INFRASTRUCTURE MAINTENANCE AGREEMENT

The Developer and the City have negotiated an extended 5 year warranty and maintenance agreement for streets and drainage. This extended warranty process is outlined below:

(a) The Developer shall, at its own cost and expense, maintain or cause to be maintained all public improvements, until acceptance by the City as evidenced by written acceptance and for one (1) year after Completion.

(b) Upon acceptance of a streets or drainage improvements for maintenance by the City, Developer shall deliver to the City a one-year extended warranty bond, naming the City as the Obligee, in conformity with Chapter 35 of the City's Unified Development Code. The cost of repair, replacement and maintenance for defects discovered during the first year after completion shall be paid by the developer or the bond company and shall not be paid out of TIF funds.

(c) After the expiration of the one (1) year extended warranty bond, the cost of the repair, replacement and maintenance of the public improvements shall be the responsibility of the City; however, the City shall be reimbursed from the Contingency Fund as listed in the Financing Plan (the "Contingency Fund") for those costs, including, but not limited to: demolition, rebuilding, engineering, design, new construction or any other cost necessitated by the failure without regard to fault or degree ("failure") of public infrastructure which is discovered within the second (2d) through fifth (5th) years after completion of the infrastructure.

(d) If no costs for the repair, replacement or maintenance of a public improvement as a result of a failure are claimed by or due to the City during any year within the second (2nd) through fifth (5th) years after completion of the infrastructure, the Developer shall receive the entire approved reimbursement amount available in that year.

(e) In the event any costs for the repair, replacement or maintenance of a public improvement are claimed by the City due to a failure discovered within the second (2nd) through fifth (5th) years after completion of the infrastructure, the City shall be fully reimbursed those costs from the TIRZ Contingency Fund.

(f) In the event the TIRZ Contingency Fund does not reflect an amount equal to the costs of the repair, replacement or maintenance of the public improvement, the Contingency Fund balance shall be increased by reallocating other costs within the Financing Plan and reducing the approved amount of reimbursement that would have been remitted to the Developer, until the City has been reimbursed its costs in full.

(g) Payment of the City shall take priority over reimbursement of the Developer.

(h) This reallocation of funds shall not be considered an amendment of the Financing Plan and requires no action by the Board or the City Council to be effective.

(i) It shall be no defense to the City's reimbursement of itself out of the TIRZ fund that the City or its agents have inspected, accepted or approved the public infrastructure. Approval or acceptance of public infrastructure is not a waiver of claims under this section. The City may attempt multiple repairs on the same infrastructure and reimburse itself for each attempt.

(j) The Developer, its agents, employees, and contractors will not interfere with reasonable use of all the Public Improvements by the general public, except for drainage retention improvements. In accordance with the Construction Schedule, the Developer shall use its best efforts to dedicate (or grant a public easement) to the Public Improvements where applicable to the appropriate Participating Taxing Entity (as determined by the City), at no additional cost or expense to the City or any other Participating Taxing Entity within sixty (60) days after completion and acceptance of the improvements.

Entrance to Ridge Stone

(k) Reimbursement of the developer shall not be unreasonably denied provided the improvement has reached "Completion" under Subsection (a) or (b) above, and provided that the City has no active claim for reimbursement under this section.

Drainage adjacent to Ridge Stone Project

(l) The requirements of the contract cannot be waived or modified in any way by an engineer, employee or other official of the City or its subordinate agency with responsibility for inspecting or certifying public infrastructure. The actions of a city employee or agent do not work an estoppel against the City under the contract or the Unified Development Code.

Model Homes at Ridge Stone Subdivision

DEVELOPMENT SERVICES DEPARTMENT

The Ridge Stone (La Ventana Unit 1 #030394) plat was recorded on December 12, 2003. Ridge Stone (La Ventana Unit 2A #040529) plat was recorded on October 20, 2005. Ridge Stone (La Ventana Unit 2B #060089) plat was recorded July 28, 2006. Ridge Stone (La Ventana Unit 2C #060435) was approved by the Planning Commission on November 22, 2006 but has

not been recorded. In addition the project is subject to R-4 residential single-family zoning.

