APPRAISAL REPORT
OF

3.16 ACRES OF VACANT LAND *

LOCATED APPROXIMATELY 950 FEET WEST OF LOCKWOOD DRIVE,
SOUTH OF BUFFALO BAYOU AND THE HIKE AND BIKE TRAIL

HOUSTON, HARRIS COUNTY, TEXAS 77003

* This site is located out of the far western part of an 11.396 acre “parent tract”. Access to this site will be provided from N. Drennan Street

DATE OF APPRAISAL / INSPECTION: FEBRUARY 1, 2020
DATE OF REPORT: FEBRUARY 26, 2020

PREPARED FOR **
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (TDHCA)

2201 EAST 11th STREET
AUSTIN, TX 78701-2410

AUTHORIZED BY
MR. SCOTT PUFFER
VICE PRESIDENT - BUSINESS DEVELOPMENT
BRINSHORE DEVELOPMENT, LLC

666 DUNDEE ROAD, SUITE 1102
NORTHBROOK, IL 60062

** The TDHCA is the client and is granted full authority to rely on the findings of the report.

All persons who have a property interest in this report hereby acknowledge that the Department may publish the full report on the Department’s website, release the report in response to a request for public information and make other use of the report as authorized by law.

PREPARED BY
DAVID L. PALLANTE AND ASSOCIATES, L.L.C.
7062-B LAKEVIEW HAVEN, SUITE 116
HOUSTON, TEXAS  77095

3.16 Acres (Lockwood South)  David L. Pallante & Associates, L.L.C.
February 26, 2020

TDHCA
2201 East 11th Street
Austin, TX 78701-2410

RE: Appraisal Report as to the estimated Market Value in “as is” condition of a tract of land being a 3.16 acre parcel located approximately 950 feet west of Lockwood Drive, south of Buffalo Bayou and the Hike and Bike Trail. This site is located out of the far western part of an 11.396 acre “parent tract”. Access to this site will be provided from N. Drennan Street. This site is within the City of Houston, Harris County, Texas 77003.

Dear TDHCA:

I am pleased to submit this appraisal report covering the above-described property, also described as being part of HCAD account number: 037-189-000-0005 (11.415 Acres). The investigation has been conducted in accordance with accepted appraisal procedures and conforms with the code of professional ethics and standards of professional conduct of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, this appraisal conforms to the Texas Department of Housing and Community Affairs (TDHCA) Real Estate Analysis Rules and Guidelines.

► I have read and understand the requirements of Section §11.304 of the 2019 Appraisal Rules and Guidelines and the 2020 Qualified Action Plan (QAP).

► The property was inspected and appraised by David L. Pallante, MAI and no additional assistance was provided by anyone else.

► I am a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the appraisal and that the fee is in no way contingent upon the outcome of the appraisal.
Background / Methodology

The subject property totals 3.16 acres of vacant land being part of a larger, 11.396 acre parcel (the parent tract). The site is located along the far western edge of this parent tract and access will be provided from N. Drennan Street. The site is being acquired for a proposed, 80 unit rent restricted HTC development known as the Lockwood South Apartments. Based on the aforementioned, the herein concluded market value is subject to several extraordinary conditions outlined later in the report.

Based upon the data and conclusions set forth in the accompanying detailed report, my opinion of the requested value, assuming a reasonable exposure time of 12 months or less, as of **February 1, 2020**, is as follows:

<table>
<thead>
<tr>
<th>Valuation Premise</th>
<th>PremiseQualifier</th>
<th>Interest</th>
<th>Date of Value</th>
<th>Indicated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value - 3.16 Acres</td>
<td>As Is</td>
<td>Fee Simple</td>
<td>February 1, 2020</td>
<td>$4,960,000</td>
</tr>
</tbody>
</table>

On the following pages you will find information pertinent to the subject property and its valuation. Your attention is also directed to the *Assumptions and Limiting Conditions* which are an integral part of the appraisal report. Please read them to fully understand the basis of the subject's valuation estimate. The opinions of value expressed herein are contingent upon the conditions set forth in the attached report. Field data from which this report was prepared is retained in my files. If there are any questions regarding the valuation herein, please contact the undersigned for further discussion or clarification.

Respectfully submitted,

David L. Pallante, MAI  
Inspecting Appraiser  
State Certified General Appraiser  
TX-1320347-G  
Expires 03/31/2021  
Appraisal Institute #8964
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3.16 Acres (Lockwood South)  
David L. Pallante & Associates, L.L.C.
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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Appraised / Location: 3.16 acre parcel located approximately 950 feet west of Lockwood Drive, south of Buffalo Bayou and the Hike and Bike Trail. This site is located out of the far western part of an 11.396 acre “parent tract”. Access to this site will be provided from N. Drennan Street. This site is within the City of Houston, Harris County, Texas 77003.

Date of the Appraisal: February 1, 2020
Date of Inspection: February 1, 2020
Date of the Report: February 26, 2020

Highest & Best Use: As Vacant - The site should be developed as contemplated. Assuming there was no government subsidy (no HTCs) the highest and best use would be to keep the site vacant pending improvement in the submarket.

Site Area: 3.16 acres (or) 137,650 sq. ft.

Site Shape: Mostly rectangular and functional with an “access flag”

Utilities: All public utilities are available and connected to the site. Electric service is provided by TXU; natural gas is provided by CenterPoint; water and sewer by the City of Houston; and telephone service is provided by AT&T and other providers.

Adverse Easements: None noted

Flood Hazard: Zone X

Zoning: The subject is located in the City of Houston and thus not zoned.

Legal Description: As per a land title survey, the property under appraisement is comprised of a 3.16 acre tract of land being part of an 11.396 acre parcel within the S.M. Williams Survey, A-87, Houston, Harris County, Texas.
Summary of Important Facts and Conclusions / Continued

**TAX AND ASSESSMENT DATA**

<table>
<thead>
<tr>
<th>HCAD Account Number:</th>
<th>037-189-000-0005 (11.415 Acres)</th>
<th><strong>2019 Assessed Value</strong></th>
<th>$172,062</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Tax Rate</td>
<td>(per $100 of Assessed value)</td>
<td>$2.521583</td>
<td></td>
</tr>
<tr>
<td>2019 Tax Liability:</td>
<td></td>
<td>$4,339</td>
<td></td>
</tr>
</tbody>
</table>

**FINAL CONCLUDED VALUE**

<table>
<thead>
<tr>
<th>Valuation Premise</th>
<th>Premise Qualifier</th>
<th>Interest Appraised</th>
<th>Date of Value</th>
<th>Indicated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value - 3.16 Acres</td>
<td>As Is</td>
<td>Fee Simple</td>
<td>February 1, 2020</td>
<td>$4,960,000</td>
</tr>
</tbody>
</table>
IDENTIFICATION OF THE APPRAISAL PROBLEM

- The intended use and purpose of the appraisal will be to provide an opinion of market value of the land, in “as is” condition of the Fee Simple Estate as of the effective date of my inspection (February 1, 2020.) The herein value will be used in the analysis of proposed, 80 unit rent restricted HTC development known as the Lockwood South Apartments.

- The intended users (clients) are Brinshore Development, LLC, Buffalo Bayou Partnership, and the TDHCA.

- The property being appraised is comprised of a 3.16 acre parcel located approximately 950 feet west of Lockwood Drive, south of Buffalo Bayou and the Hike and Bike Trail. This site is located out of the far western part of an 11.396 acre “parent tract”. Access to this site will be provided from N. Drennan Street. This site is within the City of Houston, Harris County, Texas 77003.

- As per a land title survey, the property under appraisement is comprised of a 3.16 acre tract of land being part of an 11.396 acre parcel within the S.M. Williams Survey, A-87, Houston, Harris County, Texas.

PROPERTY RIGHTS APPRAISED

The property rights appraised were the Fee Simple Estate which is defined as: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.  

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

- None

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1 Dictionary of Real Estate Appraisal - Fifth Edition, Appraisal Institute, Chicago, IL, Page 78.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.”

- A Phase I Environmental Site Assessment (ESA) was not provided. It is strongly advised that a Phase I Environmental Assessment be prepared prior to any acquisition. For purposes of my analysis, it was assumed that the property was not affected by any environmental problems. In the event a Phase I study shows otherwise, I reserve the right to change my opinion of value.

- The development will be responsible for providing paved access from Drennan Street to the eastern edge of the 3.16-acre property line, one section of the future connection to Lockwood Drive. It should be noted this will not be on the rail easement, but on the 3.16 acre subject property.

SCOPE OF WORK

In consultation with Mr. Scott Puffer of Brins hore Development, LLC, I provided a market value estimate of the subject’s Fee Simple Estate in “as is” condition as of February 1, 2020.

As part of this appraisal, I have made several independent investigations, conducted interviews and performed different analyses. Most of the data relied on to reach a value conclusion is included within this report. The appraisal process is a systematic procedure employed to provide the answer to a specific question about real property values. Following is how we approached this appraisal problem:

1. Area and Neighborhood Analysis

   I have gathered information about Houston, Harris County, and the Houston - Sugar Land CBSA based on information available from various sources. My neighborhood analysis was also based on available published information. In addition, I drove within and around the defined neighborhood and much of the information contained in this section was based on actual observation.

2. Site Description and Analysis

   An inspection of the subject property was performed on February 1, 2020 by David L. Pallante, MAI. Photographs were taken from several different points showing typical scenes around the subject property. In evaluating the subject site I utilized F.E.M.A. flood maps and HCAD-provided plat and aerial maps. A survey of the 11.386 acre parent tract was provided.

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Part I - Introduction / Continued

3. Improvement Description and Analysis

The subject property is currently vacant land.

4. Market Data Program

Appraising vacant land requires the appraisers to gather information on similar tracts of land with a similar highest and best use and location. Due to the subject’s location I sought land sales in the general or similar areas that were purchased for multifamily development, consistent with the planned rent restricted development.

5. Approaches to Market Value

**Income Approach** - Not utilized since the property is vacant land.

**Sales Comparison Approach** - Utilized since the property is vacant land.

**Cost Approach** - Not utilized since the property is vacant land

**Research and Analysis** - The appraisal involved using the following data sources:

- Information obtained from the Harris County Appraisal District (HCAD)
- Flood maps from FEMA
- Plat and Aerial Maps from the HCAD
- Proprietary database of vacant land sales
- Discussions with market participants and real estate professionals

**Significant Issues** - None

**EXPOSURE TIME**

As per the *Dictionary of Real Estate Appraisal, Fifth Edition*, page 73), Exposure Time is defined as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Considering the investment activity for similar type properties in the subject area, and taking the subject’s location into consideration and the herein value conclusion, a typical exposure period of 12 months is considered appropriate. This time frame is also based on discussions with knowledgeable individuals in the marketplace including real estate appraisers, brokers, and investors.
COMPETENCY

The appraisers have valued numerous tracts of land within the past 34 years. I am of the opinion that my past experience as well as my research and investigations into the market, as explained in the "Scope of Assignment", has made us competent to appraise the subject property.

DEFINITIONS

Please refer to the Glossary of Terms in the Addenda.

OWNERSHIP AND SALES HISTORY

As per information provided by Harris County Appraisal District records, the current owner of the subject property is CG 233, Inc. This entity acquired the property on December 31, 1996 for an unknown sum. It is my understanding the site will be acquired for development of an affordable housing community and this appraisal will be used in support of the sale / acquisition.

In addition, the site is not for sale but is part of an 11 acre site currently under contract to Brinshore Development for $7,800,000 or $16.28 psf. It is our understanding this is not an arms length transaction as there is a relationship between the seller and the Buffalo Bayou Partnership (an intended user and non-profit partner with Brinshore Development).
PART II
REGIONAL ANALYSIS

The subject property is located in the Houston-The Woodlands-Sugarland CBSA, which includes nine counties: Austin, Brazoria, Chambers, Harris, Fort Bend, Galveston, Liberty, Montgomery, and Waller. This CBSA includes the city of Houston, which lies in three counties: Harris (567.31 square miles), Fort Bend (12.06 square miles), and Montgomery County (2.07 square miles).

SOCIAL CONSIDERATIONS

Population: Houston is the nation's fourth most populous city and is the largest in the South and Southwest. The Houston-Sugarland-Baytown CBSA ranks fifth nationally in population among the nation's metropolitan areas. The city of Houston is the county seat for Harris County, which ranks among the nation’s fastest-growing counties in population, while Fort Bend and Montgomery Counties, which abut Harris County on the southwest and north, rank among the fastest growing counties on a percentage basis.

<table>
<thead>
<tr>
<th>Region</th>
<th>2000 (000's)</th>
<th>2010 (000's)</th>
<th>2018 (000's)</th>
<th>2023 (000's)</th>
<th>% Change 2000-2010/2018-2023</th>
<th>Compounded Annual Growth Rate 2000-2010/2018-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>281,421.9</td>
<td>308,745.5</td>
<td>330,088.7</td>
<td>343,954.7</td>
<td>9.7% 4.2%</td>
<td>0.93% 0.83%</td>
</tr>
<tr>
<td>Texas</td>
<td>20,851.8</td>
<td>25,145.6</td>
<td>28,954.6</td>
<td>31,430.8</td>
<td>20.6% 8.6%</td>
<td>1.89% 1.65%</td>
</tr>
<tr>
<td>City of Houston</td>
<td>1,971.0</td>
<td>2,099.8</td>
<td>2,358.7</td>
<td>2,533.7</td>
<td>6.5% 7.4%</td>
<td>0.64% 1.44%</td>
</tr>
<tr>
<td>Houston-The Woodlands-Sugarland CBSA</td>
<td>4,693.2</td>
<td>5,920.4</td>
<td>7,050.1</td>
<td>7,792.5</td>
<td>26.2% 10.5%</td>
<td>2.35% 2.02%</td>
</tr>
<tr>
<td>Harris County</td>
<td>3,400.6</td>
<td>4,092.5</td>
<td>4,735.9</td>
<td>5,135.3</td>
<td>20.3% 8.4%</td>
<td>1.87% 1.63%</td>
</tr>
<tr>
<td>Ft. Bend</td>
<td>354.5</td>
<td>585.4</td>
<td>788.1</td>
<td>938.6</td>
<td>65.1% 19.1%</td>
<td>5.14% 3.56%</td>
</tr>
<tr>
<td>Montgomery</td>
<td>293.8</td>
<td>455.7</td>
<td>590.5</td>
<td>687.5</td>
<td>55.1% 16.4%</td>
<td>4.49% 3.09%</td>
</tr>
<tr>
<td>Brazoria</td>
<td>241.8</td>
<td>313.2</td>
<td>378.6</td>
<td>420.9</td>
<td>29.5% 11.2%</td>
<td>2.62% 2.14%</td>
</tr>
<tr>
<td>Galveston</td>
<td>250.2</td>
<td>291.3</td>
<td>346.9</td>
<td>381.4</td>
<td>16.5% 9.9%</td>
<td>1.53% 1.91%</td>
</tr>
</tbody>
</table>

Source: Site to do Business, Inc.

As outlined, the CBSA has grown considerably over the past 18+ years and is projected to continue growing at a strong rate with 742,357 additional people over the next 5 years.

Education: Public education in Houston is supervised by various Independent School Districts, the largest of which is the Houston Independent School District (HISD). Houston is among the leading academic locations in the southwestern United States. Among adult Houstonians, 31.7% have completed four years of college, compared to 31.1% of the U.S. adult population.
Part II - Regional Analysis / Continued

**Health Care:** There are 85 hospitals with over 19,300 beds throughout Harris County. Virtually every medical specialty is represented. Houston’s 1,345 acre Texas Medical Center (www.tmc.edu) is the largest medical center in the world with a workforce in excess of 106,000 and an annual regional economic impact of $25 billion. It is a leader in space sciences, bioengineering and biotechnology. Funded research activities at member institutions total over $1 billion annually.

**Cultural Attractions:** Houston is one of only four U.S. cities with permanent companies in the performing arts of opera, ballet, symphony, and theater. The 17 block Theater District is located downtown and is home to 9 performing arts organizations. There are 12,948 seats for live performances and 1,580 movie seats, and more than 2 million people visit the theatre district annually. Additionally, Houston offers a variety of art galleries and museums. Approximately 4 million people visit institutions in the Museum District every year. Houston is home to the Houston Livestock Show and Rodeo which attracts close to 2.5 million visitors each year.

