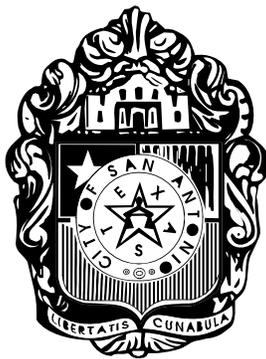


CITY OF SAN ANTONIO, TEXAS
Housing and Neighborhood Services Department



VERANO

Tax Increment Reinvestment Zone
Twenty-Eight

Final Project Plan

November 20, 2008
Amended June 24, 2010

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1. Executive Summary

The City of San Antonio's Verano Tax Increment Reinvestment Zone Twenty- Eight ("TIRZ" or "Zone") was Designated on December 6, 2007. The Verano TIRZ boundary, originally 2,700 acres, has been amended to include portions of the area north of South Loop 410 to include Palo Alto College and surrounding properties. The new TIRZ boundary is now 3,100 acres of largely undeveloped land that will be utilized to construct 2,542 single-family detached homes, 3,375 multi-family homes, 1,021 condos/town homes, 5,977,200 square feet of commercial, and the new Texas A&M – San Antonio "TAMU-SA" campus with an estimated 25,000 student enrolled at full build-out.

The Verano Site is located within a Texas Enterprise Zone eligible area and is eligible for the Tax Increment Financing Tool as defined in the City's 2006 TIF Guidelines. Pursuant to the Act, designation of an area as an enterprise zone under Chapter 2303, Government Code constitutes designation of the area as a reinvestment zone under the Act. The TIRZ is located in City Council Districts 3 and 4, and Bexar County Precinct 1 in the south section of the City, generally along and south of Loop 410. The project is located in the Southwest, Southside, South San Antonio, and Harlandale Independent School Districts.

This TIRZ will enhance the quality of life for the existing residents of the region, and the City will gain a self-sustaining, mixed use community in the spirit of the initiatives set by the City South Community Plan.

Participating taxing entities are the City of San Antonio, Bexar County, Alamo Community College District, and San Antonio River Authority. The City of San Antonio has negotiated a 75% participation level and a maximum contribution to the developer's cost of \$135,000,000 plus an additional \$3,700,000 to cover administrative fees; Bexar County has negotiated a 70% (Operation and Maintenance portion of tax rate) participation level and a maximum contribution of \$94,874,108; the Alamo Community College District has negotiated a 50% (Maintenance and Operations portion of tax rate) participation level starting in fiscal year 2017 and a maximum contribution of \$15,000,000; the San Antonio River Authority has negotiated a 60% participation level and a maximum contribution of \$5,125,892.

The TIRZ will reimburse costs associated with the public improvements for this project which include: streets, drainage/retention, water, sewer, street lights, street signs, streetscapes, linear parks, parks/plazas, platting/zoning fees, storm water pollution prevention, park fees, drainage impact fees, off site drainage, sewer/water impact fees, and environmental review. Improvements will include the reconstruction of Villaret Boulevard and new entrance signage for Palo Alto College.

The Board of Directors for Verano TIRZ Twenty-Eight, met on November 19, 2008, and approved the Final Project Plan and Final Financing Plans and further updated those plans on March 25th, 2009. On June 24th, 2010 additional amendments to the Final Project and Finance plans were approved by City Council. The life of the Tax Increment Reinvestment Zone (TIRZ) is projected to be 30 years with the TIRZ being in existence through September 30, 2037.

2. Policy and Program

POLICY

The City of San Antonio is dedicated to the revitalization of inner-city neighborhoods and commercial districts 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. Most taxing entities that collect taxes against the property within a TIRZ have an opportunity to contribute these future tax revenues to a TIRZ fund to reimburse developers for the cost of public improvements in the TIRZ.

Tax Increment Reinvestment Zones Highlights:

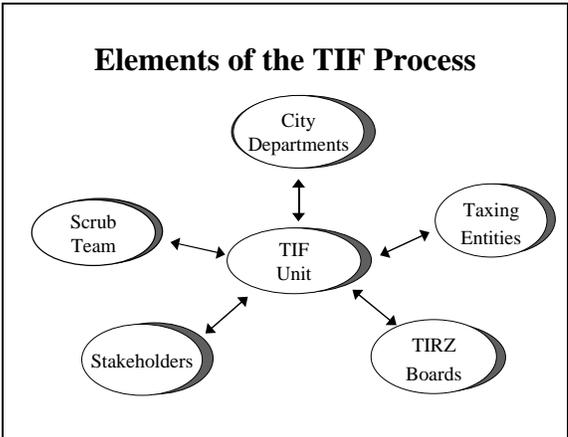
- TIF is an incentive tool that local governments can use to finance public improvements and enhance infrastructure within a defined area, called a Tax Increment Reinvestment Zone (TIRZ)
- Tax Increment Financing is governed by the TIF Act found in Chapter 311 of the Texas Tax Code
- The Texas Constitution and 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

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. 2006-11-16-1316 on November 16, 2006. The original Guidelines were established by the City in 1998 by Ordinance No. 88196 and were amended by Ordinance No. 92552 in 2000, Ordinance No. 92710 in 2002, and Ordinance No. 98663 in 2004. 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 or (2) by Petition. All TIRZ are governed by the Guidelines in effect at the time of the TIRZ creation by City Council. The Verano TIRZ is has been initiated by the City of San Antonio.



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. Based upon the required calculations for this Reinvestment Zone and the participation levels of the other taxing entities, the Verano Board may consist of 13 members, and is established pursuant to Section 311.0091(b) of the Act.

City of San Antonio, Texas

2006
**Tax Increment Financing (TIF)
Guidelines**
**Housing and Neighborhood Services
Department**
(210) 207-7881

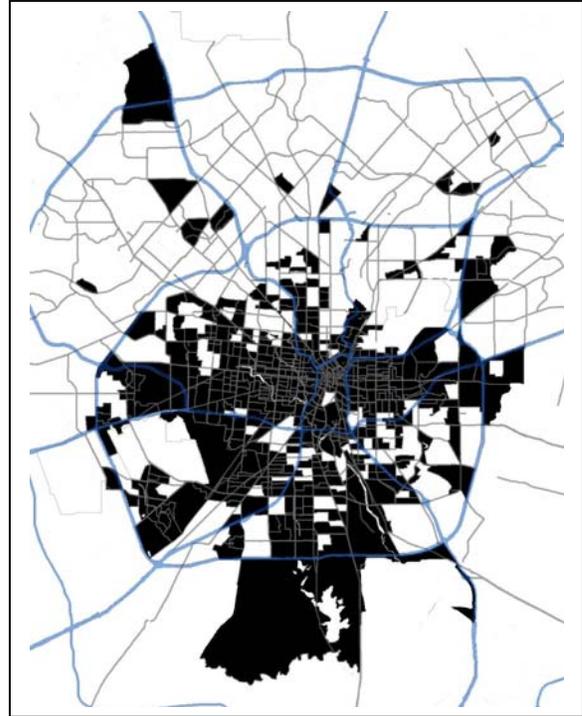
<http://www.sanantonio.gov/nad/devdiv/tif/tif.asp>

The City shall appoint seven directors, Bexar County shall appoint four directors, Alamo Community College District shall appoint one director, and San Antonio River Authority shall appoint one director. Additionally, since this TIRZ is City initiated, the statute requirement for representation from the State Senator and State Representative would not apply. To be eligible for appointment, an individual must either be a qualified voter of the City, or be at least 18 years old 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 Verano TIRZ, a City-initiated TIRZ, will have a term of up to 30 years with a City participation level of 75% of its tax increment collected.

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. All proposed Zones require a 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.



TIF Eligible Areas

Community Development

The planned investment must contribute to revitalization activities in the community of which the TIRZ is a part. Input of nearby neighborhood residents, businesses, and schools has been considered in the project planning process as have the objectives of the City’s Master Plan, City South Community Plan and/or the CRAG.



Design Quality

All projects supported by TIF should add long-term value to the public realm. Thus, 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.

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 an 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.

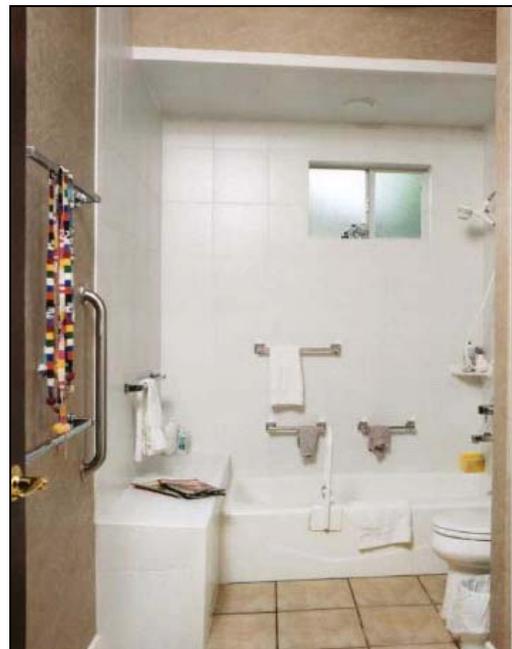
The Verano TIRZ will be required to comply with the City's Universal Design requirements (UD), located in the City Code, Chapter 6, Article XII. All single family residential, duplex and triplex residential units shall comply with the Universal Design requirements. If it is discovered that any units do not comply, those non-compliant units will be deducted from the captured appraised value in every year of their existence.

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 Verano TIRZ is not located over the Edwards Aquifer Recharge Zone.



