

**CITY OF EL PASO, TEXAS**  
**AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** Economic Development

**AGENDA DATE:** November 27, 2007

**CONTACT PERSON/PHONE:** Kathy Dodson, PhD, Director 541-4670

**DISTRICT(S) AFFECTED:** 8

**SUBJECT:**

Resolution that the City Manager is hereby authorized to submit the attached TIRZ No. 5 Annual Report to the appropriate entities as required by Section 311.016 of the Texas Property Tax Code.

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**BACKGROUND/DISCUSSION:**

The Tax Increment Financing Act, Chapter 311 of the Texas Property Tax Code, provides the statutory authority for municipalities to create a Tax Increment Reinvestment Zone (TIRZ). Municipalities that create TIRZ zones have several reporting requirements including an annual report that is to be provided to each taxing unit in which the TIRZ is located and to the state comptroller and state attorney general. Attached is the background memo provided to the TIRZ Board on this item as well as the Annual Report. The report will be mailed to required entities by November 30, 2007.

**PRIOR COUNCIL ACTION:**

Has the Council previously considered this item or a closely related one?

No

**AMOUNT AND SOURCE OF FUNDING:**

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

N/A

**BOARD/COMMISSION ACTION:**

Enter appropriate comments or N/A.

TIRZ Board approved the attached report at their meeting of November 8, 2007.

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**LEGAL:** (if required) \_\_\_\_\_ **FINANCE:** (if required) \_\_\_\_\_

**DEPARTMENT HEAD:** \_\_\_\_\_

(Example: If RCA is initiated by Purchasing, client department should sign also). *Information copy to appropriate Deputy City Manager*

**APPROVED FOR AGENDA:**

**CITY MANAGER:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

## RESOLUTION

### BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City Manager is hereby authorized to submit the attached TIRZ No. 5 Annual Report to the appropriate entities as required by Section 311.016 of the Texas Property Tax Code.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

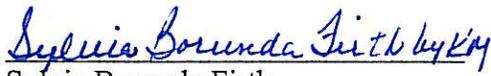
THE CITY OF EL PASO

\_\_\_\_\_  
John F. Cook  
Mayor

ATTEST:

\_\_\_\_\_  
Richarda Duffy Momsen  
Municipal Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Sylvia Borunda Firth  
Senior Assistant City Attorney

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
Kathryn B. Dodson, Ph.D., Director  
Economic Development Department

**City of El Paso  
Economic Development Department**

**MEMORANDUM**

To: TIRZ No. 5 Board of Directors  
From: Verónica Rosales, Redevelopment Manager, Economic Development Department  
Date: October 30, 2007  
Re: TIRZ Annual Report

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The Tax Increment Financing Act, Chapter 311 of the Texas Property Tax Code, provides the statutory authority for municipalities to create a Tax Increment Reinvestment Zone (TIRZ). Municipalities that create TIRZ zones have several reporting requirements including an annual report that is to be provided to each taxing unit in which the TIRZ is located and to the state comptroller and state attorney general per § 311.016. Annual Report by Municipality or County (text below).

**§ 311.016. Annual Report by Municipality or County**

(a) On or before the 90th day following the end of the fiscal year of the municipality or county, the governing body of a municipality or county shall submit to the chief executive officer of each taxing unit that levies property taxes on real property in a reinvestment zone created by the municipality or county a report on the status of the zone. The report must include:

- (1) the amount and source of revenue in the tax increment fund established for the zone;
- (2) the amount and purpose of expenditures from the fund;
- (3) the amount of principal and interest due on outstanding bonded indebtedness;
- (4) the tax increment base and current captured appraised value retained by the zone; and
- (5) the captured appraised value shared by the municipality or county and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality or county.

<Text of subsec. (b) as amended by Acts 2005, 79th Leg., ch. 977, § 2>

(b) The municipality shall send a copy of a report made under this section to the comptroller.

<Text of subsec. (b) as amended by Acts 2005, 79th Leg., ch. 1094, § 46>

(b) The municipality or county shall send a copy of a report made under this section to:

- (1) the attorney general; and
- (2) the comptroller.

Attached for your consideration is the annual report for TIRZ No. 5 for the fiscal year that ended on August 31, 2007. A copy of the project and financing plan will be provided as part of the annual report as well.

**Tax Increment Reinvestment Zone No. 5  
City of El Paso, Texas**

**ANNUAL REPORT  
As of August 31, 2007**

Chapter 311.016 of V.C.T.A. requires the following information as part of the annual report on the status of the TIRZ District. The City of El Paso established Tax Increment Reinvestment Zone No. 5 in 2006 for thirty years on 188.42 acres of primarily commercial property. The proposed improvements to property in the TIRZ includes: construction of streets, sidewalks, drainage, sewer and water utilities, public parks, and other infrastructure.

**1. Amount and source of revenue in the tax increment fund established for the zone:**

\$ 0.00 Total Revenue from incremental taxes

**2. Amount and purpose of expenditures from the fund:**

\$ 0.00 Total Expenditures

**3. Amount of Principal and Interest due on outstanding indebtedness is as follows:**

- I. Contributions /Advances from developers—none.
- II. Bonds issued and payment schedule to retire bonds—none.

**4. Tax Increment base and current captured appraised value retained by the zone:**

Taxing Jurisdiction	Net Taxable Fiscal Year Value 2006-2007	Base Year* Value Jan 1, 2006	Captured App. Fiscal Year Value 2006-2007
City of El Paso	\$106,883,525	\$106,883,525	\$ 0.00

**5. Captured appraised value by the municipality and other taxing units, the total amount of the tax increment received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality.**

A. Captured appraised value shared by the municipality and other participating taxing jurisdictions to be received in Fiscal Year 2007-08:

Taxing Jurisdiction	Participation Per \$100/Value**	Amount of 2007 Increment
City of El Paso (100%)	\$ 0.671097	\$ 0.00

B. Amount of tax increment received in 2007 from the municipality and the other taxing jurisdictions based on 2006 valuations: None

C. Other information: None

\* Base Year Value As of January 1, 2006 is for Fiscal Year 2006-2007.

\*\*FY 2007-2008 tax rate as adopted by the City of El Paso

**PRELIMINARY PROJECT PLAN  
AND  
PRELIMINARY REINVESTMENT ZONE FINANCING PLAN  
FOR**

REINVESTMENT ZONE NUMBER FIVE  
CITY OF EL PASO, TEXAS

**Downtown Redevelopment Districts**

December 5, 2006

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## **EL PASO DOWNTOWN DEVELOPMENT PROJECT**

### **I. EXECUTIVE SUMMARY.**

In a resolution passed and approved on July 10, 2006, the City Council of the CITY OF EL PASO, TEXAS (the "City") expressed its intent to create TAX INCREMENT REINVESTMENT ZONE NUMBER FIVE, CITY OF EL PASO, TEXAS (the "Zone") to enable the redevelopment of approximately 188.42 acres of land in the downtown area which will be made up of five geographically distinct and contiguous redevelopment districts for both commercial and residential uses (the "Project"). The Project will be implemented according to the City's Downtown 2015 Plan prepared by the consulting firm of SMWM in October 2006. The Zone will be established pursuant to the provisions of the Tax Increment Financing ("TIF") Act, Chapter 311, Texas Tax Code, as amended (the "Act").

Each of the development districts may be served by one or more developers. The duration of the Zone is projected to be 30 years with the Zone being in existence through calendar year 2036.

The cost of the public infrastructure improvements and related capital costs for the Project is estimated at \$57,241,613. The proposed public infrastructure improvements for the Project include the installation, extension and/or renovation of streets, drainage, utilities and sidewalks, and the construction of other public improvements. The developers will pay such costs and will only be reimbursed by the Zone's TIF fund to the extent tax increment revenue from increased property values is generated. The City plans to contribute 100% of its tax increment revenue; no other taxing authorities are expected to participate.

The Project will be completed in accordance with the City's Downtown 2015 Plan which forms a portion of *The Plan for El Paso*, the City's comprehensive plan. The five redevelopment districts in the Project will create the demographic basis that will serve as a catalyst for further commercial and industrial developments to occur in the City's downtown area. In turn, a vibrant downtown area will enhance economic opportunities city-wide.

## II. PRELIMINARY PROJECT PLAN.

### A. Overview

Tax increment generated within the Zone will provide the financing needed to develop the Project. Attached as Exhibit C is an overview of the planned redevelopment for the downtown districts from the Downtown 2015 Plan, providing the locations of the proposed improvements. Exhibit C-1 details proposed uses of the property within the Zone. The redevelopment is designed to encourage private investment in downtown El Paso and create new housing, shopping and entertainment alternatives, all of which will significantly increase tax revenues for all downtown taxing authorities.

This Preliminary Project Plan and the Preliminary Reinvestment Zone Financing Plan in Part III (collectively, the "Plan") provides for the funding of streets, sidewalks, water, sewer, drainage improvements, utility improvements, landscaping, and public parks, a listing of which can be found at Exhibit D. The City further anticipates associated engineering fees, legal fees, financial advisory fees and administrative costs associated with establishing the Zone and for development in the Zone.

Proposed improvements in the Zone will be undertaken in five (5) distinct geographic redevelopment districts as shown at Exhibit A-1. Each of the districts has at least one catalyst project to spur further development in that district.

#### 1. Lifestyle Retail

Identified as the single most important action to stimulating new multi-faceted retail growth in this district is an extension of First Street. This would create an opportunity for pedestrian-oriented retail in an area targeted for upscale and unique stores, which may include thematic retail clusters. Plans include the construction of 600,000 square feet of retail space. An anchor retail facility on First Street would be the catalyst project. Approximately thirteen percent (13.2%), or 24.76 acres of the Project is designated for this district, as depicted at Exhibit A-2.

#### 2. Exhibition/Convention/Arena

A major entertainment area is planned for approximately twenty-eight percent (28.7%), or 54.14 acres of the Project along Santa Fe Street. Plans for this district, which encompasses the present convention center, city hall and historic Union Plaza, include a new downtown arena and arena hotel. The arena will become a hub for hosting sporting events, trade shows, conventions and other entertainment programs. The arena hotel will be the catalyst project for the district which is depicted at Exhibit A-3.

#### 3. Mercado/Residential

A colorful, arts-inspired Mercado serves as the catalyst for this retail district of approximately eleven percent (11.0%), or 20.72 acres of the Project. The Mercado will serve as an attraction for local artisans and retailers to an area designed for shopping, strolling, dining and attending cultural events, as depicted at Exhibit A-4. Local retail is planned to increase by 200,000 square

feet and will include produce, arts, crafts, and ethnic markets. A new plaza, park and arts walk will contribute to the revitalization of this district.

4. Border Retail

Approximately five percent (5.0%) or 9.32 acres of the Project will offer additional outlet and other unique stores. This border retail district will serve as the southern anchor to the “Golden Horseshoe” shopping area and provide an additional 300,000 square feet of retail space and an additional parking resource. A depiction of the Border Retail space is provided at Exhibit A-5.

5. Residential/Mixed Use

Approximately forty-two percent (42%), or 79.28 acres of the Project, is designated for the construction of a mixed use urban neighborhood in the Magoffin area with an estimated total of between 700 and 1,400 residential units and 195,000 square feet of retail space. The catalyst project for this redevelopment will be 400+ units of housing to address the immediate need for housing due to relocation from other downtown areas. A depiction of the proposed improvements and uses in this district is provided at Exhibit A-6.

The City reserves the right, pursuant to the Act, to amend the boundaries of the Zone and to add projects to the Zone, through the acquisition of land. Pursuant to a resolution passed by the City Council on July 10, 2006, condemnation will only be used as a last resort and will be undertaken in accordance with all state and local laws.

Improvements in all districts will take into account historic and culturally significant areas and structures and sensitive sites will be preserved. Redevelopment in the these five districts is designed to both complement and stimulate improvements in the Historic Incentive Districts as described in the Downtown 2015 Plan.

**B. Boundaries**

The Zone is located in the downtown area of the City, roughly bisected to the north and south by Paisano Street. The Zone is located entirely within El Paso County and the El Paso Independent School District. A description of the boundaries of the Zone is attached hereto as Exhibit A.

**C. Land Use and Existing Conditions**

The current use and condition of the property within the Zone is provided at Exhibit B.

**D. Project Plan Objective**

The objective of this Project Plan is to redevelop a 188.42-acre tract of land in the City’s downtown consisting of five adjoining geographic areas into five distinct residential and commercial districts. Major catalyst projects include mixed-use housing, an arena hotel, anchor retail on First Street, and a Mercado market. The Zone funds will provide for a reduction in costs necessary to construct projects by reimbursing portions of the associated public improvements.

**E. Relocation**

The Project Plan anticipates the relocation or displacement of residents in approximately 500 housing units, primarily in the Mercado and Border Retail districts. Housing replacement in the Mixed Use District will be an initial catalyst project and new affordable housing, along with relocation and financial assistance, will be provided to any displaced resident within the downtown area.

**F. Municipal Ordinances**

This Plan was developed subsequent to and in accordance with the Downtown Redevelopment Plan addendum to *The Plan for El Paso*, the master comprehensive plan for the City.

In addition to compliance with laws and procedures directly associated with the development of the Zone pursuant to Chapter 311, Texas Tax Code, as amended, the Project will comply with all local codes and ordinances, including local building codes.

The City will address any zoning changes necessary for proposed projects in any of the redevelopment districts at the time plans are submitted for the proposed project.

**G. Competitive Bidding; Warranties**

All project elements subject to Chapter 252, Texas Local Government Code, as amended, will be constructed pursuant to competitively bid contracts. All developers taking part in this Plan will provide the City a one-year warranty on all public improvements constructed under the Plan from the date of the City's acceptance.

**H. Non-Project Costs**

The City anticipates incurring legal, financial advisory and administrative costs in regard to creation of the Zone and annually thereafter, including the cost of reports and amendments to the Plan as needed.

### **III. PRELIMINARY REINVESTMENT ZONE FINANCING PLAN.**

#### **A. Introduction**

The 2006 base value of the 188.42-acre Project is \$106,883,525, and the projected captured tax incremental value is \$902,219,094. The Zone will have a duration of thirty (30) years. Increased tax value from improvements in the Zone will provide a source of funding for the planned public improvements and enhanced infrastructure.

#### **B. Public Infrastructure**

The public infrastructure improvements include the construction of streets, sidewalks, drainage, sewer and water utilities, public parks and other public improvements throughout the Zone. The total public infrastructure capital cost is estimated at \$57,241,613. A description of the public improvements required is detailed at Exhibit D. The estimated development schedule, along with assumptions to financial calculations is provided at Exhibit E. The list of estimated project costs is attached as Exhibit F. City fees to be reimbursed as Project costs will not include water, sewer, or other impact fees.

#### **C. Plan of Finance**

The base year (2006) total appraised value of taxable real property in the Zone is \$106,883,525. The value in the year the Zone terminates (2036) is projected to be \$1,009,102,619. The estimated appraised value captured from the improvements to real property within the Zone would grow from \$3,206,506 in Tax Year 2007 to \$902,219,094 in Tax Year 2036 as shown in Exhibit G.

The City is the only participating taxing jurisdictions and their tax rate per \$100 valuation is at the current rate of \$0.67233. Based upon this assumptions, projected annual tax increment revenues are as shown on Exhibit H. No growth in tax rates is assumed, and the following taxing jurisdictions are not expected to participate: El Paso County, El Paso Independent School District, El Paso Community College and Thomason General Hospital (collectively, the "Taxing Units").

No bonded indebtedness is anticipated by the City in association with this Zone. However, the City reserves the right from time to time during the duration of the Zone to issue tax-exempt bonds ("Bonds") payable from tax increment revenue. The future issuance of Bonds is at the City's sole and absolute discretion and would be preceded by an amendment to this Plan. A notional bond analysis prepared by First Southwest Company is provided at Exhibit I.

The cost of the public infrastructure improvements will be incurred by the developers and reimbursed over time from a City-managed TIF account funded by the tax increment revenue generated within the Zone. In addition to the capital costs, other costs to be reimbursed from Zone revenue include engineering fees and the cost of the City's legal counsel and financial advisors involved in creating the Zone.

The total development costs for the public infrastructure improvements are \$57,241,613. Revenue generated from the Zone will be used to repay this amount over the life of the Zone. Projected tax increment revenue for each year of the Zone is shown in Exhibit H.

Notwithstanding the above, tax increment revenue collected from the Zone shall be used first to reimburse the City for its costs in creating the Zone and to pay the costs of the City's legal counsel and financial advisors involved in creating the Zone.

**D. Limited Obligation of the Taxing Units**

The Taxing Units will have no obligation to contribute any of their tax revenue. The City will have a limited obligation to impose and collect taxes and deposit the agreed amount of tax receipts into a TIF fund for the Zone so long as construction of improvements under the Project (commenced within the time constraints of the TIF Act) has produced taxable value and the project costs incurred by the developers, along with any accrued interest thereon, have not been reimbursed. Notwithstanding the above, the Zone collections for the Project shall not extend beyond December 31, 2036, and may be terminated prior to December 31, 2036, upon payment of the project costs incurred by the developers or for default by any developer under any development agreement on this Project entered into with the City.

**E. Developer's Risk and Obligations**

1. Developer's Risk

All financing, developmental costs, construction costs, improvements, damages or other costs incurred with respect to this Project are at the sole risk of the developers. Neither the City nor any of the Taxing Units shall incur any risk whatsoever associated with the development, construction, completion or failure of the Project. In the event that the Project fails, is abandoned by all of the developers or for any reason is not completed, the City shall have the right to terminate the Zone and receive reimbursement for its costs in creating the Zone and to pay the costs of legal counsel and financial advisors involved in creating the Zone. Any funds remaining in the Zone account after reimbursement shall be returned to the City's general fund.

2. Compliance

All developers shall comply with all federal, state and local laws, rules and regulations.

3. Reporting

All developers shall submit a project status report and financial report at least semi-annually to the City. All developers shall also submit a project status report, financial report or any other report as requested by any of the Taxing Units within thirty (30) days of such request.

**F. Inspection**

The City shall have the right to inspect any site under development at part of the Project with 24 hours prior notice to the appropriate developer.

**G. Economic Feasibility**

An economic feasibility study for the Project is attached as Exhibit I.