**Recreation:** Within the city limits of Houston, there are 366 municipal parks and 200 green spaces totaling 37,832 acres. In addition, Harris County maintains 175 county parks with over 40,000 acres. Cruises are available along the Ship Channel and on Clear Lake. In addition, the Gulf of Mexico and Galveston Island are also tourist attractions situated approximately 50 miles south of the Houston Central Business District. Houston is home to professional baseball’s 2017 World Series Champion Houston Astros and Minute Maid Park (2000); Houston Rockets of the NBA and the Toyota Center (2003); the NFL’s Houston Texans and NRG Stadium (2002); and Major League Soccer’s Dynamo and BBVA Compass Stadium (2012).

**Tourism:** Houston’s downtown has been revitalized with the opening of Bayou Place, as well as numerous restaurants and musical entertainment that has helped bring nightlife back to the downtown area. Houston has over 11,000 restaurants representing more than 35 countries and American regions. A wide variety of shopping opportunities are available including the 2.4 million sq. ft. Galleria Mall, which is legendary for its variety of shops (over 400) and international ambiance. The Galleria is the largest mall in Texas and 7th largest in the United States, attracting over 24 million visitors annually. Moody Gardens in Galveston is less than a one hour drive south of the city and features a huge aquarium pyramid, a rainforest pyramid, and two IMAX theaters. Galveston also has an historic area (The Strand) as well as numerous sites and activities along the Gulf shore.

**GOVERNMENTAL CONSIDERATIONS**

**City and County Government:** The City of Houston has a mayor-council form of government in which the mayor and 16 council members (five that are elected at large and eleven from single member districts) serve as the ruling legislative body. These 17 officials and the city controller are elected for two-year terms running concurrently. A county judge and four commissioners perform the principal administrative and legislative functions for Harris County and serve four-year staggered terms.
**Zoning:** The surrounding counties and Houston are currently not zoned; thus, there are few impediments to development.

**Taxation:** In Houston, there are no state, local, or personal income taxes. Also, the State of Texas has no state property taxes. There is a limited 8.25% sales tax (6% state, 1.25% city, 1% transit authority) on purchases of nine cents or more with certain food and drug items exempt. The only taxes generally applied to all types of business firms in Texas are ad valorem taxes, corporate fees, and annual corporation franchise taxes. This comparatively less expensive tax structure has been a major contributory factor to the continued relocation of major corporate entities from other parts of the nation to the area.

**ENVIRONMENTAL CONSIDERATIONS**

**Geography/Climate:** With temperatures of 90°F or higher for 94 days out of the year, Houston's climate is typical for Gulf Coast cities, characterized by mild winters with long, hot, humid summers. Temperatures throughout the year typically range from 45°F to 92°F with humidity readings ranging from 60% to 90%. Houston is located in the low, flat coastal plains of southeast Texas, approximately 50 miles inland from the Gulf of Mexico and 25 miles from Galveston Bay. The proximity of the Gulf of Mexico results in an average precipitation level of 45 inches annually. The humidity level increases during the summer months making these months quite hot and humid. For the most part, however, the area's climate is relatively mild. Houston has become an air-conditioned city, and its climate has been an advantage in attracting corporate relocations and industrial users. The topography of the area is flat and level, consisting of both wooded and open land. The official altitude of the City of Houston is 49 feet above sea level, while Harris County ranges from sea level to 310 feet.

**Vehicular Transportation:** As with most large urban areas within the United States, Houston lacks an effective mass transit system and relies almost exclusively on the automobile. Houston has the most extensive freeway and tollway system in the southwest.

**Mass (Public) Transportation:** Integral to Houston transportation is its Metropolitan Transit System (METRO). Over 1,233 buses serve about 1,285 square miles and there are 28 Park & Ride locations. METRO operates a 22.7 mile light rail line from the University of Houston-Downtown to south of NRG Stadium. The Main Street corridor is the key artery linking downtown Houston to Midtown, the Third Ward, the world-renowned Texas Medical Center, three major universities, the Museum District, Hermann Park, the Zoo and the growing NRG Park, where the football stadium and exhibition center are located.

**Air Transportation:** The Houston airport system is the fourth largest multi-airport system in the United States and 6th largest in the world. Houston’s George Bush Intercontinental Airport (IAH), north of the Houston CBD, garners 70% of the systems total traffic, while William P. Hobby Airport (HOU), south of the CBD, accounts for 30%. Ellington Field (EFD), southeast of Hobby, is both a commercial airport and a center for aerospace development.
**Shipping:** The Houston Ship Channel and the Port of Houston makes Houston a major transportation center. The channel's turning basin is approximately four miles east of Houston's Central Business District. The impact of the port is magnified by the intra-coastal waterway. Low cost barge transportation is available on this 1,177 mile waterway that links Houston with 9,812 miles of commercially navigable waterways in the mid-continent regions of the Mississippi River and its tributary systems as well as 2,500 miles of waterway along the Gulf of Mexico.

**Flood Control:** A concern in the Houston area in terms of environmental impact is the matter of flood control. Several bond issues have been passed in recent years in an attempt to help finance different flood control projects throughout the region, into the next century. While the Houston area is subject to flood problems because of its elevation and soil composition, the problem has been limited to a large degree by improvements made by the Harris County Flood Control District and Army Corp of Engineers. In the aftermath of Hurricane Harvey, voters in Harris County approved $2.5 billion in bonds for flood risk reduction projects throughout the county.

**Railroads:** There are four major rail systems that serve Houston and its Port. These include the Santa Fe, Union Pacific-Missouri Pacific, Burlington Northern, and Southern Pacific rail systems. AMTRAK also offers passenger service to most major cities from the Washington Street station.

**Air Quality:** The Houston MSA is home to a large concentration of petrochemical companies. As such, the environmental impact that these industries have had, and will continue to have, on the area is negative. The quality of the air helps to make Houston one of the most polluted (air pollution) cities in the nation. These factors do not preclude future development but are generally seen as factors which would limit most uses other than those that are industrial related.

**ECONOMIC CONSIDERATIONS**

**Employment:** Employment in upstream energy sectors (exploration, drilling, etc.) stands at around 35% with only 3 of the top 15 private sector employers focused on energy. Despite the diversification, Houston remains a leader in the energy field and changes in energy markets continue to affect Houston far more than the nation as a whole.

Listed on the following page is a summary of the Houston labor market:
### Employment by Industry (November 2019)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Current Month Employment</th>
<th>% Monthly Change</th>
<th>% Yearly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonfarm</td>
<td>3,223,100</td>
<td>0.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Mining, Logging and Construction</td>
<td>318,900</td>
<td>-0.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>241,000</td>
<td>0.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Trade, Transportation, and Utilities</td>
<td>649,100</td>
<td>2.5%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Information</td>
<td>29,800</td>
<td>0.0%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>188,000</td>
<td>-0.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>528,700</td>
<td>-0.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>412,400</td>
<td>0.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>328,600</td>
<td>-0.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Other Services</td>
<td>120,800</td>
<td>0.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Government</td>
<td>425,800</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

### Wages by Industry (in millions) (2nd Quarter 2019)

- **Government:** $5,804.15
- **Natural Resources and Mining:** $3,089.77
- **Construction:** $4,258.07
- **Manufacturing:** $4,996.32
- **Trade, Transportation, and Utilities:** $8,736.14
- **Information:** $594.46
- **Financial Activities:** $3,350.43
- **Unclassified:** $21.22

### Historical Unemployment Rates

#### Houston-The Woodlands-Sugar Land MSA

- **2009-2009:** 8.3%
- **2010-2010:** 7.5%
- **2011-2011:** 6.8%
- **2012-2012:** 5.7%
- **2013-2013:** 4.3%
- **2014-2014:** 3.6%
- **2015-2015:** 3.3%
- **2016-2016:** 3.1%
- **2017-2017:** 3.3%
- **2018-2018:** 3.5%
- **2019-2019:** 3.2%

### Annual Growth Rate Total Non-agricultural employment

- **2009-2009:** -3.5%
- **2010-2010:** -2.0%
- **2011-2011:** -1.0%
- **2012-2012:** -0.8%
- **2013-2013:** -0.6%
- **2014-2014:** 0.2%
- **2015-2015:** 1.9%
- **2016-2016:** 2.5%
- **2017-2017:** 3.3%
- **2018-2018:** 4.2%
- **2019-2019:** 4.8%
Part II - Regional Analysis / Continued

As outlined on the previous page the Houston MSA is faring reasonably well with a 3.6% unemployment rate and 83,625 new jobs created over the past 12 months.

15 LARGEST HOUSTON AREA EMPLOYERS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Industry</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart Stores</td>
<td>Retail</td>
<td>37,000</td>
</tr>
<tr>
<td>2</td>
<td>Memorial Hermann Health System</td>
<td>Healthcare</td>
<td>24,108</td>
</tr>
<tr>
<td>3</td>
<td>HEB</td>
<td>Food Service</td>
<td>23,732</td>
</tr>
<tr>
<td>4</td>
<td>University of Texas MD Anderson</td>
<td>Healthcare</td>
<td>21,086</td>
</tr>
<tr>
<td>5</td>
<td>McDonald’s</td>
<td>Food Service</td>
<td>20,918</td>
</tr>
<tr>
<td>6</td>
<td>Methodist Hospital</td>
<td>Healthcare</td>
<td>20,000</td>
</tr>
<tr>
<td>7</td>
<td>Kroger</td>
<td>Food Service</td>
<td>16,000</td>
</tr>
<tr>
<td>8</td>
<td>United Airlines</td>
<td>Airline</td>
<td>14,941</td>
</tr>
<tr>
<td>9</td>
<td>Schlumberger</td>
<td>Energy</td>
<td>12,069</td>
</tr>
<tr>
<td>10</td>
<td>Shell Oil Company</td>
<td>Energy</td>
<td>11,507</td>
</tr>
<tr>
<td>11</td>
<td>Exxon/Mobil</td>
<td>Energy</td>
<td>11,000</td>
</tr>
<tr>
<td>12</td>
<td>Texas Children’s Hospital</td>
<td>Healthcare</td>
<td>10,992</td>
</tr>
<tr>
<td>13</td>
<td>HCA</td>
<td>Healthcare</td>
<td>10,830</td>
</tr>
<tr>
<td>14</td>
<td>Landry’s</td>
<td>Food Service</td>
<td>10,800</td>
</tr>
<tr>
<td>15</td>
<td>UTMB Health</td>
<td>Healthcare</td>
<td>9,928</td>
</tr>
</tbody>
</table>

Source: Houston Chronicle 100 - June 17, 2017

As outlined, the Houston area is fairly diversified although heavily influenced by the medical sector. The energy sector is also a major industry which supports the local economy.

A summary of the Houston economy, as published by the Federal Reserve Bank of Dallas is presented on the following pages:
January 9, 2020

The Houston Business-Cycle Index suggests the local economy continued to expand through November despite weakness in energy. Service-providing industries led job growth in both the broader economy and mining-related sectors, and unemployment remains low. However, forward-looking data point to a tepid near-term outlook for Houston employment and oilfield activity in 2020.

**Business-Cycle and Leading Indexes**

The Houston Business-Cycle Index’s three-month pace slowed modestly to 3.9 percent in November but remained higher than its historical pace of 3.5 percent, indicating that the region’s economy continues to expand (Chart 1). A separate index of 11 leading indicators for Houston continues to suggest moderate growth ahead. Growth in that index was -0.3 percent over the three months ending in November, well below the average rate of 1.8 percent.

**Employment**

Initial estimates of job growth in the latter months of 2019 continue to outstrip growth in the first half of the year. Employment rose 2.8 percent (22,200 jobs) over the three months ending in November, led by strong increases in professional and business services (10,200) and education and health services (7,600) (Chart 2). Government saw the largest net loss at 600 jobs.
For the 11 months ending in November, Houston employment grew a modest 1.6 percent (45,500), below its historical average of 2.1 percent. Growth over that longer time frame was also led by professional and business services (20,300) and education and health services (12,200).

Unemployment remained near historic lows. The unemployment rate in Houston was 3.8 percent in November 2019, up from 3.7 percent the prior month. For context, the unemployment rate was 3.4 percent in Texas and 3.5 percent in the U.S.

**Energy**

**WTI Crude Price Range Bound; Rig Count Falls**

The monthly average price of West Texas Intermediate crude oil (WTI) ticked up to nearly $60 in December from nearly $57 in November. The increase was in part due to the announcement of deeper production cuts from OPEC and an increase in optimism that the U.S.–China trade war would not escalate further.

Changes in monthly oil prices tend to precede changes in oilfield activity. WTI spent much of 2019 in the mid-to-high $50 range, but that was not enough to forestall steady erosion in drilling activity (Chart 3). The monthly rig count fell 25 percent over 2019, but most firms believe that drilling activity will stabilize in the first half of 2020.
Changes in oilfield activity tend to lead changes in Houston’s mining-related job sectors. In aggregate, mining-related jobs leveled off in 2019, though the employment data since June has yet to be revised and can change substantially. Ongoing declines in drilling activity likely presage a decline in payrolls, particularly for support activities for mining (mostly oilfield services).

**Mining-Related Jobs Grow**

Mining-related jobs logged a positive 1.1 percent annual growth rate (700 jobs) for the three months ending in November, led by architecture, engineering and related professional services (1,500) (Chart 4). However, this growth was in part related to pipeline, storage, export infrastructure, and petrochemical activity and in part due to support from some nonenergy sectors. Extraction jobs (400; mostly exploration and production firms) also saw growth over that time, according to initial estimates. Job losses were concentrated in fabricated metals manufacturing (-1,000).

**Chart 4**

**Selected Mining-Related Jobs**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Nov. 2019</th>
<th>Dec. 2018 to Nov. 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.1</td>
<td>2.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Architect, engineering &amp; related</td>
<td>-7.1</td>
<td>-0.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Fabricated metals</td>
<td>1.7</td>
<td>-3.7</td>
<td>-2.3</td>
</tr>
<tr>
<td>Support activities for mining</td>
<td>1.3</td>
<td>-0.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Extraction</td>
<td>1.2</td>
<td></td>
<td>6.4</td>
</tr>
<tr>
<td>Agriculture, construction &amp; mining machinery</td>
<td>1.0</td>
<td>0.2</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: The chart shows seasonally adjusted and annualized three-month percentage growth. Numbers in parentheses represent share of Houston jobs.


**Most Energy Firms Expect to Spend the Same or Less**
Results of the fourth-quarter Dallas Fed Energy Survey indicated that nearly two-thirds of respondents expect their firm’s capital spending to decline or remain unchanged in 2020 compared with 2019 (Chart 5). With the need to fund operations out of cash flow, monthly oil prices will likely need to firm substantially for oilfield activity—and related labor demand—to materially increase.

**Chart 5**

What are your expectations for your firm’s capital spending in 2020 versus 2019?

Percent of respondents

- Decrease significantly
- Decrease slightly
- Remain close to 2019 levels
- Increase slightly
- Increase significantly

NOTE: Executives from 161 oil and gas firms answered this question during the survey collection period, Dec. 11–19, 2019.

SOURCE: Federal Reserve Bank of Dallas.

NOTE: Data may not match previously published numbers due to revisions.

**About Houston Economic Indicators**

Questions can be addressed to Jesse Thompson at jesse.thompson@dal.frb.org. *Houston Economic Indicators* is posted on the second Monday after monthly Houston-area employment data are released.
CONCLUSION

The Houston market is currently considered stable and improving as unemployment is generally declining, population growth is increasing, and job growth is rebounding. The positive economic impact associated with improving oil prices and increases in other sectors have resulted in 83,625 new jobs being created over a 12 month period ending November 2019, with projections for 2019 - 2020 likely near or above that amount.

The general regional economy was concluded as being fairly stable with projections for continued growth. Property values are expected to improve / stabilize as the diversified Houston economy experiences continued steady growth over the short to intermediate term. The Houston economy is impacted by the energy markets, and thus the long term outlook is difficult to predict with regards to the volatile world energy market. Most recently (August 2017) Hurricane Harvey caused more than $180 billion in damage, with the Houston MSA suffering the vast majority of the losses given the outflow from the Addicks and Barker Reservoirs. However, multifamily occupancies have improved and considerable construction created many temporary construction jobs. Overall, the long term impact has been fairly modest.
NEIGHBORHOOD DESCRIPTION

The neighborhood may be best defined as all the land within the following boundaries:

North: Clinton Drive;
South: I-45 Gulf Freeway;
East: 69th Street / US-90 / North Wayside Drive; and
West: I-69.

The subject property is located in the approximate center of the neighborhood, 1.75 miles south of I-10; 1.75 miles north of I-45; and 1.75 miles east of I-69. The center of the Houston CBD is located 2.5 miles to the west.