C. FINANCIAL INFORMATION

The Final Finance Plan estimates to increase the 2004 base value from $1,399,600 to $ 24,353,560 through the life of the TIRZ in FY 2024. This project is located in the Secondary Target Area and is eligible for the City's participation at 90% with projected tax increments deposited to the TIRZ Fund of $1,734,796. The Final Finance Plan reflects Bexar County participation at 50% of their tax rate with projected tax increments of $476,967. The total projected combined tax increment collection for both taxing entities is $2,211,763. The developer's proposed contribution is estimated at $2,556,384. The maximum contribution for the participating taxing entities (City and Bexar County) is $4,768,147 which reflects the total costs of infrastructure and related development costs. The term of the zone expires on or before September 30, 2024.

5. Economic Feasibility

(Information provided by the Developer)

Market Conditions

Ranked as one of the ten largest cities in the United States, San Antonio is considered one of the fastest growing metropolitan areas; between 2000 and 2003 it was the third fastest growing area in the US. In addition, it offers close proximity to the major Texas population centers, with the north-south and east-west interstate highways connecting San Antonio with all the major Texas cities, the entire United States and Mexico. San Antonio, strategically located in south central Texas, along the Interstate 35 (I-35) corridor, has historically served as the economic hub of the region, which has resulted in the development of a diverse economy. The economy is a mix of anchoring business services, including a growing medical and health delivery sector, various manufacturing facilities, convention and visitor industry, and the military.

The San Antonio area has seen significant growth during the last 30 years enjoying an average annual growth rate of 3.5%. Based on the Texas Comptroller's economic model of Texas, employment in the San Antonio region is projected to continue to grow at a 1.6% annual rate through 2005. During this time, the population, as well as per capita incomes of the San Antonio area, has also grown and is expected to continue.

According to the Greater San Antonio Chamber of Commerce Economic Analysis Panel, local business activity has remained steady in the first quarter of 2004. San Antonio has posted an 11,161 net job gain and a .9% unemployment rate drop between January 2004 and May 2004.

The housing market in San Antonio offers variety in price and location. The average price for a pre-owned house in the San Antonio area in 1997 was $106,000, while the median price was approximately $86,000 according to the Real Estate Center at Texas A&M University. In 2003, those figure increased respectively to $138,300 and $113,800. The areas in San Antonio experiencing marked growth generally stretch northward toward Boerne and north/northeast along the United States 281 and I-35 corridor and include single and multifamily developments serving higher-income family households. New housing product in the other sectors of the City remains relatively limited with an even more limited number of newly constructed affordable housing products citywide.

Responding to the demand of the target market for additional housing units, the Ridge Stone development should provide an affordable alternative to recent and ongoing market housing developments.

Target Market

The target market, defined for the purposes of this study, is a 1.5-mile radius surrounding the subject site. This area consists primarily of households in the San Antonio area who earn at or slightly below area median income adjusted for family size. For a family of four, the 2002 median income for San Antonio is $46,200 and it is $42,028 for the target market. The current median age for the residents in this area is 23.37 years with an average age of 29.51, well below the national median age of 36.2. The average household income for the target market is estimated to be $45,642 and is expected to increase 15.9% to $52,899 over the next five years, based on Claritas projections.

The project is designed to serve the middle, moderate and the low-income community and will contain affordable housing units set aside for households earning between 80% and 120% of the area median gross income (AMGI), adjusted for family size. The Ridge Stone developments average sales price of $95,000.

Effective Market Area

For the purposes of this analysis, the Primary Market Area (PMA) is a .5-mile diameter and the Secondary Market Area (SMA) is a 1.5-mile diameter around the development. Major arteries for the Primary and Secondary Market Area include Loop 410, Medina Base Road and

Highway 90. The PMA and SMA were selected based on residential movement that is expected within the San Antonio area.

Population

The population growth in the San Antonio area has been consistently above national averages for the past ten years ranging from 1.6% to 2.3% since 1991. The Texas State Data Center projects that the population will increase from the Census estimate between 2000 and 2005 by an average gain of approximately 39,000 per year.