**H. Zone Board**

A Board of Directors for the Zone (“Zone Board”) has been established pursuant to the TIF Act. The total number of members for the Zone Board shall be fifteen (15). A list of initial members of the Zone Board is provided in Part IV.

**I. Recommendation from Zone Board**

The Zone Board recommends that the City proceed with the Project, approve the Reinvestment Zone Financing Plan, create the mechanisms required to tax and collect TIF revenue, and deposit such revenue into a TIF fund for the Zone.

## **EXHIBITS**

## **EXHIBIT A**

### **Narrative Description of Zone**

Beginning at the northernmost portion of the Downtown El Paso Redevelopment Plan TIRZ which is the northeast corner of the proposed eastern extension of E. Mills Avenue and Octavia Street following the east edge of Octavia Street south to northwest corner of the alley between Myrtle Avenue and Magoffin Avenue; then west following the south edge of the alley to N. Ange Street; then south following the east edge of Ange Street to the southern edge of Magoffin Avenue; then west following the southern edge of Magoffin Avenue to the southeast corner of Magoffin Avenue and Saint Vrain Street then south following the eastern edge of Saint Vrain Street; to the northeast corner of Saint Vrain Street and Olive Avenue; then south crossing Olive Avenue to the northeast corner of Parcel 128; then east following the northern edge of E. San Antonio Avenue to the eastern extension S. Hills Street; then south following the eastern edge of S. Hills Street to the northeast corner of the alley between E. San Antonio Avenue and E. Overland Avenue; then east following the north edge of the alley and crossing N. Tays Street to the northeast corner of the alley between E. San Antonio Avenue and E. Overland Avenue; then south across E. Overland Avenue and following the eastern boundary of Parcel 477 (identified as railroad property) continuing south to the southern edge of E. Paisano Drive; then west following the southern edge of E. Paisano Drive to the southeast corner of the alley between S. Mesa Street and S. Stanton Street; then south following the eastern edge of the alley south to the southern edge of E. Eighth Avenue; then west to the southeast corner of E. Eighth Avenue and S. Mesa Street; then south to an extension of the south boundary of Parcel 419, (El Paso CAD # C05099904601900); then west following the southern boundary of Parcel 419, crossing the alley between S. Mesa Street and S. Oregon Street and continuing west on the southern edge of Parcel 416 (El Paso CAD # C05099904603700), Parcel 417 (El Paso CAD # C05099904604300) and Parcel 418 (El Paso CAD # C05099904605000); then continuing west to the western edge of S. Oregon Street; then following the western edge of S. Oregon Street north to the southwest corner of S. Oregon Street and E. Sixth Avenue; then west following the southern edge of E Sixth Avenue to the intersection of a line extending the western edge of the alley between S. Oregon Street and S. El Paso Street; then north on the western edge of the alley between S. Oregon Street and S. El Paso Street to the southern edge of E. Paisano Drive; then following the southern edge of E. Paisano Drive west to the southeast corner of E. Paisano Drive and S Santa Fe Street; then south on the eastern edge of S. Santa Fe Street to the northeast corner of S. Santa Fe Street and E. Father Rahm Avenue; then crossing S. Santa Fe Street to the south corner of Parcel 455 (El Paso CAD # C05099912000100); then following the western boundaries of parcel 455, Parcel 458 (El Paso CAD # C05099913109000), Parcel 457 (El Paso CAD # X47099900002500), Parcel 464 (El Paso CAD # C05099913000100) and Parcel 463 (El Paso CAD # X45099900005101) northwest to the southern edge of W. Paisano Drive; then north crossing to the northern edge of W. Paisano Drive then east following the northern edge of W Paisano Drive to the northwest corner of W. Paisano Drive and S. Leon Street; then north following the western edge of S. Leon Street to the southwest corner of S. Leon Street and W. San Antonio Avenue; then west following the south edge of W. San Antonio Avenue to the southwest corner of W. San Antonio Avenue and S. Durango Street; then north following the

west edge of S. Durango Street north and northeast to an intersection of the northernmost corner of Parcel 468 (El Paso CAD # S636999000B2000 the City Civic Center); then following the northeastern boundary of Parcel 468 south and east to N. Santa Fe Street then crossing N. Santa Fe Street to the east edge of N. Santa Fe Street; then following the east edge of N. Santa Fe Street south to the northeast corner of N. Santa Fe Street and W. San Antonio Avenue; then east to the western edge of S. El Paso Street; then south following the east edge of S. El Paso Street to the northeast corner of S. El Paso Street and E. Overland Avenue; then east following the northern edge of E. Overland Avenue to the northwest corner of E. Overland Avenue and S. Ochoa Street; then north following the west edge of N. Ochoa Street to southwest corner of S. Ochoa Street and E. San Antonio Avenue; then crossing E. San Antonio Avenue to the western edge of the alley between N. Ochoa Street and N. Florence Street; then north following the western edge of the alley and crossing Magoffin Avenue to the south edge of Magoffin Avenue; then east to the northwest corner of Magoffin Avenue and N. Ochoa Street; then north following the western edge of N. Ochoa Street to the northwest corner of N. Ochoa Street and Myrtle Avenue ; then east following the northern edge of Myrtle Avenue to the northeast corner of N. Virginia Street and Myrtle Avenue; then north following the west edge of N. Virginia Street to the northwest corner of N. Virginia Street and E. Mills Avenue; then east following the northern edge of the proposed E Mills Avenue extension to the point of beginning, containing approximately 188.42 acres.

*[See attached Exhibits A-1 through A-6 showing depictions of districts]*

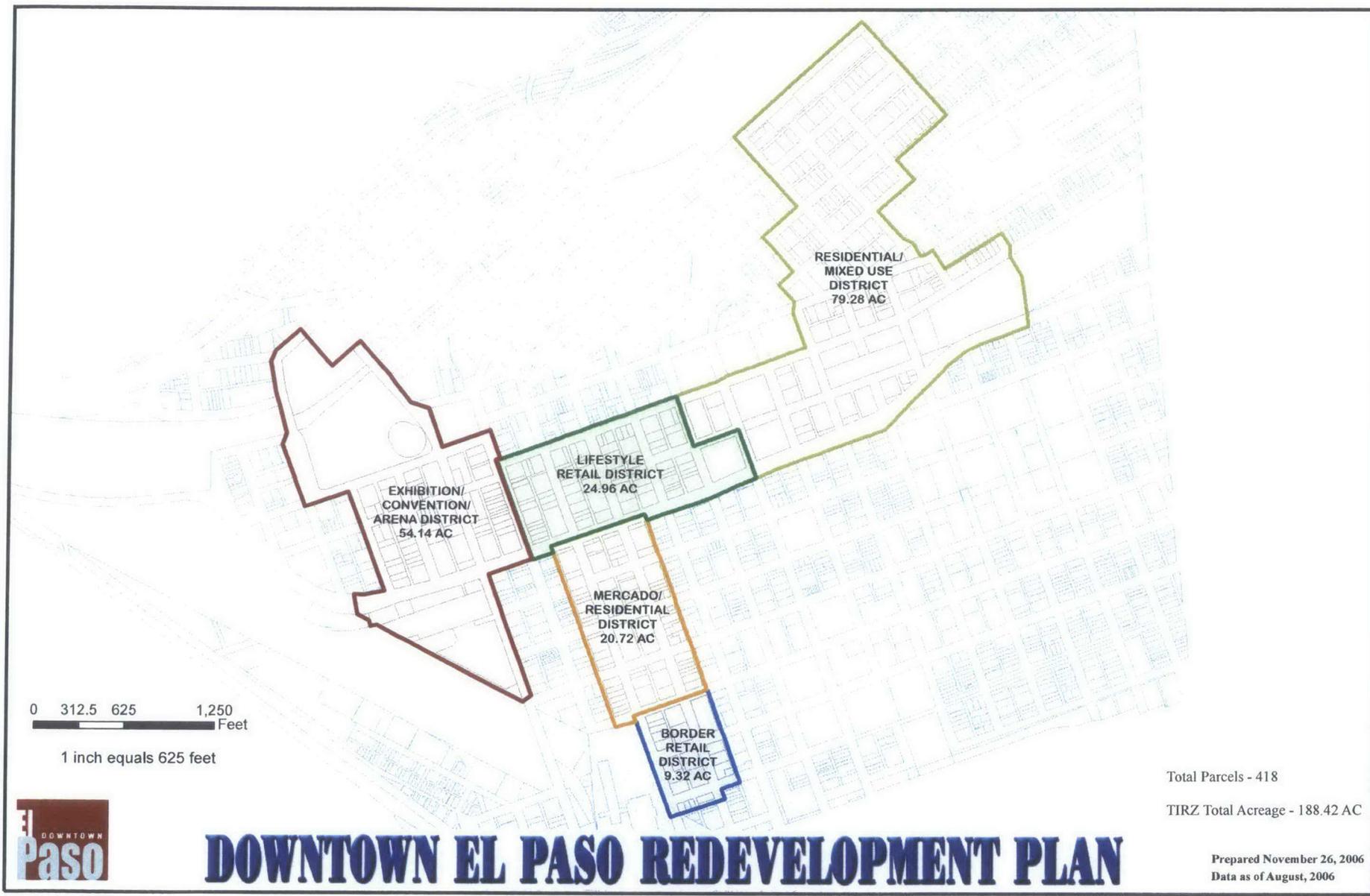


EXHIBIT A-1

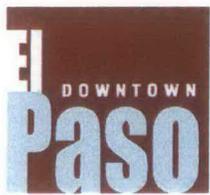
**LIFESTYLE  
RETAIL  
DISTRICT**

**24.96 AC**

Total Parcels - 84



1 inch equals 140 feet



**DOWNTOWN EL PASO REDEVELOPMENT PLAN**

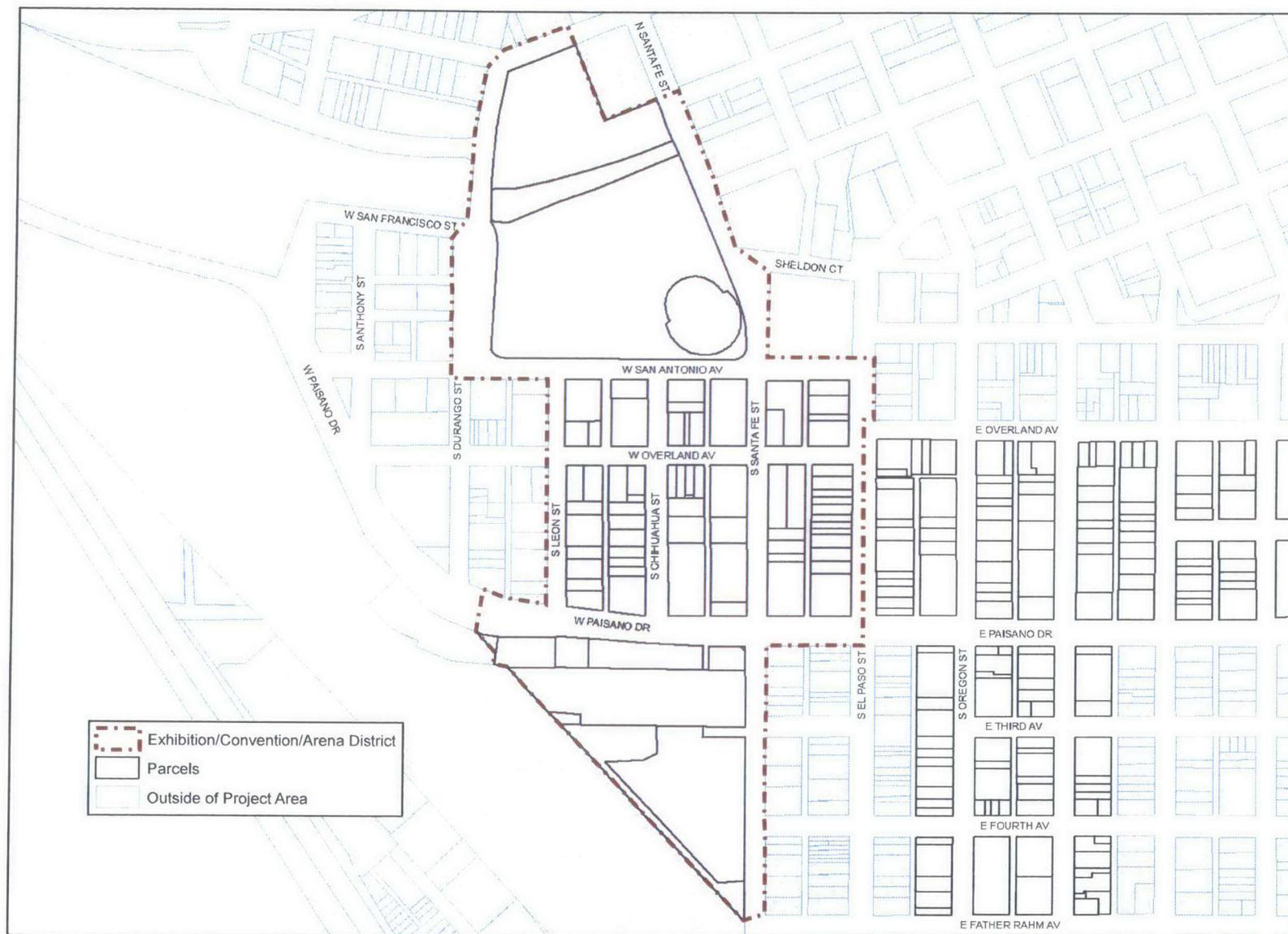
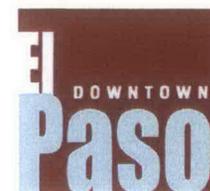
**EXHIBITION/  
CONVENTION/  
ARENA  
DISTRICT**

**54.14 AC**

Total Parcels - 79

0 162.5 325 650 Feet

1 inch equals 325 feet



**DOWNTOWN EL PASO REDEVELOPMENT PLAN**

**EXHIBIT A-3**

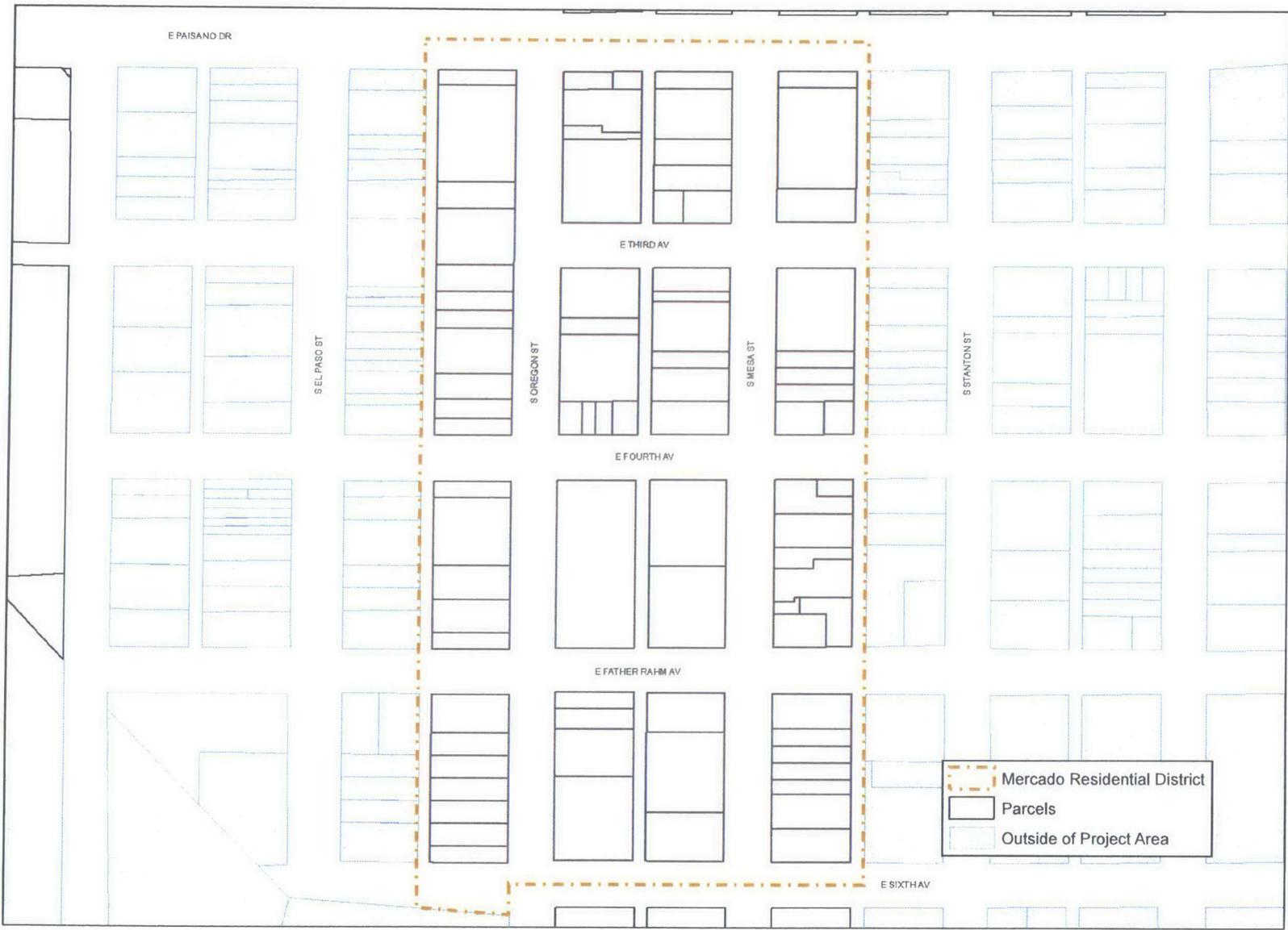
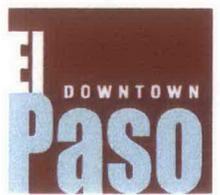
**MERCADO/  
RESIDENTIAL  
DISTRICT**