General Data

The subject property is located in Houston, Harris County, approximately 2.5 miles east of the Houston CBD. This neighborhood is within 5 established areas that are being revitalized:

- Second Ward
- East Downtown (Eado)
- Greater Eastwood
- Greater Fifth Ward
- Denver Harbor / Port Houston

The subject site is within the Second Ward which is bordered on the north by the Buffalo Bayou. The Greater Fifth Ward extends from the north of the Buffalo Bayou and 2/3 of this area is located north of I-10 and thus beyond our delineated neighborhood. Greater Eastwood borders the Second Ward to the south and is also bordered by I-45. East Downtown (Eado) is located east of Downtown on the east side of I-69. Denver Harbor / Port Houston is located in the northwest and is bordered by the Buffalo Bayou on the south and is bisected by I-10 and US-90 / 69th Street.

The defined neighborhood has an eclectic mix of land uses ranging from heavy industrial to new townhouse development. There are several railroads which bisect the neighborhood which serve numerous industrial buildings. In addition, the Buffalo Bayou is a navigable waterway also serves as the Houston Ship Channel. The ship channel officially extends from 69th Street (the neighborhood’s eastern boundary) to the Gulf of Mexico, a distance of ±50 miles. Consequently, there are numerous industrial properties located along the Buffalo Bayou and within the defined neighborhood.

The Second Ward is roughly bounded by Buffalo Bayou to the north, Lockwood Avenue to the east, and railroad tracks to the south and west, although the City of Houston's "Super Neighborhood" program includes a section east of Lockwood.
The northern end of the Second Ward is largely industrial with massive warehouse complexes along the Bayou. There are also many industrial buildings, some of which have found new life as lofts, on the western edge of the neighborhood nearest to Downtown and Minute Maid Park. Many buildings in the community were constructed in the 1920s and bear the art deco style. While perceived as rundown and neglected in the 1970s and 1980s, recent years have seen major civic improvements including new street lights and pavement, as well as the beginnings of gentrification as professionals and others move into the area.

Buffalo Bayou East Master Plan

The subject neighborhood encompasses the Buffalo Bayou East Master Plan. The Buffalo Bayou Partnership (BBP) has created a Master Plan for the waterway’s East Sector (from US 59 to the Port of Houston Turning Basin). Development of the plan comes after nearly two years of community engagement with residents throughout the area. In addition to extending the western network of parks, trails and open space, the plan connects the historic Fifth Ward and Greater East End neighborhoods to the bayou and to each other.

Major master plan components are as follows:

- 40 miles of new and improved waterfront trails and on-street bikeways
- 200 acres of new and improved parks and open space
- 7 new boat landings
- 7 new bridges
- Development of a Downtown Gateway linking northeastern downtown to the East Sector by utilizing green space and detention ponds made possible by the proposed North Houston Highway Improvement Project (NHHIP)
- Expansion of the City’s Tony Marron Park (from 19 to nearly 40 acres) to act as an open space anchor
- Restored urban creek to connect the bayou to the Fifth Ward
- Rehabilitation of BBP-owned industrial sites – Turkey Bend: A former barge terminal and warehouse transformed into a boating and events center. Lockwood Waste Water Facility: transformed into water gardens designed to cleanse bayou water
- Creation of an eastern trailhead, linking the County’s Yolanda Black Navarro Buffalo Bend Nature Park to the City’s Hidalgo Park
- Development of a mixed-income housing project at Lockwood Drive and the bayou

The subject site is part of the mixed-income housing development known as Lakewood South. A summary of the Central Hub component of the Buffalo Bayou East Master Plan is presented on the following pages. In addition, a 25 page outline of the master plan is presented in the Addenda:
Expand and Improve Parks and Neighborhoods

The Central Hub becomes the park and neighborhood centerpiece of Buffalo Bayou East. Existing parks on the south side banks expand to provide a wider range of recreational and cultural activities. Investments in soccer fields, a play area, and venues for events and festivals transform currently underutilized green areas into one of the largest neighborhood parks in Houston. Boat landings, canoe/kayak rentals, and a future boat house provide for recreational offerings on the water. In addition to creating park space, a new residential development extends the existing neighborhood south of the Bayou to the water’s edge. On the north side of the Bayou, restoration of an historic natural tributary provides an important connection from the waterway to the Fifth Ward.
Expand Tony Marron Park into one of Houston’s Best Neighborhood Parks

Tony Marron Park becomes a gathering place for Greater East End and Fifth Ward residents and serves as the primary green space destination for Buffalo Bayou East.

- Upgrades include new entry gardens connecting to North York Street (1), enhanced sports fields (2), improved habitat areas (3), and a new playground (4).
- At the North York site, a swimming hole (5) and beach (6) become one of the most unique Bayou destinations.
- A new boat house, picnic lawn, and boat launch (7) establish North York as a major boating center.
- Existing buildings on the City-owned Drennan Street site, refurbished as picnic pavilions for a food truck court, support community events and activities in the Fiesta Plaza (8).
- Shade structures distributed throughout the park encourage families to come for birthdays, picnics, and other celebrations.
- A pedestrian bridge connects the park to Japhet Creek (9).
Lockwood South: A New Economically Inclusive Neighborhood

A new residential development along the south bank of Buffalo Bayou near Lockwood Drive becomes an inclusive, mixed-income neighborhood.

- New single and multi-family dwellings (1, 2), including workforce housing, generates activity and density to build a critical mass of regular park users.
- The neighborhood plan thoroughly integrates housing with surrounding green spaces (3) and adjacent housing (4) to stitch historically disconnected communities to the waterfront.
- Lockwood South incorporates Low Impact Design (LID) features such as permeable pavement and over four acres of stormwater detention (5).
- Strong development guidelines promote a well-designed housing and public realm.
- Creative financing measures may provide revenue for park capital investment and operations.
A former industrial site owned by Buffalo Bayou Partnership becomes an adventure and extreme sports park that includes activities attracting users from nearby neighborhoods and the region.

- A park weaves adventure and extreme sports into the naturalized landscape.
- The park includes a series of training hills (1) inspired by the mounds of sand and gravel found in nearby industrial sites, as well as obstacle and ropes courses (2).
- Though most of the industrial structures no longer exist, two remaining concrete buildings become a ticket office and picnic pavilion (3, 4).
Part III - Neighborhood Data/Continued

**Neighborhood life Cycle**

The complementary land uses that comprise neighborhoods typically evolve through four stages. These four stages comprise the life cycle of a neighborhood and are described as follows:

1) Growth: a period in which the neighborhood gains public favor and acceptance.
2) Stability: a period of equilibrium without marked gains or losses.
3) Decline: a period of diminishing demand.
4) Revitalization: a period of renewal, modernization and increasing demand.

This area closest to the subject is comprised of light industrial development and dated, low-quality single family housing from the 1940s - 1950s and earlier. However, the area is undergoing a revitalization as older land uses are being demolished and replaced with higher and better uses. In particular, numerous townhomes have been built throughout the area and light industrial land uses have been removed and converted to housing. The subject neighborhood should greatly improve over the next 5 - 10 years as higher and better land uses are built.

**Accessibility**

The subject neighborhood borders the Houston CBD and is accessible via I-69, I-10 and I-45. All of these major arterials border the neighborhood. As such, the Houston MSA is easily accessible. Major east/west thoroughfares within the subject neighborhood are: Clinton Drive, Navigation, Canal, Harrisburg, Polk, and Leeland / Telephone Road. Major north/south thoroughfares within the area are: Scott / York Street, Lockwood and US-90 / 69th Street. Overall, access to the area is considered good and beneficial to future growth.

**Public Utilities/Infrastructure**

The area is within the city limits of Houston and thus water and sewer service is provided by these cities. Electricity is supplied by Reliant, TXU and other providers. Natural gas is provided by Centerpoint Energy. Telephone service is provided by AT&T and other providers. Cable television is available within the neighborhood. Street maintenance is provided by the cities of Houston and the State of Texas (I-69, I-10 and I-45). Police and fire protection is provided by the cities of Houston. The main streets are generally paved with curbs and underground storm sewer drainage.

**Zoning**

The city of Houston and Harris County do not subscribe to zoning; consequently, there are some non-compatible land uses within the area which detract from the overall desirability.

**Hazards and Nuisances**

Given the existence of older land uses and various railroads, parts of the neighborhood have an industrial orientation. However, the majority of the neighborhood is not impacted by known nuisances or hazards which would adversely affect the marketability of property.
Topography/Flood

The subject area has a generally level topography. From the writer's knowledge, there are known flood hazards from serious flooding or drainage problems in the immediate neighborhood. In particular, some land located adjacent to Buffalo Bayou tends to flood. However, base flood elevations have been determined and development is possible.

Quality and Convenience of Stores

The quality and convenience of stores which serve the subject's neighborhood is considered to be fair with only one grocery store (Kroger at Polk and Cullen). This store is 1.4 miles from the subject site and is a low end store with a limited selection. Big box retailers are located outside the defined neighborhood at I-45 and I-610, roughly 4.5 miles southeast of the subject site.

Overall, it is my opinion that the quality and convenience of neighborhood shopping is considered limited but will likely improve as the area continues to gentrify.

Recreational and Cultural Opportunities

Neighborhood recreational facilities are provided by the city of Houston. In fact, the subject neighborhood borders the CBD and thus numerous restaurants and bars are available. As part of the Buffalo Bayou East Master Plan, Tony Maron Park will be enhanced and upgraded. In addition, Japhet Creek, located north of the Buffalo Bayou and across from Tony Maron Park, will be restored and serve as open space. A pedestrian bridge will connect these two parks / areas.

Other cultural and recreational activities include the Wortham Theater, Jones Hall, Discovery Green, Minute Maid Park (baseball - Astros), Toyota Center (basketball - Rockets), and BBVA Stadium (soccer - Dynamo). In addition, there is a hike and bike trail along Buffalo Bayou which also borders the subject site. Overall, residents of this area have adequate recreational and cultural opportunities and convenient access to the best that the MSA has to offer.

Medical Facilities

The subject neighborhood is served by the St. Joseph Medical Center (2.5 miles west / southwest of the subject) and the Texas Medical Center (6.0 miles southwest of the subject).

Schools

The Texas Education Agency (TEA) has three domains for measuring the academic performance of districts and campuses: Student Achievement; School Progress; and Closing the Gaps. School districts receive a rating of A, B, C, D, or F for overall performance, as well as for performance in each domain. Campuses began receiving A–F ratings beginning in August 2019. The subject neighborhood is situated within the Houston Independent School District. Students living at the subject property are zoned to the following schools:
As shown, the neighborhood schools are rated from B to D. In addition, students at Austin High School taking the SAT / ACT test scored as follows: 884 (SAT) and 16.8 (ACT). This is in contrast to statewide averages of 1,036 (SAT) and 20.6 (ACT). Higher Education is available at the University of Houston - Downtown (2 miles west/northwest of the subject) and HCC-Felix Fraga Campus (0.5 mile southwest of the subject). Additional schools of higher learning (University of Houston, Houston Baptist University, Rice, St. Thomas, TSU) are located approximately 15 to 30 minutes away.

Religious Facilities

There are several places of worship within the area representing several faiths and denominations.

Prestige and Homogeneity of Surrounding Area

The general prestige and social standpoint of the neighborhood ranges from fair to average. It is considered that the general character of this neighborhood and adjacent areas are overall not particularly desirable with below average demographics. Within the immediate subject neighborhood a search at www.realtor.com revealed the following:

<table>
<thead>
<tr>
<th>Zip Code</th>
<th># of Homes</th>
<th>Low</th>
<th>High</th>
<th>2nd High</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>77011</td>
<td>45</td>
<td>$90,000</td>
<td>$475,000</td>
<td>$475,000</td>
<td>$234,950</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3br/1ba</td>
<td>3br/3ba</td>
<td>2br/2ba</td>
<td></td>
</tr>
<tr>
<td>77023</td>
<td>97</td>
<td>$135,000</td>
<td>$995,000</td>
<td>$725,000</td>
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<tr>
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<td></td>
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<td>77020</td>
<td>98</td>
<td>$89,900</td>
<td>$499,000</td>
<td>$419,000</td>
<td>$295,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3br/1.5ba</td>
<td>2br/1ba</td>
<td>3br/3.5ba</td>
<td></td>
</tr>
<tr>
<td>77003</td>
<td>126</td>
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<td>$634,900</td>
<td>$393,000</td>
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<tr>
<td></td>
<td></td>
<td>1br/1.5ba</td>
<td>4br/4.5ba</td>
<td>3br/3.5ba</td>
<td></td>
</tr>
</tbody>
</table>

Homes within the immediate vicinity of the subject property (southeast of the subject) generally range from the mid to upper $200's. However, several new townhomes were noted at around $300,000 to $375,000.

General Economic Considerations

The subject neighborhood is urban and most residents are employed within or in close proximity to the immediate area. Many area residents are employed at the various local businesses or within the CBD, Port of Houston and Texas Medical Center.
The biggest development within the subject neighborhood involves a master planned mixed-use development known as *East River*. This planned development is located along the north side of the Buffalo Bayou roughly 2,100' from the subject site. Situated on 150 acres (equal to 60 city blocks) and with over 1 mile of bayou frontage, the master plan calls for the following:

- 2.6 million sf of office
- 1,345 multifamily units
- 475 single family homes
- 500,000 sf of retail & restaurant space
- 390 hotel rooms
- 12 acres of green space

This development was formerly an industrial site owned by KBR which has been cleared. The Midway Companies is the developer and it has been reported they will break ground in 1Q 2020. This development has spurred additional nearby construction. In particular, InTown Homes is planning to develop 40 acres along Clinton Drive at Bringhurst (across from East River) with 400 new townhomes. These new townhomes are located adjacent to 700 existing townhomes which have been built within the past 5+ years.

A site plan of the proposed East River development is presented on the following pages:
PHASE I
26 ACRES

FUTURE PHASES

6,000 FT ALONG BUFFALO BAYOU

MASTER PLAN
Conclusion

The subject neighborhood is an established area in transition and in close proximity to major traffic arterials and employment centers. Governmental factors impacting future development and growth are considered good and conducive to future expansion. Social and environmental factors affecting residential values are considered fair to average but improving as the area is gentrified. Finally, economic factors are closely aligned with the regional economy which is desirable and will positively impact future development.

Overall, the area should continue to grow and improve upon its current profile over the next 5 to 10 years. In particular, as the *East River* and *Buffalo Bayou East Master Plan* are implemented, the character of the neighborhood is expected to dramatically change for the better. As such, the long term outlook is positive and improving.
The subject’s defined neighborhood encompasses all or parts of the following zip codes:

- 77003 (borders I-69 and a small portion is in the CBD)
- 77011 (Subject’s zip code. About 33% is located east of 69th Street and thus outside the defined neighborhood)
- 77020 (About 50% is located north of I-10 and thus outside the defined neighborhood)
- 77023 (About 50% is located south of I-45 and east of 69th Street and thus outside the defined neighborhood)

Based on information from Apartment Listing Network (ALN) and the TDHCA, the following is offered:

**Supply**

There are a total of 5,307 multifamily communities within the above zip codes. A total of 3,640 or 68.6% are market rate and 1,667 or 31.4% are HTC communities. Based on the ALN data, the submarket multifamily housing stock is fairly limited with 46.9% of all market rate properties built prior to 1978 and 53.1% built since 2002. The HTC development ranges in YOC from 1996 to 2018, with an average of 2005. No market rate properties are planned or under construction, although six (6) HTC communities totaling 763 units are proposed.

**Occupancy**

A survey of 18 market rate properties indicate an average occupancy of 95.7% (pre-1980s era) and 90.8% (post-2000s era). In addition, six surveyed HTC communities had an average occupancy of 91.1%, with the low end being a mismanaged elderly community at 71%. If this property is removed, the average occupancy improves to 95.1%.

**Average Rents**

A survey of 18 market rate properties indicate an average monthly rent of $769 or $1.08 psf (pre-1980s era) and $1,521 or $1.63 psf (post-2000s era). In addition, six surveyed HTC communities had an average monthly rent of $764 or $1.83 psf. However, 4 of the 6 HTC properties were geared towards homeless or the elderly and thus had small average units sizes (239 - 523 sf). If these 4 properties are removed, the average rent improves to $936 or $1.06 psf.