No Step Entrance



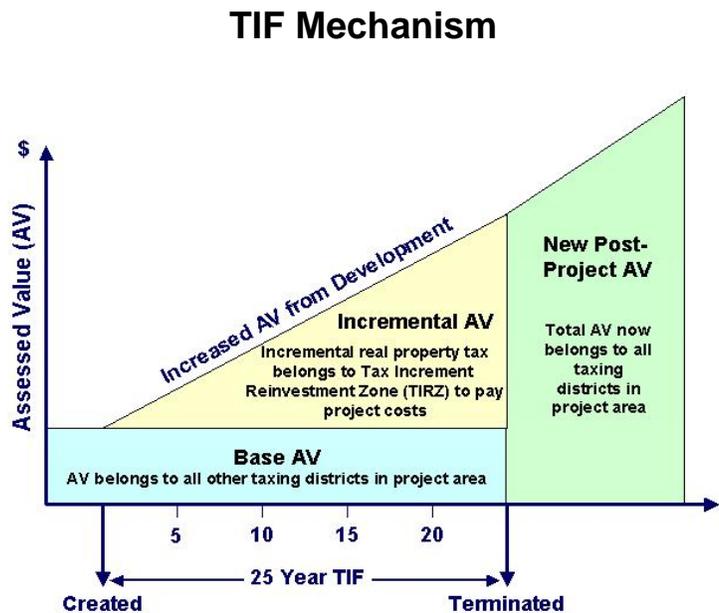
Walls shall be reinforced around showers; tubs and toilet for future installation of grab bars.

3. 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 the long-term economic viability of the Developer. In addition to the City of San Antonio, the Developer has secured a commitment from Bexar County, Alamo Community College District, and the San Antonio River Authority to participate in this TIRZ project.

TIF MECHANISM

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 the: (1) conditions for payment of the tax increment into a TIRZ Fund, (2) 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.



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.

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:

- Review, analysis, and plan preparation
- 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 a rate of 75%. The life of the TIRZ is projected to be 30 years with the TIRZ being in existence until September 30, 2037.

BEXAR COUNTY

On January 24, 2006, Commissioner’s 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 30 years for the term of the zone.

The City of San Antonio provided a statutory presentation of the Verano project to Bexar County on October 23, 2007; their participation level is 70% of the Operations and Maintenance portion of the tax rate. Their participation shall not extend beyond September 30, 2037.

In addition to participation in the TIRZ, Bexar County will facilitate the development of a regional soccer complex on approximately 35 acres within the Verano development. The Project may be financed from the County's issuance of tax-exempt bonds and taxable bonds or from a short term vehicle rental tax.

Participating Taxing Entities:



City of San Antonio



Bexar County



**SAN ANTONIO
RIVER AUTHORITY**

Water Brings Us Together

SARA



ACCD

ALAMO COMMUNITY COLLEGE DISTRICT

The City of San Antonio provided a statutory presentation of the Verano (ACCD) project to Alamo Community College District in August of 2008; their participation level is 50% of the Maintenance and Operations portion of the tax rate. The District's participation in the TIRZ is contingent upon the sale, by the City of San Antonio to ACCD, of approximately 23.6 acres of vacant land adjacent to Palo Alto College. The land will be used for the future expansion of the Palo Alto College Campus. The College District's participation began in April of 2010 and will cease when its contribution has reached \$15,000,000 which is projected to occur in 2033.

SAN ANTONIO RIVER AUTHORITY

The City of San Antonio provided a statutory presentation of the Verano project to the San Antonio River Authority in August of 2008; their participation level is 60%. Their participation shall not extend beyond September 30, 2037.

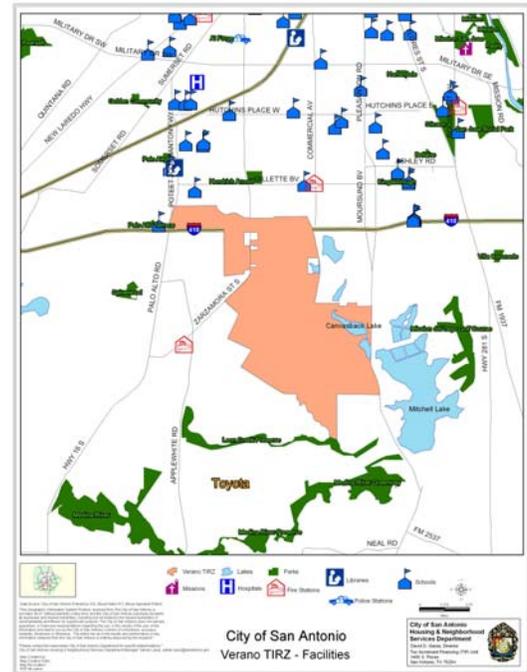
DEVELOPER

On September 6, 2007, City Council approved and authorized by Ordinance 2007-09-06-0947, a Memorandum of Understanding (MOU) with Verano Land Group. VTLM Texas, LP employed by and acting on behalf of Verano Land Group will be responsible for 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 include, but are not limited to: copies of competitively bid documents for public improvements, detailed invoices related to project costs, disclosure of any relevant changes in project, ownership, or financial stability, and monitoring reports on construction activity in accordance with the Development Agreement, and any anticipated assignment.

4. Existing Conditions

REGIONAL

The Verano TIRZ is located in the south section of the City of San Antonio, generally south of Loop 410 and west of Pleasanton Road. The site is within the Lower Leon Creek and Elm Creek Watersheds and is in close proximity to Mitchell Lake. Hunter’s Pond TIRZ #25 is adjacent to the subject area and, TIRZ #24, Palo Alto Trails and TIRZ #6, Mission del Lago are nearby and to the east of the subject area. The project will serve as new development for an area that has been generally vacant with little or no improvements. The TIRZ abuts or includes major arteries, such as Loop 410, Zarcamora Road, Applewhite Road, and Pleasanton Road.

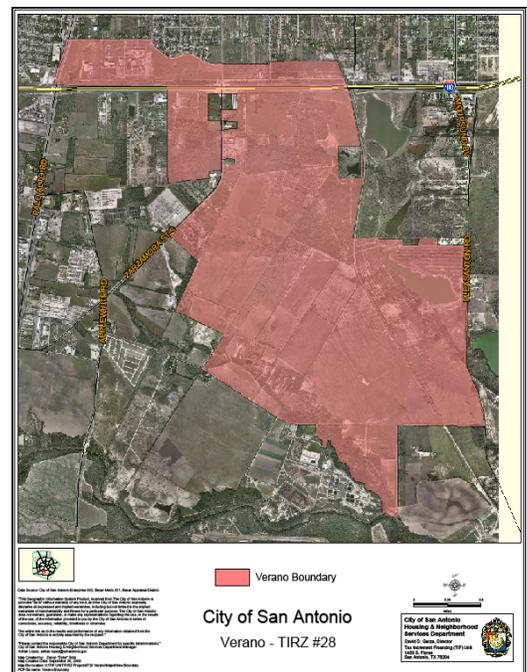


Verano Community Facilities

Schools and School Districts

The Verano TIRZ is in the Southside Independent School District (SISD), Southwest Independent School District (SWISD), South San Antonio School District (SSISD), and Harlandale Independent School District (HISD). Elementary Schools located in close proximity to the project include Bob Hope and Gillette. Middle Schools located near the project are Kazen and Tejada Academy. Walking to any of these schools would be hazardous given the distance from the project and lack of pedestrian infrastructure on Loop 410. A bus route would be needed to accommodate any students attending any of these schools.

VTLM Texas, LP, will be incorporating two schools of undetermined grade levels in the project design, one school in SWISD and one school in SSISD.



TIRZ #28

Parks and other facilities

The TIRZ site is within close proximity to both Leon Creek and the Medina River natural areas. Mission del Lago Golf Course, Mitchell Lake Audubon Center, Mitchell Lake, and Mission Espada are east of the subject area.

Emergency Services

The Verano TIRZ will be serviced by Fire Stations #2 and #50, which provide Firefighting and Emergency Medical services in the standard response time of 4.25 minutes.

Neighborhood Plans and Associations

The majority of the TIRZ is in the City South Community Plan. The City South Community Plan states, beyond the use of specific zoning districts that provide meaningful organization to land use, the implementation of design standards in all zoning districts can provide an identity for geographic areas in the context of the broader landscape. Local identity and perception, enhanced through neighborhood based design standards, can offer a significant contribution to the spatial relationships and physical attributes of structures, building complexes, street patterns and open space. The Form Based Zoning Code utilized by the Verano Project helps achieve the goals presented in the City South Community Plan.

Relocation of Displaced Persons

Implementation of the Project Plan does not require the Developer or any other agency or participating taxing entity to relocate or find housing for any current residents due to their displacement under the plan.

SITE CONDITIONS

Topography and Hydrology

The zone includes about 3,100 acres of largely undeveloped land, Palo Alto College, single family residential and commercial uses. The site lies approximately between 525 to 665 feet above mean sea level. Portions of the western topography of the site slopes generally to the south toward the offsite Comanche Creek. Comanche Creek flows east to Leon Creek. Other portions of the site flow to the southeast towards Leon Creek and Mitchell Lake. Portions of the Site lie inside the influence of 100-year flood plain at the eastern and a small portion of the southwest boundary of the TIRZ.

Geology

There are 15 different soil designations on the site as described by U.S. Department of Agriculture (USDA, 1962). The soil classifications on the site are:

- Branyon clay, 0 to 1 percent slopes
- Floresville fine sandy loam, 3 to 5 percent slopes, eroded
- Hilly Gravelly Land
- Houston Black Gravelly Clay, 1-3 Percent Slope
- Houston Black Gravelly clay (HuC), 3 to 5 percent slopes
- Lewisville silty clay, 0 to 1 percent slopes
- Lewisville silty clay, 1 to 3 percent slopes
- Patrick soils, 3 to 5 percent slopes
- Pits and Quarries
- Rock outcrop-Olmos complex
- Sunev clay loam, 1 to 3 percent slopes
- Tinn and Frio soils, 0 to 1 percent slopes, frequently flooded
- Venus Clay Loam, 1-3 Percent Slope
- Webb soils, 3 to 5 percent slopes, eroded (WeC2)
- Willacy Loam, 0-1 Percent Slope

Soil details and definitions can be found in each individual Phase I Environmental Site Assessments (ESAs) submitted by KBA EnviroScience, Ltd.

Environmental Assessment

Twelve separate Phase I ESAs (one for each tract within the project), were completed in sections between 2006 and 2007 by KBA EnviroScience, Inc.