Population

	Primary Market Area	Secondary Market Area	City
1990	2,790	19,881	935,933
2000	2,874	20,033	1,144,646
Est. 2007	3,263	21,455	*1,510,127

Change In Population Percentages

	1990-2000	2004-2007
Primary Market Area	2.92%	11.92%
Secondary Market Area	0.756%	6.62%
City	18.2%	*24.2%

Demand for Housing

San Antonio experienced the formation of 108,925 households between 1990 and 2000 Censuses, equating to an annual average of approximately 10,900 households. This implies a correlation between population growth and household formation of about two people for every one marginal household.

Applying this ratio suggests that over 8,500 households will be formed in 2002. Historically, demand for new single-family housing within Bexar County has averaged 6,311 units annually over the past five years, with an overall demand of 8,431 units in 2003. It is anticipated that actual totals will be higher as job creation recovers in the wake of the recent series of lay-offs by major San Antonio employers and the closure of Kelly Air Force Base.

The median home price was approximately $112,100 in the first quarter of 2004 with 58.28% of households living in owner-occupied housing, slightly below the national average of 64.2%. Due to the improving economy in 2004 a relatively low interest rate, and a steady supply of single-family housing, it is anticipated that the propensity to own will increase over this year and the next. Single-family absorption varies geographically in San Antonio, with areas north of US Highway 90 and outside Loop 410 capturing the largest share over the past five years.

Absorption of new apartments has been strong for the past year. Hendricks and Partners estimates that 4,822 units were absorbed in 2000, an amount exceeding 4% of the invention, with over 2,000 units absorbed in the fourth quarter alone. The San Antonio area continued to fill nearly 3,500 units in 2001. Strong leasing demand in 2001 pushed market vacancies to the lowest levels in more than five years with an average occupancy of 94.1%. However, the vacancy rate has been predicted to rise slightly in 2002 on materially lower absorption and some price resistance with respect to new supply. Estimates provided by the Red Capital Group suggest that vacant multifamily inventory will rise by 500 to 1,000 units, inflating the market vacancy rate from 0.4% to 0.6%. Moreover, an anticipated recovery is predicted in 2003, retracting approximately 1/2 of

the vacancy increases experienced in 2002. However, new product appears to be concentrated in the "luxury" segment of this market with average rents of approximately $775 per month. The supply of new multifamily housing will be concentrated in the northeast, primarily in the Interstate 10 corridor. According to Grub and Ellis, more than half of the city's new construction is occurring on the city's north side, between Bandera Road and US 281. In mid-2000, 5,000 units were under construction in this area. With few exceptions, new product will lie within a 10-mile radius of the South Texas Medical Center.

NEW SINGLE FAMILY ABSORPTION (INNER CITY) BY PRICE RANGE 1996-2000

Price Range	1996	1997	1998	1999	2000	1996-2000	1996-2000 (AVG)	Percent of Total
Less than $60,000	10	118	104	121	204	557	111	47.8%
60,000 to 79000	2	2	2	21	49	76	15	6.6%
$80,000 t0 $99,000	0	1	21	99	63	184	37	16.1%
$100,000 to $124,000	0	0	2	33	44	79	16	6.9%
$125,000 to $199,999	15	17	12	8	12	64	13	5.6%
$200,000 and over	29	24	27	51	53	184	37	16.1%
TOTAL	**56**	**162**	**168**	**333**	**425**	**1144**	**229**	**100.0%**
Numerical Change		106	6	165	92			
Percent Change		189.3%	3.7%	98.2%	27.6%			

Source: Housing Market Analysis City of San Antonio 2001

NEW SINGLE FAMILY ABSORPTION (INNER CITY) BY PRICE RANGE 2001-2005

Price Range	2001	2002	2003	2004	2005	2001-2005	2001-2005 (AVG)	Percent of Total
Less than $60,000	215	218	214	207	2019	1062	212	48.7%
60,000 to 79000	29	30	29	28	29	145	29	6.6%
$80,000 t0 $99,000	71	*72*	*71*	*68*	69	*351*	*70*	*16.1%*
$100,000 to $124,000	30	31	30	29	30	151	30	6.9%
$125,000 to $199,999	25	25	25	24	24	122	24	5.6%
$200,000 and over	71	72	71	68	69	351	70	16.1%
TOTAL	**441**	**447**	**439**	**425**	**429**	2181	436	**100.0%**
Numerical Change	16	6	-8	-14	4			
Percent Change	3.8%	1.4%	-1.8%	-3.2%	0.9%			

Source: Housing Market Analysis City of San Antonio 2001

MARKET AREA PROFILE

According to Claritas, the current average household income for the Primary Market Area is estimated to be $43,225 and is projected to increase 14.0% over the next five years, from $43,225 to $49,277. The current average household income for the Secondary Market Area is estimated to be $45,642 and is expected to increase by 15.9% over the next five years, from $45,642 to $52,899.