A summary of the multifamily communities within the subject’s defined neighborhood are as follows:
# Neighborhood Multifamily Market - January 2020

**Zip Codes:** 77003, 77011, 77020 and 77023

## Market Rate Properties

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Address</th>
<th>ZIP</th>
<th># of Units</th>
<th>Year Built</th>
<th>Remodeled</th>
<th>Occupancy</th>
<th>Sq. Ft.</th>
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## HTC Properties

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<th>Average Rate</th>
<th>Effective Rate</th>
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## Totals

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**TOTALS** 375 355

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**TOTALS** 1,007 1,007

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**TOTALS** 285 270

**GRAND TOTALS** 1,667 1,632

### PROPOSED HTC UNITS

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**TOTALS** 363 274

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<td>2020</td>
<td>Canal Lofts</td>
<td>5601 Canal Street</td>
<td>77011</td>
<td>150</td>
<td>100</td>
<td>General</td>
<td></td>
</tr>
<tr>
<td>20128</td>
<td>2020</td>
<td>OST Lofts</td>
<td>5520 Old Spanish Trail</td>
<td>77023</td>
<td>130</td>
<td>120</td>
<td>General</td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS** 400 310

**GRAND TOTALS** 763 584
AREA DEMOGRAPHICS

Demographic information from within the defined neighborhood was based on the 2000 and 2010 U.S. Census. Estimates and projections for 2019 and 2024 were provided by Site to Do Business (STDB). Primary demographic information is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>Defined Neighborhood</th>
<th>Change 3-Miles (2019 - 2024)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 2000</td>
<td>51,182</td>
<td>3,241</td>
</tr>
<tr>
<td>- 2010</td>
<td>46,420</td>
<td>6.2%</td>
</tr>
<tr>
<td>- 2019</td>
<td>51,952</td>
<td></td>
</tr>
<tr>
<td>- 2024</td>
<td>55,193</td>
<td></td>
</tr>
<tr>
<td><strong>Households</strong></td>
<td></td>
<td>1,177</td>
</tr>
<tr>
<td>- 2000</td>
<td>14,607</td>
<td>6.8%</td>
</tr>
<tr>
<td>- 2010</td>
<td>15,256</td>
<td></td>
</tr>
<tr>
<td>- 2019</td>
<td>17,330</td>
<td></td>
</tr>
<tr>
<td>- 2024</td>
<td>18,507</td>
<td></td>
</tr>
</tbody>
</table>

**2019 Estimates**

- Average HH Size: 3.00
- Renter Occupied Units: 51.2%
- Median HH Income: $39,922
- Per Capita Income: $20,021
- Average HH Income: $59,662
- HH Income ($25,000 and above): 31.9%
- HH Income ($100K and above): 15.7%
- Less Than High School: 34.7%
- College Degree (Associate +): 27.2%
- Population (17 and under): 26.7%
- Population (55 and above): 20.8%
- Median Age (Years): 33.2

The subject’s demographic statistics are compared to the Houston - Sugar Land CBSA, as per the following page:

3.16 Acres (Lockwood South)
As outlined, the subject area (defined neighborhood) is expected to realize lower than average growth, as compared to the CBSA. As an established area with limited land for development, this is fairly typical. The subject area has significantly lower median, per capita, and average household income levels. In addition, the subject area has a much larger percentage of households earning less than $25,000 and a much smaller percentage earning more than $100,000. Consequently, the education levels are also inferior, with a smaller percentage of high school and college graduates. There is a slightly larger concentration of children and smaller elderly component; thus, the median age is slightly below average. In addition, there is a significantly higher percentage of households renting and thus the area is very transient. Overall, the demographics are that of a low income, transient area.
Location Map

Lockwood South Apartments

560' west of Lockwood Dr south of Buffalo Bayou at Drennan St
Houston, Texas
SITE DESCRIPTION

Location - The subject property is comprised of a 3.16 acre parcel located approximately 950 feet west of Lockwood Drive, south of Buffalo Bayou and the Hike and Bike Trail. This site is located out of the far western part of an 11.396 acre “parent tract”. Access to this site will be provided from N. Drennan Street. This site is within the City of Houston, Harris County, Texas 77003. Exposure and visibility is poor given the distance from Lockwood Drive, a major thoroughfare.

Legal Description - As per a land title survey, the property under appraisement is comprised of a 3.16 acre tract of land being part of an 11.396 acre parcel within the S.M. Williams Survey, A-87, Houston, Harris County, Texas.

Site Area: 3.1600 acres (or) 137,650 sq. ft.

Site Shape: Mostly rectangular and functional with an “access flag” (refer to the plat).

Surrounding Land Uses: The subject site is bordered to the north by vacant land through to a Hike and Bike Trail and Buffalo Bayou. On the north side of Buffalo bayou is a vacant industrial site which the Buffalo Bayou Partnership will potentially build a publically accessible Bayou promenade, recreation lawns and sports fields. Land uses to the south include dated, low quality single family housing from the late 1930s and a 28,000 sq. ft. distribution warehouse built in 1956. A 24,000 sq. ft. warehouse built in 1990 is located to the west and additional light industrial land uses are to the southwest. Land east of the subject through to Lockwood Drive is vacant but is slated to be developed with mixed-income homes and multifamily.

To paint a complete picture of the Development area, it has four (4) uses within 500 feet that are light industrial in nature: two (2) warehouses, a recycling center (that is moving) and light manufacturing.

Grace Construction Production Products Applied Technologies (GCP Applied Technologies). GCP Applied Technologies is a multi-national company that maintains a portfolio of construction products, along with building materials and technologies. Its Houston location consists of approximately 6 acres of fence-enclosed land with equipment and machinery stored at the northern edge of the property. An aerial view of this property depicts a light industrial area that is in transition and that is adjacent to a single-family residential neighborhood.
Continental Silverline is a wholesale distributor of mattresses, box springs and metal beds. There is no manufacturing on site. Thus, there are no external noise or dust associated with this land use. The site is a warehouse and office for Continental Silverline.

Dan-Loc Group is a manufacturing company that specializes in precision machine bolts and specialty technical parts. They make bolts, gaskets, nuts, studs, seals and other hardware parts for use in the energy industry. The site contains precision lathes and other equipment to make these parts as well as a quality assurance lab. Their machinery is enclosed and indoor without any exterior noise generation. There is also no pollution generation (smokestacks or other exhaust).

We Can Recycling is currently conducting business at 723 North Drennan Street. We Can collects newspapers, cans and other household-recycling materials (no toxic materials) to prepare for shipment to a recycling plant. There are large containers on the site behind an opaque fence, much like you would find at a Goodwill or other business that collects household items for re-use or recycling. We Can Recycling does not crush or transform any items of rock or metal or otherwise that would produce loud noise and/or dust. As part of the Buffalo Bayou Partnership's plans to redevelop the area, the site will be redeveloped and We Can will no longer be located at this address. The business has a lease with Buffalo Bayou Partnership that ceases with the redevelopment of the Development Site. Preliminary design for transitioning this property into an expansion of the adjacent Tony Marron Park has been completed and construction is slated to commence in 2021.

More details on the surrounding land uses are presented in the Addenda.

Utilities - All public utilities are available to the subject site. Electricity is supplied by TXU; natural gas is provided by CenterPoint; water & sewer service is provided by the City of Houston; and telephone service is provided by AT&T and other providers. Cable TV is available from Comcast and other providers. Utility capacity is adequate for the proposed multifamily use.

Flood Zoning - As per FEMA Community Panel No. 48201C0690N, revised January 6, 2017, the subject site appears to be in Flood Zone X.

Topography - The topography is generally level and at street grade.

Zoning - The subject site is located within the City of Houston and thus not zoned. As such, the proposed multifamily development is legally permissible.

Easements - A detailed survey of the 11.396 acre parent tract was available. Based on a physical inspection and a review of the survey there do not appear to be any adverse or atypical easements.

School District, Fire and Police Protection - The subject site is situated within the Houston Independent School District. Police and fire protection is provided by the City of Houston.

Site Improvements - None
Environmental Issues - A Phase I Environmental Site Assessment (ESA) was not provided. Based on a physical inspection, the site does not appear to have any environmental issues. However, I am not a qualified environmental analyst and thus it is strongly advised that a Phase I Environmental Assessment be prepared prior to any acquisition. For purposes of my analysis, it was assumed that the property was not affected by any environmental problems. In the event a Phase I study shows otherwise, I reserve the right to change my opinion of value.

REAL ESTATE TAX & ASSESSMENT ANALYSIS

Following is the assessed value and associated tax liability for the subject property:

<table>
<thead>
<tr>
<th>Taxing Jurisdiction</th>
<th>2019 Tax Rate</th>
<th>January 2019 Assessed Values</th>
<th>Taxes Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houston ISD</td>
<td>$1.136700</td>
<td>$172,062 (Pro-rated out of the 11.415 acre parent tract)</td>
<td>$1,956</td>
</tr>
<tr>
<td>Harris County; HC Flood Control; Port of Houston; HC Hospital District; &amp; the HC Education Dept.</td>
<td>$0.616700</td>
<td></td>
<td>$1,061</td>
</tr>
<tr>
<td>East End District</td>
<td>$0.100000</td>
<td>$172</td>
<td>$172</td>
</tr>
<tr>
<td>Houston Community College</td>
<td>$0.100263</td>
<td></td>
<td>$173</td>
</tr>
<tr>
<td>City of Houston</td>
<td>$0.567920</td>
<td>$977</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$2.521583</strong></td>
<td><strong>$172,062</strong></td>
<td><strong>$4,339</strong></td>
</tr>
</tbody>
</table>

As outlined, the subject’s current assessed value of $172,062 is well below the estimated market value, as outlined later. As such, a tax protest is not advised.

HIGHEST AND BEST USE

The use of a property to meet its Highest and Best Use must meet four criteria as a vacant site or as an improved site. The criteria are that the Highest and Best Use must be (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive. These uses all follow in sequence. The Highest and Best Use could not be met even if it is physically possible to construct a larger improvement if this is not financially feasible or if zoning would not permit this expansion. There are two distinct types of Highest and Best Use. The first type is the Highest and Best Use of the land as if vacant. The second type is the Highest and Best Use of a parcel as improved. This pertains to the use that should be made of the property as it exists. The following is my analysis of the Highest and Best Use as it pertains to the subject property and according to the four essential tests.
Subject Property, as if Vacant

Physical Possibility - After considering all of the previously outlined physical characteristics of the site, physically possible land uses would appear to support development benefiting from a moderately sized site, functional configuration, low traffic flow and no corner influence; i.e., multifamily development.

Legally Permissible - The site is located within the City of Houston and thus not zoned. As such, the subject’s proposed plans to build a multifamily community is legally permissible.

Financially Feasible - In order for any proposed use to meet the definition of Highest and Best Use, it must make financial sense. In other words, a proposed use must produce an income, or return, equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization. All uses that produce a positive return are financially feasible.

It is important to realize that, for an owner-user, the normal rules of financial feasibility do not apply. The specialized requirements of any specific business could predicate the construction and full utilization of a facility that would be unlikely (or even impossible) to rent in the open market at a rate that would support development. In such a case, a property could be constructed for its value in use to a specific owner. Naturally, the feasibility of the project would be inextricably tied to the fortunes of the occupying business. The financial feasibility of the subject site will focus only on speculative and non-subsidized uses which are physically and legally possible.

In view of the present market conditions, financial feasibility is directly proportional to the amount of net income that could be derived from the subject. The subject site is physically well suited to a multifamily land use, as evidenced by the site characteristics, surrounding development and proposed changes happening in the neighborhood. However, development of a market rate community is not currently considered financial feasibility, as outlined below:

Multifamily Development - As outlined earlier, there is no Class “A” market rate competition in immediate or close proximity to the subject site. The few Class “A” market rate properties that have been built are further west near the CBD. Based on current construction costs and neighborhood land values, cost justified rents within the immediate subject neighborhood would need to be in the $1.50 - $1.75 psf range with occupancies of 90% to 95%, depending on the overall quality being proposed. Rents and occupancies of this magnitude are not currently being attained in the immediate area, suggesting feasibility is not possible. In addition, the lack of any new or proposed market rate construction nearby the subject site would tend to confirm this assertion.

Maximum Productivity - After considering the current economic climate and the subject's location and financial feasibility of certain land uses, the subject site (if vacant), would not support a conventional apartment community. Thus, the maximally productive conventional use would be to keep the site vacant pending improvement in the submarket.
The Sales Comparison Approach draws heavily upon the principle of substitution. In essence, this principle states that a prudent purchaser will pay no more for a particular property than it would cost him to acquire an equally desirable alternate property. This approach involves comparison of the subject property with other properties which have either recently sold and/or properties currently being offered for sale. This comparison process involves making adjustments between the subject property and the comparable properties on an item-by-item basis. The factors considered in the comparison include financial terms, conditions of sale, date of sale, physical characteristics, size and location. The subject property is the standard, and the adjustments are made to the sales price of the comparable property in order to arrive at an indication of value for the subject.

The weaknesses of this approach include the fact that there may be insufficient data in the marketplace to justify its use; that it is based upon historical data rather than future expectations; and that the conditions of comparability may not closely conform to the subject property. Its strength lies in the fact that it reflects actual market behavior of typical purchasers under current market conditions. In short, the reliability of this approach depends upon the similarity of the comparable properties.

To arrive at an indicated value of the subject’s land via the Sales Comparison Approach, the Deed Records of Harris County was researched for sales of land in the immediate area of the subject. In addition, active real estate agents and appraisers in the area were contacted for information they might have that would aid in the investigation. All of the data gathered was checked for accuracy, analyzed, and then compared and adjusted to the subject. Adjustments have been made for the characteristics of the sales that were dissimilar to the subject, and upon applying the various adjustments, an indication of value was developed.

Ideally, sales which are recent, in close proximity to the subject, similar in their highest and best use, and have comparable physical characteristics are sought as a basis for comparison. In the absence of comparable market data it is often necessary to expand the scope of the sales search to include properties which vary from the aforementioned characteristics. Given the relative amount of sales activity, it was necessary to utilize sales which varied slightly from the subject in terms of time, location, and physical characteristics. Adjustments were made for dissimilar characteristics evident in the sales in comparison to the subject, and upon applying the various adjustments, an indication of the land value was developed. In all instances, the experience of the appraiser, coupled with his objective judgment, plays a major role in arriving at a final value.

A list of the sales which were considered comparable to the subject’s land can be found on the following pages, along with the Land Sales Location Map and the Land Sales Analysis and Conclusion.
### VACANT LAND COMPARABLE # 1

<table>
<thead>
<tr>
<th>MAP:</th>
<th>493-M</th>
<th>TAX ID#:</th>
<th>Portion of 027-097-000-0005</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE:</td>
<td>Texas</td>
<td>COUNTY:</td>
<td>Harris</td>
</tr>
<tr>
<td>CITY:</td>
<td>Houston</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SELLER:</td>
<td>12 3 Buffalo Bayou, LP</td>
<td>PURCHASER:</td>
<td>Covenant Neighborhood, Inc.</td>
</tr>
<tr>
<td>DATE OF CONTRACT:</td>
<td>February 1, 2020</td>
<td>LOCATION:</td>
<td>Along the east line of McKee Street (±317 FF) and west line of Elysonian Street (±436 FF), just north of Buffalo Bayou</td>
</tr>
<tr>
<td>LEGAL:</td>
<td>2.096 acre tract of land situated in the John Austin Survey, Abstract No. 1, City of Houston, Harris County, Texas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRICE:</td>
<td>$6,403,320 or $70.14 Per Sq. Foot</td>
<td>TERMS:</td>
<td>Cash to seller</td>
</tr>
<tr>
<td>CASH EQUIVALENT PRICE:</td>
<td>$6,403,320 or $70.14 Per Sq. Foot</td>
<td>DOCUMENTATION:</td>
<td>N/A $53,361 Per Unit</td>
</tr>
</tbody>
</table>

### PHYSICAL INFORMATION

| LAND SIZE: | 2.096 Acres or 91,288 SF |
| UTILITIES: | All Available |
| FLOOD CONTROL: | Zone X (±50%), Shaded Zone X (±40%) & Zone AE (±10%) |
| PROPOSED USE: | 120-unit HTC community (McKee City Living) |
| CONST. SINCE PURCHASE: | No |
| ZONING/DEED RESTRICTIONS: | None / None Known |
| EASEMENTS: | No adverse easements were noted that would be detrimental to the proposed development. However, there is a railroad along the northern property line. |
| EXISTING ROW: | Yes |
| SITE DESCRIPTION: | Irregular and functional |
| VERIFIED WITH: | TDHCA (File #19296) |
| 3-YEAR HISTORY / RIGHTS CONVEYED: | No previous sales noted / The rights conveyed were fee simple |
| COMMENTS: | This is a current contract. Located just north of the CBD and Buffalo Bayou, this tract is slated to be developed with a 120-unit HTC community (McKee City Living), catering to the general population. |
**VACANT LAND COMPARABLE # 2**