**20.72 AC**

Total Parcels - 81

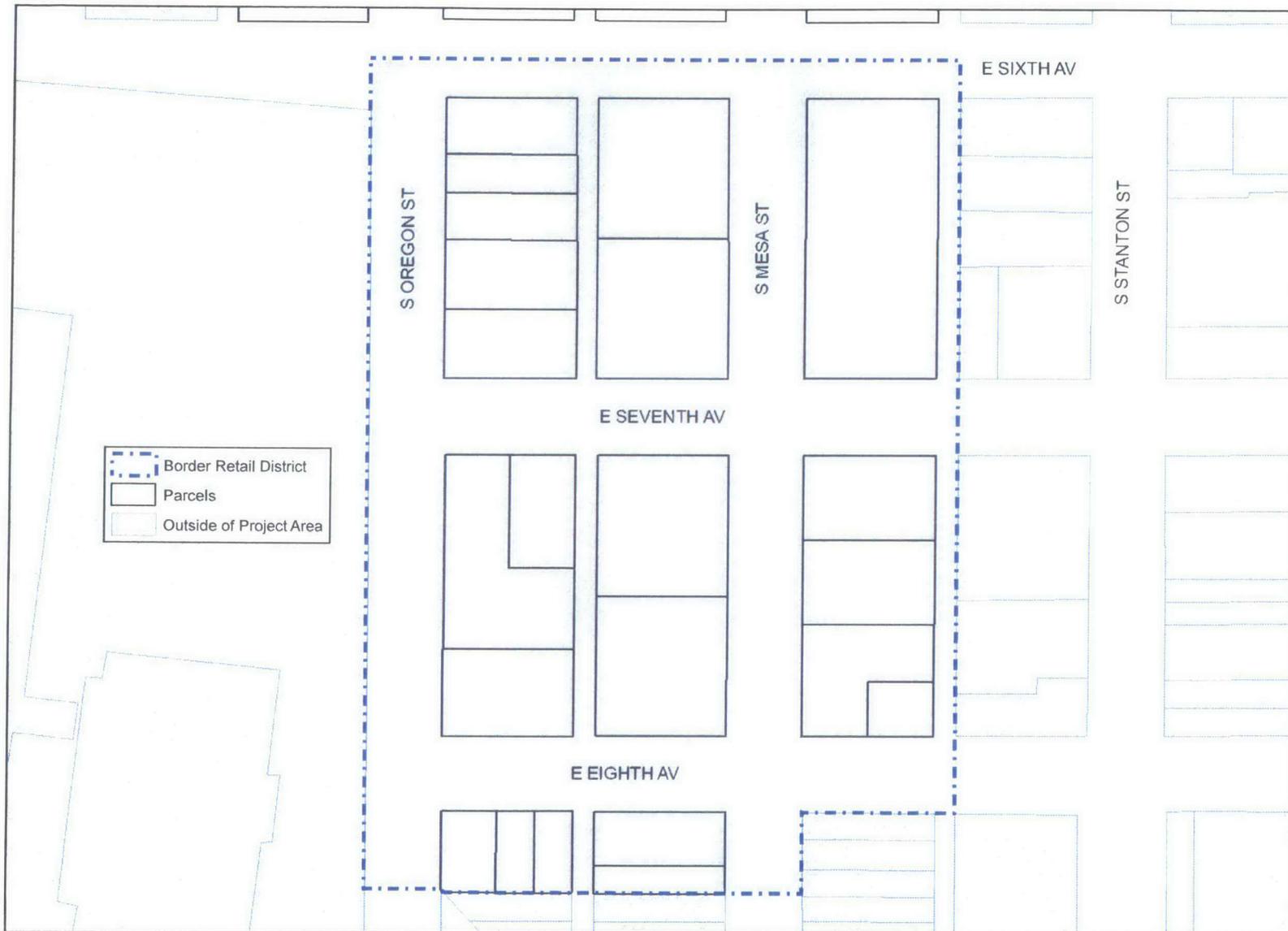


1 inch equals 150 feet



**DOWNTOWN EL PASO REDEVELOPMENT PLAN**

**EXHIBIT A-4**



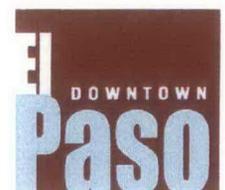
**BORDER  
RETAIL  
DISTRICT**

**9.32 AC**

Total Parcels - 22



1 inch equals 90 feet



**DOWNTOWN EL PASO REDEVELOPMENT PLAN**

**EXHIBIT A-5**

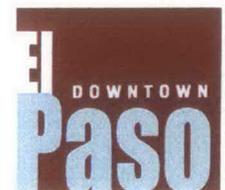
**RESIDENTIAL/  
MIXED USE  
DISTRICT**

**79.28 AC**

Total Parcels - 152

0 145 290 580 Feet

1 inch equals 300 feet



**DOWNTOWN EL PASO REDEVELOPMENT PLAN**

**EXHIBIT A-6**

## **EXHIBIT B<sup>1</sup>**

### **Existing Uses and Conditions**

The Zone is bisected by Paisano Drive, the major east west arterial other than Interstate Highway 10. The areas north of Paisano are traditionally referred to as “downtown” and have the greatest concentration of historic buildings as well as numerous vacant lots and surface parking areas. The neighborhood to the south of Paisano Drive has long been referred to as Segundo Barrio, the “Second Ward,” and represents the first stop across the border for many immigrants.

#### **Historic Downtown**

The large buildings concentrated in the area around San Jacinto Plaza represent the downtown’s past and are at the same time a major resource for the future. Large commercial structures, many of them architecturally significant and stately, establish a memorable central city character and image but require creative design and development strategies and a more robust downtown market for reuse. Throughout the U.S. these large-scale commercial building types, which were long ignored as inappropriate to the standards of current private office users, are now being considered for adaptive reuse – for smaller start-up and service businesses and for dramatically different uses such as residential. In the traditional downtown of El Paso there is also extensive, available vacant land or parking lots which are a resource for future construction and infill development, sensitively designed to be compatible with the historic downtown fabric.

#### **Exhibition/Convention/Arena District**

Within the area south of the convention center and west of Santa Fe Street, the City has constructed a new district Fire Station along Leon Street and a new public parking facility along San Antonio Street. The Convention Center was expanded and renovated in 1999. South of Paisano Drive a new international transit terminal is proposed to serve as a central terminal for international and long haul bus facilities. Despite this public investment, the area still lacks energy and street life one would expect to find in an active area of cultural and entertainment uses. Very little retail or commercial development has made its way into the Union Plaza area. This area continues to be a fragmented neighborhood of partially occupied warehouses, bus yards, scattered single family, multi-family residences and vacant lots. The street improvements to this area and new Union Plaza park has sparked some entertainment uses in the blocks bounded by San Francisco, San Antonio, and Durango, but the district has gone largely unchanged.

#### **Magoffin Neighborhood**

This area east of downtown has a mix of government buildings on the western edge and is dominated by vacant lots and older residential buildings as one moves east. Beyond the mix of government buildings, warehouses, and occasional pre-war building, the area is pocked by empty lots, surface parking, and buildings in poor condition. Retail or commercial establishments are

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<sup>1</sup> Excerpts from Downtown 2015 Plan by SMWM

limited to commerce that services County judicial activities, automobiles, and limited light industry. The Magoffin Historic District, with its collection of restored and hopefully to be restored brick bungalows and stately homes lies further to the east. Many of these homes have become professional offices while the majority remain in poor repair or vacant. The district poses a significant opportunity for a mixed use and urban residential district due to its proximity to downtown, available land opportunities, and remnants of historic character.

### **Area North of Paisano and South of Overland**

The retail area currently bounded by Santa Fe and Kansas Streets, Overland and Paisano is occupied by one and two story retail buildings and parking lots. A modest amount of attractive historic buildings are surrounded by one story retail storefronts. Most buildings are post-war structures of neither historic nor architectural significance. The retail composition is largely clothing, health and beauty supply, pawn and second hand shops, gifts and housewares. Storefronts have been altered and adapted to their current retail use and there are very few observed upper floor uses. Upper floor windows are often boarded or bricked suggesting no intent for future use. The two major shopping streets are El Paso and Stanton and the retail energy found on these streets extends several blocks to the border. Significant retail outlets in this area include Star Western Wear and Holland's Department Store. There are very few restaurants with only one or two establishments open in the evening.

### **Border Area**

The border area between El Paso Drive and Stanton Street is a fragmented series of blocks bordered to the east by the imposing U.S. Immigration entry station on El Paso Street; to the south by the Border Highway, rail right-of-way and Rio Grande; and typical neighborhood blocks of the Segundo Barrio to the north and east. This area is home to the El Centro de los Trabajadores Agricolas Fronterizos, the Farm Workers' Center, which provides services to recent immigrant workers. The large United States Customs Center where thousands of Mexican citizens and few Americans move through on foot and by vehicle every day poses a significant barrier to pedestrian and vehicular movement to the east.

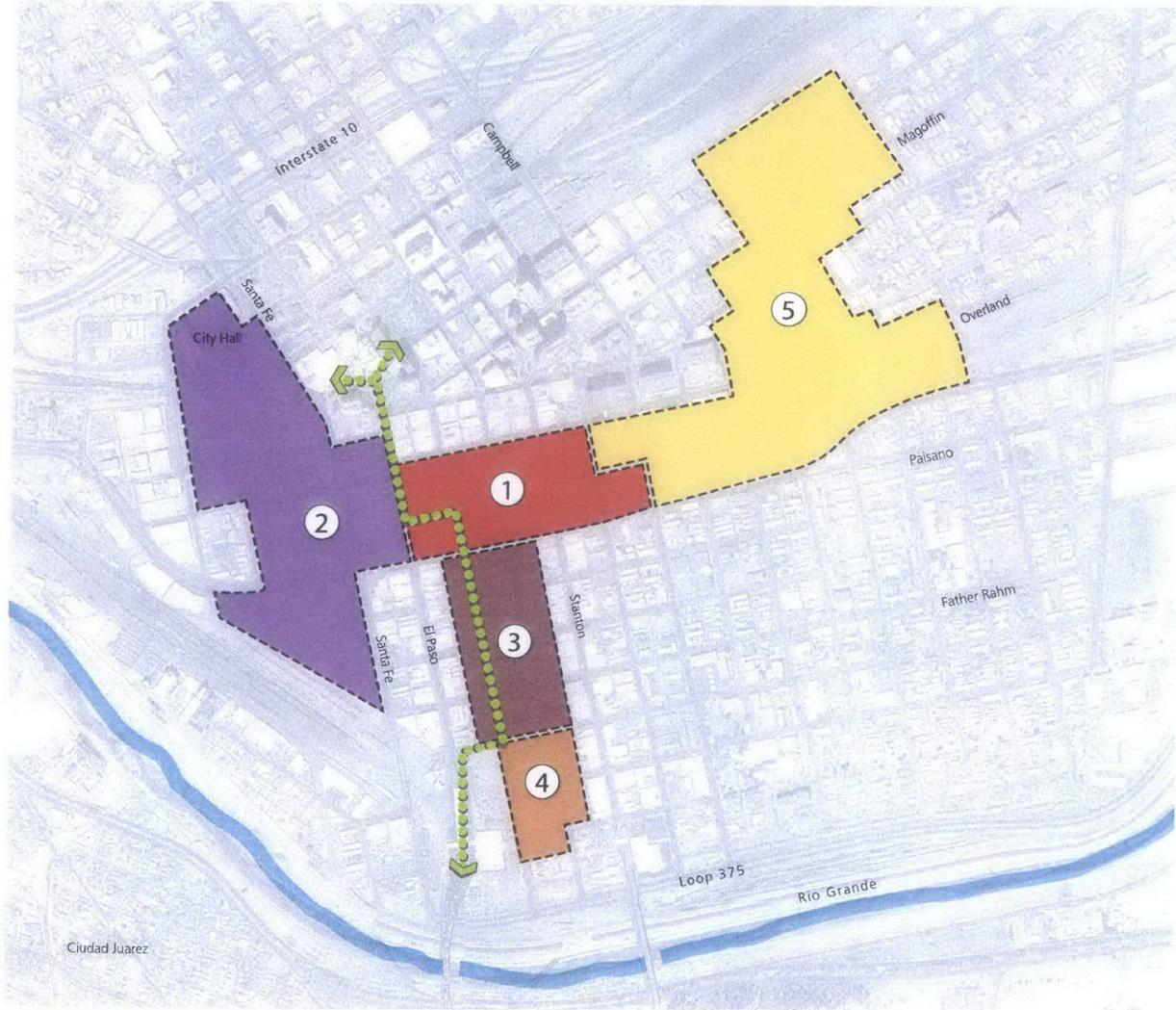
**EXHIBIT C**

**Redevelopment Plan (Overview)**

*[See attached depiction<sup>2</sup>]*

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<sup>2</sup> Prepared by SMWM



**Redevelopment Districts**

- 1 Lifestyle Retail District
- 2 Exhibition/Convention/Arena
- 3 Mercado District and Residential Infill
- 4 Border Retail
- 5 Residential Mixed Use
- Bi-National Arts Walk

Client  
 City of El Paso  
 Paso Del Norte Group  
 Team  
**SMWM**

El Paso Downtown Plan  
 Proposed Downtown Plan  
 06 September 06



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# El Paso Downtown Plan

## EXHIBIT D

### Description of Public Works/Public Improvements

#### Mixed Use Residential

Streets (including all utilities)

- \$250,000 per block (\$1,000 per linear foot @ 250 ft per block)
- Alleys @ \$57,000 per block

Streetscaping

- \$41,000 per block @ 250 ft per block

Open Space

- \$10 per ft x 7.0 acres

#### Urban Retail

Streets

- \$250,000 per block (\$1,000 per linear ft @ 250 ft per block)
- Alleys @ \$57,000 per block

Streetscaping

- \$41,000 per block @ 250 ft per block

#### Mercado

Streets

- \$250,000 per block (\$1,000 per linear ft @ 250 ft per block)
- Alleys @ \$57,000 per block

Open Space

- \$25 per sq ft x 1.7 acres

#### Life Style Retail

Streets

- \$250,000 per block (\$1000 per linear ft @ 250 per block)
- Alleys @ \$57,000 per block

Streetscaping

- \$41,000 per block @ 250 ft per block

Open Space

- \$ 10 per sq ft x 1.5 acres

#### Arena

Streets

- \$250,000 per block (\$1,000 per linear ft @ 250 ft per block)
- \$41,000 per block @ 250 ft per block

#### Arts Walk

- \$25 per sq ft
- 20ft Walkway Side + 15 ft Other Side x 4,500 linear ft

## EXHIBIT E

### Development Schedule and Assumptions<sup>3</sup>

#### Acresage/Development Schedule

##### Retail Space

<u>District</u>	<u>Build-out</u>	<u>Sq. Footage</u>	<u>Rent (per sq ft)</u>	<u>Value</u>
Lifestyle	2007-2012 (6 yrs)	600,000	\$125	\$75,000,000
Arena/ Convention	N/A	N/A	N/A	N/A
Mercado	2007-2012 (6 yrs)	200,000	\$125	\$25,000,000
Border	2007-2012 (6 yrs)	300,000	\$125	\$37,500,000
Residential/Mixed Use	2007-2016 (10 yrs)	195,000	\$125	\$24,375,000
Total		1,295,000		\$161,875,000

##### Residential

<u>District</u>	<u>Build-out</u>	<u>Units</u>	<u>Value per Unit</u>	<u>Approx. Value</u>
Lifestyle	2010-2012 (3 yrs)	150-300	\$100,625	\$22,640,625
Arena/ Convention	N/A	N/A	N/A	N/A
Mercado	2010-2011 (2 yrs)	150-300	\$91,875	\$20,671,875
Border	2008-2018 (11 yrs)	150-300	\$83,125	\$18,703,125
Residential/Mixed Use	2008-2017 (10 yrs)	700-1400	\$109,375	\$114,843,750
Total				\$176,859,375

Grand Total \$338,734,375

<sup>3</sup> Development schedule and values provided by Graven and Associates and TXP, Inc.

**Assumptions**

Estimated Zone Life (2007 to 2036)	30	Years
Base Value of Site Area (2006)	\$106,883,525	
Value at End of TIF (2036)	\$1,009,102,619	
Captured Value	\$902,219,094	
City of El Paso Tax Rate (100%)	0.67233	per \$100
Tax Rate Growth	0%	
Appreciation Growth	3%	
Collection Rate	99%	
Estimated Total TIF Revenues	\$104,950,560	
Estimated Total TIF Collections	\$103,901,050	
Total Development Costs	\$57,241,613	
Surplus	\$46,659,437	

**EXHIBIT F**

**Estimated Project Costs<sup>4</sup>**

**Arena/Hotel/Entertainment District Street Improvements**

<b>Street Name</b>	<b>Calculated Linear Feet</b>	<b>Estimated Number Of Blocks</b>	<b>Estimated Cost</b>
S. Durango Street	1162.70	4.65	\$265,096
W. Missouri Avenue	319.55	1.28	\$72,857
N. Santa Fe Street	2098.25	8.39	\$2,515,802
S. Santa Fe	1247.40	4.99	\$284,407
W. San Antonio Street	1505.35	6.02	\$343,320
W. Overland Avenue	1147.30	4.59	\$261,584
W. Paisano Drive	1470.70	5.88	\$1,763,369
Leon Street	977.90	3.91	\$222,961
Alley D	623.70	2.49	\$142,204
<b>TOTAL</b>	<b>10,552.85</b>	<b>42.21</b>	<b>\$5,871,500</b>

**Lifestyle/Retail District and 1<sup>st</sup> Avenue Expansion Street Improvements**

<b>Street Name</b>	<b>Calculated Linear Feet</b>	<b>Estimated Number Of Blocks</b>	<b>Estimated Cost</b>
E. Overland Park	1328.88	5.32	\$1,593,327
E. 1st Avenue	346.92	1.39	\$79,098
E. Paisano	1669.92	6.68	\$2,002,234
S. El Paso Street	679.14	2.72	\$814,289
Alley E	429.24	1.72	\$97,867
S. Oregon Street	673.26	2.69	\$153,503
S. Mesa Street	664.44	2.66	\$796,664
Alley G	664.44	2.66	\$151,492
S. Stanton Street	661.50	2.65	\$793,138
Alley H	264.60	1.06	\$60,329
S. Kansas Street	646.80	2.59	\$147,470
Alley I	238.14	0.95	\$54,296
S. Campbell Street	314.58	1.26	\$71,724
<b>TOTAL</b>	<b>8,581.86</b>	<b>34.33</b>	<b>\$6,815,432</b>

<sup>4</sup> Calculated factors include an inflation amount.