The City of San Antonio has been experiencing consistent growth in population over the past 30 years as well as a significant increase since 1990. Further, the population is projected to increase by another 24.2% by the year 2007. The Primary Market Area has a projected population increase of 11.9% from 2000 to 2007, which is a great increase from the 209% experienced from 1990 to 2000. Moderate increases in the Secondary Market are expected to continue. **Projections for the City of San Antonio extend through 2005.*

The area for the Ridge Stone development has experienced almost no increase in population percentages due in part t the lack of available housing product. Recent investment in this area may act as a catalyst to encourage an increase in the population. **Projections for the City of San Antonio extend through 2005.*

Data indicates that over half of the populations are eligible members of an active workforce with income earning potential between the ages of 19 and 64 years of age. It is estimated that the median age for the Primary Market Area will increase to 30.1 years by 2005, remaining slightly below the San Antonio median age.

The 2002 median household income for the Primary and Secondary Market Areas are well below the median income for the City of San Antonio. The 2004 estimated per capita income for the Primary Market Area is $12,560 and $13,944 for the Secondary Market Area.

Educational attainment is considered a direct factor in determining subsequent income potential. This is evidenced in the median household income for the area in 2004 being $39,643, which is well below the median

Age

	Primary Mkt.	Secondary Mkt.
Median Age	28.65	23.37
> 18	31.75%	26.9%
18-64	54.11%	65.29%

2002 Est. Median Household Income

	2002
Primary Market Area (0.5 miles)	$44,986
Secondary Market Area (1.5 miles)	$42,028
City	$46,200

Educational Attainment

	High School +
Primary Market Area (0.5 miles)	75.07%
Secondary Market Area (1.5 miles)	75.79%
City	75.51%

Labor Statistics

Taxing Entity	Unemployment Rate	Unemployed
Texas	5.6%	610,969
San Antonio	5.3%	30,118
Alamo Heights	2.5%	112
Converse	3.4	203
Kirby	5.6%	310
Leon Valley	3.1%	220
Live Oak	2.7%	190
Schertz	3.2%	271
Universal City	3.4%	285

income for the city of San Antonio for the same year. As a percent of average household income, 41% is typically dedicated to mortgages and related household expenses. This would result in the average homebuyer in this area being able to afford $1,354 a month dedicated to housing.

YTD Sales Closed for Closest Market Area

	2003	2004 YTD
Average Sales Price	$53,679	$57,865
Sales Price Per sq ft	$45.69	$48.04
New Listings	28	6
Active Listings	20	14
Pending Sales	5	1
Days on Market	80	8

Employment

Lackland Air Force Base is the primary industry within the primary, secondary areas surrounding the development. Other area employers include; Sun Valley, Valley Hi and Lackland City Elementary, Rayburn Middle School and the retail complex anchored by HEB at the intersection of Valley Hi Drive and Loop 410. There is no large retail, office or commercial users within either the primary or secondary market areas.

The unemployment rate for San Antonio has been better than for the state over the past five years but has lagged behind the other Bexar county cities. The May unemployment rates, which are the latest reporting date from the Bureau of Labor Statistics, are as listed.

The unemployment rate increased on average .1% for Texas, San Antonio and the other reporting cities between April and May 2004. The unemployment rate for San Antonio hit a low of 3% with only 15,479 persons unemployed in April 1999 and a high of 7.1% in June 2003 with 40,923 persons unemployed. With structural unemployment being about 4% for large metropolitan areas the San Antonio job market continues to be very positive.