<table>
<thead>
<tr>
<th>KEY MAP:</th>
<th>494-N</th>
<th>TAX ID#:</th>
<th>140-407-001-0001</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE:</td>
<td>Texas</td>
<td>COUNTY:</td>
<td>Harris</td>
</tr>
<tr>
<td>CITY:</td>
<td>Houston</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SELLER: Glaven Investments, LLC  
PURCHASER: Campanile on Commerce, LP  
DATE OF SALE: October 31, 2018

LOCATION: At the east corner of Commerce Street (±493 FF) and Delano Street (±241 FF)  
LEGAL: 3.074 acres located in S.M. Williams Survey, Abstract No. 87, Harris County, Texas

PRICE: $5,623,945 or $42.00 Per Sq. Foot  
TERMS: Cash to seller  
CASH EQUIVALENT PRICE: $5,623,945 or $42.00 Per Sq. Foot  
DOCUMENTATION: RP-2018-496951 $46,866 Per Unit

**PHYSICAL INFORMATION**

<table>
<thead>
<tr>
<th>LAND SIZE:</th>
<th>3.07 Acres or 133,915 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTILITIES:</td>
<td>All Available</td>
</tr>
<tr>
<td>FLOOD CONTROL:</td>
<td>Zone X</td>
</tr>
<tr>
<td>PROPOSED USE:</td>
<td>120 unit Sr. HTC community (Campanile on Commerce)</td>
</tr>
<tr>
<td>CONST. SINCE PURCHASE:</td>
<td>Yes</td>
</tr>
<tr>
<td>ZONING/DEED RESTRICTIONS:</td>
<td>None / None known</td>
</tr>
<tr>
<td>EASEMENTS:</td>
<td>Typical utility easements</td>
</tr>
<tr>
<td>EXISTING ROW:</td>
<td>Yes</td>
</tr>
<tr>
<td>SITE DESCRIPTION:</td>
<td>Rectangular and functional</td>
</tr>
<tr>
<td>VERIFIED WITH:</td>
<td>TDHCA (File #18306)</td>
</tr>
<tr>
<td>3-YEAR HISTORY / RIGHTS CONVEYED:</td>
<td>No previous sales noted / The rights conveyed were fee simple</td>
</tr>
<tr>
<td>COMMENTS:</td>
<td>Located in the EADO district east of the CBD, this site is currently being improved with a 120 unit HTC community, catering to the elderly population, known as Campanile on Commerce. There will be a combination of 1- and 2-bedroom units at the 30%, 50%, and 60% limits. In addition, there will be 15 market rate units.</td>
</tr>
</tbody>
</table>
LAND SALE #2
VACANT LAND COMPARABLE # 3

<table>
<thead>
<tr>
<th>KEY MAP: 494-J</th>
<th>TAX ID#: 130-223-005-0001 + 19 others</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE: Texas</td>
<td>COUNTY: Harris</td>
</tr>
</tbody>
</table>

SELLER: Unique Development Group, LLC
PURCHASER: Milleni, LLC
DATE OF SALE: February 10, 2017

LOCATION: Block bound by Gillespie Street (±250 FF) and Grove Street (±190 FF) with additional frontage on Cline Street (±250 FF) and Bayou Street (±190 FF)
LEGAL: Lot 1 thru 26, Block 1, Gillespie Street Section 2 replat No. 3, Harris County, Texas
PRICE: $1,550,000 or $32.63 Per Sq. Foot
TERMS: Cash to Seller
CASH EQUIVALENT PRICE: $1,550,000 or $32.63 Per Sq. Foot $77,500 Per Unit
DOCUMENTATION: RP-2017-62210

PHYSICAL INFORMATION

LAND SIZE: 1.0905 Acres or 47,500 SF
UTILITIES: All Available
FLOOD CONTROL: Zone X
PROPOSED USE: Townhomes (20-lots)
CONST. SINCE PURCHASE: No
ZONING/DEED REST: None
EASEMENTS: Typical utility easements
EXISTING ROW: Paved
SITE DESCRIPTION: Rectangular
3-YEAR HISTORY / RIGHTS CONVEYED: No previous sales noted / The rights conveyed were fee simple
VERIFIED WITH: Reliable 3rd party (Buyer)
COMMENTS: This is the sale of an entire city block of vacant land and is proposed to be improved with a 20-lot townhome community.
# VACANT LAND COMPARABLE # 4

<table>
<thead>
<tr>
<th>KEY MAP:</th>
<th>494-N</th>
<th>TAX ID#:</th>
<th>137-413-001-0001</th>
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<tbody>
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<td>STATE:</td>
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<td>COUNTY:</td>
<td>Harris</td>
</tr>
<tr>
<td>CITY:</td>
<td>Houston</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SELLER:** Harrisburg Partners, LP  
**PURCHASER:** New Hope Housing, Inc.  
**DATE OF SALE:** July 24, 2015

**LOCATION:** Block bound by Preston (250 FF), Sampson (249 FF), Harrisburg (242 FF), and Roberts (249 FF)

**LEGAL:** Reserve “A”, Block 1, New Hope Housing Harrisburg, Harris County, Texas

**PRICE:** $2,275,031 or $35.92 Per Sq. Foot

**TERMS:** Cash to Seller

**CASH EQUIVALENT PRICE:** $2,275,031 or $35.92 Per Sq. Foot  
$13,000 Per Unit

**DOCUMENTATION:** 2015-032-9249

## PHYSICAL INFORMATION

**LAND SIZE:** 1.4539 Acres or 63,332 SF

**UTILITIES:** All Available

**FLOOD CONTROL:** Zone X

**PROPOSED USE:** New Hope at Harrisburg (175 SRO units)

**CONST. SINCE PURCHASE:** Yes

**ZONING/DEED REST:** None

**EASEMENTS:** Typical utility easements

**EXISTING ROW:** Paved

**SITE DESCRIPTION:** Square and functional

**3-YEAR HISTORY / RIGHTS CONVEYED:** No previous sales noted / The rights conveyed were fee simple

**VERIFIED WITH:** Reliable 3rd party; TDHCA (File #16405)

**COMMENTS:** This site was recently developed with a 175-unit SRO community called New Hope at Harrisburg. This is a 4-story wrap building that includes residential, retail, and office space.
LAND SALE #4
### VACANT LAND COMPARABLE # 5

<table>
<thead>
<tr>
<th>KEY MAP:</th>
<th>493-H</th>
<th>TAX ID#:</th>
<th>137-149-001-0001</th>
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<tr>
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<td>COUNTY:</td>
<td>Harris</td>
</tr>
<tr>
<td>CITY:</td>
<td>Houston</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SELLER:** CR V Hardy Yards, LP  
**PURCHASER:** AHG-C Hardy Residential, LP  
**DATE OF SALE:** March 2, 2015  
**LOCATION:** Located at the southwest corner of Hardy (238 FF) and Leona Street (640 FF)  
**LEGAL:** Reserve A, Block 1, Residence at Hardy Yards, Houston, Harris County, Texas  
**PRICE:** $10,000,000 or $46.21 Per Sq. Foot  
**TERMS:** Cash to Seller  
**CASH EQUIVALENT PRICE:** $10,000,000 or $46.21 Per Sq. Foot  
$28,571 Per Unit  
**DOCUMENTATION:** 2015-008-825  

### PHYSICAL INFORMATION

**LAND SIZE:** 4.9680 Acres or 216,406 SF  
**UTILITIES:** All Available  
**FLOOD CONTROL:** Zone X  
**PROPOSED USE:** Hardy Yards Apartment Homes (350-units)  
**CONST. SINCE PURCHASE:** Yes  
**ZONING/DEED REST:** None  
**EASEMENTS:** Typical utility easements  
**EXISTING ROW:** Paved  
**SITE DESCRIPTION:** Rectangular  
**3-YEAR HISTORY / RIGHTS CONVEYED:** No previous sales noted / The rights conveyed were fee simple  
**VERIFIED WITH:** Reliable 3rd party (Developer)  

**COMMENTS:**  
This site has since been developed with a 350-unit, mixed-income community called the Hardy Yards Apartment Homes. This community was made possible by a $14.5 million investment from the city of Houston through federal disaster relief funds after Hurricane Ike in 2008. About half of the luxury apartment complex (171 units) offers market-rate rents as high as $2.00 per square foot. The remaining 179 units are workforce housing, targeting renters with household incomes ranging between $35,000 and $45,000. This site is located within the 242-acre TIRZ known as Hardy Yards. The Hardy Yards development will be a residential district with a pedestrian plaza and open/green space that incorporates public transportation; 3,000 residential units; 120,000 square feet of retail; and 500,000 square feet office space. The site’s development will be the first development within Hardy Yards. In addition, the site was formerly a Union Pacific Rail Yard. As such, the site is bordered by railroad tracks to the south.
# VACANT LAND COMPARABLE # 6

<table>
<thead>
<tr>
<th>KEY MAP:</th>
<th>493-U</th>
<th>TAX ID#:</th>
<th>133-902-001-0001</th>
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<tbody>
<tr>
<td>STATE:</td>
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<td>COUNTY:</td>
<td>Harris</td>
</tr>
<tr>
<td>CITY:</td>
<td>Houston</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SELLER:** John S. Beeson, Trustee  
**PURCHASER:** The Hamilton Apartments, LP  
**DATE OF SALE:** August 25, 2014

**LOCATION:** Block bound by St. Joseph Parkway (280 FF) and Chenevert Street (280 FF), with additional frontage along Pierce Street and Hamilton Street

**LEGAL:** Reserve A, Block 1, Hamilton Reserve, Houston, Harris County, Texas

**PRICE:** $2,252,076 or $46.26 Per Sq. Foot  
**TERMS:** Cash to Seller

**CASH EQUIVALENT PRICE:** $2,252,076 or $46.26 Per Sq. Foot  
$15,217 Per Unit

**DOCUMENTATION:** CCF#: 2014-042-3615

## PHYSICAL INFORMATION

**LAND SIZE:** 1.1176 Acres or 48,683 SF

**UTILITIES:** All available

**FLOOD CONTROL:** Zone X

**PROPOSED USE:** The Hamilton Apartments (148 units)

**CONST. SINCE PURCHASE:** Yes

**ZONING/DEED REST:** None

**EASEMENTS:** Typical utility easements

**EXISTING ROW:** Paved

**SITE DESCRIPTION:** Square

**3-YEAR HISTORY / RIGHTS CONVEYED:** No previous sales noted / The rights conveyed were fee simple

**VERIFIED WITH:** Reliable 3rd party (Developer)

**COMMENTS:** The tract is bound by the I-45 and SH-59 overpass. The 148 unit Hamilton Apartments sit on top of a 2-level garage podium and the project developer applied for $3 million in funding from an affordable rental housing program.
<table>
<thead>
<tr>
<th><strong>VACANT LAND COMPARABLE # 7</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KEY MAP:</strong> 493-R</td>
<td><strong>TAX ID#:</strong> 136-153-001-0001 + 37 others</td>
</tr>
<tr>
<td><strong>STATE:</strong> Texas</td>
<td><strong>COUNTY:</strong> Harris</td>
</tr>
</tbody>
</table>

SELLER: International Mailing Systems, Inc.  
PURCHASER: Intown Homes, Ltd.  
DATE OF SALE: June 4, 2014

LOCATION: 815 Live Oak; Block bounded by Live Oak, Nagle, Rusk and the Columbia Tap Rail Trail

LEGAL: Lots 1 thru 38, Block 1, Live Oak Terrace

PRICE: $2,250,000 or $36.38 Per Sq. Foot

TERMS: Cash to Seller

CASH EQUIVALENT PRICE: $2,556,250 or $41.33 Per Sq. Foot  
$67,270 Per Unit

DOCUMENTATION: CCF#: 2014-024-0936

**PHYSICAL INFORMATION**

| **LAND SIZE:** 1.4200 Acres or 61,855 SF |
| **UTILITIES:** All Available |
| **FLOOD CONTROL:** Zone X |
| **PROPOSED USE:** Multifamily (Live Oak Terrace - 38 TH units) |
| **CONST. SINCE PURCHASE:** Yes |
| **ZONING/DEED REST:** None |
| **EASEMENTS:** Typical utility easements |
| **EXISTING ROW:** Paved |
| **SITE DESCRIPTION:** Square |
| **3-YEAR HISTORY / RIGHTS CONVEYED:** No previous sales noted / The rights conveyed were fee simple |
| **VERIFIED WITH:** Reliable 3rd party (Buyer - Frank Liu) |
| **COMMENTS:** Located east of the Houston CBD, this property is being improved with 38 TH units. This site is also located along the Rails to Trials corridor. There was a 61,250 square foot building on the site that had no contributory value. The cost to remove the building was estimated at $306,250 (61,250 sf x $5.00 psf). The broker, Mr. Beau Kaleel with Cushman Wakefield, indicated the demolition costs were higher than typical due to substantial foundation costs. |
VACANT LAND COMPARABLE # 8

<table>
<thead>
<tr>
<th>KEY MAP: 494-K</th>
<th>TAX ID#: 042-153-000-0012; 14; and 042-151-000-0020</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE: Texas</td>
<td>COUNTY: Harris</td>
</tr>
</tbody>
</table>

SELLER: TDI Group
LISTED WITH: Hernandez Properties
DATE OF LISTING: December 30, 2019

LOCATION: NE/C of Clinton Drive / Melva Street and Bringhurst Street, 850' west of Hirsch Drive
LEGAL: Tracts 12, 13, 13A and 17, D. Gregg, A-283
PRICE: $18,000,000 or $74.35 Per Sq. Foot
TERMS: Cash to seller
CASH EQUIVALENT PRICE: $18,450,000 or $76.20 Per Sq. Foot
DOCUMENTATION: ---

PHYSICAL INFORMATION

LAND SIZE: 5.56 Acres or 242,114 SF
UTILITIES: All Available
FLOOD CONTROL: Zone X
PROPOSED USE: Unknown; Multifamily or Commercial / Retail most likely
ZONING/DEED RESTRICTIONS: None / None known
EASEMENTS: Typical utility easements, although a powerline easement is located along the Bringhurst Street frontage
EXISTING ROW: Yes
SITE DESCRIPTION: Rectangular and functional
VERIFIED WITH: Listing Broker - Russell Hernandez (713) 906-6012
3-YEAR HISTORY / RIGHTS CONVEYED: No previous sales noted / The rights conveyed were fee simple
COMMENTS: This site is located across from the East River mixed-use development and borders a 40 acre site owned by Intown Homes and slated to be improved with townhomes. The site is improved with 150,000 sq. ft. of metal-clad warehouses. Demolition costs were estimated at $3 psf or $450,000, which was added to the base asking price.
LAND SALE #8 (LISTING)
To arrive at an estimate of land value, the preceding sales have been compared to the subject tract and adjustments have been made to the respective per unit sales price of the comparable properties. The common unit of comparison in the marketplace was the price per square foot. The following chart summarizes the sales which were seen to be applicable to our land value estimate.