Currently, the majority of the site consists of undeveloped open and wooded pastures and areas of surface water. There are large areas of bare ground and areas where vegetation consists of shrubs and small trees. Trees were present mostly along fence lines, except in the northeast corner, where the property is dominated by honey mesquite, yaupon holly, sweet acacia, southern hackberry, prickly pear cactus, King Valley bluestem, and silver nightshade. A variety of birds appeared to utilize the property, and doves were observed in the fields.

Environmental reports already completed adhere to the generally accepted method and practice for Phase I ESAs. No Phase II ESAs have been conducted. Some of the reports identified findings in the land associated with this TIRZ, which will require due process for each of those circumstances. The developer is responsible for addressing those findings and coordinating with the proper agencies prior to development of those specific sites. Please see Exhibit F for more information. Further the Developer has committed that they will not seek any TIRZ Funds for any environmental remediation performed.

Environmental Considerations

The Project will be consistent with the San Antonio River Authority's long-range plans regarding environmental objectives, stormwater management, water quality, regional flood controls, and parks and recreational opportunities. As part of the City South Community Plan, the Project is committed to sustainable neighborhoods which preserve natural resources as much as possible and fit within regional plans for managing stormwater and water quality.

Historic Use

Based on the reviewed information, it appears that the primary use of the property has been farming and cattle ranching since before 1938. Topographic maps indicate oil wells on some portions of the property starting between 1953 and 1967 and continuing in some areas to the present day.

The surrounding area is primarily rural, and is used for ranching, farming, and oil production. Residential development is present north of Loop 410 and is scattered along Zarzamora Road. Zarzamora Road also contains numerous scattered small industrial and other commercial/retail establishments such as a storage facility (rental storage units), plant nurseries, a house moving and a construction company, an auto auction facility, and an equestrian training center.

All information in this section provided in the Phase I Environmental Site Assessment by KBA EnviroScience, Inc.

DEMOGRAPHICS

Verano TIRZ is located in Census Block Groups 1512.006, 1513.003, 1520.001 and is immediately bounded by Block Groups 1512.005, 1517.003, 1519.002, 1611.004, 1611.005, 1612.001. These Census Block Groups 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 23.5%. The Verano Census Block Groups contain a percentage of people without a high school degree that is higher than the City average: 42.33%. The larger project area (including neighboring census block groups) can also be described as higher than the City average, with a rate of 42.67%.

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

Verano TIRZ has 514 acres in zip code 78221, which is listed as unhealthy by the Metropolitan Health District.

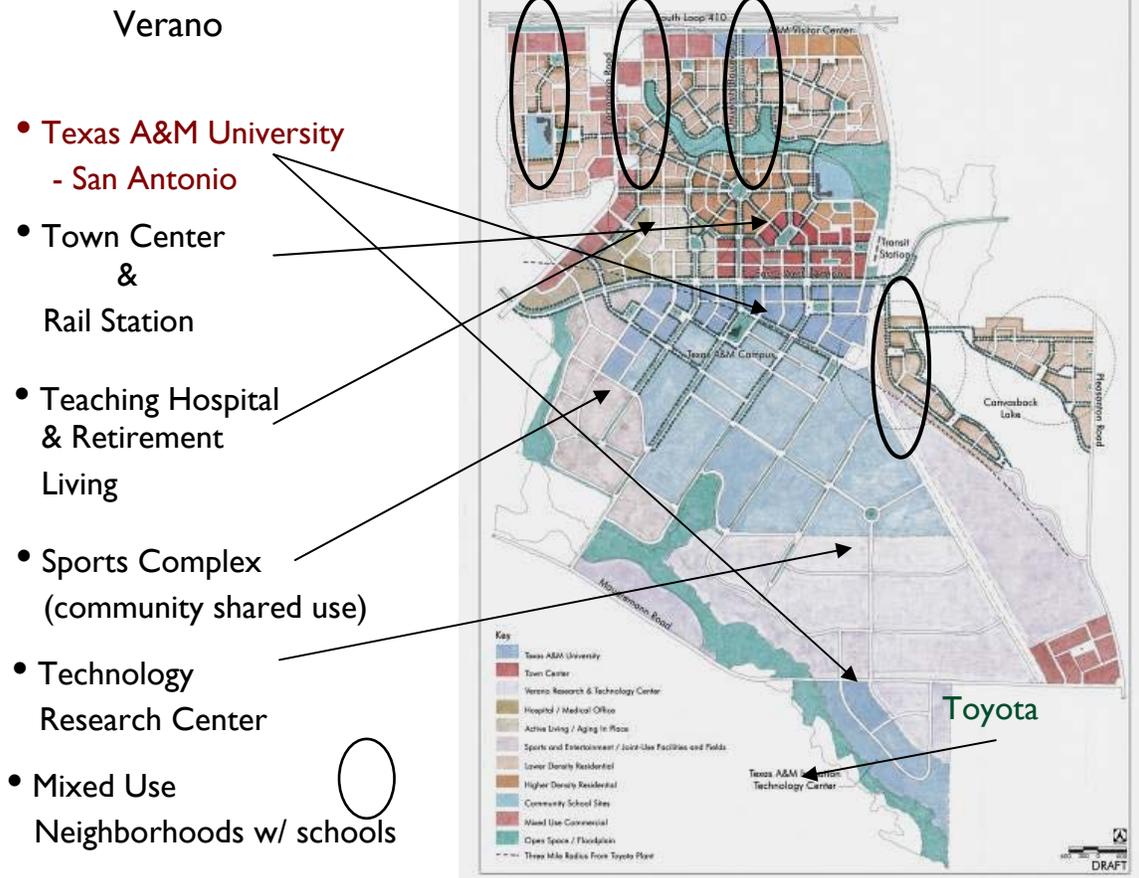
Poverty

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%. Verano Census Block Groups percentage of population reflects a higher poverty level: 24%. The larger project area (including neighboring census block groups) can similarly be described as experiencing high-poverty levels, with a rate of 22%.

Employment

According to the 2000 Census (QT-P43. Employment Status by Sex: 2000 Data Set: Census 2000 Summary File 3 (SF3) Sample Data) San Antonio's percentage of unemployed civilians is 6.2 percent. Verano Census Block Groups unemployment percentage is higher than the City average, at 8.67%. The larger project area (including neighboring census block groups) can similarly be described as experiencing slightly high-unemployment levels, with a rate of 6.56%.

5. Project Information



Project Plan Courtesy of Gateway Planning Group, Inc

CONCEPT

The objective of this Project Plan is to develop a unique walkable mixed-use community built on the concept of an integrated urban village. Attached as Exhibit D is a conceptual master plan showing the location of the proposed areas of improvement and the proposed uses of the Project Site.

Town Center

The core of the Project will be a town center, located immediately north of the TAMU-SA main campus. The town center will be a vertical mixed-use university community destination and a hub for activity in the Project area. Commercial and residential development will flow from this center in carefully planned transects that will maintain the character and integrity of the urban village. The town center and the TAMUS-SA campus will straddle the East-West Arterial, which will be designed as a multi-way boulevard. This design will facilitate faster regional traffic in the main lanes and dedicated transit lanes, as well as slower local traffic on the slip lanes with bicycles and parking to provide a cafe environment for the university community.

The Austin-San Antonio Rail District has acknowledged that the Verano town center could potentially be the most southern stop for the proposed Austin-San Antonio Commuter Rail System which will link the Austin-San Antonio corridor (See Exhibit E). Achieving future densities and *goals articulated in this plan will be enhanced with a robust transit system.

Typical buildings will include two to four-story commercial loft buildings with retail and restaurants on the ground floor and offices and residential above. Some buildings may go higher, from six to twenty stories, to facilitate condominium living and student housing given the town center's location across from the main entrance to the TAMUS-SA campus. Community structures will include meeting halls and other quasi-public institutions such as entertainment businesses as well as places for the arts and culture.

The town center will be a walkable urban destination with cafe streets, integrated pocket parks and an urban scale environment with buildings built to the street, on-street parking and wider sidewalks. The architecture will be eclectic and varied to adapt to development over time as markets change, but certain architectural and urban design standards will be utilized over time to ensure that the town center grows as a mixed-use center of culture, commerce and urban living.



Renderings Courtesy of Gateway Planning Group, Inc

Residential

Over 500 acres of the Project will be developed for mixed residential use, from single family houses to high-density multi-family structures, including affordable student housing. Single family housing will include cottages, sideyard houses, courtyard houses, duplexes, town homes and live-work units. Multifamily will include multi-unit houses,

courtyard apartments, and loft apartments/condominiums. Student housing will be integrated throughout the Verano community including town center dormitories, loft housing, and student housing integrated in each of the surrounding Verano neighborhoods. That housing will include small lot residential, duplexes, triplexes, fourplexes and courtyard apartments.

Neighborhoods will be urbanist developments featuring a traditional design that provides for both greater density and more durable value. The following is a breakdown of projected residential units:

<i>Residential Unit Type</i>	<i>No. of Units</i>
Single Family	2,542
Townhome / Condo	1,021
Apartment	3,375
<i>Total Units</i>	6,938

There will be five primary walkable neighborhoods in addition to the town center, including two hamlets and three villages. The hamlets by Canvasback Lake will be low density residential primarily with lots of open space and walkability. The three villages will be mixed-use walkable urban neighborhoods with integrated plazas and greens containing town homes and playgrounds. The northeast village and the town center will be anchored by a large linear destination park that will be framed by a single-loaded avenue with homes viewing into the greenspace.