Current Housing Stock

The majority of area housing units, over 93% are comprised of single-family detached structures. In the Primary Market Area, it is estimated that 67.15% of the units were built between 1960 and 1969. According to the 2002 Claritas data, over 80% of the homes in the PMA are valued at $74,999 or less, with an ownership rate of 71.9%. In the Secondary Market Area, it is estimated that 47.74% of the units were built between 1960 and 1969. Over three-quarters, 78.28% of the homes in this area are values at $74,999 or less, with an ownership rate of 52.21%.

The Ridge Stone development would provide an average sales price of $95,000 would deviate from current housing stock and market activity and would promote the development of affordable housing in the area.

According to resale activity obtained from the San Antonio Board of Realtors, there were 45 sales in 2003. Sales for 2004 through May were 18 with 1 pending sale. In 2003 homes sold at an average of 97.3% of the asking price while in 2004 homes were selling on average at 99.6% of the asking price with 10 homes being sold a price greater than the

initial listing price. The average asking price for the 14 homes listed for sale is $63,079 and $54.04 per square foot. The projected increase of $8.35 per square foot since 2003 indicates a sellers market for housing in the market area. Figures indicate that there is a demand for housing product in this location and price range as evidenced by the increase in asking price for homes, the price per square foot and the incredible decrease in days on the market from 80 to 8. The increased asking price also reflects seller's knowledge that the Toyota opening will increase demand for area housing.

A review of homes sales data fro the Real Estate Center at Texas A&M reveals the following statistics that indicate the housing in San Antonio is rapidly being priced out of the market of a typical San Antonio consumer. In 1993 45.1% of the homes in San Antonio sold for $70,000 or less but by 2003 only 19.2% of the homes sold in that price range. In 1993 64.5% of the homes sold for $89,999 or less while only 34.8% did in 2003. This price inflation is a result of imbalances in the market whereby in order to live where they want to live consumers are bidding up the price of the existing housing stock. Developments like Ridge Stone that provides housing in nontraditional neighborhoods will help to mitigate these price increases.

Mobility

The 1995 American Housing Survey of the San Antonio Metropolitan Area cites the primary reasons for relocating and choice of residence.

Conclusion

Based on a referenced demographic and supportive data, there is a significant demand for the proposed Ridge Stone development. The subject site has an adequate absorption rate, based upon lack of comparable project and existing demand. As noted, the majority of the market available in the area is 30-year old housing product. The location of the project provides new housing opportunities of area residents and for non-residents who have to commute to area employment centers. The project will help to mitigate the rapid price of inflation that is being seen in the new home and resale markets.

Reasons for Leaving Previous Residence

	% Of Total Surveyed
New job or transfer	19%
To establish own household	15%
Needed larger house	13%
Other, family/ persons related	10%
Wanted better home	10%
Change from renter to owner	7%
Other	33%

Source: 1995 American Housing Survey of the San Antonio Metropolitan Area

Respondents surveyed indicated that the primary reason for leaving a particular neighborhood and current residence is a new job or transfer. The second reason is to establish own household, contributing to the demand of additional housing stock. The third represents a shift in population and user group.

Reasons for Leaving Previous Residence

	% Of Total Surveyed
Convenient to job	25%
Convenient to friends/relatives	20%
Looks and design of neighborhood	19%
House was most important decision	18%
Good School	10%
Convenient to leisure activities	4%
Convenient to public transportation	3%
Other	1%

Source: 1995 American Housing Survey of the San Antonio Metropolitan Area

Respondents surveyed indicated that the primary reason for selecting a particular neighborhood for their current residence is convenience to job. This is followed closely by proximity to support groups defined as friends and relatives. Quality of schools did not rank, as high, while convenience to leisure activities and public transportation was considered less important.

6. Departmental Coordination

A team of various departments analyzed the viability and feasibility of the project; each evaluates the Application for Redevelopment submitted to the City.

To ensure the developer criteria set forth in the City's Tax Increment Financing and Reinvestment Zone Guidelines & Criteria has been met along with other City policies, the respective departments review and coordinate with the developer and the TIF Unit.

The City departments that comprise the team for analysis of the Ridge Stone project are: City Attorney's Office, Development Services, Environmental Services, Finance, Fire, Housing and Neighborhood Services, Office of Management & Budget, Parks, Planning, and Public Works.