<table>
<thead>
<tr>
<th>Sale</th>
<th>Date of Sale</th>
<th>Size (Acre)</th>
<th>Effective Ce S/PSF</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>February 1, 2020</td>
<td>2.10</td>
<td>$70.14</td>
<td>This is a current contract. Located just north of the CBD and Buffalo Bayou, this tract is slated to be developed with a 120-unit HTC community (McKee City Living), catering to the general population.</td>
</tr>
<tr>
<td>2</td>
<td>October 31, 2018</td>
<td>3.07</td>
<td>$42.00</td>
<td>Located in the EADO district east of the CBD, this site is currently being improved with a 120 unit HTC community, catering to the elderly population, known as Campanile on Commerce. There will be a combination of 1- and 2-bedroom units at the 30%, 50%, and 60% limits. In addition, there will be 15 market rate units.</td>
</tr>
<tr>
<td>3</td>
<td>February 10, 2017</td>
<td>1.09</td>
<td>$32.63</td>
<td>This is the sale of an entire city block of vacant land and is proposed to be improved with a 20-lot townhome community.</td>
</tr>
<tr>
<td>4</td>
<td>July 24, 2015</td>
<td>1.45</td>
<td>$35.92</td>
<td>This site was recently developed with a 175-unit SRO community called New Hope at Harrisburg. This is a 4-story wrap building that includes residential, retail, and office space.</td>
</tr>
<tr>
<td>5</td>
<td>March 2, 2015</td>
<td>4.97</td>
<td>$46.21</td>
<td>This site has since been developed with a 350-unit, mixed-income community called the Hardy Yards Apartment Homes. This community was made possible by a $14.5 million investment from the city of Houston through federal disaster relief funds after Hurricane Ike in 2008. About half of the luxury apartment complex (171 units) offers market-rate rents as high as $2.00 per square foot. The remaining 179 units are workforce housing, targeting renters with household incomes ranging between $35,000 and $45,000. This site is located within the 242-acre TIRZ known as Hardy Yards. The Hardy Yards development will be a residential district with a pedestrian plaza and open/green space that incorporates public transportation; 3,000 residential units; 120,000 square feet of retail; and 500,000 square feet office space. The site’s development will be the first development within Hardy Yards. In addition, the site was formerly a Union Pacific Rail Yard. As such, the site is bordered by railroad tracks to the south.</td>
</tr>
<tr>
<td>6</td>
<td>August 25, 2014</td>
<td>1.12</td>
<td>$46.26</td>
<td>The tract is bound by the I-45 and SH-59 overpass. The 148 unit Hamilton Apartments sit on top of a 2-level garage podium and the project developer applied for $3 million in funding from an affordable rental housing program.</td>
</tr>
</tbody>
</table>

3.16 Acres (Lockwood South)
Part VII - Sales Comparison Approach/Continued

<table>
<thead>
<tr>
<th>Sale</th>
<th>Date of Sale</th>
<th>Size (Acre)</th>
<th>Effective Ce $/PSF</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>June 4, 2014</td>
<td>1.42</td>
<td>$41.33</td>
<td>Located east of the Houston CBD, this property is being improved with 38 TH units. This site is also located along the Rails to Trials corridor. There was a 61,250 square foot building on the site that had no contributory value. The cost to remove the building was estimated at $306,250 (61,250 sf x $5.00 psf). The broker, Mr. Beau Kaleel with Cushman Wakefield, indicated the demolition costs were higher than typical due to substantial foundation costs.</td>
</tr>
<tr>
<td>8</td>
<td>December 30, 2019</td>
<td>5.56</td>
<td>$76.20</td>
<td>This site is located across from the East River mixed-use development and borders a 40 acre site owned by Intown Homes and slated to be improved with townhomes. The site is improved with 150,000 sq. ft. of metal-clad warehouses. Demolition costs were estimated at $3 psf or $450,000, which was added to the base asking price.</td>
</tr>
</tbody>
</table>

The previously listed data sample was utilized to derive a land value estimate for the subject tract as vacant. These sales were of land located within, or in close proximity to, the defined subject neighborhood. Primary emphasis was placed on land purchased for, or suitable to, multifamily housing. The time period searched was from January 2014 to the present. Refer to the grid chart following this analysis for a summation of all adjustments which were applied.

**PROPERTY RIGHTS**

All of the sales represented Fee Simple transactions. As such, no adjustments for property rights were needed.

**MARKETING TIME**

Since almost all of the land sales were not listed as part of the MLS system, accurate and complete data was not available on most of the sales. However, Sale 1 was placed under contract on January 18, 2018 and is currently under contract, 13 months later. Sale 2 was placed under contract on January 31, 2018 and sold October 31, 2018, 9 months later. Sale 4 was placed under contract in late 2014 and sold July 24, 2015, roughly 9 months later. Sale 5 was placed under contract in late 2014 and sold March 2, 2015, roughly 6 months later. Information was not available on Sales 3, 6 and 7 and Sale 8 is a listing which has been on the market since December 22, 2016 or over 3 years ago.

**FINANCING**

This adjustment seeks to ascertain the cash equivalent sale price relative to the definition of market value as set forth previously. Favorable financing is an important consideration because it recognizes the impact, if any, on unit price paid. All sales were cash to seller or equivalent; thus, no adjustments were deemed necessary for financing.
MARKET CONDITIONS (DATE OF SALE)

This is an important consideration since property values tend to fluctuate over time. This fluctuation is dictated by market activity. In times of economic expansion property values will show an increase in value over time, whereas, in times of economic contraction, property values will stabilize or decline. If an extended period of economic contraction exists, the marketplace will exert a downward pressure on once stable property values. This downward pressure will exist until there is a general increase in optimism about the future among buyers. Ideally, an adjustment for time is extracted by comparison of the sale and subsequent resale of the same tract of land, with the only difference being the time frame involved. The sales utilized in this analysis represent a current contract; 6 sales; and 1 listing. The listing was adjusted -10% for likely negotiation to the asking price. The sales were adjusted 3% per year to account for general improvement in the overall market.

CONDITIONS OF SALE

All of the sales appeared to have been arms length transactions involving end-users. Thus, no adjustments were deemed necessary.

SIZE

Typically, property values and property size vary inversely. Thus, larger tracts tend to sell for lower per unit values than do smaller tracts. This is mainly due to the fact that smaller parcels usually have more potential buyers who bid up the price. Size, in this instance, is not absolute and there generally exists a range within which tracts are comparable. In addition, a tract which is too small for feasible development may suffer a loss in value. Size adjustments were applied at 10% for every doubling in size. Thus, a 5 acre tract would be adjusted 10%, relative to a 10 acre parcel.

PHYSICAL CHARACTERISTICS

These attributes include site configuration, topography, ingress/egress, utilities, and flood plain criteria. Several of the comparables varied from the subject and were adjusted as follows:

Utilities - The subject property and comparables all had access to municipal utilities and were thus not adjusted.

Easements - The subject property and comparables all had typical easements and were thus not adjusted.

Ingress / Egress (FAR) - The subject’s ingress/egress is considered inferior to the comparables which had better and easier accessibility. Overall superior, the sales were adjusted -10%.

Site Shape - The subject site is slated to be rectangular and functional. The sales varied in terms of site shape but were all capable of being developed with multifamily housing. Thus, no adjustments were applied.
**Flood Zoning**

As outlined earlier, the subject property is located in Zone X. Property is generally situated into 4 major flood categories:

- **Zone X** (Minimal flood hazard: Located above the 500-year flood plain)
- **Shaded Zone X** (Moderate flood hazard: Located between the 100- and 500-year flood plain)
- **Zone AE** (High Risk: Located within the 100-year flood plain. Base flood elevations are known and mandatory flood insurance is required).
- **Floodway** (Extremely High Risk: This is an area than cannot be developed as it is designated as a channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

Based on these flood designations, *Sales 2 thru 8* were 100% in Zone X and thus not adjusted. However, Sale 1 was 50% in Zone X; 40% in Shaded Zone X; and 10% in Zone AE. As such, an upward 6.5% adjustment was applied.

**LOCATION**

An adjustment for location may be required if the characteristics of a comparable property are significantly different from the subject. Locational adjustments are analyzed in terms of relative time distance relationships between all likely destinations and origins. This adjustment is the most subjective of all adjustment categories as linkages between the property and important places outside the property must be assessed. To adjust for differences in location, each comparable was analyzed and adjusted in comparison with the subject property being appraised. Adjustments are primarily subjective and are outlined as follows:

**Sale 1** - This site is located along the east line of McKee Street and west line of Elysian Street, just north of the Buffalo Bayou and along the Buffalo Bayou Hike and Bike Trail. At this juncture, Elysian Street is elevated and thus doesn’t provide access. The site is accessible from McKee Street which interconnects with Jackson and other streets to provide direct access into the CBD, an approximate 5-minute commute. This site borders a railroad to the north and the elevated portion of Elysian Street is a negative influence. However, all factors considered the site is slightly superior given the proximity to the CBD and location along Buffalo Bayou and the Hike and Bike Trail. Thus, a downward 10% adjustment was applied.

**Sale 2** - This site is located at the east corner of Commerce and Delano Street (two secondary streets), in the EADO district east of the CBD. This site is currently being improved with a 120 unit HTC community, catering to the elderly population, known as Campanile on Commerce. The surrounding land uses are primarily light industrial, while older single family homes of low quality are nearby. However, this area is in transition and new single family and townhouse development was noted nearby. Overall superior given the surrounding land uses and proximity to the CBD (a 5-minute commute), a downward 10% adjustment was applied.
Part VII - Sales Comparison Approach/Continued

Sale 3 - This is a city block bound by Gillespie Street, Grove Street, Cline Street, and Bayou Street. This site has since been improved with a 20-lot townhouse development. This is a transitional area with the immediate land uses comprised of similar townhouse developments, multifamily (Kennedy Place), and run-down single family. I-10 is 2 blocks north and Clinton Drive is 3 blocks south. The proposed East River mixed-use development is along Clinton Drive and thus the long term potential of this area is very good. The CBD is within a 5- to 10-minute commute via Clinton to Jensen to Franklin Street. Overall superior given the surrounding land uses and proximity to East River and the CBD, a downward 15% adjustment was applied.

Sale 4 - This is a city block bound by Preston, Sampson, Harrisburg, and Roberts along the light rail line. The site was recently developed with a 175-unit SRO community called New Hope at Harrisburg. This is a 4-story wrap building that includes residential, retail, and office space. Located in the Second Ward, roughly 1 mile east of the CBD, this is a transitional area with adjacent land uses comprised of light industrial, run-down single family and renovated residential. Overall superior given the proximity the CBD, a downward 10% adjustment was applied.

Sale 5 - This site is located at the southwest corner of Hardy and Leona Street, just north of the CBD and within the 242-acre TIRZ known as Hardy Yards. The Hardy Yards development will be a residential district with a pedestrian plaza and open/green space that incorporates public transportation; 3,000 residential units; 120,000 square feet of retail; and 500,000 square feet office space. The site’s development will be the first development within Hardy Yards. In addition, the site was formerly a Union Pacific Rail Yard and this property is bordered by railroad tracks to the south.

This site has since been developed with a 350-unit, mixed-income community called the Hardy Yards Apartment Homes. This community was made possible by a $14.5 million investment from the city of Houston through federal disaster relief funds after Hurricane Ike in 2008. About half of the luxury apartment complex (171 units) offers market-rate rents as high as $2.00 per square foot. The remaining 179 units are workforce housing, targeting renters with household incomes ranging between $35,000 and $45,000. Overall superior given the proximity the CBD, a downward 10% adjustment was applied.

Sale 6 - Located within the CBD along the southern edge, this city block is bound by St. Joseph Parkway, Chenevert Street, Pierce Street, and Hamilton Street. The tract borders the I-45 and SH-59 overpass and is thus highly visible. The site has since been developed with the 148 unit Hamilton Apartments which are situated on top of a 2-level garage podium. Overall superior given the location within the CBD, a downward 15% adjustment was applied.

Sale 7 - This site is a city block bound by Live Oak, Nagle, Rusk and the Columbia Tap Rail Trail. Located east of the Houston CBD, this property is being improved with 38 townhouse units. This site is also located along the Rails to Trials corridor and within a 5-minute commute to the CBD. This is a transitional area known as EADO and surrounding land uses are newly built townhomes with some dated warehouse development.
Part VII - Sales Comparison Approach/Continued

Sale 8 - This site is located along Clinton Drive / Melva Street and Bringham Street, 850' west of Hirsch Drive across from the East River mixed-use development. This site borders 40 acres owned by Intown Homes and slated to be improved with townhomes. This is a transitional area with the immediate land uses comprised of similar townhouse developments, multifamily (Kennedy Place), and run-down single family. I-10 is 6 blocks north. The proposed East River mixed-use development is across from this site along Clinton Drive and thus the long term potential of this area is very good. The CBD is within a 5- to 10-minute commute via Clinton to Jensen to Franklin Street. Overall superior given the surrounding land uses, Clinton Drive frontage, and proximity to East River and the CBD, a downward 25% adjustment was applied.

Please refer to the grid charts on the following pages for a summation of all adjustments applied.
<table>
<thead>
<tr>
<th>SALE NO.</th>
<th>DATE</th>
<th>SIZE (AC/SF)</th>
<th>CASH EQUIV. PRICE PER SF</th>
<th>COND. OF SALE</th>
<th>TIME</th>
<th>ADJ. PRICE PSF</th>
<th>SIZE</th>
<th>LOC.</th>
<th>1). WTR &amp; SWR</th>
<th>2). INGRESS/EGRESS</th>
<th>3). FLOOD</th>
<th>TOTAL</th>
<th>VALUE PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>02/20</td>
<td>2.10</td>
<td>$70.14</td>
<td>0%</td>
<td>0.00%</td>
<td>$70.14</td>
<td>-5.0%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>-6.5%</td>
<td>-18.5%</td>
<td>$57.17</td>
</tr>
<tr>
<td>2</td>
<td>10/18</td>
<td>3.07</td>
<td>$42.00</td>
<td>0%</td>
<td>3.50%</td>
<td>$43.47</td>
<td>0.0%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-20.0%</td>
<td>$34.77</td>
</tr>
<tr>
<td>3</td>
<td>02/17</td>
<td>1.09</td>
<td>$32.63</td>
<td>0%</td>
<td>8.65%</td>
<td>$35.45</td>
<td>-14.5%</td>
<td>-15%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-39.5%</td>
<td>$21.45</td>
</tr>
<tr>
<td>4</td>
<td>07/15</td>
<td>1.45</td>
<td>$35.92</td>
<td>0%</td>
<td>13.30%</td>
<td>$40.70</td>
<td>-10.9%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-30.9%</td>
<td>$28.12</td>
</tr>
<tr>
<td>5</td>
<td>03/15</td>
<td>4.97</td>
<td>$46.21</td>
<td>0%</td>
<td>14.50%</td>
<td>$52.91</td>
<td>5.7%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-14.3%</td>
<td>$45.34</td>
</tr>
<tr>
<td>6</td>
<td>08/14</td>
<td>1.12</td>
<td>$46.26</td>
<td>0%</td>
<td>16.00%</td>
<td>$53.66</td>
<td>-14.0%</td>
<td>-15%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-39.0%</td>
<td>$32.73</td>
</tr>
<tr>
<td>7</td>
<td>06/14</td>
<td>1.42</td>
<td>$41.33</td>
<td>0%</td>
<td>16.75%</td>
<td>$48.25</td>
<td>-11.0%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-31.0%</td>
<td>$33.29</td>
</tr>
<tr>
<td>8</td>
<td>12/19</td>
<td>5.56</td>
<td>$76.20</td>
<td>0%</td>
<td>-10.00%</td>
<td>$68.58</td>
<td>7.6%</td>
<td>-25%</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-27.4%</td>
<td>$49.79</td>
</tr>
</tbody>
</table>

**Mean:** $37.83  
**Median:** $34.03
RECONCILIATION

In conclusion, the sales required varying degrees of adjustment. With primary emphasis placed on the mean and median of the adjusted sales, it is our opinion that the final estimated Market Value of the Fee Simple Interest in the subject property, assumed vacant, unaffected by environmental issues, and assuming a reasonable exposure time of 12 months, as of February 1, 2020, was as follows:

```
| Tract #1 | 3.16 Net Acres or 137,650 sq. ft. x $36.00 PSF = 4,955,386 |
|-----------------|-----------------|-----------------|
| MARKET VALUE “AS IS” (ROUNDED) | $4,960,000 |
```

PRICE PER UNIT ANALYSIS

Based on the above land value, the following per unit value was derived:

```
| Tract #1 | $4,960,000 Value Divided By 80 Proposed Units = $62,000 Per Unit |
```

As outlined, the derived per unit values are well supported by the sales data which ranged from $13,000 to $77,500 per unit, with an average and median of $43,112 and $46,866, respectively. If the three outliers are removed (Sale 3 at $77,500/unit; Sale 4 at $13,000/unit; and Sale 6 at $15,217/unit) the mean increases to $49,017/unit. The subject’s PPU is near the upper end of the range since the planned development density is only 25 units per acre, versus 18.3 to 132.4 units per acre with an average of 66.4 units per acre for the comparables.
Based on the previous analysis, the estimated Market Value of the subject’s Fee Simple Estate, in “as is” condition, and in accordance with accepted appraisal procedures and conforms with the code of professional ethics and standards of professional conduct of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP); the Texas Department of Housing and Community Affairs (TDHCA) 2019 Real Estate Analysis Rules and Guidelines (Section §11.304 of the 2019 Appraisal Rules and Guidelines and the 2020 Qualified Action Plan (QAP); and subject to the Assumptions and Limiting Conditions contained herein, was:

<table>
<thead>
<tr>
<th>Method</th>
<th>Market Value in “As Is” Condition as of February 1, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Approach</td>
<td>Not Applicable (a)</td>
</tr>
<tr>
<td>Sales Comparison Approach</td>
<td>$4,960,000</td>
</tr>
<tr>
<td>Income Approach</td>
<td>Not Applicable (a)</td>
</tr>
</tbody>
</table>

(a) - The Cost and Income Approaches to value were not utilized since the property is vacant land.

The previously outlined value conclusion is subject to the following Assumptions and Limiting Conditions.
PART IX
ASSUMPTIONS & LIMITING CONDITIONS

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

15. Any proposed improvements are assumed to be completed in good workmanlike manner in accordance with the submitted plans and specifications.