Rendering Courtesy of Gateway Planning Group, Inc

Commercial/Industrial

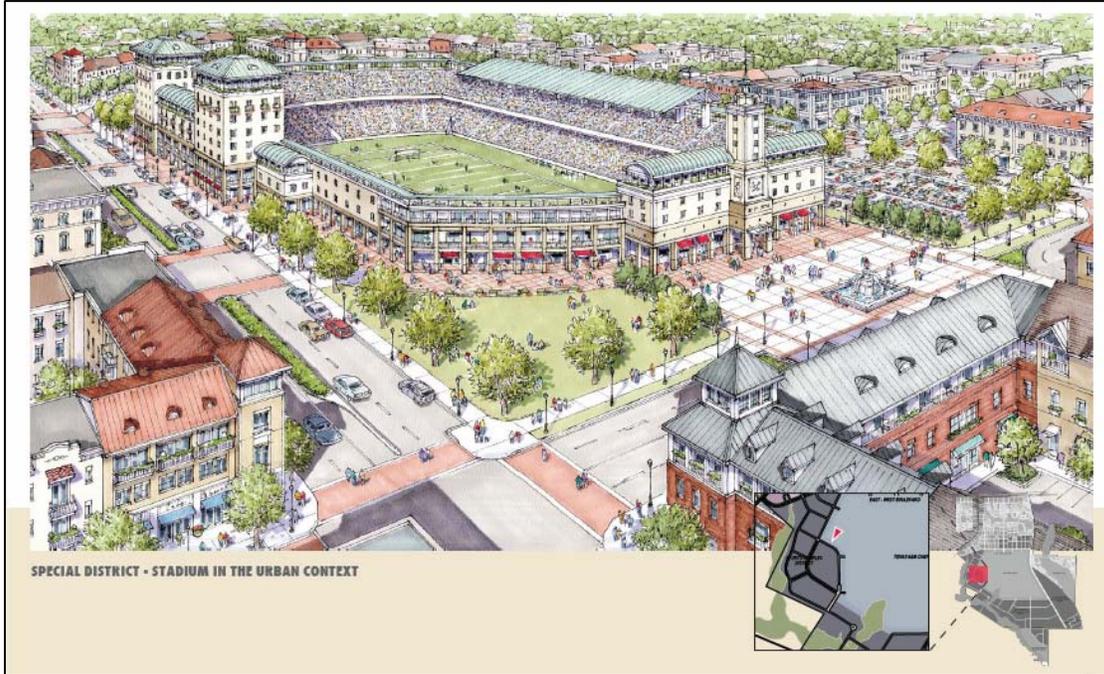
The Project will include over 750 acres of commercial and industrial usage, from retail to light manufacturing. The following is a breakout of projected square footage per use:

<i>Non-Residential Use</i>	<i>Square Footage</i>
Office	1,395,440
Retail/Restaurant	1,245,439
Industrial	3,136,321
Institutional / Medical	200,000
<i>Total Square Footage</i>	<i>5,977,200</i>

Neighborhood commercial buildings will include live-work units and corner retail buildings. On the edge of the north villages, two to four-story urban commercial buildings will transition the neighborhoods to Loop 410. Institutional support structures will include day care, active living facilities, assisted living centers and potential allied trade schools. The Verano Research and Technology Center located between the TAMU-SA campus and the Irrigation Technology Center will include a wide range of buildings, including large floor plate office buildings and smaller clusters of research and commercial buildings. Facilities will also include the capacity to undertake research in the areas of new technologies for alternative energy production and other green technologies.

Sports and Hospital Facilities

Over 150 acres of the Project will be used for sports and hospital facilities. The Sports and Entertainment Complex will provide a wide range of recreation opportunities from potential joint-use university competition and intramural sports to community fields for baseball and soccer. Verano envisions eventually joint-venturing the development of a stadium and competition level sports arena with other public institutions including TAMUS, ACCD and the City or County. The hospital district will include a regional hospital that can also act as a teaching/nursing hospital for TAMUS. The district will also provide a wide-range of allied clinics and doctors offices to support the needs of Verano, the University and the surrounding region of South Texas.



Rendering Courtesy of Gateway Planning Group, Inc

Parks and Greenspace

Large community parks, linear parks and pocket parks will be incorporated throughout the Project in order to create amenities accessible by walking and cycling. Large parks will be primarily destination natural areas with both improved and naturally preserved areas for passive recreation, hiking and nature preservation. The main destination park will be laced with trails and connections to the surrounding neighborhoods. Homes will face onto the park for maximum amenity opportunity, safety and functionality. The linear parks will be primarily for trails and recreation access to other locations within Verano and connections to the regional trail planned along the Medina River. The trail system will be connected to a comprehensive non-motorized system of sidewalks, trails, bike lanes and transit corridors. The pocket parks will be small block-sized greens and hardscaped civic spaces for gathering and passive recreation in the heart of the neighborhoods. The pocket parks and plazas will be surrounded by urban development such as mixed-use multi-story buildings and town homes.



The integration of greenspace will be part of the master planning for all of the projected uses within the Project. The embedding of the neighborhood greenspace will create adjacency value premiums for development within the neighborhoods in addition to elevating quality of life generally.

Texas A&M University – San Antonio

The TAMU-SA Site is made up of three parcels: i) a ten (10) acre “gateway” parcel located along the access road for Loop 410 South that will serve as an entryway presence for the University along Loop 410; ii) a five hundred eighty (580) acre main campus in the center of the Project Site, of which up to sixty (60) acres may be used for student housing; and iii) a one hundred four (104) acre site south of Mauermann Road for the establishment of the Irrigation Technology Center.

The Project encompasses a “town and gown” strategy to integrate the TAMU-SA campus with the rest of the development. Development standards will be implemented to ensure the contiguity of quality and design in the structures built on the campus and adjacent privately-owned parcels. Street networks and street types will also be planned so as to integrate the university and surrounding community.



Rendering Courtesy of Gateway Planning Group, Inc



Full Campus Build-out Plan by Marmon Mok Architecture

PUBLIC IMPROVEMENTS

The successful development of the Verano project will require reimbursements of public improvements and related capital costs associated with the following: streets, drainage, water, sewer, dry utilities, storm water pollution plan requirements, streetscape improvements, linear parks, park/plazas, platting fees, drainage impact, sewer impact, water impact, construction management, engineering/surveying, geo-technical, architect, landscape, and contingency.

The Verano TIRZ is also committed to supporting the Alamo Community College District's plans for the reconstruction and enhancement of Villaret Boulevard. The modernization of Villaret is important for the expansion of Palo Alto College but also serves as a connection between San Antonio's Community College System and the new Texas A&M Campus. The reconstruction, estimated at \$15,000,000 is at the discretion of the District. Should the District choose to reconstruct Villaret Boulevard, secures funding and completes the project before October 1, 2018, the District will be eligible for reimbursement from the Tax Increment Fund up to \$5,000,000. Reimbursement payment will begin upon acceptance of the reconstructed road and shall be based on and paid to the extent of 100% of the District's Tax Increment Fund contribution until such time as the District receives full reimbursement of \$5,000,000. Reimbursement to the District in any one year shall not exceed \$1,000,000.

Maintenance of Public Improvements

- 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 required by subsection 1.9.a.(1) or 1.9.b.(2) of the Development Agreement, and for one year after Completion.
- Upon acceptance of a street or drainage improvement for maintenance by the City, Developer or its contractor 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, re-construction, and maintenance for defects discovered during the first year after Completion shall be paid by the Developer, its contractor or the bond company and shall not be paid out of Available Tax Increment Funds.
- After the expiration of the one-year extended warranty bond, the cost of the repair, replacement and re-construction of the Public Improvement shall be the responsibility of the City; and the City shall be reimbursed from the TIF Fund for those costs it must incur including, but not limited to: demolition, rebuilding, engineering, design, re-construction or any other cost necessitated by the failure without regard to fault or degree of any Public Improvement which is discovered within the second through fifth years after Completion of said Public Improvement.
- Payment to the City under this Section shall take priority over reimbursement of the Developer, as set out in Section 7.1 of the Development Agreement.
- The City's reimbursement from the TIF Fund shall not be considered an amendment of the Financing Plan and requires no action by the Board or the City Council to be effective.
- The TIF Unit shall report any City reimbursements for the re-construction or repair to the Board in a timely manner.
- It shall be no defense to the City's reimbursement of itself out of the TIF Fund that the City or its agents have inspected, accepted or approved the Public Infrastructure. Approval or acceptance of Public Improvement is not a waiver of claims under this subparagraph. The City may affect multiple repairs on the same Public Improvement and reimburse itself for each repair, provided that the subsequent failure was not caused solely by the City's actions.

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 public entity (as determined by the City), at no additional

cost or expense to the City or any other public entity within sixty days after Completion and acceptance of the improvements.

The Alamo Community College District through the District Development Agreement will be subject to the same infrastructure warranty, maintenance and dedication requirements as the developer. The City will require the same ability to use the TIF Fund to reimburse itself for any cost of repair, replacement, or reconstruction of public infrastructure initially constructed by the Alamo Community College District.

Maintenance of Parks and other Amenities

- The construction costs of improvements not dedicated to the City or County that are maintained by a Homeowners Association, Property Owners Association, other political subdivision or private entity but are held open and accessible to the general public shall be costs eligible for reimbursement by the TIF Fund. These improvements include the 451 acres identified for open space use and other amenities described as follows:
 - 451 acres identified for open space use (*As identified in the Verano Master Development Pattern Plan (MDPP) #01108 that was approved October 28, 2008*)
 - Linear Parks 184 acres
 - Pocket Parks 32 acres
 - Plazas 54 acres
 - ROW Streetscape Enhancements 181 acres
 - \$65 million of streetscape enhancements
 - \$39 million of linear parks
 - \$51 million of park/plazas
- The City shall not provide maintenance or services related to these improvements or Park Police services for any of the above open spaces. The City shall provide routinely scheduled maintenance but will not provide enhancements such as landscaping on street rights of way within the TIRZ. In the event such an improvement is dedicated to the City, and becomes a City improvement, the City may deduct the maintenance and service costs of said City improvement from the TIF Fund in accordance with the priority of funds set out in the Financing Plan.

The City, County, Board and Developer agree that in the event a parking garage is constructed within the TIRZ by the Developer, the parties to this Agreement shall negotiate the terms of a subsequent agreement which will outline the contributions of each party and provide for the public use of the garage(s).

Planning & Development Services Department

The Verano NS Blvd FBZD Plat #080489 was approved by Planning Commission on October 22, 2008. The Verano Master Development Pattern Plan (MDPP) #01108 was approved October 28, 2008 and the Master Development Plan (MDP) #01008 was

approved on January 5, 2009. In addition, the project is subject to the Form Based Zoning District (FBZD).