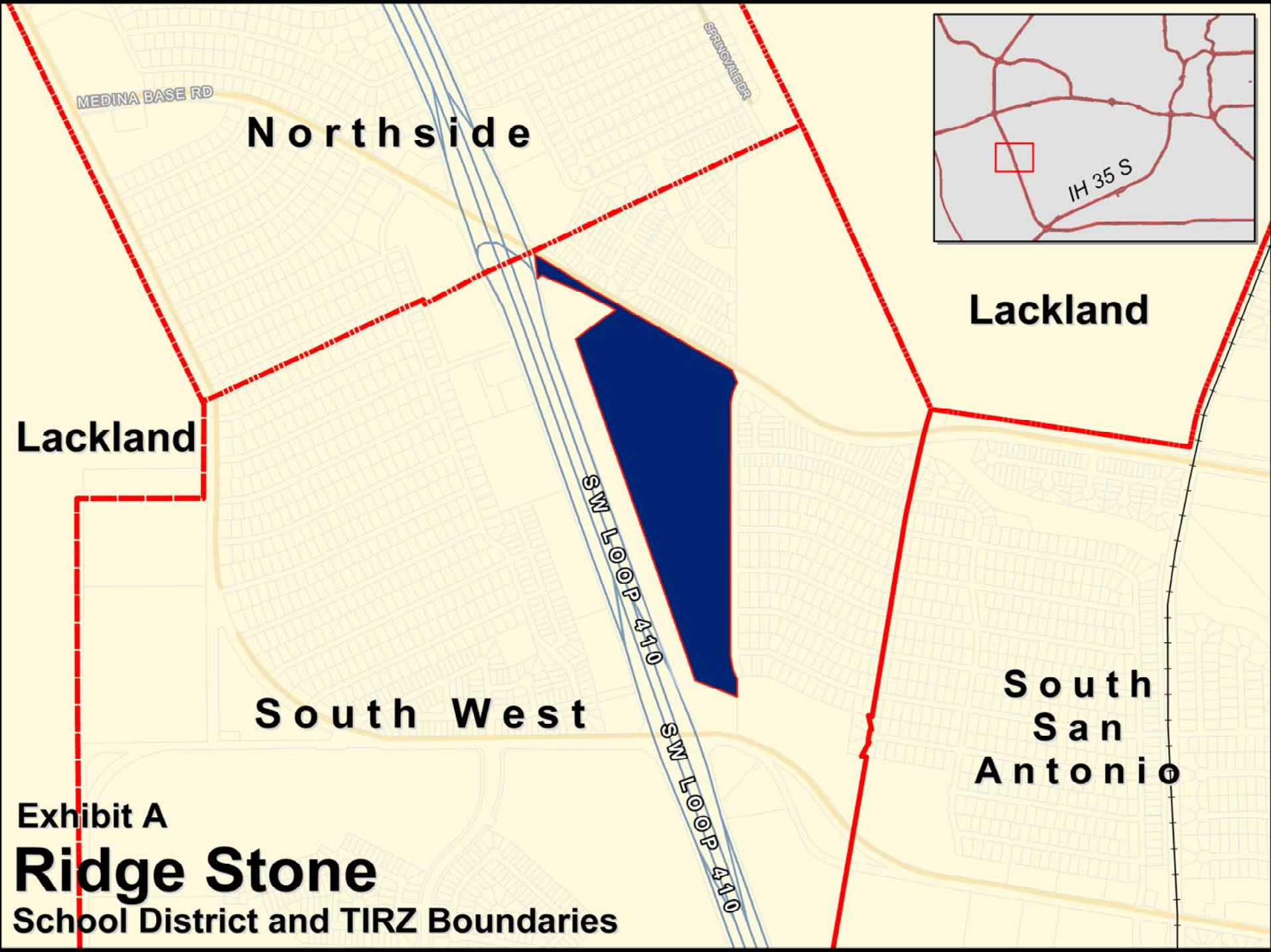