**Mixed Use/Residential District Street Improvements**

<b>Street Name</b>	<b>Calculated Linear Feet</b>	<b>Estimated Number Of Blocks</b>	<b>Estimated Cost</b>
E. Mills Avenue	579.05	2.32	\$132,023
Myrtle Avenue	309.16	1.24	\$70,488
Magoffin Avenue	738.68	2.95	\$885,677
Olive Avenue	231.62	0.93	\$52,809
E. San Antonio Avenue	735.55	2.94	\$167,705
E. Overland Avenue	1267.65	5.07	\$1,519,912
1st Street	178.41	0.71	\$40,677
E. 1st Avenue	491.41	1.97	\$112,041
E. Texas Avenue	560.27	2.24	\$127,742
E. Paisano Drive	1108.02	4.43	\$1,328,516
S. Kansas Street	169.02	0.68	\$38,537
S. Campbell Street	334.91	1.34	\$76,359
S. Florence Street	334.91	1.34	\$76,359
S. Ochoa Street	550.88	2.20	\$125,601
N. Ochoa Street	172.15	0.69	\$39,250
S. Virginia Street	391.25	1.57	\$469,109
N. Virginia Street	660.43	2.64	\$791,856
S. St. Vrain Street	384.99	1.54	\$87,778
N. St. Vrain Street	591.57	2.37	\$134,878
Agnes Street	247.27	0.99	\$56,378
Tays Street	131.46	0.53	\$29,973
N. Octavia Street	413.16	1.65	\$94,200
<b>TOTAL</b>	<b>10,581.82</b>	<b>42.33</b>	<b>\$6,457,870</b>

<b>Street Name</b>	<b>Calculated Linear Feet</b>	<b>Estimated Number Of Blocks</b>	<b>Estimated Cost</b>
<b>Border Retail</b>			
E. 6th Avenue	529.59	2.12	\$634,978
E. 7th Avenue	542.100	2.17	\$123,599
E. 8th Avenue	533.76	2.14	\$121,697
S. Oregon Street	358.62	1.43	\$81,765
S. Mesa Street	1501.20	6.00	\$1,799,939
Alley G	1472.01	5.89	\$335,618
<b>TOTAL</b>	<b>4,937.28</b>	<b>19.75</b>	<b>\$3,097,597</b>

### Mercado District Street Improvements

Street Name	Calculated Linear Feet	Estimated Number Of Blocks	Estimated Cost
<b>Mercado</b>			
E. Paisano Drive	767.28	3.07	\$919,969
E. 3rd Avenue	763.11	3.05	\$173,989
E. 4th Avenue	758.94	3.04	\$173,038
E. Father Rahm Avenue	746.43	2.99	\$894,969
Alley E	1513.71	6.05	\$345,126
S. Oregon Street	1513.71	6.05	\$345,126
S. Mesa Street	1501.20	6.00	\$1,799,939
Alley G	1472.01	5.89	\$335,618
E. 6th Avenue	166.80	0.67	\$199,993
<b>TOTAL</b>	<b>9,203.19</b>	<b>36.81</b>	<b>\$5,187,768</b>

### Open Space

Districts	Open Space acres	Square footage	Cost
Lifestyle Retail	1.50	65339.99	\$653,399.90
Mercado/Market Square Park	1.70	74051.99	\$1,851,299.75
Border Retail	0.00	0	\$0.00
Residential/Mixed Use	7.00	304,919.99	\$3,049,199.90
<b>Total</b>	<b>10.00</b>	<b>435,599.99</b>	<b>\$5,553,899.55</b>

### Arts Walk

Walkway Side Width feet	Other Side Width feet	Length feet	Square footage	Cost
20	15	4500.00	157,500.00	\$3,937,500.00

**Subtotals with Streetscaping**

<b>District</b>	<b>Street Improvements Including Utility Relocation</b>	<b>Streetscaping Estimated Cost</b>	<b>Open Space Improvements</b>
Border Retail	\$3,097,597	\$809,714	\$0
Arena	\$5,871,500	\$1,567,766	\$0
Lifestyle Retail	\$6,815,432	\$1,407,425	\$653,400
Mercado	\$5,187,768	\$1,509,323	\$1,851,300
Mixed Use	\$6,457,870	\$1,735,418	\$3,049,200
<b>SUBTOTAL</b>	<b>\$27,430,167</b>	<b>\$7,029,647</b>	<b>\$5,553,900</b>

**Summary**

<b>Improvements</b>	<b>Cost</b>
<b>Street Improvements</b>	<b>\$27,430,167</b>
<b>Streetscaping</b>	<b>\$7,029,647</b>
<b>Open Space Improvements</b>	<b>\$5,553,900</b>
<b>Arts Walk</b>	<b>\$3,937,500</b>
<b>Relocation of Residents</b>	<b>\$3,590,400</b>
<b>Engineering/Consultants</b>	<b>\$4,000,000</b>
<b>Contingencies</b>	<b>\$5,200,000</b>
<b>Administrative</b>	<b>\$500,000</b>
<b>TOTAL</b>	<b>\$57,241,613</b>

**EXHIBIT G**

**Projected Captured Appraisal Value<sup>5</sup>**

<b>Year</b>	<b>Appraised Value of Improvements</b>
2007	\$3,206,506
2008	\$42,966,513
2009	\$122,305,765
2010	\$184,815,496
2011	\$228,669,443
2012	\$271,787,563
2013	\$305,922,055
2014	\$341,763,814
2015	\$379,384,554
2016	\$418,018,809
2017	\$454,207,750
2018	\$485,857,912
2019	\$503,640,155
2020	\$521,955,865
2021	\$540,821,047
2022	\$560,252,184
2023	\$580,266,256
2024	\$600,880,749
2025	\$622,113,677
2026	\$643,983,593
2027	\$666,509,607
2028	\$689,711,401
2029	\$713,609,249
2030	\$738,224,032
2031	\$763,577,258
2032	\$789,691,082
2033	\$816,588,320
2034	\$844,292,476
2035	\$872,827,756
2036	\$902,219,094

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<sup>5</sup> Data provided by TXP, Inc.

**EXHIBIT H**

**Projected Tax Increment Revenue<sup>6</sup>**

Year	Tax Value Per \$100	City Tax Rate	TIF Revenue	Cumulative TIF Revenue
2007	\$32,065	0.67233	\$21,558	\$21,558
2008	\$429,665	0.67233	\$288,875	\$310,433
2009	\$1,223,057	0.67233	\$822,293	\$1,132,726
2010	\$1,848,154	0.67233	\$1,242,563	\$2,375,289
2011	\$2,286,694	0.67233	\$1,537,404	\$3,912,693
2012	\$2,717,875	0.67233	\$1,827,298	\$5,739,991
2013	\$3,059,220	0.67233	\$2,056,794	\$7,796,785
2014	\$3,417,638	0.67233	\$2,297,767	\$10,094,552
2015	\$3,793,845	0.67233	\$2,550,701	\$12,645,253
2016	\$4,180,188	0.67233	\$2,810,449	\$15,455,702
2017	\$4,542,077	0.67233	\$3,053,757	\$18,509,459
2018	\$4,858,579	0.67233	\$3,266,549	\$21,776,008
2019	\$5,036,401	0.67233	\$3,386,104	\$25,162,112
2020	\$5,219,558	0.67233	\$3,509,245	\$28,671,357
2021	\$5,408,210	0.67233	\$3,636,081	\$32,307,438
2022	\$5,602,521	0.67233	\$3,766,721	\$36,074,159
2023	\$5,802,662	0.67233	\$3,901,281	\$39,975,440
2024	\$6,008,807	0.67233	\$4,039,878	\$44,015,318
2025	\$6,221,136	0.67233	\$4,182,632	\$48,197,950
2026	\$6,439,835	0.67233	\$4,329,669	\$52,527,619
2027	\$6,665,096	0.67233	\$4,481,117	\$57,008,736
2028	\$6,897,114	0.67233	\$4,637,109	\$61,645,845
2029	\$7,136,092	0.67233	\$4,797,781	\$66,443,626
2030	\$7,382,240	0.67233	\$4,963,272	\$71,406,898
2031	\$7,635,772	0.67233	\$5,133,728	\$76,540,626
2032	\$7,896,910	0.67233	\$5,309,298	\$81,849,924
2033	\$8,165,883	0.67233	\$5,490,136	\$87,340,060
2034	\$8,442,924	0.67233	\$5,676,398	\$93,016,458
2035	\$8,728,277	0.67233	\$5,868,248	\$98,884,706
2036	\$9,022,190	0.67233	\$6,065,854	\$104,950,560
Total			\$104,950,560	
99% Collection			\$103,901,050	

<sup>6</sup> Data provided by TXP, Inc.

**EXHIBIT I**

**Notional Bond Analysis<sup>7</sup>**

*[See attached Tax Increment Financing Worksheet TIF #5]*

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<sup>7</sup> This analysis prepared by First Southwest Company

# City of El Paso, Texas



## Tax Increment Financing Worksheet TIF #5

Version 1  
November 30, 2006

 **First Southwest Company**  
Investment Bankers Since 1946

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Assumptions and Financial Summary**

General Assumptions
1. Source for all information aside from debt funding assumptions are from "Preliminary Project Plan and Preliminary Reinvestment Zone Financing Plan for Reinvestment Zone Number Five" dated as of November 28, 2006 and received via email on 11/28/06 at 6:27p.m.

Funding Assumptions									
1. Fund									
Development	Other	Streets Imp./ Utility Reloc.	Street Scaping	Open Space	Total	Development	Timing		
Urban Retail	\$ -	\$ 3,097,597	\$ 809,714	\$ -	\$ 3,907,311	Area 1	3rd Qtr	2008	
Mercado Retail	-	5,187,768	1,509,323	1,851,300	8,548,391	Area 2	4th Qtr	2008	
Lifestyle Outlet	-	6,815,432	1,407,425	653,400	8,876,257	Area 3	?	2009	
Mixed Use Development	-	6,457,870	1,735,418	3,049,200	11,242,488	Area 4	1st Qtr	2007	
Arena	-	5,871,500	1,567,766	-	7,439,266		?		
Arts Walk	3,937,500	-	-	-	3,937,500		?		
Relocation of Residents	3,590,400	-	-	-	3,590,400				
Engineering	4,000,000	-	-	-	4,000,000				
Contingency	5,200,000	-	-	-	5,200,000				
Administrative	500,000	-	-	-	500,000				
	<u>\$ 17,227,900</u>	<u>\$ 27,430,167</u>	<u>\$ 7,029,646</u>	<u>\$ 5,553,900</u>	<u>\$ 57,241,613</u>				
2. Debt Structure	Scenario 1	Structured level			4. Revenue Source	TIF Real Property Revenues			
	Scenario 2	Structured to match TIF Revenues				City Tax			
3. Rates	2009	6.25%			5. Ratings	Underlying	Insured		
					S&P	AA	AAA		
					Moody's	Aa3	Aaa		

Financial Summary				
	Need		Capacity	
	S1 - Level	S2 - Coverage	S1 - Level	S2 - Coverage
Par Amount of Bonds	\$ 58,645,000	\$ 58,695,000	\$ 48,150,000	\$ 42,505,000
Total Sources	<u>58,645,000</u>	<u>58,695,000</u>	<u>48,150,000</u>	<u>42,505,000</u>
Total Underwriter's Discount (0.800%)	\$ 469,160	\$ 469,560	\$ 385,200	\$ 340,040
Costs of Issuance	550,000	550,000	450,000	350,000
Gross Bond Insurance Premium ( 30.0 bp)	379,426	430,070	311,511	311,453
Deposit to Project Construction Fund	57,241,613	57,241,613	47,000,000	41,500,000
Rounding Amount	4,801	3,757	3,289	3,507
Total Uses	<u>\$ 58,645,000</u>	<u>\$ 58,695,000</u>	<u>\$ 48,150,000</u>	<u>\$ 42,505,000</u>
Total Debt Service	\$ 126,475,170	\$ 143,356,802	\$ 103,836,875	\$ 103,817,503

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**

**Scenario 1 - Level Debt Structure Based on City's Needs**

Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Real Property Revenue	Projected Debt Service			Projected Cash Flow	Projected Cumulative Cash Flow
				Dated 1/1/2010		Rate 6.25%		
				Principal	Interest	Total		
1	1/1/2007	2008	21,343				21,343	21,343
2	1/1/2008	2009	285,986		2,280,639	2,280,639	(1,994,653)	(1,973,310)
3	1/1/2009	2010	814,071	795,000	3,640,469	4,435,469	(3,621,398)	(5,594,708)
4	1/1/2010	2011	1,230,137	845,000	3,589,219	4,434,219	(3,204,082)	(8,798,790)
5	1/1/2011	2012	1,522,030	900,000	3,534,688	4,434,688	(2,912,657)	(11,711,447)
6	1/1/2012	2013	1,809,025	960,000	3,476,563	4,436,563	(2,627,537)	(14,338,984)
7	1/1/2013	2014	2,036,226	1,020,000	3,414,688	4,434,688	(2,398,462)	(16,737,446)
8	1/1/2014	2015	2,274,789	1,090,000	3,348,750	4,438,750	(2,163,961)	(18,901,407)
9	1/1/2015	2016	2,525,194	1,160,000	3,278,438	4,438,438	(1,913,244)	(20,814,651)
10	1/1/2016	2017	2,782,345	1,235,000	3,203,594	4,438,594	(1,656,249)	(22,470,900)
11	1/1/2017	2018	3,023,219	1,310,000	3,124,063	4,434,063	(1,410,843)	(23,881,743)
12	1/1/2018	2019	3,233,884	1,395,000	3,039,531	4,434,531	(1,200,648)	(25,082,391)
13	1/1/2019	2020	3,352,243	1,485,000	2,949,531	4,434,531	(1,082,289)	(26,164,679)
14	1/1/2020	2021	3,474,153	1,580,000	2,853,750	4,433,750	(959,597)	(27,124,277)
15	1/1/2021	2022	3,599,720	1,685,000	2,751,719	4,436,719	(836,999)	(27,961,276)
16	1/1/2022	2023	3,729,054	1,795,000	2,642,969	4,437,969	(708,915)	(28,670,191)
17	1/1/2023	2024	3,862,268	1,910,000	2,527,188	4,437,188	(574,919)	(29,245,110)
18	1/1/2024	2025	3,999,479	2,030,000	2,404,063	4,434,063	(434,584)	(29,679,694)
19	1/1/2025	2026	4,140,806	2,165,000	2,272,969	4,437,969	(297,163)	(29,976,857)
20	1/1/2026	2027	4,286,372	2,300,000	2,133,438	4,433,438	(147,065)	(30,123,922)
21	1/1/2027	2028	4,436,306	2,450,000	1,985,000	4,435,000	1,306	(30,122,616)
22	1/1/2028	2029	4,590,738	2,610,000	1,826,875	4,436,875	153,863	(29,968,753)
23	1/1/2029	2030	4,749,803	2,775,000	1,658,594	4,433,594	316,209	(29,652,544)
24	1/1/2030	2031	4,913,639	2,955,000	1,479,531	4,434,531	479,108	(29,173,436)
25	1/1/2031	2032	5,082,391	3,145,000	1,288,906	4,433,906	648,485	(28,524,951)
26	1/1/2032	2033	5,256,205	3,350,000	1,085,938	4,435,938	820,268	(27,704,683)
27	1/1/2033	2034	5,435,234	3,565,000	869,844	4,434,844	1,000,390	(26,704,292)
28	1/1/2034	2035	5,619,634	3,795,000	639,844	4,434,844	1,184,790	(25,519,502)
29	1/1/2035	2036	5,809,565	4,040,000	395,000	4,435,000	1,374,565	(24,144,937)
30	1/1/2036	2037	6,005,195	4,300,000	134,375	4,434,375	1,570,820	(22,574,117)
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ 58,645,000</b>	<b>\$ 67,830,170</b>	<b>\$ 126,475,170</b>	<b>\$ (22,574,117)</b>	

Notes:  
Property tax revenues based on collections of: 99%

Black = Existing  
Blue = Projected  
Green = Projected  
Purple = Projected  
Orange = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Scenario 2 - Coverage Debt Structure Based on City's Needs**

A	B	C	D	E	F	G	H	I
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Real Property Revenue	Projected Debt Service			Projected Cash Flow	Projected Cumulative Cash Flow
				Dated 1/1/2010		Rate 6.25%		
				Principal	Interest	Total		
1	1/1/2007	2008	\$ 21,343	\$ -	\$ -	\$ -	\$ 21,343	\$ 21,343
2	1/1/2008	2009	285,986	-	2,282,583	2,282,583	(1,996,597)	(1,975,254)
3	1/1/2009	2010	814,071	-	3,668,438	3,668,438	(2,854,367)	(4,829,621)
4	1/1/2010	2011	1,230,137	-	3,668,438	3,668,438	(2,438,300)	(7,267,922)
5	1/1/2011	2012	1,522,030	-	3,668,438	3,668,438	(2,146,407)	(9,414,329)
6	1/1/2012	2013	1,809,025	-	3,668,438	3,668,438	(1,859,412)	(11,273,741)
7	1/1/2013	2014	2,036,226	-	3,668,438	3,668,438	(1,632,212)	(12,905,953)
8	1/1/2014	2015	2,274,789	-	3,668,438	3,668,438	(1,393,648)	(14,299,601)
9	1/1/2015	2016	2,525,194	-	3,668,438	3,668,438	(1,143,244)	(15,442,845)
10	1/1/2016	2017	2,782,345	-	3,668,438	3,668,438	(886,093)	(16,328,938)
11	1/1/2017	2018	3,023,219	-	3,668,438	3,668,438	(645,218)	(16,974,156)
12	1/1/2018	2019	3,233,884	150,000	3,663,750	3,813,750	(579,866)	(17,554,023)
13	1/1/2019	2020	3,352,243	340,000	3,648,438	3,988,438	(636,195)	(18,190,217)
14	1/1/2020	2021	3,474,153	550,000	3,620,625	4,170,625	(696,472)	(18,886,690)
15	1/1/2021	2022	3,599,720	775,000	3,579,219	4,354,219	(754,499)	(19,641,189)
16	1/1/2022	2023	3,729,054	1,020,000	3,523,125	4,543,125	(814,071)	(20,455,260)
17	1/1/2023	2024	3,862,268	1,290,000	3,450,938	4,740,938	(878,669)	(21,333,929)
18	1/1/2024	2025	3,999,479	1,580,000	3,361,250	4,941,250	(941,771)	(22,275,701)
19	1/1/2025	2026	4,140,806	1,900,000	3,252,500	5,152,500	(1,011,694)	(23,287,395)
20	1/1/2026	2027	4,286,372	2,245,000	3,122,969	5,367,969	(1,081,596)	(24,368,991)
21	1/1/2027	2028	4,436,306	2,615,000	2,971,094	5,586,094	(1,149,788)	(25,518,779)
22	1/1/2028	2029	4,590,738	3,020,000	2,795,000	5,815,000	(1,224,262)	(26,743,041)
23	1/1/2029	2030	4,749,803	3,460,000	2,592,500	6,052,500	(1,302,697)	(28,045,738)
24	1/1/2030	2031	4,913,639	3,930,000	2,361,563	6,291,563	(1,377,923)	(29,423,661)
25	1/1/2031	2032	5,082,391	4,440,000	2,100,000	6,540,000	(1,457,609)	(30,881,270)
26	1/1/2032	2033	5,256,205	4,990,000	1,805,313	6,795,313	(1,539,107)	(32,420,377)
27	1/1/2033	2034	5,435,234	5,585,000	1,474,844	7,059,844	(1,624,610)	(34,044,987)
28	1/1/2034	2035	5,619,634	6,225,000	1,105,781	7,330,781	(1,711,147)	(35,756,134)
29	1/1/2035	2036	5,809,565	6,920,000	695,000	7,615,000	(1,805,435)	(37,561,569)
30	1/1/2036	2037	6,005,195	7,660,000	239,375	7,899,375	(1,894,180)	(39,455,749)
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ 58,695,000</b>	<b>\$ 84,661,802</b>	<b>\$ 143,356,802</b>	<b>\$ (39,455,749)</b>	