FINANCIAL INFORMATION

The tax year 2007 base assessed value of the TIRZ is \$39,087,452 with a base taxable value of \$8,976,102. Including the new TIRZ boundary, the 2008 base assessed value of the TIRZ is \$46,564,312 with a base taxable value of \$12,891,602. Projected captured values that would be taxed to produce revenues to pay for the capital costs of the public improvements commence in tax year 2008 with collections commencing in tax year 2008 (fiscal year 2009). Projected captured values grow from \$4,592,033 in tax year 2008 to \$3,223,616,121 in tax year 2036.

The taxing jurisdictions and participating tax rate per \$100 valuation utilized in the analysis include: City of San Antonio at \$0.425355; Bexar County at \$0.175644; Alamo Community College District at \$0.045553; and the San Antonio River Authority at \$0.009571. This produces annual revenues of \$27,336 in fiscal year 2009 to \$5,821,342 in fiscal year 2037. A 3% growth factor after buildout is assumed. The City of San Antonio has negotiated a 75% participation level and a maximum contribution to the developer's cost of \$135,000,000 plus an additional \$3,700,000 to cover administrative fees; Bexar County has negotiated a 70% (Operation and Maintenance portion of tax rate) participation level and a maximum contribution of \$94,874,108; the Alamo Community College District has negotiated a 50% (Maintenance and Operation portion of tax rate) participation level starting in fiscal year 2011 and a maximum contribution of \$15,000,000; the San Antonio River Authority has negotiated a 60% participation level and a maximum contribution of \$5,125,892.

ORDER OR PRIORITY OF PAYMENT

The parties agree that the City and the Board may use Available Tax Increment Funds to pay eligible expenditures in the following order or priority of payment:

1. to fully reimburse eligible startup Administrative Costs incurred by each Participating Taxing Entity;
2. to pay all other ongoing Administrative Costs to the Participating Taxing Entities for administering the Tax Increment Fund and/or the TIRZ, except that if there are insufficient funds for the full reimbursement of ongoing Administrative Costs to the Participating Taxing Entity, then the ongoing Administrative Costs of each Participating Taxing Entity shall be reimbursed on a pro rata basis based on each Participating Taxing Entity's level of participation in the TIRZ;
3. to reimburse the City for costs of repair, replacement, or re-construction of public infrastructure and associated costs: 1) as described in Section 5.12 of the Development Agreement, and 2) those same costs as detailed in the District Development Agreement;

4. to reimburse the City maintenance expenses, if any, pursuant to Article III of the Development Agreement;
5. to reimburse a Participating Taxing Entity under any reclaim of funds pursuant to Article X of the Development Agreement;
6. to reimburse the Alamo Community College District for public improvements as provided in the District Development Agreement and in the Project Plan;
7. to reimburse the San Antonio Water System for water and wastewater infrastructure and related impact fees due the San Antonio Water System under its Utility Service Agreement with the Developer as recognized by the City, the Board, the San Antonio Water System and the Developer in the Consent Agreement executed pursuant to Ordinance No. 2009-08-20-0662;
8. to reimburse the City up to one million eight hundred eighty-five thousand dollars (\$1,885,000.00) for the value of the Zachry Parcel conveyed to the Alamo Community College District at a maximum rate of \$1,000,000.00 per year should the Alamo Community College District choose not to reconstruct Villaret Boulevard by October 1, 2018; and
9. to reimburse Developer for public improvements as provided in the Development Agreement and in the Project Plan to the extent that funds in the Tax Increment Fund are available for this purpose.

The developer's capital cost incurred for public improvements is \$503,326,669. The City and other taxing entities have negotiated a maximum reimbursement to the Developer. It is projected that the developer would not receive any payments until fiscal year 2009. The earliest projected payoff of the capital cost would occur in fiscal year 2037 and includes an estimated developer contribution of \$267,734,463 out of total project cost of \$507,235,421.

6. Economic Feasibility

The following feasibility analysis was conducted by TXP Consulting and was commissioned by VTLM Texas, L.P.; the project developer. TXP is an economic analysis and public policy consulting firm which was founded in 1987 in Austin Texas.

REAL ESTATE MARKET DEMAND

Aggregate Market Projections for the San Antonio MSA

Over time, demand for any type of real estate is largely a function of demographics and economics, as job growth and household formation create both the need for space and the means to pay for it. According to TXP projections, total San Antonio population will approach three million over the next twenty years, while the local job base will move well past a million during the same period. To support this population and employment growth, the number of housing units and non-residential space in the region must expand.

Table 1: San Antonio MSA Economic/Demographic Projections

	2006	2008	2010	2012	2014	2016	2018	2020	2022
Population (millions)	1.94	2.04	2.14	2.25	2.35	2.46	2.58	2.69	2.82
Personal Income (Billions)	\$61.2	\$70.9	\$80.8	\$91.7	\$104.0	\$117.9	\$133.7	\$151.7	\$172.1
Total Jobs (000s)	811.3	874.1	925.8	977.0	1,030.2	1,086.5	1,146.1	1,209.1	1,275.8

Source: TXP

Table 2: San Antonio MSA Construction/Real Estate Projections

	<i>(Square Feet)</i>			<i>(Units)</i>		
	Office	Retail /Restaurant	Industrial /Research	Apt	Single Family	Condo, etc
2008	1,688,544	2,541,583	2,253,962	3,328	13,292	1,170
2009	1,548,983	2,579,071	2,257,034	3,378	13,488	1,187
2010	1,448,986	2,616,474	2,069,398	3,427	13,684	1,204
2011	1,420,509	2,653,779	1,709,254	3,475	13,879	1,221
2012	1,457,240	2,690,971	1,760,426	3,524	14,073	1,238
2013	1,462,038	2,728,039	1,603,194	3,573	14,267	1,255
2014	1,499,699	2,764,968	1,650,724	3,621	14,460	1,272
2015	1,538,385	2,801,747	1,699,807	3,669	14,653	1,289
2016	1,578,124	2,838,362	1,750,495	3,717	14,844	1,306
2017	1,618,946	2,874,800	1,802,842	3,765	15,035	1,323
2018	1,660,883	2,911,050	1,856,906	3,812	15,224	1,340
2019	1,703,966	2,947,099	1,912,744	3,859	15,413	1,356
2020	1,748,227	2,982,935	1,970,418	3,906	15,600	1,373
2021	1,991,989	2,240,273	2,029,990	3,993	15,946	1,403
2022	2,048,933	2,289,916	2,091,524	4,081	16,299	1,434
Totals	24,415,452	40,461,067	28,418,718	55,128	220,157	19,374

Source: Capital Market Research, TXP

Table 3: Land Use Patterns of the Project at Buildout

Residential	Units	Unit Value (\$2007)
Large Lot	338	\$350,000
Small Lot (affordable)	1,134	\$120,000
Garden Lot	1,077	\$200,000
Townhome	321	\$165,000
Loft	700	\$180,000
Student Housing Apt	2,000	\$80,000
Low Density Apt	297	\$125,000
High Density Apt	1,078	\$100,000
Total Units	6,945	

Non-Residential	Square Footage	Cost/Sq. Ft (\$2007)
Office Space	1,395,440	\$110 - \$130
Retail/Restaurant	1,114,760	\$130
Industrial/Research	3,136,320	\$85
Institutional	200,000	\$150
Total Square Footage	5,846,520	

Source: Gateway Planning, TXP, Pate Engineers

Table 4: Verano as a Percentage of Overall Market at Buildout

Land Use	SA Market	Verano	As %
Office	24,415,452	1,395,440	5.7%
Retail/Rest.	40,461,067	1,245,440	3.1%
Industrial/Research	28,418,718	3,136,320	11.0%
Institutional Support	N.A.	200,000	N.A.
Apartment	55,128	3,375	6.1%
Single Family	220,157	2,542	1.2%
Condo, etc.	19,374	1,021	5.3%

Source: Gateway Planning, TXP

Based on experience in prior studies, discussions with local industry experts, and inflation trends in the construction materials and labor markets, these figures are likely an accurate reflection of underlying market conditions for new development in this area. For purposes of this analysis, values are assumed to reflect full underlying development costs. The rate of absorption also reflects the opinion of local industry experts and expected demand from overall regional economic growth.

Table 5: Detailed Anticipated Absorption Schedule (Units & Sq. Footage)

	UNITS			SQUARE FEET			
	Single-Family	Apt.	Condo /Town	Office	Retail/ Rest.	Ind./ Research	Institutional
2008	25	0	0	0	0	0	0
2009	76	0	0	0	0	0	0
2010	102	203	31	69,772	62,272	188,179	0
2011	178	338	31	69,772	62,272	250,906	0
2012	229	405	41	69,772	99,635	313,632	0
2013	229	405	41	139,544	124,544	313,632	0
2014	254	338	51	139,544	124,544	313,632	0
2015	254	338	61	167,453	124,544	250,906	0
2016	229	270	82	167,453	124,544	250,906	0
2017	229	270	92	139,544	124,544	250,906	80,000
2018	229	203	123	111,635	99,635	250,906	20,000
2019	203	203	133	111,635	99,635	188,179	20,000
2020	153	203	123	69,772	74,726	188,179	20,000
2021	102	135	112	69,772	74,726	188,179	40,000
2022	51	68	102	69,772	49,818	188,179	20,000
Total	2,543	3,379	1,023	1,395,440	1,245,440	3,136,320	200,000

Source: TXP, Gateway Planning, Pate Engineers

Table 6: Detailed Anticipated Absorption Schedule (\$2007 millions)