16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.
PART X
CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

- To the best of my knowledge and belief, the statements of fact contained in this appraisal report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I previously provided a Restricted Appraisal Report and Appraisal for Brinshore Development, LLC.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. In addition, the Appraisal Assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan. **I am a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the appraisal and that the fee is in no way contingent upon the outcome of the appraisal.**
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the Uniform Standards of Professional Appraisal Practice (USPAP); and the appraisal guidelines established by the Texas Department of Housing and Community Affairs (TDHCA) Real Estate Analysis Rules and Guidelines. **I have read and understand the requirements of Section §11.304 of the 2019 Appraisal Rules and Guidelines and the 2020 Qualified Action Plan (QAP).**
- David L. Pallante, MAI personally inspected the subject property and all pertinent data is contained in the report. In addition, N/A provided significant assistance in collecting, verifying and analyzing data.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
As of the date of this report, I, David L. Pallante, have completed the continuing education program for Designated Members of the Appraisal Institute.

The values expressed in this report are not based in whole or part upon race, color, or national origin of the current/prospective owners or occupants.

David L. Pallante & Associates, L.L.C. is a corporation duly organized and validly existing under the laws of the state of Texas.

Based upon the information contained in this report and upon my judgement, knowledge, and experience as real estate appraisers, it is my opinion that the Market Value of the Fee Simple Estate, in “as is” condition, assuming a reasonable exposure time of 12 months or less, is as follows:

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<th>Valuation Premise</th>
<th>Premise Qualifier</th>
<th>Interest Appraised</th>
<th>Date of Value</th>
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<td>As Is</td>
<td>Fee Simple</td>
<td>February 1, 2020</td>
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David L. Pallante, MAI
Inspecting Appraiser
State Certified General Appraiser
TX-1320347-G
Expires 03/31/2021
Appraisal Institute #8964
PART XI - ADDENDA
QUALIFICATIONS OF
DAVID L. PALLANTE, MAI

Professional Memberships
Texas State Certified General Real Estate Appraiser (TX-1320347-G)
Designated Member, Appraisal Institute, (MAI #8964); Currently certified under the AI Continuing Education Program

Education
B.B.A. with concentration in Finance and Real Estate
Western Michigan University, Kalamazoo, Michigan

Business curriculum which included Real Estate Principles, Real Estate Finance, Real Estate Appraisal, Investments, and Feasibility Analysis, with various related finance courses.

Appraisal Institute Course Work:
Course 1A-1, Real Estate Valuation Principles
Course 1A-2, Real Estate Valuation Procedures
Course 1B-A, Capitalization Theory & Techniques, Part A
Course 1B-B, Capitalization Theory & Techniques, Part B
Course 2-1, Case Studies in Real Estate Valuation
Course 2-2, Valuation Analysis and Report Writing

Seminars / Continuing Education:
Real Estate and the Americans with Disabilities Act - March 1994
Real Estate Environmental Screening - March 1994
Appraisal Practices For Litigation - May 1995
Understanding Limited Appraisals - February 1996
11th and 15th Annual Legal Seminar on Ad Valorem Taxation - August 1997 and August 2001
Appraising and the Internet - December 1997
Keeping Current with Texas Real Estate (MCE) - June 1999
Uniform Standards of Professional Appraisal Practice (USPAP) - 2000/03/05/06/08/10/12/14/16/18
Appraisal Review: Commercial - February 2001
On-line Search Strategies for Real Estate Appraisers - March 2001
On-line Appraising from Blueprints and Specifications - August 2001
On-line Analyzing Operating Expenses - January 2002
Appraisal of Nursing Facilities - February 2002
Appraisal Review: General - March 2003 & January 2005
Appraisal Consulting - March 2003
Land Valuation Adjustment Procedures - Module I and II - March 2003
The Houston Housing Story - Mike Inselmann (American Metro) - April 21, 2004
The Quiet Revolution in Housing & How it Affects the Appraisal Process - August 25, 2004
Houston Apartment Market Update - Mr. Cliff McDaniel, ARA Southwest - August 25, 2004
MCE Ethics and MCE Legal - January 2005
Qualifications of David L. Pallante, MAI / Continued

**Seminars / Continuing Education (Continued):**
The Road Less Traveled: Special Purpose Properties - January 2005
Houston Market Trends - Mr. Clark Davis, the Gerald Hines Company - March 2005
The Current State of the Houston Market - Mr. Jim McAlister, the McAlister Company, - May 2005
Local Economic Overview - Mr. Dan Seal, Greater Houston Partnership - August 2005
Impact of Hurricane Katrina on Houston - Mr. Fred Baca, Colliers - November 2005
CCIM 2006 Annual Commercial Real Estate Forecast Competition - February 2006
Property Taxes and Texas State Spending - Mr. Dan Patrick - February 2006
Market Analysis and the Site to do Business - March 2006
Mid-Year 2006 Office and Industrial Update: Good as it Gets - August 2006
Retail Markets in the Houston Area - February 2007
U.S. Army Corps of Engineers R.E. Division - October 2006
On-line Analyzing Distressed Real Estate - December 2006
On-line Valuation of Detrimental Conditions in Real Estate - March 2007
Real Estate Development Conference - Denver, CO. - May 2007
Update on The Uptown District - May 2007
Current Outlook on Houston Area Homebuilding - October 2007
Real Estate & the Economic Outlook from 2008-2009 - September 2008
Attacking & Defending an Appraisal Litigation - October 2008
Analyzing Operating Expenses - October 2008
HTC Basics - Novogradac - May 2009
Common Errors and Issues; Staying out of trouble in your Appraisal Practice; Spotlight on Challenges; and A Lenders Perspective - November 2010
On-line Appraisal Curriculum Overview - Residential and General - December 2011
Internet Search Strategies - March 2013
Current Issues Regarding Appraisals of Senior Housing and Long-Term Care Properties - March 2014
Houston’s New Formula for Economic Growth - May 2014
2014 Real Estate Trends in Commercial Properties - August 2014
State of the Economy and the Houston Real Estate Market - November 2014
Houston’s Economy Past and Future - February 2015
Valuing Net Zero Energy Buildings - February 2015
Appraising FHA Today - March 2015
The Nuts and Bolts of Green Building for Appraisers - March 2015
Appraisal of Land Subject to Ground Leases - March 2015
Supervisor - Trainee Course for Texas - March 2015
2015 Real Estate Trends in Commercial and Residential Properties - September 2015
Houston Real Estate Market (Dr. James Gaines) - November 2015
Downtown Houston (Bob Eury of Central Houston) - October 2016
Appraisal Institute - 2017 and Beyond - December 2016
Houston Multifamily - Have We Seen the Bottom - February 2017
A Review of Disciplinary Cases - February 2017
Advanced Hotel Appraising - Full Service Hotels - February 2017
Real Estate and the Houston Grocery War - April 2017

3.16 Acres (Lockwood South)
Qualifications of David L. Pallante, MAI / Continued

**Seminars / Continuing Education (Continued):**
2017 - 2018 State of the Economy - March 2018
The Bayou Greenway Project - May 2018
2018 Real Estate Symposium - September 2018

**Professional Experience**
Appraisal experience includes both the appraisal and review of commercial properties, industrial, special purpose, vacant land and subdivisions (both commercial and residential). This work is performed for various types of clients which include lending institutions, governmental agencies, and various corporations, attorneys and individuals. Some of the more prominent / interesting appraisal assignments include the following:

**Land**
- 10,000 acres of timberland in East Texas
- The 400 acre Via Ranch - Katy, TX
- Norwood Park Mixed-use subdivision - Austin, TX
- Point Northwest Mixed-use subdivision - Houston, TX

**Miscellaneous**
- 2,000,000 gallons of wastewater capacity - Houston, TX
- Lakeside (West Houston) Airport
- The historic Balinese Ballroom - Galveston, TX
- Proposed Ritz Carlton - New Orleans, LA
- The Hardin House Dormitory - Austin, TX

**Office**
- Energy Tower I, II and III Office Buildings (over 1 million sf) - Houston, TX
- Energy Center III, IV and V Office Buildings (over 1.6 million sf) - Houston, TX
- Three Eldridge Office Building - Houston, TX
- 1,248,000 sq. ft. Exxon Mobil office building - Houston, TX
- 1,098,399 sq. ft. 1600 Smith Office Tower - Houston, TX
- 1,003,980 sq. ft. One Allen Center office building - Houston, TX
- 1725 and 1735 Hughes Landing Office Buildings (651,847 sf) - The Woodlands, TX
- The historic Davis Buildings - Austin, TX

**Retail**
- Pavilion on Post Oak Shopping Center - Houston, TX
- Whole Foods (Hughes Landing) - The Woodlands, TX

**Multifamily**
- Mosaic Lofts - Houston, TX
- St. Germain Lofts - Houston, TX
- Over 500 HTC apartment appraisals throughout Texas and Louisiana
- Over 3,500 conventional apartment appraisals throughout Texas and Louisiana

3.16 Acres (Lockwood South) 81 David L. Pallante & Associates, L.L.C.
Qualifications of David L. Pallante, MAI / Continued

**Portfolios**
- 15 property conventional apartment portfolio with properties in Houston and Austin, TX
- 12 property Section 8 apartment portfolio with properties in Texas, Mississippi, Kentucky, North and South Carolina, and Georgia
- 15 property office portfolio - Austin, TX
- 10 property HTC portfolio with properties in Texas and Louisiana

Mr. Pallante has testified in Federal Bankruptcy, District and Commissioners Court as an expert witness in the valuation of real estate. Mr. Pallante has also testified before the Bond Review Board in Austin, Texas with regards to a proposed bond-financed, HTC community. In addition, Mr. Pallante has served as a special commissioner with regards to several condemnation proceedings.
Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: TX 1320347   G
Issued: 03/07/2019   Expires: 03/31/2021
Appraiser: DAVID LAWRENCE PALLANTE

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.

Douglas E. Oldmixon
Commissioner
BUFFALO BAYOU EAST
MASTER PLAN
A VISION FOR
BUFFALO BAYOU
EAST

BUFFALO BAYOU PARTNERSHIP

MICHAEL VAN VALKENBURGH ASSOCIATES
Landscape Architecture

HR&A ADVISORS
Economic Development

HUITT-ZOLLARS
Engineering and Transportation

LIMNOTECH
Hydrology

UTILE
Urban Design and Architecture
The Buffalo Bayou East Master Plan brings the community’s vision for its waterfront to life.

Like other cities such as New York, Boston and St. Louis where Frederick Law Olmstead designed park systems, Houston hired Cambridge, Massachusetts landscape architect Arthur Coleman Comey in 1912 to provide a plan that would guide the city’s growth. In his plan, *Houston: Tentative Plans for Its Development*, Comey asserted: “The backbone of a park system for Houston will naturally be its creek valleys, which readily lend themselves to ‘parking’ ... All the bayous should be ‘parked’ except where utilized for commerce.”

Building upon Comey’s vision, Buffalo Bayou Partnership’s (BBP) 2002 *Buffalo Bayou and Beyond* Master Plan envisioned a network of green spaces along the Bayou stretching from Shepherd Drive to the Port of Houston Turning Basin. Today, countless Houstonians and visitors utilize the extensive parks and trails along the waterfront to the west, most notably Buffalo Bayou Park. In addition to being a central gathering place for all Houstonians to enjoy, the park has become a symbol of the city’s rejuvenation and an important impetus for other park and bayou enhancement projects throughout the city.

While most of Buffalo Bayou Partnership’s green space development has occurred west of Downtown, for more than a decade the organization has been acquiring property and building a nascent trail system along the waterway’s East Sector. The Buffalo Bayou East Master Plan brings the community’s vision for its waterfront to life. Informed by significant outreach and engagement, the plan envisions integrating new parks and trails, dynamic recreational and cultural destinations, and connections to surrounding neighborhoods.

This plan is an important step forward for the future of Houston’s historic bayou—a project that will take decades and require creative partnerships to unfold. Step by step, piece by piece, Buffalo Bayou East will pay tribute to Houston’s industrial roots, celebrate culturally rich neighborhoods, and serve as an important symbol for the city’s continuing commitment to accessible park space for all.

**This plan is an important step forward for the future of Houston’s historic bayou.**
Houston's rich history has been shaped by Buffalo Bayou and the waterway east of Downtown has played a particularly important role in the city's evolution. While Allen's Landing in Downtown Houston is the site most often associated with the city's founding in 1836, in fact it was the town of Harrisburg, located at the confluence of Brays and Buffalo bayous, where Houston's founders, Augustus and John Kirby Allen, preferred to locate. Situated just below the Turning Basin, Harrisburg served as a port of entry and became known as the commercial and shipping center of the southwest. For a brief period, the city served as the Republic of Texas capital.

Houston's early success was driven by Buffalo Bayou and its influence is strongly felt to this day. Continually competing with Galveston, Houston business leaders saw the need to straighten and widen the Bayou. After years of dredging and other improvements, an agreement was reached with the federal government and the Houston Ship Channel opened.

Galveston's 1900 hurricane and discovery of oil at Spindletop near Beaumont ensured Houston's future as a major trading and transportation center, and today, the Ship Channel is one of the world's great international ports.

**A CULTURAL LEGACY**

As Buffalo Bayou transitioned from a lazy stream to the transportation powerhouse it is today, so too have the neighborhoods that line its banks. Early years saw a large concentration of working class Germans, Italians and Irish, then an influx of African-Americans and Mexican-Americans.

Along with their strong work ethic and devotion to family, these early residents brought rich cultural traditions and customs that remain in the East Sector today. Whether it is the colorful murals and Tex-Mex cuisine of the Greater East End or the zydeco and blues music of the Fifth Ward, Buffalo Bayou East neighborhoods are among the most culturally vibrant in Houston.

**AN INDUSTRIAL LEGACY**

While industrial activity has migrated towards the Ship Channel, active nodes still serve as important East Sector employment hubs and link the area to Houston's history as a port city. At the same time, abandoned industrial relics contribute to a fascinating interaction of natural beauty and grit. Buffalo Bayou East celebrates the area's industrial legacy and finds opportunities for industry and open space to exist.
**Four core principles** guided the master planning process and serve as a roadmap for the Plan’s implementation. Building upon the area’s rich history and character, the principles inspired designs that reflect local residents’ priorities, ensure established neighborhoods stay intact, and bring people to the water, so they can enjoy Buffalo Bayou East as it continues to flourish in the coming decades.

**Authentic**
Create unique open spaces that reflect the cultural and industrial legacy of Buffalo Bayou East.

**Connected**
Rethink how parks and neighborhoods interact, activating and connecting the waterfront with surrounding communities.

**Inclusive**
Catalyze investment and inclusive neighborhood growth that does not leave current residents behind.

**Resilient**
Promote investments that mitigate flooding, stabilize the Bayou’s banks, and increase economic and social mobility.

**COMMUNITY ENGAGEMENT**
It was important for Buffalo Bayou Partnership to engage community members throughout the planning process. In addition to reaching out to over 50,000 community members through bilingual postcards and social media, BBP organized numerous opportunities for over 700 stakeholders to provide feedback through larger community-wide events as well as smaller group settings. Other activities, such as the self-guided public art tour *Encounter: Meeting Points on Buffalo Bayou*, allowed participants to share their ideas and opinions for future Bayou improvements.

**A NEW DIRECTION**
Buffalo Bayou East represents a new focus for Buffalo Bayou Partnership. Very different physical and geographic characteristics mean design solutions that activate the Bayou must consider the East Sector’s unique conditions. Using the set of guiding principles, the Master Plan includes several key objectives and strategies.

- Preserve Buffalo Bayou East’s culture and traditions.
- Repurpose the East Sector’s industrial relics and showcase the area’s ongoing industrial activity.
- Extend the neighborhood fabric to the Bayou and create a public waterfront edge open to all.
- Leverage Buffalo Bayou Partnership-owned and publicly-held properties for future open space development.
- Create a diverse network of parks and destinations with wide appeal.
- As early as possible, develop trails, greenways, and pedestrian-friendly neighborhood streets to connect the Bayou to the city’s bike and pedestrian networks.
- Develop an economically integrated, Bayou-facing neighborhood.
- Create a safe and resilient waterfront to support an ecologically rich habitat connected to the wider open space system.
The Master Plan is organized into four key nodes: Downtown Gateway, Central Hub, Industrial District, and Eastern Terminus.

New multi-modal connections in the form of on- and off-street trails link to public transit. New streets in key locations, developed over time, create an enhanced network between neighborhoods separated from each other and the Bayou. Small-scaled parks and open spaces tie the larger destinations together to create a cohesive system of green spaces and attractions that will reinvigorate Buffalo Bayou East.