Notes:  
Property tax revenues based on collections of: 99%

Black = Existing  
Blue = Projected  
Green = Projected  
Purple = Projected  
Orange = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Scenario 1 - Level Debt Structure Based on Capacity**

A Life of TIF (years)	B TAV Calculation Date	C Fiscal Year End 8/31	D Real Property Revenue	E Projected Debt Service			G Projected Cash Flow	H Projected Cumulative Cash Flow
				Dated 1/1/2010		Rate 6.25%		
				Principal	Interest	Total		
1	1/1/2007	2008	\$ 21,343	\$ -	\$ -	\$ -	\$ 21,343	\$ 21,343
2	1/1/2008	2009	285,986	-	1,872,500	1,872,500	(1,586,514)	(1,565,171)
3	1/1/2009	2010	814,071	655,000	2,988,906	3,643,906	(2,829,836)	(4,395,007)
4	1/1/2010	2011	1,230,137	695,000	2,946,719	3,641,719	(2,411,582)	(6,806,589)
5	1/1/2011	2012	1,522,030	740,000	2,901,875	3,641,875	(2,119,845)	(8,926,434)
6	1/1/2012	2013	1,809,025	790,000	2,854,063	3,644,063	(1,835,037)	(10,761,471)
7	1/1/2013	2014	2,036,226	840,000	2,803,125	3,643,125	(1,606,899)	(12,368,370)
8	1/1/2014	2015	2,274,789	895,000	2,748,906	3,643,906	(1,369,117)	(13,737,487)
9	1/1/2015	2016	2,525,194	950,000	2,691,250	3,641,250	(1,116,056)	(14,853,543)
10	1/1/2016	2017	2,782,345	1,010,000	2,630,000	3,640,000	(857,655)	(15,711,198)
11	1/1/2017	2018	3,023,219	1,075,000	2,564,844	3,639,844	(616,625)	(16,327,823)
12	1/1/2018	2019	3,233,884	1,145,000	2,495,469	3,640,469	(406,585)	(16,734,408)
13	1/1/2019	2020	3,352,243	1,220,000	2,421,563	3,641,563	(289,320)	(17,023,728)
14	1/1/2020	2021	3,474,153	1,300,000	2,342,813	3,642,813	(168,660)	(17,192,388)
15	1/1/2021	2022	3,599,720	1,385,000	2,258,906	3,643,906	(44,187)	(17,236,574)
16	1/1/2022	2023	3,729,054	1,470,000	2,169,688	3,639,688	89,366	(17,147,208)
17	1/1/2023	2024	3,862,268	1,565,000	2,074,844	3,639,844	222,424	(16,924,784)
18	1/1/2024	2025	3,999,479	1,670,000	1,973,750	3,643,750	355,729	(16,569,055)
19	1/1/2025	2026	4,140,806	1,775,000	1,866,094	3,641,094	499,712	(16,069,343)
20	1/1/2026	2027	4,286,372	1,890,000	1,751,563	3,641,563	644,810	(15,424,533)
21	1/1/2027	2028	4,436,306	2,010,000	1,629,688	3,639,688	796,619	(14,627,914)
22	1/1/2028	2029	4,590,738	2,140,000	1,500,000	3,640,000	950,738	(13,677,176)
23	1/1/2029	2030	4,749,803	2,280,000	1,361,875	3,641,875	1,107,928	(12,569,249)
24	1/1/2030	2031	4,913,639	2,425,000	1,214,844	3,639,844	1,273,796	(11,295,453)
25	1/1/2031	2032	5,082,391	2,585,000	1,058,281	3,643,281	1,439,110	(9,856,343)
26	1/1/2032	2033	5,256,205	2,750,000	891,563	3,641,563	1,614,643	(8,241,700)
27	1/1/2033	2034	5,435,234	2,930,000	714,063	3,644,063	1,791,172	(6,450,528)
28	1/1/2034	2035	5,619,634	3,115,000	525,156	3,640,156	1,979,478	(4,471,051)
29	1/1/2035	2036	5,809,565	3,315,000	324,219	3,639,219	2,170,347	(2,300,704)
30	1/1/2036	2037	6,005,195	3,530,000	110,313	3,640,313	2,364,883	64,179
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ 48,150,000</b>	<b>\$ 55,686,875</b>	<b>\$ 103,836,875</b>	<b>\$ 64,179</b>	

Notes:  
Property tax revenues based on collections of: 99%

Black = Existing  
Blue = Projected  
Green = Projected  
Purple = Projected  
Orange = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Scenario 2 - Coverage Debt Structure Based on Capacity**

A	B	C	D	E	F	G	H	I
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Real Property Revenue	Projected Debt Service			Projected Cash Flow	Projected Cumulative Cash Flow
				Dated 1/1/2010		Rate 6.25%		
				Principal	Interest	Total		
1	1/1/2007	2008	\$ 21,343	\$ -	\$ -	\$ -	\$ 21,343	\$ 21,343
2	1/1/2008	2009	285,986	-	1,652,972	1,652,972	(1,366,986)	(1,345,643)
3	1/1/2009	2010	814,071	-	2,656,563	2,656,563	(1,842,492)	(3,188,135)
4	1/1/2010	2011	1,230,137	-	2,656,563	2,656,563	(1,426,425)	(4,614,561)
5	1/1/2011	2012	1,522,030	-	2,656,563	2,656,563	(1,134,532)	(5,749,093)
6	1/1/2012	2013	1,809,025	-	2,656,563	2,656,563	(847,537)	(6,596,630)
7	1/1/2013	2014	2,036,226	-	2,656,563	2,656,563	(620,337)	(7,216,967)
8	1/1/2014	2015	2,274,789	-	2,656,563	2,656,563	(381,773)	(7,598,740)
9	1/1/2015	2016	2,525,194	-	2,656,563	2,656,563	(131,369)	(7,730,109)
10	1/1/2016	2017	2,782,345	-	2,656,563	2,656,563	125,782	(7,604,327)
11	1/1/2017	2018	3,023,219	-	2,656,563	2,656,563	366,657	(7,237,670)
12	1/1/2018	2019	3,233,884	110,000	2,653,125	2,763,125	470,759	(6,766,911)
13	1/1/2019	2020	3,352,243	245,000	2,642,031	2,887,031	465,211	(6,301,700)
14	1/1/2020	2021	3,474,153	395,000	2,622,031	3,017,031	457,121	(5,844,579)
15	1/1/2021	2022	3,599,720	560,000	2,592,188	3,152,188	447,532	(5,397,047)
16	1/1/2022	2023	3,729,054	740,000	2,551,563	3,291,563	437,491	(4,959,555)
17	1/1/2023	2024	3,862,268	935,000	2,499,219	3,434,219	428,049	(4,531,506)
18	1/1/2024	2025	3,999,479	1,145,000	2,434,219	3,579,219	420,260	(4,111,246)
19	1/1/2025	2026	4,140,806	1,375,000	2,355,469	3,730,469	410,337	(3,700,909)
20	1/1/2026	2027	4,286,372	1,625,000	2,261,719	3,886,719	399,654	(3,301,255)
21	1/1/2027	2028	4,436,306	1,895,000	2,151,719	4,046,719	389,587	(2,911,668)
22	1/1/2028	2029	4,590,738	2,185,000	2,024,219	4,209,219	381,519	(2,530,148)
23	1/1/2029	2030	4,749,803	2,505,000	1,877,656	4,382,656	367,146	(2,163,002)
24	1/1/2030	2031	4,913,639	2,845,000	1,710,469	4,555,469	358,171	(1,804,831)
25	1/1/2031	2032	5,082,391	3,215,000	1,521,094	4,736,094	346,297	(1,458,534)
26	1/1/2032	2033	5,256,205	3,615,000	1,307,656	4,922,656	333,549	(1,124,985)
27	1/1/2033	2034	5,435,234	4,045,000	1,068,281	5,113,281	321,953	(803,032)
28	1/1/2034	2035	5,619,634	4,510,000	800,938	5,310,938	308,696	(494,335)
29	1/1/2035	2036	5,809,565	5,010,000	503,438	5,513,438	296,128	(198,207)
30	1/1/2036	2037	6,005,195	5,550,000	173,438	5,723,438	281,758	83,550
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ 42,505,000</b>	<b>\$ 61,312,503</b>	<b>\$ 103,817,503</b>	<b>\$ 83,550</b>	

Notes:  
Property tax revenues based on collections of: 99%

Black = Existing  
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Orange = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Assumptions and Financial Summary**

General Assumptions
1. Source for all information aside from debt funding assumptions are from "Preliminary Project Plan and Preliminary Reinvestment Zone Financing Plan for Reinvestment Zone Number Five" dated as of November 28, 2006 and received via email on 11/28/06 at 6:27p.m.

Funding Assumptions									
1. Fund									
Development	Other	Streets Imp./ Utility Reloc.	Street Scaping	Open Space	Total	Development	Timing		
Urban Retail	\$ -	\$ 3,097,597	\$ 809,714	\$ -	\$ 3,907,311	Area 1	3rd Qtr	2008	
Mercado Retail	-	5,187,768	1,509,323	1,851,300	8,548,391	Area 2	4th Qtr	2008	
Lifestyle Outlet	-	6,815,432	1,407,425	653,400	8,876,257	Area 3	?	2009	
Mixed Use Development	-	6,457,870	1,735,418	3,049,200	11,242,488	Area 4	1st Qtr	2007	
Arena	-	5,871,500	1,567,766	-	7,439,266		?		
Arts Walk	3,937,500	-	-	-	3,937,500		?		
Relocation of Residents	3,590,400	-	-	-	3,590,400				
Engineering	4,000,000	-	-	-	4,000,000				
Contingency	5,200,000	-	-	-	5,200,000				
Administrative	500,000	-	-	-	500,000				
	<u>\$ 17,227,900</u>	<u>\$ 27,430,167</u>	<u>\$ 7,029,646</u>	<u>\$ 5,553,900</u>	<u>\$ 57,241,613</u>				
2. Debt Structure		Level		4. Revenue Source		TIF Real Property Revenues City Tax			
3. Rates		2009		6.25%		5. Ratings		Underlying	
		2010		6.50%		S&P		AA	
		2011-2030		6.75%		Moody's		Aa3	
						Insured		AAA Aaa	

Financial Summary								
	2009	2010	2011	2016	2021	2026	2030	Total
Par Amount of Bonds	\$ 6,190,000	\$ 5,685,000	\$ 8,730,000	\$ 19,470,000	\$ 3,145,000	\$ 7,950,000	\$ 1,320,000	\$ 52,490,000
Total Sources	<u>6,190,000</u>	<u>5,685,000</u>	<u>8,730,000</u>	<u>19,470,000</u>	<u>3,145,000</u>	<u>7,950,000</u>	<u>1,320,000</u>	<u>52,490,000</u>
Total UW Disc (0.800%)	\$ 49,520	\$ 45,480	\$ 69,840	\$ 155,760	\$ 25,160	\$ 63,600	\$ 10,560	\$ 419,920
Costs of Issuance	100,000	100,000	100,000	200,000	100,000	100,000	100,000	800,000
Bond Insurance ( 30.0 bp)	40,046	36,860	56,664	111,715	15,810	34,781	5,136	301,011
Construction Fund	6,000,000	5,500,000	8,500,000	19,000,000	3,000,000	7,750,000	1,200,000	50,950,000
Rounding Amount	434	2,660	3,496	2,525	4,030	1,619	4,304	19,069
Total Uses	<u>\$ 6,190,000</u>	<u>\$ 5,685,000</u>	<u>\$ 8,730,000</u>	<u>\$ 19,470,000</u>	<u>\$ 3,145,000</u>	<u>\$ 7,950,000</u>	<u>\$ 1,320,000</u>	<u>\$ 52,490,000</u>
Total Debt Service	\$ 13,348,535	\$ 12,286,714	\$ 18,887,873	\$ 37,238,340	\$ 5,269,859	\$ 11,593,763	\$ 1,711,928	\$ 100,337,010

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Level Debt Structure Over Time Based on Capacity**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Real Property Revenue	Projected Debt Service								Projected Cash Flow	Projected Cumulative Cash Flow	
				Par 6.19M Fund 6.00M Dated 1/1/2009 Rate 6.25%	Par 5.69M Fund 5.50M Dated 1/1/2010 Rate 6.50%	Par 8.73M Fund 8.50M Dated 1/1/2011 Rate 6.75%	Par 19.47M Fund 19.00M Dated 1/1/2016 Rate 6.75%	Par 3.15M Fund 3.00M Dated 1/1/2021 Rate 6.75%	Par 7.95M Fund 7.75M Dated 1/1/2026 Rate 6.75%	Par 1.32M Fund 1.20M Dated 1/1/2030 Rate 6.75%	Par 52.50M Fund 50.95M			
1	1/1/2007	2008	\$ 21,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,343	\$ 21,343
2	1/1/2008	2009	285,986	240,722	-	-	-	-	-	-	-	240,722	45,264	66,607
3	1/1/2009	2010	814,071	469,219	229,927	-	-	-	-	-	-	699,145	114,925	181,532
4	1/1/2010	2011	1,230,137	468,750	446,925	366,660	-	-	-	-	-	1,282,335	(52,198)	129,334
5	1/1/2011	2012	1,522,030	467,969	446,563	714,888	-	-	-	-	-	1,629,419	(107,389)	21,945
6	1/1/2012	2013	1,809,025	466,875	445,875	710,944	-	-	-	-	-	1,623,694	185,332	207,277
7	1/1/2013	2014	2,036,226	470,313	444,863	711,494	-	-	-	-	-	1,626,669	409,557	616,834
8	1/1/2014	2015	2,274,789	468,281	448,363	711,369	-	-	-	-	-	1,628,013	646,777	1,263,610
9	1/1/2015	2016	2,525,194	465,938	446,375	710,569	817,740	-	-	-	-	2,440,621	84,573	1,348,183
10	1/1/2016	2017	2,782,345	468,125	448,900	713,925	1,734,544	-	-	-	-	3,365,494	(583,149)	765,034
11	1/1/2017	2018	3,023,219	469,688	445,938	711,438	1,734,169	-	-	-	-	3,361,231	(338,012)	427,022
12	1/1/2018	2019	3,233,884	465,781	447,488	713,106	1,736,600	-	-	-	-	3,362,975	(129,091)	297,931
13	1/1/2019	2020	3,352,243	466,406	448,388	713,763	1,731,838	-	-	-	-	3,360,394	(8,151)	289,780
14	1/1/2020	2021	3,474,153	466,406	448,638	713,406	1,734,713	132,090	-	-	-	3,495,253	(21,100)	268,680
15	1/1/2021	2022	3,599,720	470,625	448,238	712,038	1,734,888	323,406	-	-	-	3,689,194	(89,474)	179,206
16	1/1/2022	2023	3,729,054	469,063	447,188	714,488	1,732,363	320,475	-	-	-	3,683,575	45,479	224,684
17	1/1/2023	2024	3,862,268	466,875	445,488	710,756	1,731,969	322,038	-	-	-	3,677,125	185,143	409,828
18	1/1/2024	2025	3,999,479	468,906	447,975	710,844	1,733,369	322,925	-	-	-	3,684,019	315,460	725,288
19	1/1/2025	2026	4,140,806	470,000	444,650	714,413	1,736,225	323,138	333,900	-	-	4,022,325	118,481	843,768
20	1/1/2026	2027	4,286,372	470,156	445,513	711,463	1,735,369	322,675	1,024,581	-	-	4,709,756	(423,384)	420,384
21	1/1/2027	2028	4,436,306	469,375	445,400	711,994	1,735,631	321,538	1,024,313	-	-	4,708,250	(271,944)	148,441
22	1/1/2028	2029	4,590,738	467,656	444,313	710,838	1,731,844	319,725	1,021,681	-	-	4,696,056	(105,318)	43,122
23	1/1/2029	2030	4,749,803	469,844	447,088	712,825	1,733,669	322,069	1,026,350	55,440	-	4,767,284	(17,481)	25,641
24	1/1/2030	2031	4,913,639	465,938	448,563	712,788	1,735,600	318,569	1,023,150	234,038	-	4,938,644	(25,004)	637
25	1/1/2031	2032	5,082,391	465,938	443,900	710,725	1,732,469	319,225	1,022,081	238,406	-	4,932,744	149,647	150,284
26	1/1/2032	2033	5,256,205	469,531	447,938	711,469	1,733,938	318,869	1,022,806	236,931	-	4,941,481	314,724	465,009
27	1/1/2033	2034	5,435,234	466,719	445,513	714,681	1,734,500	322,331	1,024,988	234,781	-	4,943,513	491,722	956,730
28	1/1/2034	2035	5,619,634	467,500	446,625	710,363	1,733,819	319,613	1,023,456	236,788	-	4,938,163	681,471	1,638,202
29	1/1/2035	2036	5,809,565	466,719	446,113	713,344	1,736,388	320,713	1,023,044	237,781	-	4,944,100	865,465	2,503,667
30	1/1/2036	2037	6,005,195	469,219	443,975	713,288	1,736,700	320,463	1,023,413	237,763	-	4,944,819	1,060,376	3,564,043
0	1/0/1900	0	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ 13,348,535</b>	<b>\$ 12,286,714</b>	<b>\$ 18,887,873</b>	<b>\$ 37,238,340</b>	<b>\$ 5,269,859</b>	<b>\$ 11,593,763</b>	<b>\$ 1,711,928</b>	<b>\$ 100,337,010</b>	<b>\$ 3,564,043</b>		