	Single-Family	Apt.	Condo /Town	Office	Retail/ Rest.	Ind./ Research	Institutional	Annual Total
2008	\$4.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.8
2009	\$14.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$14.5
2010	\$19.34	\$18.30	\$5.37	\$8.20	\$8.10	\$16.00	\$0.00	\$75.3
2011	\$33.85	\$30.49	\$5.37	\$8.20	\$8.10	\$21.33	\$0.00	\$107.3
2012	\$43.52	\$36.59	\$7.16	\$8.20	\$12.95	\$26.66	\$0.00	\$135.1
2013	\$43.52	\$36.59	\$7.16	\$16.40	\$16.19	\$26.66	\$0.00	\$146.5
2014	\$48.35	\$30.49	\$8.95	\$16.40	\$16.19	\$26.66	\$0.00	\$147.0
2015	\$48.35	\$30.49	\$10.74	\$19.68	\$16.19	\$21.33	\$0.00	\$146.8
2016	\$43.52	\$24.39	\$14.32	\$19.68	\$16.19	\$21.33	\$0.00	\$139.4
2017	\$43.52	\$24.39	\$16.11	\$16.40	\$16.19	\$21.33	\$12.00	\$149.9
2018	\$43.52	\$18.30	\$21.48	\$13.12	\$12.95	\$21.33	\$3.00	\$133.7
2019	\$38.68	\$18.30	\$23.27	\$13.12	\$12.95	\$16.00	\$3.00	\$125.3
2020	\$29.01	\$18.30	\$21.48	\$8.20	\$9.71	\$16.00	\$3.00	\$105.7
2021	\$19.34	\$12.20	\$19.69	\$8.20	\$9.71	\$16.00	\$6.00	\$91.1
2022	\$9.67	\$6.10	\$17.90	\$8.20	\$6.48	\$16.00	\$3.00	\$67.3
Total	\$483.50	\$304.93	\$178.97	\$164.00	\$161.91	\$266.59	\$30.00	\$1,590.0

Source: TXP, Gateway Planning, Pate Engineers

Table 7: Incremental Value (Inflation-Adjusted and Non Inflation-Adjusted)

	\$2007 Millions	Actual Dollars, Millions
2008	\$4.8	\$5.0
2009	\$14.5	\$15.4
2010	\$75.3	\$82.3
2011	\$107.3	\$120.8
2012	\$135.1	\$156.6
2013	\$146.5	\$174.9
2014	\$147.0	\$180.8
2015	\$146.8	\$185.9
2016	\$139.4	\$181.9
2017	\$149.9	\$201.5
2018	\$133.7	\$185.1
2019	\$125.3	\$178.7
2020	\$105.7	\$155.2
2021	\$91.1	\$137.8
2022	\$67.3	\$104.9
Total	\$1,590.0	\$2,066.9

Source: TXP, Gateway Planning, Pate Engineers

FINANCIAL FORECAST ASSUMPTIONS

Build-out Timeline Assumption

- Full build-out (including improvements development) is projected to occur over a fifteen year period, with financial analysis extended to thirty years.

Property Appreciation Assumption

- The rate of property appreciation is assumed to be 3.0 percent per year.

This assumption is conservative in light of both current convention and historical trends – for example, the Producer Price Index for Materials and Components used for Construction grew at compound annual rate of 3.7 percent from 1975-2005. All current tax rates are held constant.

Retail Sales Assumption

- Retail sales are assumed to be \$275 per square foot in the base year

This assumption is based on national data from the Urban Land Institute on sales per square foot for Neighborhood Commercial Centers.

ECONOMIC CONTEXT

The San Antonio Economy

The national economy influences the outlook for the San Antonio area, as national and international trends are the determinants of success or failure for an increasing number of locally-based firms. In addition to the obvious connection for the bulk of local production and corporate headquarters, “soft” technology and professional services are also serving broader and broader markets. Tourism is also an important component of the local economy that responds to external trends. Meanwhile, local consumer confidence is influenced by the overall national situation and outlook.

The current problems of the national economy are fairly well documented, as the housing and financial crisis has spilled over into other sectors and caused recession. While this situation clearly has local implications, strong in-migration and relative cost advantages should stand the San Antonio economy in good stead. At the same time, the growing appeal of the region as a site for expansion and relocation (of both people and firms) helps San Antonio consistently perform “above the line” relative to the U.S. as a whole. As a result, the outlook is bright, with most aggregate economic measures expected to perform well over the forecast horizon.

Over the longer term, growth will remain positive, as the forecast is for annual job growth of 2.7 percent from 2010 through 2022, personal income growth of 6.5 percent, and population increase of 2.3 percent annually. Meanwhile, key factors that will help shape the course of the economy include:

- *Continued appeal as a site for relocation of firms and individuals.* In spite of the loss of AT&T, a favorable tax climate, proximity to growing markets (especially to the south), good transportation infrastructure, low costs of living and doing business, and a range of cultural and entertainment options have all contributed to San Antonio becoming an increasingly appealing location for both firms and individuals.
- *Maintenance of traditional pillars of the local economy (the military, tourism, regional commercial activity, etc.).* The increased activity at Fort Sam Houston is a positive sign, with much more to come at Brook Army Medical Center. Meanwhile, competition for tourist dollars of all kinds is expected to remain fierce, although rising incomes throughout the region and tighter linkages with communities on both sides of the Border bode well for all kinds of commercial activity.
- *Growth in activity related to aerospace, biosciences, and financial services.* Cluster development continues in all three areas, as each should make an increasing contribution to the local economy over the next ten years.
- *Ongoing labor force development.* Over the longer-term, relatively high birth rates and rapid in-migration create more potential workers, contributing to overall economic growth. However, this “glass-is-half-full” scenario assumes adequate training and skills development, which is by no means a given.

The Potential Impact of Texas A&M – San Antonio

With an estimated ultimate student enrollment of 25,000, the ongoing operations of Texas A&M – San Antonio (A&M – SA) promises to have a significant impact on the local economy. Based on recent operating data from the University of Texas – San Antonio (updated for inflation and adjusted for a slight difference in enrollment), TXP estimates that, at build-out, A&M – SA will directly contribute \$329.1 million (\$2007) to the local economy. When the ripple effects are included in the equation, the total annual economic impact rises \$790.2 million in economic activity, \$282.4 million in earnings, and approximately 10,200 permanent jobs. The following table provides more detail.

Table 8: Estimated Total Annual Impact of A&M – SA at Buildout (\$2007)

Industry Sector	Output	Earnings	Employment
Agriculture, etc.	\$4,443,401	\$592,453	51
Mining	\$2,698,955	\$526,625	5
Utilities	\$11,618,671	\$2,238,157	27
Construction	\$5,035,854	\$1,876,103	51
Manufacturing	\$38,937,358	\$6,911,957	173
Wholesale trade	\$17,872,346	\$5,661,222	100
Retail trade	\$34,000,246	\$11,421,186	493
Transportation & warehousing	\$16,588,697	\$6,122,019	169
Information	\$28,602,336	\$7,405,668	149
Finance and insurance	\$41,669,226	\$10,598,334	212
Real estate and rental and leasing	\$112,204,102	\$9,018,458	301
Professional & scientific services	\$23,138,599	\$10,565,420	209
Management of companies	\$4,311,745	\$2,139,415	47
Administrative & waste services	\$22,776,544	\$9,643,826	436
Educational services	\$337,830,126	\$160,982,770	6,249
Health care and social assistance	\$40,352,663	\$19,485,136	551
Arts, entertainment, and recreation	\$5,332,081	\$2,172,329	136
Accommodation & food services	\$21,953,692	\$8,327,262	547
Other services	\$20,867,527	\$6,714,472	291
Total	\$790,234,168	\$282,402,814	10,197

Source: TXP

The potential role of A&M – SA in the local economy extends well beyond the figures outlined above, as the implications for innovation, entrepreneurship, and workforce capacity could dwarf the economic impact of operations. Taken together, it is clear that A&M – SA has the potential to become a significant economic engine for both the Southside and San Antonio as a whole.

Table 9: San Antonio MSA Aggregate Economic Projections

	Population	Personal Income (\$billions)	Employment (000s)
2008	2,040,542	\$70.9	874.1
2009	2,091,045	\$75.8	900.5
2010	2,142,281	\$80.8	925.8
2011	2,194,247	\$86.1	951.0
2012	2,246,942	\$91.7	977.0
2013	2,300,362	\$97.6	1,003.2
2014	2,354,506	\$104.0	1,030.2
2015	2,409,370	\$110.7	1,058.0
2016	2,464,951	\$117.9	1,086.5
2017	2,521,245	\$125.6	1,115.9
2018	2,578,249	\$133.7	1,146.1
2019	2,635,959	\$142.4	1,177.2
2020	2,694,371	\$151.7	1,209.1
2021	2,754,078	\$161.6	1,242.0
2022	2,815,107	\$172.1	1,275.8

Table 10: San Antonio MSA Detailed Employment Projections

	2007	2008	2009	2010	2011	2012	2013	2014
Construction	50.4	52.4	53.9	55.2	56.6	58.0	59.5	61.0
Natural Resources/Mining	3.3	3.3	3.4	3.5	3.5	3.6	3.7	3.7
Education/Health Services	116.2	120.8	124.5	128.2	132.0	136.0	140.1	144.3
Financial Activities	65.8	67.6	69.1	70.5	71.9	73.4	74.8	76.3
Government	149.1	152.1	155.1	158.3	161.4	164.6	167.9	171.3
Information	20.9	21.5	22.0	22.6	23.2	23.8	24.4	25.0
Leisure and Hospitality	98.6	103.1	106.1	109.2	112.4	115.6	119.0	122.4
Manufacturing	51.0	53.3	55.7	57.7	58.8	60.0	60.8	61.6
Other Services	29.5	30.8	31.9	32.8	33.7	34.7	35.7	36.7
Prof./Business Services	110.1	114.7	118.8	122.4	126.1	130.0	134.0	138.0
Trade/Transport/Utilities	148.8	154.5	159.9	165.5	171.3	177.3	183.5	189.9
TOTAL Employment	843.7	874.1	900.5	925.8	951.0	977.0	1,003.2	1,030.2
	2015	2016	2017	2018	2019	2020	2021	2022
Construction	62.5	64.0	65.6	67.3	69.0	70.7	72.5	74.3
Natural Resources/Mining	3.8	3.9	4.0	4.0	4.1	4.2	4.3	4.4
Education/Health Services	148.6	153.1	157.7	162.4	167.3	172.3	177.4	182.8
Financial Activities	77.8	79.4	81.0	82.6	84.3	85.9	87.7	89.4
Government	174.7	178.2	181.8	185.4	189.1	192.9	196.8	200.7
Information	25.7	26.4	27.1	27.8	28.5	29.2	30.0	30.8
Leisure and Hospitality	126.0	129.6	133.4	137.3	141.2	145.3	149.6	153.9
Manufacturing	62.4	63.2	64.0	64.8	65.7	66.5	67.4	68.3
Other Services	37.7	38.7	39.8	40.9	42.1	43.3	44.5	45.7
Prof./Business Services	142.3	146.6	151.1	155.7	160.4	165.3	170.4	175.6
Trade/Transport/Utilities	196.5	203.4	210.5	217.9	225.5	233.4	241.6	250.1
TOTAL Employment	1,058.0	1,086.5	1,115.9	1,146.1	1,177.2	1,209.1	1,242.0	1,275.8