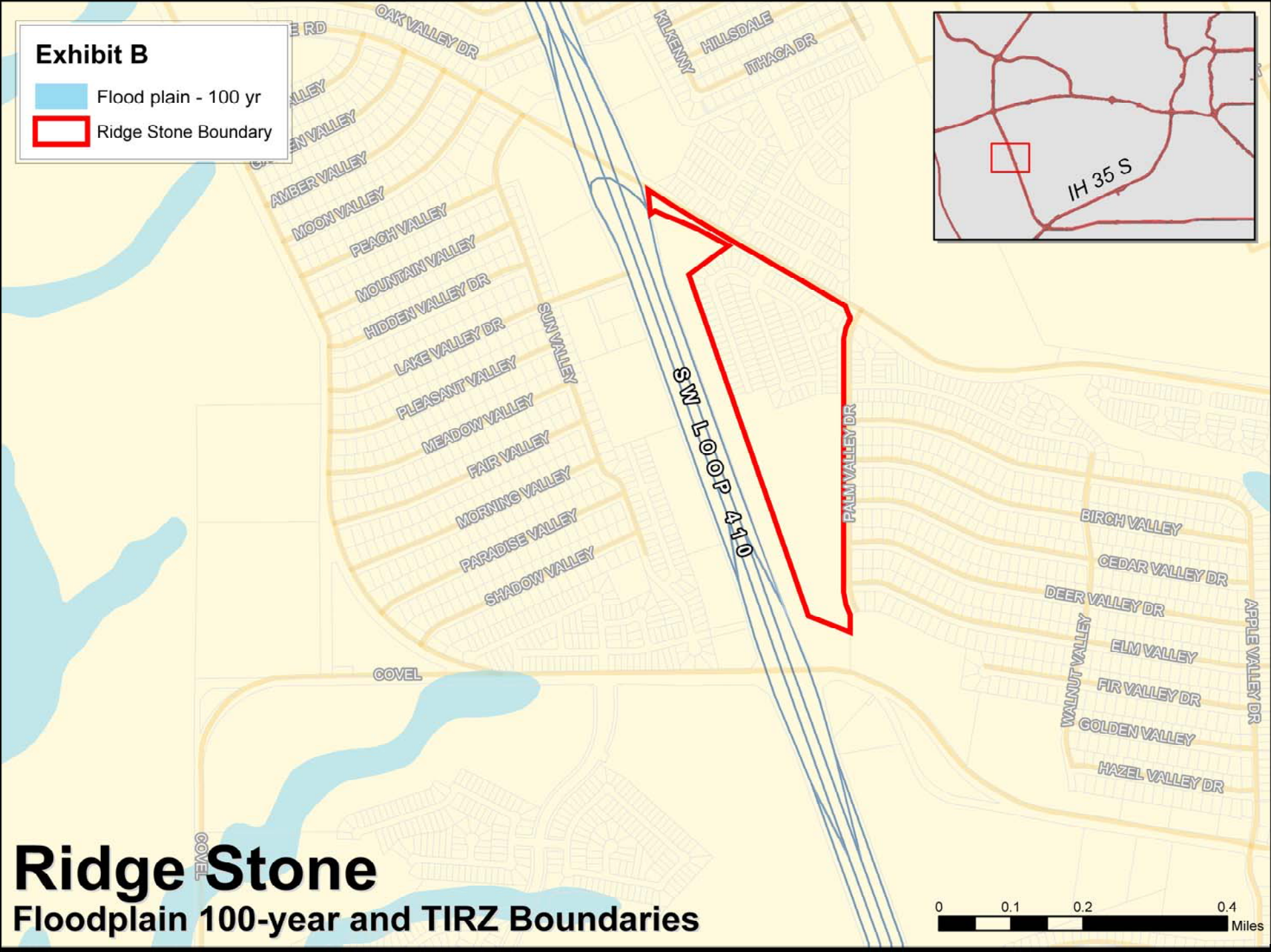