**DOWNTOWN GATEWAY**

A Bridge Between East and West

New open spaces and connections near the northeastern corner of Downtown link the East Sector to destinations farther west such as Buffalo Bayou Park. Bayou improvements associated with major infrastructure projects allow the area to become the primary entrance from Downtown to Buffalo Bayou and the city’s entire bayou trail network.

**CENTRAL HUB**

The Heart of Buffalo Bayou East

An expanded Tony Marron Park, enhanced with new and upgraded facilities, and Japhet Creek, with its natural splendor restored, become the engaging open space core of Buffalo Bayou East. New residential development along the Bayou brings surrounding communities closer to the water and to each other.
INDUSTRIAL DISTRICT

Repurposed Industrial Relics

Abandoned industrial structures, repurposed with exciting new uses, present residents with unparalleled experiences against an inspiring backdrop only Buffalo Bayou East can provide. The destinations’ designs honor Houston’s enduring legacy as a port city and simultaneously showcase how relics from the past can be thoughtfully adapted to give them new life.

EASTERN TERMINUS

A Gateway to the Port

New connections between existing parks and undeveloped green space create a cohesive and attractive destination for local residents and transform an underappreciated corner of Buffalo Bayou into a location where the Port of Houston can present its face to the public.
CONNECTIONS

Vital Links for Buffalo Bayou East

A carefully considered network of trails, multi-modal connections, on-street bikeways, and neighborhood-scaled open spaces creates a cohesive transportation backbone for experiencing Buffalo Bayou East. Trails and small open spaces provide continuous linkages between destinations and surrounding communities. New routes weave between active industrial sites that are currently difficult to access. Enhanced lighting, furniture, shade structures, and landscape upgrades make existing trails feel more attractive, secure, and comfortable. Linear green spaces extend the natural beauty of the Bayou deep into surrounding communities. And most importantly, new boat landings allow residents to travel from one place to another along Houston’s most important and historic waterway.
Create a Front Door to Buffalo Bayou East from Downtown

Major infrastructure projects proposed for Downtown Houston offer a once-in-a-lifetime opportunity to create an exciting gateway to Buffalo Bayou East. A combination of urban promenades along the North Canal, a flood mitigation project, and the green spaces created by the required detention for the North Houston Highway Improvement Project (NHHIP) rerouting Interstate 45 and US Highway 59 also provides important connections to Buffalo Bayou Park, other destinations to the west, and the city's entire bayou network. The planned improvements demonstrate how urban infrastructure projects can go beyond their strictly functional uses to incorporate green space amenities.
Downtown Gateway improvements require close collaboration between Buffalo Bayou Partnership and a variety of public entities.

- The North Canal, a new hydrological connection required for flood mitigation between White Oak and Buffalo bayous (1) can increase the bayou-frontage of the Warehouse District (2) opposite the renewed James Bute Park (3).

- Texas Department of Transportation’s freeway reconstruction provides the opportunity for detention, creating valuable habitats (4).

- Widening the main Bayou channel to mitigate flooding and erosion allows generous recreation areas (5) and bayou lawns (6), creating an open space gateway to Buffalo Bayou Park upstream and Buffalo Bayou East downstream.

- The new highway deck park on Downtown’s eastern edge, created as part of the NHHIP project (7), connects to the Bayou through a greenway (8) and extended urban grid (9). The existing rail bridge, repurposed for pedestrians and bicycles (10), improves connectivity to the Near Northside and Fifth Ward.
Expand and Improve Parks and Neighborhoods

The Central Hub becomes the park and neighborhood centerpiece of Buffalo Bayou East. Existing parks on the south side banks expand to provide a wider range of recreational and cultural activities. Investments in soccer fields, a play area, and venues for events and festivals transform currently underutilized green areas into one of the largest neighborhood parks in Houston. Boat landings, canoe/kayak rentals, and a future boat house provide for recreational offerings on the water. In addition to creating park space, a new residential development extends the existing neighborhood south of the Bayou to the water’s edge. On the north side of the Bayou, restoration of an historic natural tributary provides an important connection from the waterway to the Fifth Ward.
Tony Marron Park becomes a gathering place for Geater East End and Fifth Ward residents and serves as the primary green space destination for Buffalo Bayou East.

- Upgrades include new entry gardens connecting to North York Street (1), enhanced sports fields (2), improved habitat areas (3), and a new playground (4).
- At the North York site, a swimming hole (5) and beach (6) become one of the most unique Bayou destinations.
- A new boat house, picnic lawn, and boat launch (7) establish North York as a major boating center.
- Existing buildings on the City-owned Drennan Street site, refurbished as picnic pavilions for a food truck court, support community events and activities in the Fiesta Plaza (8).
- Shade structures distributed throughout the park encourage families to come for birthdays, picnics, and other celebrations.
- A pedestrian bridge connects the park to Japhet Creek (9).

Expand Tony Marron Park into one of Houston’s Best Neighborhood Parks
Before the development of this part of the city, Japhet Creek, a Bayou tributary, stretched north, deep into the Fifth Ward. Now only visible south of Clinton Drive, a restored Japhet Creek can serve as a key connection to Buffalo Bayou.

- New pedestrian and bike trails from the Fifth Ward and Finnigan Park (10) arrive at a Bayou trailhead with parking, community gardens, and an outdoor classroom (11).
- Nature trails lead along the creek and cross at a new pedestrian bridge (12), linking a series of nature play and interpretive elements (13) that extend to the Bayou. These upgrades integrate with the urban farm St. Catherine’s Montessori School is developing in the area.
- In the long term, redevelopment of an existing industrial property (14) may include a publicly accessible bayou promenade (15), recreation lawns (16), and sports fields to attract neighbors from the Fifth Ward (17).
Lockwood South: A New Economically Inclusive Neighborhood

A new residential development along the south bank of Buffalo Bayou near Lockwood Drive becomes an inclusive, mixed-income neighborhood.

- New single and multi-family dwellings (1, 2), including workforce housing, generates activity and density to build a critical mass of regular park users.
- The neighborhood plan thoroughly integrates housing with surrounding green spaces (3) and adjacent housing (4) to stitch historically disconnected communities to the waterfront.
- Lockwood South incorporates Low Impact Design (LID) features such as permeable pavement and over four acres of stormwater detention (5).
- Strong development guidelines promote a well-designed housing and public realm.
- Creative financing measures may provide revenue for park capital investment and operations.
While industrial activity has migrated toward the Ship Channel in recent decades, active nodes still serve as important East Sector employment hubs and link the area to Houston’s history as a port city. Meanwhile, Buffalo Bayou East’s intriguing industrial relics serve as a unique backdrop for creating new public spaces unlike anywhere in Houston. With the underground Cistern in Buffalo Bayou Park, Buffalo Bayou Partnership has already seen the benefits of repurposing these types of remnants. The abandoned former City water reservoir has been toured by tens of thousands and is one of the most popular sites for visitors to Houston. Gas Works Park in Seattle, Concrete Plant Park in the Bronx, and numerous sites in Germany’s Ruhr Valley also demonstrate how industrial relics in Buffalo Bayou East can be renovated into popular parks and cultural attractions.
A former industrial site owned by Buffalo Bayou Partnership becomes an adventure and extreme sports park that includes activities attracting users from nearby neighborhoods and the region.

- A park weaves adventure and extreme sports into the naturalized landscape.
- The park includes a series of training hills (1) inspired by the mounds of sand and gravel found in nearby industrial sites, as well as obstacle and ropes courses (2).
- Though most of the industrial structures no longer exist, two remaining concrete buildings become a ticket office and picnic pavilion (3, 4).
The former Lockwood Water Treatment Works are converted into water gardens.

- Repurposed industrial artifacts of the Water Treatment Works site host botanical displays, water gardens, and experimental stormwater cleansing basins (5, 6, 7).
- Main buildings along Armour Drive house a small visitor center, event space, and café (8).
- A boat dock for water access links these sites to others on the Bayou (9) and connects destinations and trails to the Greater East End and Fifth Ward neighborhoods.
A Neighborhood Arts and Event Center

A Buffalo Bayou Partnership-owned site along Navigation Boulevard at a stretch of the Bayou called Turkey Bend transforms abandoned structures into a center of activity.

- A renovated warehouse includes community art and event facilities, possible incubator space for nurturing neighborhood businesses, and food service (1).
- Along the water, the wharf serves as event and gathering space (2) as well as a boating center and canoe/kayak launch (3). A protected oxbow off of Buffalo Bayou’s main channel allows boaters to explore the water in a safe environment (4).
- Transformation of Navigation Boulevard into a linear greenway (5) improves pedestrian and bicycle connections and allows for outdoor events and activities in the plaza (6) in front of the warehouse building.
Create an Open Space Anchor in the East

Many cities in the US and across the world have active ports that are centered in the heart of urban areas. Far removed from Downtown, the Houston Ship Channel is barely known and underappreciated as an economic engine for the Houston region. By expanding existing parks and adding new green space, the area near the Port of Houston Turning Basin can become a welcoming gateway to the Ship Channel, an attractive location for boarding Port Houston’s tour boat, the M/V Sam Houston, and an anchor for Buffalo Bayou East. A pedestrian bridge and trails offer important linkages into the surrounding neighborhoods and potential to tie in with an existing trail network along Brays Bayou.
New and Existing Parks and Open Spaces

Green spaces allow areas adjacent to the Turning Basin to act as the Eastern Terminus. Trails continue east to provide connections along the waterfront and between these areas.

- A trailhead with parking, improved habitat, and a picnic grove beneath the Wayside Drive Bridge (1) provides a new waterfront open space in the Magnolia Park neighborhood.
- Between Yolanda Black Navarro Buffalo Bend Nature Park and Hidalgo Park (2), an enhanced trail creates a much larger green space destination that directly links to surrounding neighborhoods.
- A new sloped lawn at Hidalgo Park opens up views to the Bayou and supports an accessible path down to a new boat dock (3).
- Adjacent to the existing rail trestle bridge, a new pedestrian bridge (4) further expands the green space to a new nature park (5) with its own trailhead (6) and nature pavilion (7) on the Port of Houston Harbor Street site as well as to the Sam Houston boat tour embarkation point (8).
- Trails to Wayside Drive and a pedestrian bridge (9) towards the Port of Houston Dredged Material Placement Areas (DAMP) site improve pedestrian and bicycle connectivity in an industrial area that is currently challenging for non-vehicular movement.

Sports Park of Regional Significance

Transform the DAMP site into a regional sports destination.

- The elevated site’s large size and level top host a regional-scale sports park.
- Ample parking and convenient connections to Interstate 10 to the north make the site easily accessible to athletes from across Houston.
- An emphasis on soccer, softball, and baseball offers a valuable attraction to the surrounding neighborhoods (10).
- A viewpoint at the southeast corner (11) affords panoramic views of the Port of Houston Turning Basin.
Communities of the Greater East End and Fifth Ward have long been separated from their Bayou, and one another. Large active and abandoned industrial sites create obstacles between the waterway and the upland neighborhoods, while street linkages and visual connections remain broken. The Bayou has been the East Sector’s back door and a barrier. No longer.

Buffalo Bayou East reunites neighborhoods and creates a common meeting ground to gather and experience a part of Houston like no other. A comprehensive network of trails, on-street bikeways, green fingers, promenades and multi-modal connections provides vital linkages.

Historically, Buffalo Bayou has been used for transportation. Recently, BBP has made boating a central part of the waterway’s revitalization. Buffalo Bayou East offers more boating activities and gives people an opportunity to see Houston from a unique perspective.
Trail Types

- Bayou Promenade
- On-Street Multi-Use Trail
- On-Street Separated Trail
- Off-Street Multi-Use Trail
- Off-Street Separated Trail
- Nature Trail
- Navigation Greenway
- Boat Landings
BAYOU TRAILS

A continuous, 15-foot wide multi-use trail follows the north and south banks of the Bayou where possible. Benches with nearby trash cans at regular intervals along the trail provide places to rest. Wayfinding and interpretive signage mark key points.

TRAILHEADS

Trailheads identify gateways to the Bayou from surrounding neighborhoods. At Clinton Drive and Schweikhardt Street, Fifth Ward residents enter Buffalo Bayou East’s open space network half a mile from the waterway. An on-street bikeway, with well-marked crosswalks, turns into a multi-use path.

NEIGHBORHOOD CONNECTIONS

Trail and bikeway networks link Buffalo Bayou to surrounding communities and each other. Off-street trails accommodate both pedestrians and bicycles, while protected, on-street bikeways allow cyclists to safely traverse Buffalo Bayou East.

WATER CONNECTIONS

New landings, expanded canoe/kayak concessions, and possible water taxis in the future provide community residents stronger connections to the water.
NAVIGATION GREEN FINGER

A generous green space links the Bayou to commercial establishments along the Navigation Esplanade and to Second Ward neighborhoods. Remnants of the site’s former rail yard remind users of Buffalo Bayou East’s industrial legacy. Shade trees and lush lawns provide an inviting refuge for area residents to relax and enjoy a break from hectic city life.

NAVIGATION GREENWAY

Along Navigation Boulevard, the former westbound lanes become an on-street greenway, wide enough to be a transportation path and a linear park. At the Turkey Bend site, this space can be used for neighborhood festivals and events. The former eastbound lanes now handle traffic in both directions. With active industrial sites still lining Buffalo Bayou’s eastern stretches, the Navigation Greenway provides an alternative route for accessing destinations towards the Port of Houston Turning Basin.
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INTRODUCTION

This section provides definitions for real estate terms that are used throughout this appraisal. Unless otherwise stated, the source for all definitions is The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

Actual Age - The number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age.

Appraisal - (Noun) the act or process of developing an opinion of value; an opinion of value. (Adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services. Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value). Source: USPAP, 2018-2019

As Is Market Value - The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Assignment Conditions - Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work. Comment: Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency. Source: USPAP, 2018-2019

Client - The party or parties who engage an appraiser (by employment or contract) in a specific assignment. Comment: The client may be an individual, group, or entity, and may engage and communicate with the appraiser directly or through an agent. Source: USPAP, 2018-2019

Confidential Information - Information that is either a) Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or b) Classified as confidential or private by applicable law or regulation. Source: USPAP 2018-2019

Cost Approach - A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.

Depreciation - In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Depreciated Cost - Cost less depreciation as of the date of the appraisal.
Glossary of Terms / Continued

**Direct Capitalization** - A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.

*Appraiser clarification: For Direct Capitalization to be appropriate and reliable, 1) the property must be put to its highest and best use, 2) only stabilized income should be capitalized, 3) the estimated NOI should be forward looking (proforma), and 4) cap rates should be extracted from the sale comparables in the same manner they are applied to the subject property.*

**Economic Life** - The period over which improvements to real property contribute to property value.

**Effective Age** - The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age.

**Effective Date** - The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

**Exposure Time** - The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

**Extraordinary Assumption** - An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. *Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. Source: USPAP 2018-2019*

**Fee Simple** - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

**Highest and Best Use** - The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

**Hypothetical Condition** - A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. *Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. Source: USPAP 2018-2019*
Income Approach - A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year’s income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Intended Use - The use(s) of an appraiser’s reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment. Source: USPAP 2018-2019

Intended User - The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. Source: USPAP 2018-2019

Leased Fee - An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

Market Rent - The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TI’s).

Market Value - As quoted in the Federal Register, Volume 55, 12 C.F.R. Part 34.42(g), Page 34696, August 24, 1990, as amended at Federal Register, Volume 57, Page 12202, April 9, 2002; Federal Register, Volume 59, Page 29499, June 7, 1994, Market Value is defined as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale of a specified date and passing of title from seller to buyer under conditions whereby:

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and each acting in what they consider their own best interest;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
Glossary of Terms / Continued

**Marketing Time** - An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Potential Gross Income** - The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted.

**Prospective Opinion of Value** - A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

**Remaining Economic Life** - The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation.

**Replacement Cost** - The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

**Reproduction Cost** - The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

**Sales Comparison Approach** - The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Scope of Work - The type and extent of research and analyses in an appraisal or appraisal review assignment. *Source USPAP 2018-2019*
West along abandoned railroad easement

East along abandoned railroad easement

Homes located southeast of the subject site

East from subject site

Buffalo Bayou Hike and Bike Trail

Buffalo Bayou looking west
SUBJECT PICTURES

East onto subject site from Drennan Street
West onto subject (Dan-Loc Bldg. in the background)
Nearby warehouse
Nearby light industrial development
Nearby light industrial development
Nearby single family homes
subject pictures

East along Ira Street

South along N. Eastwood

East along abandoned railroad
easement from Lockwood Drive

North towards subject site from Ira Street

North along Lockwood Drive

South along Lockwood Drive