Source: TXP

ECONOMIC FEASIBILITY CONCLUSION

With its emphasis on mixed-use, urbanist (including residential) land use and development, the market concept behind the Project reflects current market trends and conditions, and is consistent with similar projects elsewhere in Texas and across the nation. Meanwhile, the overall projections of the local economy and aggregate local demand for real estate validate estimates of the Project's demand parameters. Unit values are adjusted to reflect the full cost of development, and are combined with a conservative assumption on inflation to generate the expected property value estimates. As a result, TXP believes these forecasts reflect a likely outcome of Project implementation.

That having been said, these projections are just that – forecasts based on the best available current information related to market conditions. This is subject to change. Given the unique nature of this project and high visibility, for example, the substantial commitment of a few large developers could have a significantly positive impact on both the level and timing of future growth. Moreover, the financial projections make no allowance for positive “spillover” to the value of other properties in area as a result of new development (beyond inflation), which easily could occur, especially if potential opportunities for collaboration between Texas A&M and Toyota are fully commercially realized. At the same time, a slowdown in development as a result of a weaker national economy, negative changes in key drivers of San Antonio (such as the auto industry), or other unforeseen issues could materially reduce the volume of construction put in place over the next 30 years.

7. 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 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 Verano project are: Capital Improvements Management Services, City Attorney's Office, City Manager's Office, Economic Development, Finance, Fire/EMS, Housing and Neighborhood Services, Office of Management & Budget, Parks & Recreation, Planning and Development Services, Police, Public Works, Libraries and Solid Waste Management.