Notes:  
Property tax revenues based on collections of: 99%

Black = Existing  
Blue = Projected  
Green = Projected  
Purple = Projected  
Orange = Projected

Funded Amt.	\$ 50,950,000
Cash Rem.	3,564,043
<b>Total</b>	<b>\$ 54,514,043</b>
City Needs	\$ 57,241,613
Shortfall	<b>\$ (2,727,569)</b>

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Input Sheet**

Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	TIF #5 - Real Property - Non-Project Specific					TIF #5 - Business/Personal Property - Non-Project Specific					TIF #5 - Taxable Sales - Non-Project Specific					TIF #5 - Operating Expenses - Non-Project Specific					
			Area 1	Area 2	Area 3	Area 4	Total	Area 1	Area 2	Area 3	Area 4	Total	Area 1	Area 2	Area 3	Area 4	Total	Area 1	Area 2	Area 3	Area 4	Total	
			Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Incr. TAV	Aggregate Sales	Annual Expenses								
1	1/1/2007	2008					\$ 3,206,506																
2	1/1/2008	2009					42,966,513																
3	1/1/2009	2010					122,305,765																
4	1/1/2010	2011					184,815,496																
5	1/1/2011	2012					228,669,443																
6	1/1/2012	2013					271,787,563																
7	1/1/2013	2014					305,922,055																
8	1/1/2014	2015					341,763,814																
9	1/1/2015	2016					379,384,554																
10	1/1/2016	2017					418,018,809																
11	1/1/2017	2018					454,207,750																
12	1/1/2018	2019					485,857,912																
13	1/1/2019	2020					503,640,155																
14	1/1/2020	2021					521,955,865																
15	1/1/2021	2022					540,821,047																
16	1/1/2022	2023					560,252,184																
17	1/1/2023	2024					580,266,256																
18	1/1/2024	2025					600,880,749																
19	1/1/2025	2026					622,113,677																
20	1/1/2026	2027					643,983,593																
21	1/1/2027	2028					666,509,607																
22	1/1/2028	2029					689,711,401																
23	1/1/2029	2030					713,609,249																
24	1/1/2030	2031					738,224,032																
25	1/1/2031	2032					763,577,258																
26	1/1/2032	2033					789,691,082																
27	1/1/2033	2034					816,568,320																
28	1/1/2034	2035					844,292,476																
29	1/1/2035	2036					872,827,756																
30	1/1/2036	2037					902,219,094																
<b>Total</b>			\$ -	\$ -	\$ -	\$ -	\$ 15,610,069,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Total Tax Rate as of			Participation		Sales Tax Entities	Sales Tax Rate
	M&O Tax Rate	I&S Tax Rate	1/1/2007	Current	Conditional		
City of El Paso	\$ 0.481420	\$ 0.190906	\$ 0.672326	100%	0%	City	1.00%
El Paso ISD	1.370000	0.153500	1.523500	0%	0%	ESD 2	0.50%
El Paso County	0.332230	0.059160	0.391390	0%	0%	CTD	0.50%
El Paso Cty Hosp Dist	0.164263	0.021737	0.186000	0%	0%		2.00%
El Paso CCCD	0.120998	-	0.120998	0%	0%		
	<b>\$ 2.468911</b>	<b>\$ 0.425303</b>	<b>\$ 2.894214</b>				

Tax Collection % 99%

Shaded areas require input.

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Real Property Tax Revenue By Jurisdiction**

A	B	C	D	E		F		G		H		I		J		K		L		M	N	O
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Non-Project Aggregate Incremental TAV	City of El Paso		El Paso ISD		El Paso County		El Paso Cty Hosp Dist		El Paso CCCD		Non-Project Real Property Tax Revenue								
				100%	0%	0%	0%	0%	0%	0%	0%	0%	0%									
				Tax Rate = 0.672326	Tax Rate = 1.370000	Tax Rate = 0.391390	Tax Rate = 0.186000	Tax Rate = 0.120998														
				Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative			
1	1/1/2007	2008	\$ 3,206,506	\$ 21,343	\$ 21,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,343
2	1/1/2008	2009	42,966,513	285,986	307,329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285,986
3	1/1/2009	2010	122,305,765	814,071	1,121,399	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	814,071
4	1/1/2010	2011	184,815,496	1,230,137	2,351,536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,230,137
5	1/1/2011	2012	228,669,443	1,522,030	3,873,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,522,030
6	1/1/2012	2013	271,787,563	1,809,025	5,682,592	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,809,025
7	1/1/2013	2014	305,922,055	2,036,226	7,718,818	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,036,226
8	1/1/2014	2015	341,763,814	2,274,789	9,993,607	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,274,789
9	1/1/2015	2016	379,384,554	2,525,194	12,518,801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,525,194
10	1/1/2016	2017	418,018,809	2,782,345	15,301,145	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,782,345
11	1/1/2017	2018	454,207,750	3,023,219	18,324,365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,023,219
12	1/1/2018	2019	485,857,912	3,233,884	21,558,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,233,884
13	1/1/2019	2020	503,640,155	3,352,243	24,910,491	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,352,243
14	1/1/2020	2021	521,955,865	3,474,153	28,384,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,474,153
15	1/1/2021	2022	540,821,047	3,599,720	31,984,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,599,720
16	1/1/2022	2023	560,252,184	3,729,054	35,713,417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,729,054
17	1/1/2023	2024	580,266,256	3,862,268	39,575,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,862,268
18	1/1/2024	2025	600,880,749	3,999,479	43,575,164	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,999,479
19	1/1/2025	2026	622,113,677	4,140,806	47,715,970	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,140,806
20	1/1/2026	2027	643,983,593	4,286,372	52,002,342	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,286,372
21	1/1/2027	2028	666,509,607	4,436,306	56,438,648	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,436,306
22	1/1/2028	2029	689,711,401	4,590,738	61,029,386	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,590,738
23	1/1/2029	2030	713,609,249	4,749,803	65,779,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,749,803
24	1/1/2030	2031	738,224,032	4,913,639	70,692,828	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,913,639
25	1/1/2031	2032	763,577,258	5,082,391	75,775,219	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,082,391
26	1/1/2032	2033	789,691,082	5,256,205	81,031,425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,256,205
27	1/1/2033	2034	816,588,320	5,435,234	86,466,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,435,234
28	1/1/2034	2035	844,292,476	5,619,634	92,086,293	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,619,634
29	1/1/2035	2036	872,827,756	5,809,565	97,895,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,809,565
30	1/1/2036	2037	902,219,094	6,005,195	103,901,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,005,195
0																						
				<u>\$ 103,901,054</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>				<u>\$ 56,438,648</u>

Notes:  
Revenues based on collections of: 99%

Black = Existing  
Blue = Projected  
Green = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**Bus/Pers Property Incremental TAV & City Revenues**  
**Total Sales & Sales Tax Revenues**

A	B	C	D	E	F	G	H	I	J
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	Non-Project Bus/Pers Property Aggregate Incremental TAV	Non-Project Bus/Pers Property Tax Revenue City of EP Rate 0.67283	Non-Project Taxable Sales Per Year	Non-Project Annual 1.00% City Sales Tax	Non-Project Annual 0.50% ESD 2 Sales Tax	Non-Project Annual 0.50% CTD Sales Tax	Non-Project Total Annual Sales Tax
1	1/1/2007	2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	1/1/2008	2009	-	-	-	-	-	-	-
3	1/1/2009	2010	-	-	-	-	-	-	-
4	1/1/2010	2011	-	-	-	-	-	-	-
5	1/1/2011	2012	-	-	-	-	-	-	-
6	1/1/2012	2013	-	-	-	-	-	-	-
7	1/1/2013	2014	-	-	-	-	-	-	-
8	1/1/2014	2015	-	-	-	-	-	-	-
9	1/1/2015	2016	-	-	-	-	-	-	-
10	1/1/2016	2017	-	-	-	-	-	-	-
11	1/1/2017	2018	-	-	-	-	-	-	-
12	1/1/2018	2019	-	-	-	-	-	-	-
13	1/1/2019	2020	-	-	-	-	-	-	-
14	1/1/2020	2021	-	-	-	-	-	-	-
15	1/1/2021	2022	-	-	-	-	-	-	-
16	1/1/2022	2023	-	-	-	-	-	-	-
17	1/1/2023	2024	-	-	-	-	-	-	-
18	1/1/2024	2025	-	-	-	-	-	-	-
19	1/1/2025	2026	-	-	-	-	-	-	-
20	1/1/2026	2027	-	-	-	-	-	-	-
21	1/1/2027	2028	-	-	-	-	-	-	-
22	1/1/2028	2029	-	-	-	-	-	-	-
23	1/1/2029	2030	-	-	-	-	-	-	-
24	1/1/2030	2031	-	-	-	-	-	-	-
25	1/1/2031	2032	-	-	-	-	-	-	-
26	1/1/2032	2033	-	-	-	-	-	-	-
27	1/1/2033	2034	-	-	-	-	-	-	-
28	1/1/2034	2035	-	-	-	-	-	-	-
29	1/1/2035	2036	-	-	-	-	-	-	-
30	1/1/2036	2037	-	-	-	-	-	-	-
		<b>Total</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:  
 Revenues based on collections of: 99%

Black = Existing  
 Blue = Projected  
 Purple = Projected  
 Orange = Projected

**City of El Paso, Texas**  
**Tax Increment Financing Worksheet**  
**TIF #5**  
**TIF, City & Other District Revenues**

A	B	C	D	E	F	G	H	I	J	K	L	M
Life of TIF (years)	TAV Calculation Date	Fiscal Year End 8/31	TIF #5		City		Non-Project Total TIF & City Property and Sales Tax Revenues	Non-Project Annual Operating Expenses	Non-Project Net TIF & City Property and Sales Tax Revenues	Other Districts		Total Non-Project Net Revenues
			Non-Project Real Property Tax Revenues	Non-Project Bus/Pers Property Tax Revenue	Non-Project Annual 1.00% City Sales Tax	Total Non-Project City Bus/Pers Property & Sales Tax				Non-Project Annual 0.50% ESD 2 Sales Tax	Non-Project Annual 0.50% CTD Sales Tax	
1	1/1/2007	2008	\$ 21,343	\$ -	\$ -	\$ -	\$ 21,343	\$ -	\$ 21,343	\$ -	\$ -	\$ 21,343
2	1/1/2008	2009	285,986	-	-	-	285,986	-	285,986	-	-	285,986
3	1/1/2009	2010	814,071	-	-	-	814,071	-	814,071	-	-	814,071
4	1/1/2010	2011	1,230,137	-	-	-	1,230,137	-	1,230,137	-	-	1,230,137
5	1/1/2011	2012	1,522,030	-	-	-	1,522,030	-	1,522,030	-	-	1,522,030
6	1/1/2012	2013	1,809,025	-	-	-	1,809,025	-	1,809,025	-	-	1,809,025
7	1/1/2013	2014	2,036,226	-	-	-	2,036,226	-	2,036,226	-	-	2,036,226
8	1/1/2014	2015	2,274,789	-	-	-	2,274,789	-	2,274,789	-	-	2,274,789
9	1/1/2015	2016	2,525,194	-	-	-	2,525,194	-	2,525,194	-	-	2,525,194
10	1/1/2016	2017	2,782,345	-	-	-	2,782,345	-	2,782,345	-	-	2,782,345
11	1/1/2017	2018	3,023,219	-	-	-	3,023,219	-	3,023,219	-	-	3,023,219
12	1/1/2018	2019	3,233,884	-	-	-	3,233,884	-	3,233,884	-	-	3,233,884
13	1/1/2019	2020	3,352,243	-	-	-	3,352,243	-	3,352,243	-	-	3,352,243
14	1/1/2020	2021	3,474,153	-	-	-	3,474,153	-	3,474,153	-	-	3,474,153
15	1/1/2021	2022	3,599,720	-	-	-	3,599,720	-	3,599,720	-	-	3,599,720
16	1/1/2022	2023	3,729,054	-	-	-	3,729,054	-	3,729,054	-	-	3,729,054
17	1/1/2023	2024	3,862,268	-	-	-	3,862,268	-	3,862,268	-	-	3,862,268
18	1/1/2024	2025	3,999,479	-	-	-	3,999,479	-	3,999,479	-	-	3,999,479
19	1/1/2025	2026	4,140,806	-	-	-	4,140,806	-	4,140,806	-	-	4,140,806
20	1/1/2026	2027	4,286,372	-	-	-	4,286,372	-	4,286,372	-	-	4,286,372
21	1/1/2027	2028	4,436,306	-	-	-	4,436,306	-	4,436,306	-	-	4,436,306
22	1/1/2028	2029	4,590,738	-	-	-	4,590,738	-	4,590,738	-	-	4,590,738
23	1/1/2029	2030	4,749,803	-	-	-	4,749,803	-	4,749,803	-	-	4,749,803
24	1/1/2030	2031	4,913,639	-	-	-	4,913,639	-	4,913,639	-	-	4,913,639
25	1/1/2031	2032	5,082,391	-	-	-	5,082,391	-	5,082,391	-	-	5,082,391
26	1/1/2032	2033	5,256,205	-	-	-	5,256,205	-	5,256,205	-	-	5,256,205
27	1/1/2033	2034	5,435,234	-	-	-	5,435,234	-	5,435,234	-	-	5,435,234
28	1/1/2034	2035	5,619,634	-	-	-	5,619,634	-	5,619,634	-	-	5,619,634
29	1/1/2035	2036	5,809,565	-	-	-	5,809,565	-	5,809,565	-	-	5,809,565
30	1/1/2036	2037	6,005,195	-	-	-	6,005,195	-	6,005,195	-	-	6,005,195
<b>Total</b>			<b>\$ 103,901,054</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,901,054</b>	<b>\$ -</b>	<b>\$ 103,901,054</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,901,054</b>

Notes:  
Property tax revenues based on collections of: 99%

- Black = Existing
- Blue = Projected
- Green = Projected
- Purple = Projected
- Orange = Projected

**EXHIBIT I**

**Economic Feasibility Study<sup>8</sup>**

*[See attached Market Conditions and Financial Forecast]*

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<sup>8</sup> This study prepared by TXP, Inc.

# Market Conditions and Financial Forecast Associated with the El Paso Downtown 2015 Plan

City of El Paso – December 2006



Source: SMWM

 PRESENTED BY 



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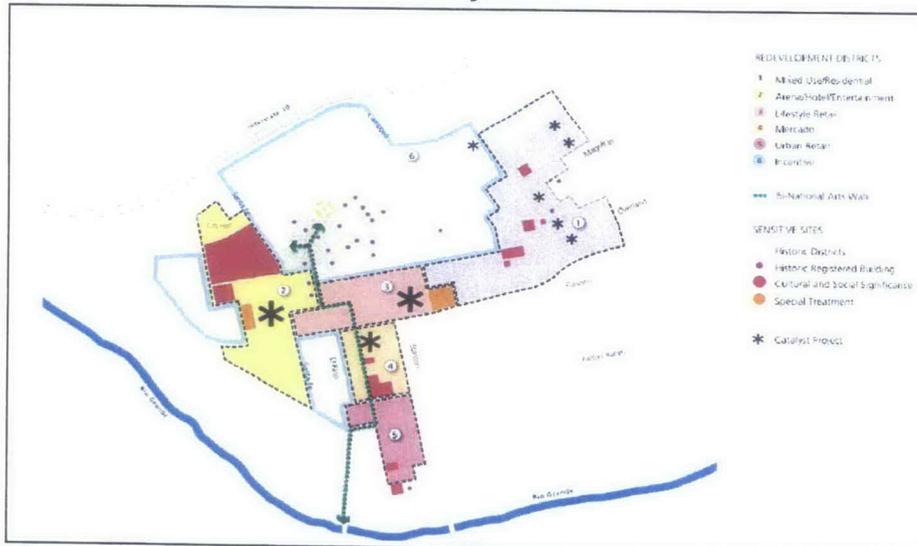
## Introduction

Downtown 2015 (the Project) represents an ambitious attempt to provide form and structure to efforts to reshape and revitalize downtown El Paso. The City of El Paso (the City) has been asked to participate in this effort from both a regulatory and financial standpoint, through zoning, code changes, and potential public financial support of various types. As part of developing its policy response, the City has engaged TXP to provide a review of the market conditions that would influence the net benefits associated with Plan, including calculating potential tax revenue that would accrue to the City. TXP has created a series of major findings for each of the key project factors.

Given a short timeframe and a significant volume of previous research, TXP has relied where possible on secondary information. In particular, a number of sources provided significant information to the development of our findings:

- several reports prepared for the City and the PDN Foundation by SMWM (collectively referenced hereafter as *SMWM*);
- several reports prepared for the PDN Foundation by Graven & Associates (collectively referenced as *Graven*);
- the April 2006 UTEP Border Modeling Project Long Term Forecast (referenced as *Forecast*);
- and “El Paso Gears Up for the Future,” Technical Report 1767 (April 2006) from the Texas A&M Real Estate Research Center (referenced as *A&M Real Estate*)

**Figure 1: The Downtown 2015 Study Area**



Source: SMWM

## Downtown 2015 Project Parameters & Assumptions

### *Supporting Information from SMWM*

The current downtown planning effort used as a take off point the many studies of downtown economics and market that had preceded its initiation, and then focused on uses that offered real promise for a downtown turn around. Resources to identify those catalyst market components included the record of achievement in relevant cities across the United States, closer to home Texas and border city examples and the direction of the city and PDNG leadership team in refining the focus and establishing a likely sequence for success. A brief summary of the studies and statistics that provided a base for downtown planning work is included here.