Exhibit A

Ridge Stone

School District and TIRZ Boundaries



Ridge Stone

Floodplain 100-year and TIRZ Boundaries

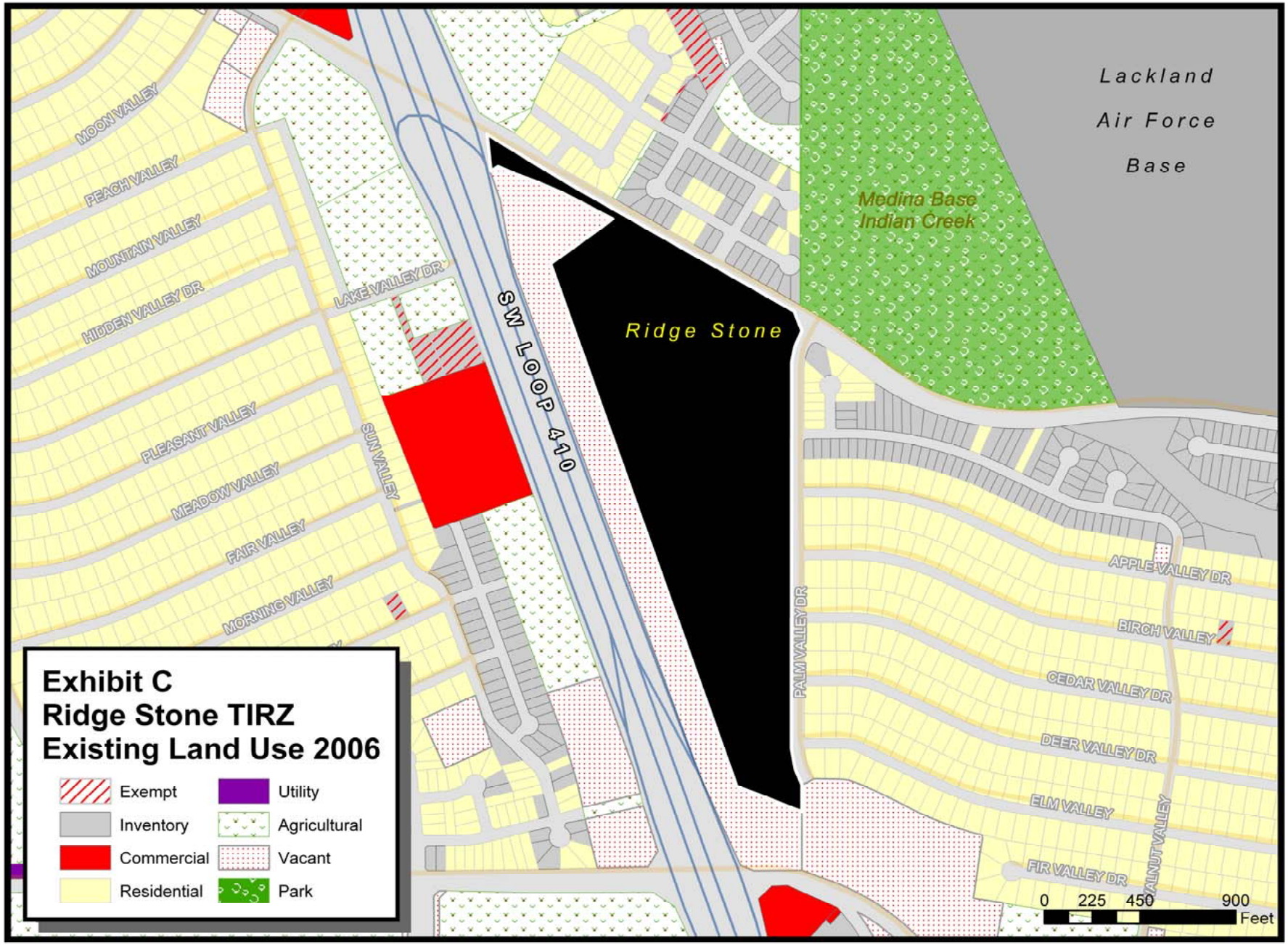


Exhibit C
Ridge Stone TIRZ
Existing Land Use 2006
Exempt
Inventory
Commercial
Residential
Utility
Agricultural
Vacant
Park
Lackland
Air Force
Base
Medina Base
Indian Creek
Ridge Stone
SW LOOP 410
MOON VALLEY
PEACH VALLEY
MOUNTAIN VALLEY
HIDDEN VALLEY DR
LAKE VALLEY DR
PLEASANT VALLEY
MEADOW VALLEY
FAIR VALLEY
MORNING VALLEY
SUN VALLEY
PALM VALLEY DR
APPLE VALLEY DR
BIRCH VALLEY
CEDAR VALLEY DR
DEER VALLEY DR
ELM VALLEY
FIR VALLEY DR
WALNUT VALLEY
0 225 450 900
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