8. EXHIBITS

EXHIBIT A

SCHOOLS & SCHOOL DISTRICTS

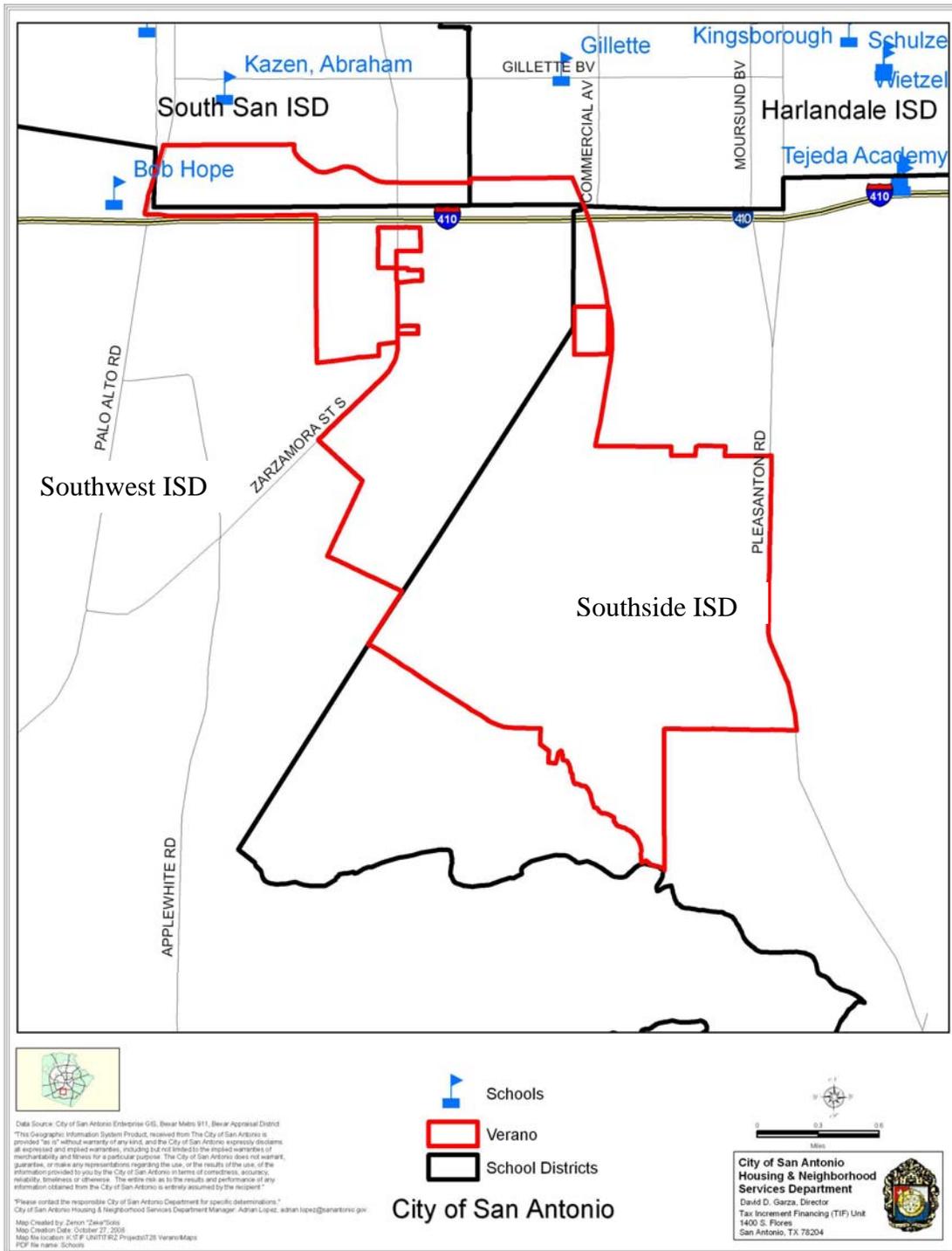


EXHIBIT B

BOUNDARY & FLOODPLAIN MAP

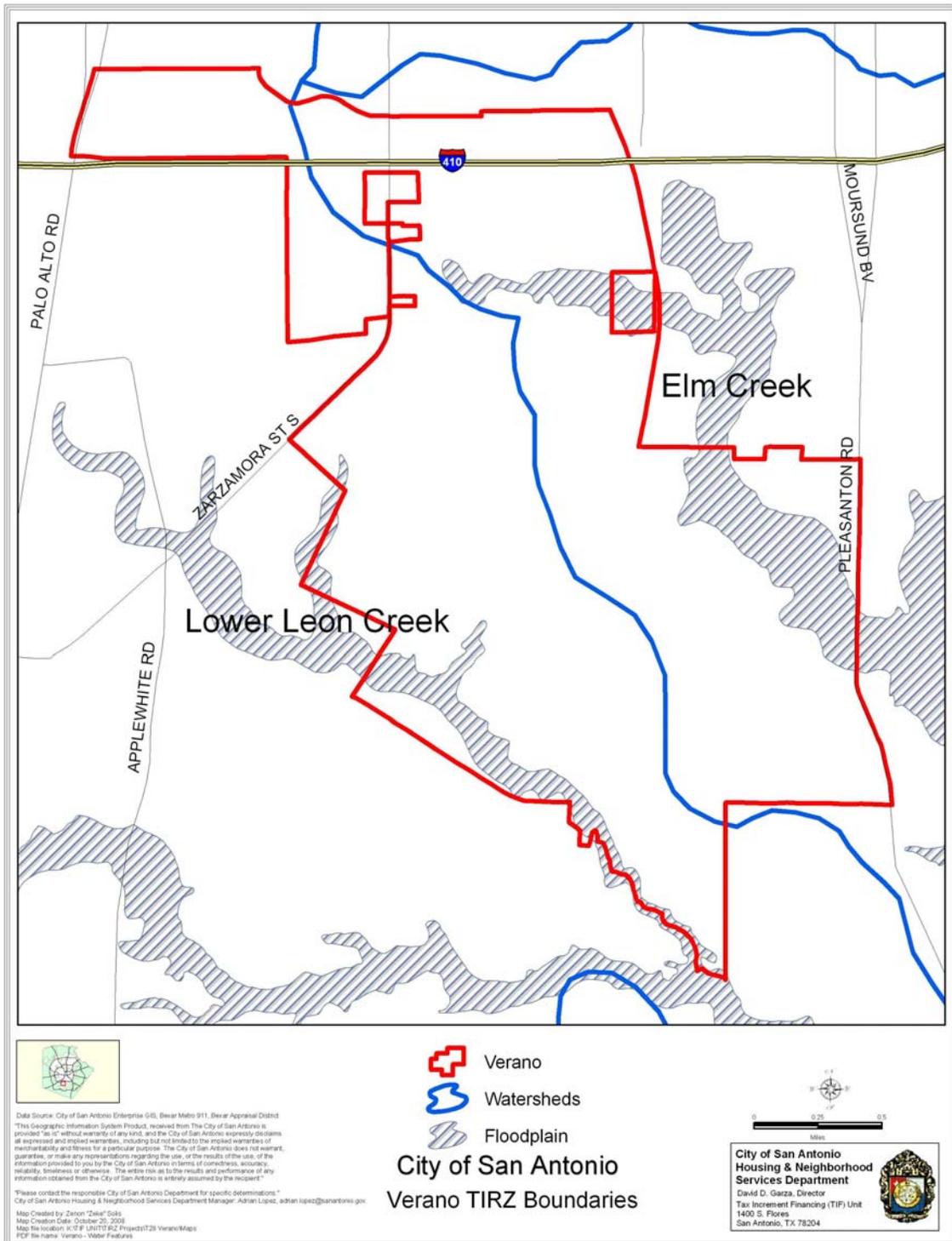


EXHIBIT C

LOCATION MAP & EXISTING USES

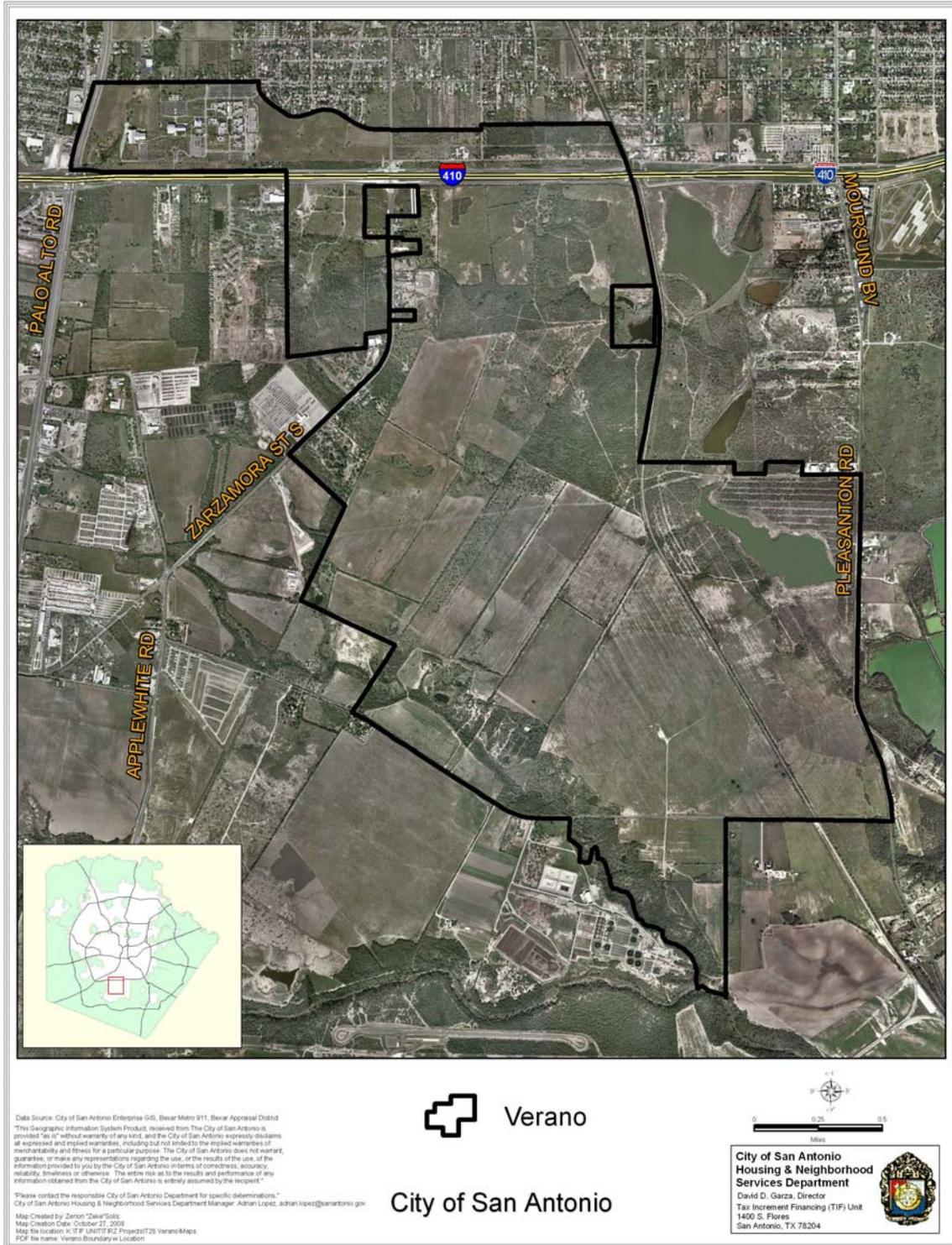
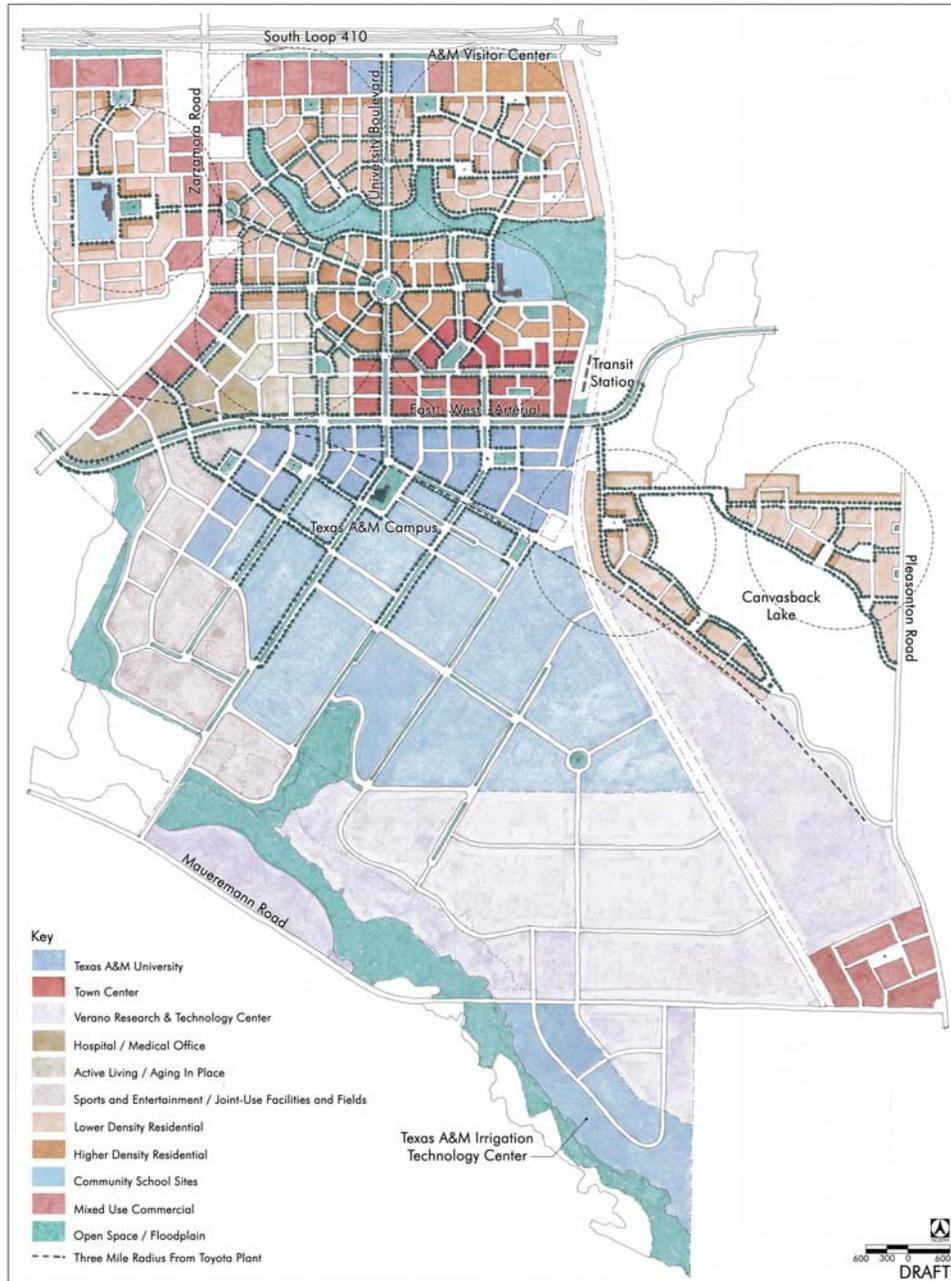


EXHIBIT D

MASTER LAND USE PLAN



Verano - Texas A&M Revised Conceptual Master Plan
Campus Internal Layout Illustrative Only

City South - San Antonio, Texas



July 19, 2007

EXHIBIT E

AUSTIN - SAN ANTONIO INTERMUNICIPAL COMMUTER RAIL DISTRICT



January 8, 2007

Scott Polikov, AICP
Gateway Planning Group, Inc.
101 Summit Avenue, Suite 804
Fort Worth, Texas 76102

Re: Austin—San Antonio Commuter Rail System

Dear Mr. Polikov:

You have asked about the potential utilization of the freight rail line that runs south from the westside of downtown San Antonio and parallel to and just west of SH 281 for commuter rail transit. The legislative goal for the Austin—San Antonio Commuter Rail System is to link San Antonio with Austin by rail transit. In this regard, the Rail District is seeking to provide a comprehensive commuter rail system for the region.

Currently the Rail District is assessing an initial phase of operation. Long term, the Commuter Rail District wants to ensure that a network of stations can serve as many communities in the corridor as possible. In this context, the Bexar County Metropolitan Planning Organization (MPO) and the Texas Department of Transportation (TxDOT) will be studying the best combination of lines for the San Antonio area, both in terms of freight rail and commuter rail. Serving the Southside of San Antonio with rail transit should be considered in this long term analysis. Accordingly, you should track the progress of the Bexar County MPO/TxDOT Study.

We understand that the line in question has relatively few daily trains. We also understand that it crosses Loop 410 into the center of the City South area of San Antonio, an area identified for substantial growth by the City of San Antonio.

In this context, we can say that the line would be a potential candidate for commuter rail service subject to (i) the forthcoming Bexar County MPO/TxDOT Study, (ii) State and Federal environmental processes, (iii) ridership and economic impact analyses by the Rail District, (iv) coordination with the rail freight operators and (v) the availability of funding.

Please contact me if you need any additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ross E. Milloy".

Ross E. Milloy,
Executive Director, Austin—San Antonio Rail District

P.O. Box 1618 San Marcos, Texas 78667 512/558-7360 512/558-7365 fax www.asarail.org