Following an evaluation of the current market downtown and an analysis of potential future development, the Leinberger-Lesser Study for the El Paso Downtown Partnership determined that in light of its proximity to Juarez, the significant volume of expenditures by Mexican nationals, convention delegates to the City, ease of access, and an underserved local population, significant demand potential existed for expanded retail space downtown. Managers at the existing malls in El Paso estimate that 30percent to 40percent of their overall retail sales are attributed to visitors from Mexico, with some retailers estimating as high as 90percent of their sales. "The combination of these factors creates an ideal opportunity for an urban retail outlet experience." In their expert opinion, these demand sources are sufficient to support the immediate development of a retail center.

Such a development would serve as a marquee example of the renewed strength of Downtown and the dedication by the City to provide an environment that serves the needs of residents and visitors. According to the Leinberger-Lesser Study "attracting quality retail into Downtown is a critical catalyst to the area's revitalization. With a strong mix of retail, dining, and entertainment, Downtown El Paso has the potential to evolve into an area where residents shop, dine, and play."

Following retail development and in a later phase, additional opportunities could exist for entertainment establishments as the momentum of Downtown accelerates. Likewise, while current occupancy rates may not justify new hotel construction, as the convention center, performance and exhibition space expands and Downtown's retail market grows, a 200 room hotel could be an important anchor for a revitalized Downtown. Aggressive marketing and recruitment to attract larger regional and national conventions could further accelerate this opportunity.

Currently there has been very little residential construction with the majority of existing supply concentrated in several small neighborhoods adjacent to Downtown including Sunset Heights, Old San Francisco, and Magoffin Street. However, these districts offer little in the way of services or retail, and nothing has been done to create the mixed-use, youth-focused buzz that would bring students and young professional downtown. At the same time, families seeking a downtown home see a major deficit of parks, recreation and services to support their children and family life. And finally, a housing product fitting for empty-nesters ready to move out of a large family home in the suburbs has yet to be offered. Future public/private investments, however, could capture a number of these new segments of the potential downtown market. Further studies of market potential for both retail and residential is necessary for specific project proposals. The potential for new retail, housing and related commercial development will depend in part on the ability to consolidate parcels to create a critical mass of available properties for new projects.

*Supporting Information from Graven*

The amount and type of development analyzed is based on the SMWM draft plan and the Oster Research Group white paper on downtown El Paso retail opportunities and PNG Foundation plans. The projected developments are illustrative of the type of developments that could occur as the development plans are implemented. It is recognized that the timing, amount, size, configuration, and value of specific projects will depend upon market and financial conditions when they are developed. There does appear to be developer interest and market support for some of the specific projects proposed for the early stages of the proposed development plans.

A total of nearly 1.3 million sqf of new retail space and approximately 1,700 new apartment units are projected for the four sub-areas included within the study area. The amount of retail space and housing, by area and type, is suggested by SMWM draft development plan and the PNG Foundation plans. The timing of the development is based on general market conditions and presumed interest in some sites by developers and retailers.

**Table 1: Land Use Patterns of the Project**

Redevelopment Districts	RETAIL		RESIDENTIAL	
	SQF	Parking	Units	Parking
First Street	600,000	1,800	150-300	150-300
Oregon/Mesa	200,000	400	150-300	150-300
Rio Grande	300,000	1,200	150-300	150-300
Magoffin/San Antonio	195,000		700-1,400	700-1,400
<b>TOTAL</b>	<b>1,295,000</b>	<b>3,400</b>	<b>1,150-2,300</b>	<b>1,150-2,300</b>

Source: Graven, TXP

## Real Estate Market Demand

**FINDING #1:** Overall growth in El Paso is expected to create significant demand for real estate over the forecast horizon. Meanwhile, the dollar volume of local home sales has more than doubled since 2000.

**FINDING #2:** The local real estate market appears primed for new development in downtown of the mixed-use, urbanist character that has become highly popular elsewhere in Texas and across the U.S.

**FINDING #3:** Graven's estimates of demand for retail and residential are both consistent with market trends and reasonable in the aggregate. For example, the forecast on the number of units absorbed from 2008-2018 represent less than 20 percent of the total market demand projected by the Forecast during that period.

### Aggregate Market Projections for El Paso

Over time, demand for any type of real estate is largely a function of demographics and economics, as job growth and household formation create both the need for space and the means to pay for it. According to the Forecast, total El Paso population will approach a million over the next twenty years, while the local job base will pass half a million during the same period.<sup>1</sup> To support this population and employment growth, the number of housing units and commercial space in the region must expand.

**Table 2: El Paso MSA Economic/Demographic Projections**

	1985	1990	1995	2000	2005	2010	2015	2020	2025
Population (000s)	538.8	595.4	654.3	681.5	725.1	793.8	862.1	930.5	998.6
Personal Income (Billions)	\$5.3	\$7.3	\$9.7	\$12.6	\$16.3	\$21.9	\$30.5	\$42.4	\$58.3
Total Jobs (000s)	232.7	269.7	300.0	326.3	347.6	387.1	426.1	466.0	506.5
Jobless Rate	10.8%	11.6%	10.4%	8.2%	7.8%	7.6%	7.5%	7.3%	7.1%
Retail Sales (Billions)	\$2.8	\$3.7	\$4.9	\$6.3	\$7.6	\$9.6	\$12.4	\$16.2	\$21.3
Water Consumption (bil. gal.)	30.8	33.9	34.9	36.0	32.3	34.9	39.7	42.3	46.2

Source: Border Region Modeling Project, TXP

**Table 3: El Paso MSA Construction/Real Estate Projections**

	1985	1990	1995	2000	2005	2010	2015	2020	2025
Total Housing Starts (000s)	5.1	2.3	3.0	3.5	4.2	5.7	6.2	6.8	7.4
Single-Family Starts (000s)	3.8	2.1	2.6	3.1	3.6	4.7	5.3	5.9	6.5
Multi-Family Starts (000s)	1.3	0.2	0.5	0.4	0.6	1.0	0.8	0.9	0.9
Total Housing Stock (000s)	202.0	224.1	232.6	245.4	264.6	289.0	314.0	338.1	361.9
Median New Home Price (000s)	64.8	81.4	85.8	94.2	118.4	139.3	165.5	197.9	236.6
Total Nonresidential (\$Millions)	146.4	160.8	257.2	305.7	354.5	411.6	488.4	595.3	715.0

Source: Border Region Modeling Project, TXP

<sup>1</sup> See Appendix One for more details from the forecast.

## Current El Paso Real Estate Market Conditions

*Supporting Information from A&M Real Estate*

**Residential:** The consensus is that El Paso is experiencing one of its strongest single-family markets ever. Lot supply is the lowest of any time in recent history. The average days-on-market citywide for new residential construction is no more than ten days. Some homes are sold before completion. Total apartment stock is nearing 25,000 units, according to the El Paso Apartment Association. More than 1,000 new units are currently in development. Two new apartment properties will be developed on the city's west side, two others on the northeast side and one on the city's east side. Overall apartment occupancy rate was 93.5 percent in December 2005, up from about 90.5 percent in December 2004. Average rents ended 2005 at 67 cents per square foot per month. Only 11.1 percent of apartment units contain three or more bedrooms. The remaining 88.1 percent are efficiency, one-bedroom or two-bedroom units. See Appendix Two for more detail.

**Retail:** Record new home construction is combining with the improving U.S. economy and a stable peso to produce a strong retail market in El Paso. Local retail broker Richard Amstater of RJL Real Estate Consultants believes this is the most active market he has seen in the last 30 years. Bob Ayoub is president of the region's other major retail development-management company, Mimco Inc. Ayoub, who also has several new developments underway, says that El Paso is really five distinct submarkets: west, northeast, central, east south of I-10 and east north of I-10. Ayoub believes that many positive things are coming together for El Paso's retail market, including more soldiers at Ft. Bliss, improving maquilas and the new medical school. El Paso's peak retail rents are about \$20 per square foot.

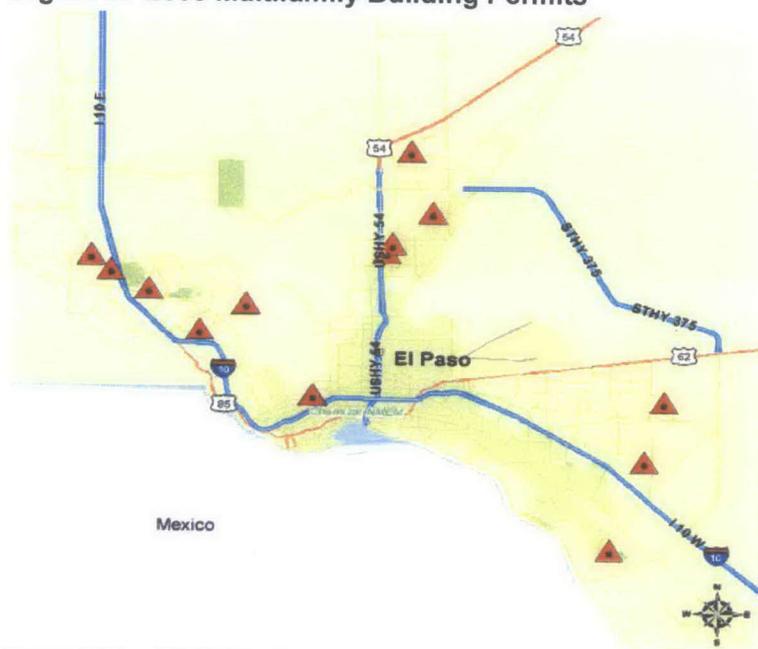
National retailers have tended to underestimate the value of Mexican shoppers, especially the high-end retail client. Wealthy Mexicans often own homes on both sides of the border. Surveys have shown that about 20 percent of Mexicans crossing the border have a U.S. bank account. Mexican nationals often combine shopping trips with the consumption of other forms of entertainment and services such as banking or medical services. Astute Mexicans also know that some products are sold in the U.S. market before being made available in Mexico.

Mexican retail customers have reported that they prefer to shop in the United States for a variety of reasons including better selection, more consistent availability, lower prices, more pleasant shopping atmosphere, better quality and superior customer service. Lower-end customers may even resell what they buy on the U.S. side when they return to Mexico. American retail chains with no

stores in Mexico have become extremely popular with Mexican shoppers. Examples include Abercrombie & Fitch, American Eagle Outfitters and Victoria's Secret. According to the Simon Property Group, the average Mexican shopper spends twice as much per trip as an American shopper. Of Mexican nationals entering Texas by car in 2004, 43 percent reported remaining on the U.S. side one to seven nights before returning. About 98 percent of Mexican pedestrians crossing by foot into Texas only stay for the day. About 85 percent of Mexicans crossing into Texas list shopping as one their reasons for crossing. El Paso has been the least affected major Texas border city when swings occur in the value of the Mexican peso, according to a Dallas Federal Reserve study.

Exclusive national restaurant chains are yet to take a chance on El Paso. Some El Paso residents report driving 40 miles to Las Cruces just to dine at PF Chang's. Upscale lifestyle tenants are beginning to show some interest in El Paso. Lifestyle centers are open-air, main-street-like developments with higher-quality architecture that focus on specific retail sectors and blend mixed uses typical of a traditional main street. No mixed-use projects (combining retail with apartments, office space, for example) like those being developed in the state's largest metro areas have occurred in El Paso thus far.

**Figure 2: 2005 Multifamily Building Permits**



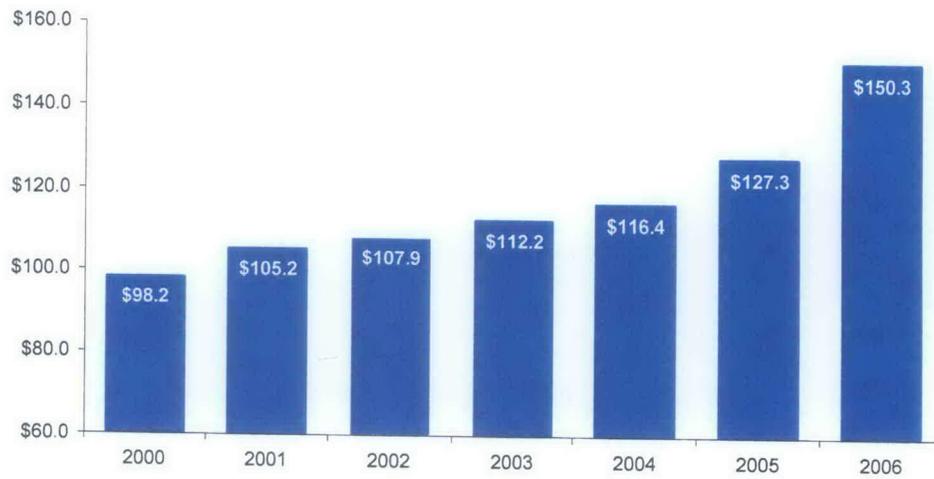
Source: El Paso City Building Permit Office, TX A&M, TXP

**Figure 3: 2005 Retail Building Permits**



Source: El Paso City Building Permit Office, TX A&M, TXP

**Figure 4: Average Price of a Home Sold in El Paso (in \$000s)**



Source: TX A&M, TXP

## Financial Forecast

**FINDING #4:** *Using Graven's assumptions on demand and TXP's estimates on unit value and assumptions on inflation, the City can expect to realize just under \$105 million in incremental tax revenue over the 30-year life of the TIF.*

### Construction Cost/Value Assumptions

- *Retail is assumed to cost \$125 per sqf;*
- *All new housing units are assumed to be 875 sqf;*
- *Market Rate housing is assumed to cost \$95/sqf; at 875 sqf, each unit is therefore valued at \$83,125*
- *Market Rate + housing is assumed to cost \$105/sqf; each unit is therefore valued at \$91,875*
- *Luxury housing is assumed to cost \$115/sqf; each unit is therefore valued at \$100,625.*

Based on experience in prior studies, discussions with local industry experts, and inflation trends in the construction materials market, these costs are likely an accurate reflection of underlying market conditions for new development in this area. For purposes of this analysis, values are assumed to reflect full underlying development costs.<sup>2</sup> The 875 sqf per unit estimate represents a blended rate, as actual unit sizes will vary depending upon the mix within specific projects. By the same token, the unit values encapsulate costs for parking, common areas, etc.

### Property Appreciation Assumption

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

This assumption is conservative in light of both current convention and historical trends – for example, the national Producer Price Index for Materials and Components used for Construction grew at compound annual rate of 3.7 percent for the period from 1975-2005, while the average price of a home sold in El Paso rose 3.5 percent on the same basis from 1980-2005.

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<sup>2</sup> This has not always been the case in El Paso, but most accounts suggest that there will be a greater effort to mark appraised values to market in the future. According to Graven, "the assessed market values based on the income valuation approach often result in values significantly lower than full development costs of residential developments, and to a lesser extent, with commercial values. This is true in most taxing jurisdictions throughout the country with assessed values often 70-80 percent of full development costs. This is particularly true of residential developments. These developments are economically and financially feasible, even if rental income does not cover full development costs, because of residential tax credits and taxable losses, including depreciation, that help shelter other income of the investors. Investors are also looking for future appreciation in value which would later be taxed at capital gain rates." If values are not marked to market, then the projected aggregate tax base value and attendant City revenues likely would be 70-80 percent of what is presented here.

**Table 4: Projected Absorption**

	Retail (SQF)	# of Market Rate Units	# of Market Rate + Units	# of Luxury Units	TOTAL UNITS
2008	235,000	60			60
2009	385,000	245			245
2010	180,000	185	60	60	305
2011	115,000	125	60		185
2012	90,000	125		60	185
2013	65,000	125			125
2014	65,000	125			125
2015	65,000	125			125
2016	60,000	125			125
2017	35,000	125			125
2018		125			125
<b>TOTAL</b>	<b>1,295,000</b>	<b>1,490</b>	<b>120</b>	<b>120</b>	<b>1,730</b>

Source: Graven, TXP

**Table 5: Projected Values (No Inflation Factor)**

	Retail	Market Rate	Market Rate +	Luxury	TOTAL
2008	\$29,375,000	\$4,987,500			\$34,364,508
2009	\$48,125,000	\$20,365,625			\$68,492,634
2010	\$22,500,000	\$15,378,125	\$5,512,500	\$6,037,500	\$49,430,135
2011	\$14,375,000	\$10,390,625	\$5,512,500		\$30,280,136
2012	\$11,250,000	\$10,390,625		\$6,037,500	\$27,680,137
2013	\$8,125,000	\$10,390,625			\$18,517,638
2014	\$8,125,000	\$10,390,625			\$18,517,639
2015	\$8,125,000	\$10,390,625			\$18,517,640
2016	\$7,500,000	\$10,390,625			\$17,892,641
2017	\$4,375,000	\$10,390,625			\$14,767,642
2018		\$10,390,625			\$10,392,643
<b>TOTAL</b>	<b>\$161,875,000</b>	<b>\$123,856,250</b>	<b>\$11,025,000</b>	<b>\$12,075,000</b>	<b>\$308,853,393</b>

Source: Graven, TXP

**Table 6: Projected Values (With and Without Inflation)**

<i>(Millions)</i>	WITHOUT INFLATION		INFLATION-ADJUSTED	
	Base Value	New Development	Base Value	New Development
2007	\$106.88	N.A.	\$110.09	N.A.
2008	\$106.88	\$34.36	\$113.39	\$36.46
2009	\$106.88	\$102.86	\$116.79	\$112.39
2010	\$106.88	\$152.29	\$120.30	\$171.40
2011	\$106.88	\$182.57	\$123.91	\$211.65
2012	\$106.88	\$210.25	\$127.62	\$251.05
2013	\$106.88	\$228.77	\$131.45	\$281.35
2014	\$106.88	\$247.28	\$135.40	\$313.25
2015	\$106.88	\$265.80	\$139.46	\$346.81
2016	\$106.88	\$283.69	\$143.64	\$381.26
2017	\$106.88	\$298.46	\$147.95	\$413.14
2018	\$106.88	\$308.85	\$152.39	\$440.35
2019	\$106.88	\$308.85	\$156.96	\$453.56
2020	\$106.88	\$308.85	\$161.67	\$467.17
2021	\$106.88	\$308.85	\$166.52	\$481.18
2022	\$106.88	\$308.85	\$171.52	\$495.62
2023	\$106.88	\$308.85	\$176.66	\$510.49
2024	\$106.88	\$308.85	\$181.96	\$525.80
2025	\$106.88	\$308.85	\$187.42	\$541.58
2026	\$106.88	\$308.85	\$193.04	\$557.82
2027	\$106.88	\$308.85	\$198.83	\$574.56
2028	\$106.88	\$308.85	\$204.80	\$591.80
2029	\$106.88	\$308.85	\$210.94	\$609.55
2030	\$106.88	\$308.85	\$217.27	\$627.84
2031	\$106.88	\$308.85	\$223.79	\$646.67
2032	\$106.88	\$308.85	\$230.50	\$666.07
2033	\$106.88	\$308.85	\$237.42	\$686.05
2034	\$106.88	\$308.85	\$244.54	\$706.63
2035	\$106.88	\$308.85	\$251.88	\$727.83
2036	\$106.88	\$308.85	\$259.43	\$749.67

Source: TXP

**Table 7: Projected Values & City Revenue (With Inflation)**

	INFLATION-ADJUSTED	
	Taxable Increment	City Tax Revenue
2007	\$3,206,506	\$21,558
2008	\$42,966,513	\$288,875
2009	\$122,305,765	\$822,293
2010	\$184,815,496	\$1,242,563
2011	\$228,669,443	\$1,537,404
2012	\$271,787,563	\$1,827,298
2013	\$305,922,055	\$2,056,794
2014	\$341,763,814	\$2,297,767
2015	\$379,384,554	\$2,550,701
2016	\$418,018,809	\$2,810,449
2017	\$454,207,750	\$3,053,757
2018	\$485,857,912	\$3,266,549
2019	\$503,640,155	\$3,386,104
2020	\$521,955,865	\$3,509,245
2021	\$540,821,047	\$3,636,081
2022	\$560,252,184	\$3,766,721
2023	\$580,266,256	\$3,901,281
2024	\$600,880,749	\$4,039,878
2025	\$622,113,677	\$4,182,632
2026	\$643,983,593	\$4,329,669
2027	\$666,509,607	\$4,481,117
2028	\$689,711,401	\$4,637,109
2029	\$713,609,249	\$4,797,781
2030	\$738,224,032	\$4,963,272
2031	\$763,577,258	\$5,133,728
2032	\$789,691,082	\$5,309,298
2033	\$816,588,320	\$5,490,136
2034	\$844,292,476	\$5,676,398
2035	\$872,827,756	\$5,868,248
2036	\$902,219,094	\$6,065,854

Source: TXP

## Conclusion

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

That having been said, these projections are just that – forecasts based on the best available current information related to market conditions. This is subject to change. Given the unique nature of this project and high visibility, for example, the commitment of a few large developers could have a significantly positive impact on both the level and timing of future growth. As currently configured, the Project does not include either office or lodging, land uses that would logically occur proximate to the planned residential and retail. Moreover, the financial projections make no allowance for positive “spillover” to the value of other properties in area as a result of new development (beyond inflation), which easily could occur. At the same time, a slowdown in development as a result of a weaker national or Mexican economy, negative changes in key drivers of El Paso (such significantly reduced activity at Fort Bliss), or unforeseen issues with property owners within the TIF could materially reduce the volume of construction put in place over the next 30 years.

### Legal Disclaimer

TXP reserves the right to make changes, corrections and/or improvements at any time and without notice. In addition, TXP disclaims any and all liability for damages incurred directly or indirectly as a result of errors, omissions, or discrepancies.

Any statements involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that such opinions or estimates will be realized. The information and expressions of opinion contained herein are subject to change without notice, and shall not, under any circumstances, create any implications that there has been no change or updates.

## Appendix One – Local Economic Context

### *From the Forecast*

Long-term prospects for the El Paso – Ciudad Juarez borderplex economy call for steady growth. On the north side of the border, the population of El Paso is projected to approach the 1 million mark by 2025, the last year of the forecast period. Real gross metropolitan product, the broadest of local economic activity, is expected to nearly double over the next two decades to more than \$32 billion (1996 dollars). Better job market conditions combine with income growth to push total retail sales above \$21.3 billion by the end of the simulation period. Given this projected state of affairs, the UTEP Borderplex Model forecasts 7.4 thousand housing starts by 2025. Those factors translate into substantially higher single-family home prices. Demographic expansion and business growth together lead to greater demand for water in El Paso. As shown in Table 1, total consumption will approximate 46.2 billion gallons per year by the end of the forecast period.

### **El Paso Demographics**

Natural increase is projected to contribute to the bulk of El Paso's population growth during the next two decades. Resident births are projected to grow from just over 14.5 thousand per year in 2005 to nearly 17.8 thousand by 2025. Over the same period, resident deaths are forecast to grow from approximately 5.8 thousand per year. Net migration is expected to also contribute to population growth throughout the simulation period. That is a consequence of substantially stronger job market performance in El Paso. Much of the latter is a direct outcome of the BRAC related expansions that will increase troop levels at Fort Bliss. Because the local unemployment rate is projected to close much of the gap that separates it from its national counterpart, net domestic out-migration is forecast to drop well below the levels observed during the 1990s. Given those trends, the number of households in the Sun City is forecast to approach 305,000 by 2025. Business formation should remain strong, leading to more than 17.1 thousand companies in operation by the end of the forecast period. Of those, more than 13.8 thousand will be retail establishments. Not surprisingly, college enrollments increase steadily under these conditions.

### **Employment & the El Paso Labor Market**

Total employment growth is projected to outstrip the expansion forecast for the civilian labor force in El Paso. As a consequence of that labor market outcome, the unemployment rate trends downward over the course of the simulation period. The BRAC related expansions help reverse almost all of the military employment losses that were observed in El Paso subsequent to 1980. The

large influx of soldiers, civilian personnel, and their dependents also fuels strong increases public school systems and local government payrolls. Sustained rapid rates of change are also projected for tertiary sectors of the metropolitan labor market. Among the latter are health care, communications, business, education, and professional services. As manufacturing continues to become more capital intensive, labor requirements across its various sectors will continue to decline. A similar pattern is also projected to eventually materialize for federal civilian payrolls. Labor quality requirements for all sectors of the regional economy are intensifying. Given that, educational attainment will play a central role in attracting new investment and in determining worker compensation gains in coming years.

### **El Paso Personal Income**

EL Paso personal income is forecast to expand to more than \$58.3 billion by 2025. Among the five largest income components, aging of the baby boom generation causes retirement transfers to grow most rapidly on a sustained basis. Social security contributions are also projected to grow relatively quickly as the national retirement wave sweeps through the United States during the next twenty years. Wage and salary disbursements are not forecast to keep pace with other sources of personal income. That is a continuation of the basic trend that has been observed during the last two decades in El Paso and the nation as a whole. Healthy business condition should permit proprietor incomes to expand in step with the regional economy at-large. Similarly, national corporate profitability growth translates into strong rates of change for dividends, interest, and rent. Because joblessness is projected to decline, unemployment transfers are forecast to not keep pace with other income categories.

### **El Paso Retail Sales**

Upward trends in demographic and income aggregates throughout the Borderplex cause retail sales to grow in El Paso. The strongest rates of expansion are projected for dining away from home and apparel. Better incomes performance plays a role in the outlook for both categories. Changing family structures also contribute toward the increases forecast for dining establishments. Given the latter, overall grocery store sales grow more slowly than other retail categories. Hardware, automobile, and furniture sales also exhibit healthy rates of change during the twenty year period under consideration. Total retail sales are forecast to exceed \$23.1 billion by the year 2025.

### **El Paso Construction & Real Estate**

The economic and demographic expansion that is projected over the course of the next two decades causes residential construction to accelerate in El Paso.

Most notably, single-family housing starts are expected to remain at levels reminiscent of those observed during the “sunbelt migration years” of the 1970s. Total residential construction volumes are sufficient to push the metropolitan housing stock to nearly 362 thousand units by the end of the simulation period. Stronger incomes performance translates in to median prices for both new and existing units that exceed \$210 thousand for single-family structures in 2025. Higher prices, larger units, and moderately higher mortgage rates combine to push average El Paso housing payments to nearly \$1,400 per month by the end of the forecast period. The latter trends notwithstanding, overall affordability still improves as a consequence of sustained Borderplex income growth in future years.

### **Ciudad Juarez Economic Activity**

Good employment opportunities are expected to encourage steady volumes of in-migration from central and southern regions of Mexico to Ciudad Juarez in coming years. That, in combination with fairly high levels of natural increase, leads to greater than 2.4 million residents in Ciudad Juarez by 2025. Strong demographic expansion plus improving income performance on the south side of the river cause connections to the municipal water grid in Ciudad Juarez to grow to more than 684 thousand by the end of the simulation period. A relatively progressive rates policy causes a portion of that growth to be offset by better consumption efficiencies, but aggregate usage is forecast at greater than 272 million cubic meters per year by 2025. Maquiladora activities account for many of the expected demographic and industrial changes. Total in-bond assembly employment is forecast to grow to more than 353 thousand in 2025. More capital intensive investment is expected to increase plant scales to the point where the number of employees per factor surpasses the 1,000 mark by the end of the period under consideration. Value-added rises steadily due to real per capita output growth during this period. Hourly wages, inclusive of benefits, should approximate \$6.62 by 2025.

### **Regional Mexican Economic Activity**

Strong rates of growth are also projected for the maquiladora sector in Chihuahua, Chihuahua . In percentage terms, employment growth in this emerging in-bond assembly center will be greater than that observed in Ciudad Juarez. The latter is accompanied by an increase in the number of factories in operation in the state capital, as well as the scale of those operations. Hourly wages (inclusive of benefits) also increase in real terms as a result of enhanced productivity. Annual output generated at the maquiladora plants in Chihuahua City is projected to exceed \$3.0 billion by 2025. Formal sector jobs increase at a rapid clip for the period under consideration, growing to more than 333 thousand. Economic expansion also allows population to expand to greater than 1 million

by the end of the forecast period. Not surprisingly, these circumstances cause the municipal water grid to expand to more than 359 thousand hook-ups. Aggregate water consumption increases to nearly 100 million cubic meters over the course of simulation period.

### **Las Cruces Economic Conditions**

The Las Cruces, New Mexico metropolitan economy is also forecast to expand on a sustained basis in future years, as real GMP is projected to more than double by 2025. Population is forecast to surpass 272 thousand during the same period. Employment growth in the Great Mesilla Valley labor market is expected to benefit from strong demand for workers in various service-oriented sectors. Due to the robust long-term outlook for employment, wage and salary disbursements account for a large percentage of the increases forecast for personal income in Dona Ana County. Because of its status as a retirement destination, senior citizen migration to Las Cruces causes retirement transfers to grow rapidly, reaching more than \$3.5 billion annually by 2025. Growing numbers of wealthy retirees also help property incomes to swell to more than \$2.7 billion per year by 2025.

## Appendix Two - Residential Real Estate Market

*From A&M Real Estate*

### Single-Family Residential

The consensus is that El Paso is experiencing one of its strongest single-family markets ever. Lot supply is the lowest of any time in recent history. The average days-on-market citywide for new residential construction is no more than ten days. Some homes are sold before completion.

Out-of-state investors are becoming more interested in El Paso's single-family market. About 20 percent of new homes constructed by local homebuilder Tropicana Homes were sold to investors during the last six months of 2005, according to Bobby Bowling IV, vice-president of Tropicana Homes. By contrast, almost no investors were purchasing single-family homes in the El Paso market a year ago. Bowling believes investors are impressed by El Paso's affordability and have expectations of a large increase in troop strength at Ft. Bliss as a result of BRAC. Some El Paso builders have begun to sell new homes only to owner-occupants in an attempt to limit "flipping" by investors looking to make a short-term profit.

The Greater El Paso Association of Realtors reported the median price of homes sold through the local multiple listing service (MLS) in 2005 was \$111,000, up 16.8 percent over 2004. Fifty percent of homes sold through the MLS sold within 30 days of being listed, according to Association Executive Terrie Todd. Despite the recent price increases, El Paso remains one of the country's most affordable housing markets. On the mortgage side, Harold Hahn, president of Rocky Mountain Mortgage, reports that about half of his firm's mortgage applications are on a property-to-be-determined basis. Many buyers are forced to wait for a new home to be built if they are not interested in purchasing an existing one. Rocky Mountain Mortgage's average mortgage increased about \$4,000 to \$96,000 in 2005. Of the 600 homes the firm is providing construction financing for, 77 percent are already under contract. Soldiers are becoming better educated about the benefits of homeownership, Hahn says, and loan applications from military personnel are active.

The area's home construction labor supply has become extremely tight. As a result, some builders are turning to El Paso Community College for help. The college has begun to offer a 16-week program for construction workers. The local builders association has commitments from area school districts to increase their trades training as well. El Paso is behind other cities of similar size in lot availability, according to Doug Schwartz, CEO of Southwest Land Development

Inc. Schwartz believes that El Paso should be building about 8,000 to 10,000 homes a year to keep up with demand. About 4,500 new homes were constructed in 2005, according to Bowling's calculations, an increase of 50 percent over the 3,000 built in 2003. Unlike many western U.S. cities, El Paso is unable to expand in all directions because of its proximity to the New Mexico and Mexico borders. About 20,000 acres on El Paso's northeast side and 10,000 acres on the city's northwest side are all that remain to be developed. While land on the northeast side is relatively flat, the remaining undeveloped land on El Paso's northwest side is generally rocky and uneven, making it too expensive to develop for starter homes.

The El Paso Public Service Board (PSB), the city's water utility, owns about 90 percent of the vacant land on the northeast side. Some developers have argued that the PSB should be selling larger tracts than they have been. Arguments for more master planning are being raised as well. The PSB recently decided to master plan all of their remaining land holdings. This should help facilitate residential development in those areas and help attract national homebuilders.

In an effort to help developers avoid time-consuming backlogs at the city's Building & Planning Services Department, the El Paso City Council implemented a private, on-site construction inspection program. Third-party inspections have gained wide acceptance thus far. Estimates are that the private inspection process saves about one month in construction time for single-family homes. Private inspections are improving inspection times for commercial properties as well.

As Texas land is developed out, the long-term solution to growth on El Paso's northwest side will eventually involve development of land in New Mexico. Verde Realty, founded in November 2003 by William D. Sanders and C. Ronald Blankenship, has unveiled plans for the company's 21,000-acre master-planned community in Santa Teresa, New Mexico. The development will incorporate a traditional neighborhood design with several neighborhood centers, parks and schools within walking distance of residential areas. More than 20 percent of the project will be preserved as open space with miles of hike-and-bike trails. Construction of the first phase begins in 2006. Sunland Park is another New Mexico suburb in proximity to El Paso. The city of about 13,000 stretches along a roughly three-by-seven-mile strip of the Rio Grande about five miles northwest of downtown El Paso. Sunland Park is one of New Mexico's fastest-growing communities. The Verde Group also plans to build homes in Sunland Park.

About 40 miles northwest of El Paso, the City of Las Cruces, New Mexico, has begun to see significant immigration from retirees desiring a slower-paced, affordable lifestyle. The city of about 190,000 has been marketing its great weather and amazing scenery for years. As a result, Las Cruces is adding a new dimension to the region's increasingly diverse economy. New residents are discovering what locals have known for years. El Paso is not far from snow skiing in Ruidoso and Cloudcroft, New Mexico. Both cities are about a two-hour drive from El Paso. Their higher altitude offers cooler days in summer, and many El Paso residents retreat to these cities on summer weekends.

### **Multifamily**

The El Paso apartment market differs in several ways from apartment markets in other Texas metro areas. The number of apartment units on a per-capita basis is lower in El Paso, primarily because affordability and the Hispanic culture tend to favor single-family ownership.

El Paso's population is about 80 percent Hispanic, and households made up of large extended families are typical. Young adults usually remain at home much longer than in Anglo families, and elderly relatives often live with the family rather than moving to senior housing or nursing homes. Thus, a family's income may consist of contributions from several family members.

Apartment construction costs in El Paso are similar to other major metro areas in Texas. However, areas such as Austin or Dallas can command much higher rents. As a result, no national apartment developers have attempted projects in El Paso, and almost no institutional ownership of existing units exists.

Winston Black, senior investment advisor for Hendricks & Partners, reports seeing more apartments change hands in the past three years than in the 15 previous years. Black believes that California money, a lot of it 1031 exchanges, has driven about 60 percent of the apartment transactions in the last two years.

New construction in the last ten years has focused almost exclusively on developments at opposite ends of the spectrum, with tax-credit properties dominating the lower end and Class-A units at the upper end. Although the initial lease-up in new Class-A properties is often slow because of the higher rents, occupancy rates have remained surprisingly stable after leaseup for attractive, well-maintained properties.

The apartment market has experienced significant cyclicity in the past as a result of large deployments out of Ft. Bliss. For example, a 15 percent drop in

occupancy occurred within a few months after troops were deployed to the Middle East during the first Gulf War.

The level of cyclicality in the El Paso apartment market has largely been determined by the type of troops being deployed. Fighting troops are generally deployed faster and in greater numbers than more specialized troops. Ft. Bliss has acquired a substantial number of specialized air defense artillery troops since the first Gulf War. The type of troops stationed at Ft. Bliss as a result of the latest BRAC realignment should suggest the magnitude of military-related shifts in apartment occupancy in the future.

According to El Paso Apartment Association Executive Director Jerry Carlson, the city has adequate rental housing to accommodate the military inflow for 2005 and 2006. The full impact of BRAC will not be felt until 2007. However, Carlson believes that significant new apartment construction will be initiated soon.

The Army is attempting to increase retention by assigning soldiers to a post for longer periods than in the past. Carlson notes that soldiers attaining the rank of sergeant first class (E-5) or higher can generally afford to buy a home. Soldiers ranked below that rarely buy homes unless their spouses earn significant salaries.

In a typical 140-soldier group, about 90 soldiers (64.3 percent) would be ranked E-5 or higher. The percentage of married soldiers increases as rank goes up. About 60 of the 140 soldiers (42.8 percent) would be expected to be married. Soldiers living off-post typically locate in northeast and east El Paso for convenience. Although numbers have not been announced, Ft. Bliss will be building more on-post housing. Depending on how many new housing units are constructed, some segments of the apartment market could be negatively impacted. However, on-post housing should have little effect on demand for Class-A apartments.