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Financing Discussion

Centennial Gate

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Centennial Gate Financing Alternatives

- Property tax supported bonds
- Revenue bonds
- State and Federal grants – Not covered herein

Property Tax Supported Bonds

- Assumptions:
 - \$1.5 billion project (Construction risk will have to be borne by some entity)
 - 25 year amortization
 - 5.0% tax-exempt rate (Theoretical rate. Actual rates will vary based on credit parameters and market conditions)
 - 1% issuance costs
 - \$ 107.5 million annual debt service
 - 98% collections

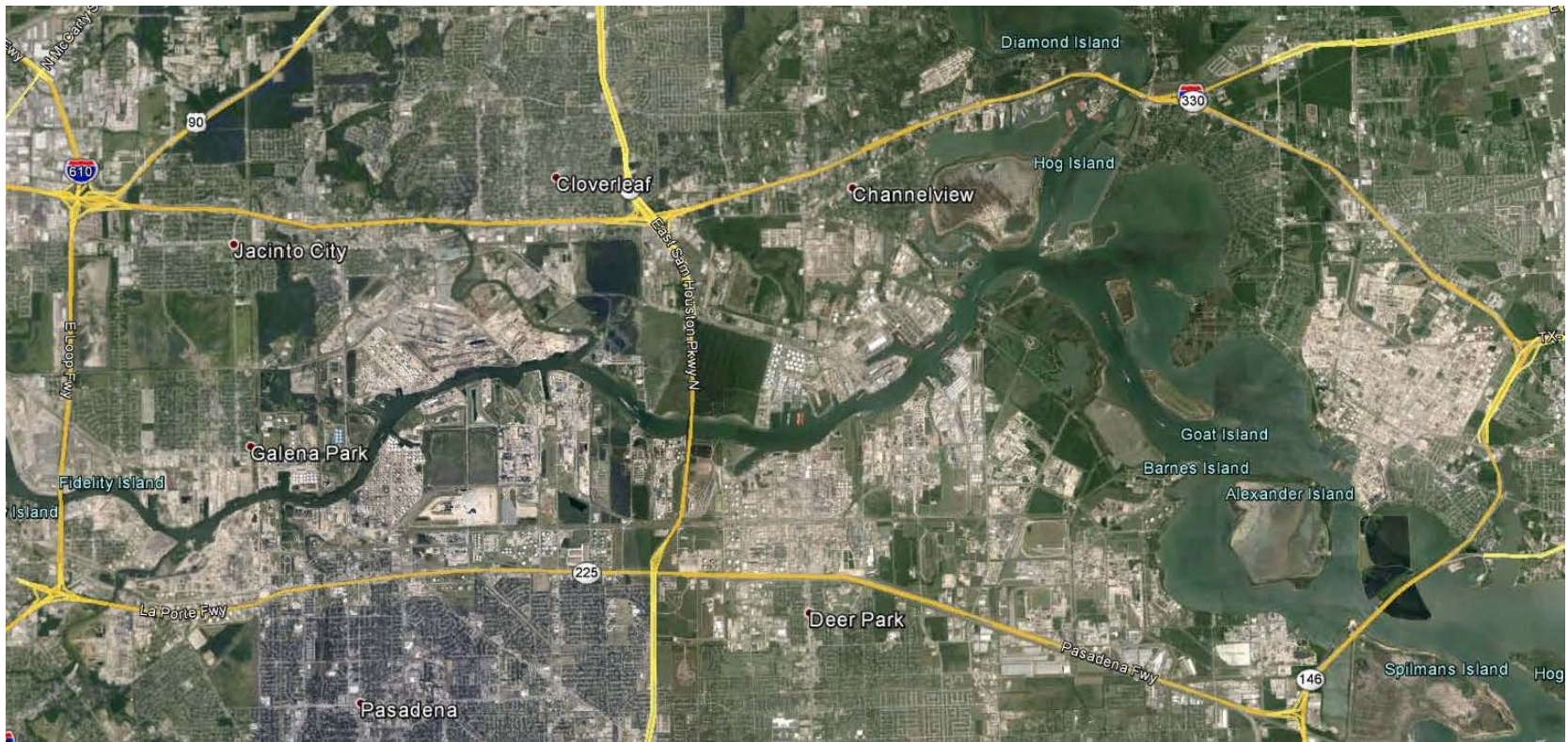
- Taxing Entity
 - Immediate benefit versus broad economic benefit

Property Tax Supported Bonds

Tax Supported Financing			
	Debt Service	Taxes for	
	Tax Rate	Median Home	
Taxable Value	per \$100	\$ 91,180	¹
\$5 billion	\$ 2.194	Industrial	
\$10 billion	\$ 1.097	Industrial	
\$11.45 billion ²	\$ 0.958	Industrial	
\$100 billion	\$ 0.110	\$ 100.01	
\$200 billion	\$ 0.055	\$ 50.01	
\$300 billion	\$ 0.037	\$ 33.34	
¹ Source: Trulia.com median home value for Houston for past year.			
² Source: Equi-Tax Inc.: Commercial and industrial value only			
from map on page 5.			

Potential Improvement District Boundaries

- Within Loop 610 on the West, Highway 225 on the South, Highways 136 & 330 on the East and I-10 on the North.



Comparative Tax Rates

Representative Harris County Area Management and Improvement Districts	
Source: HCAD.org	
	2012 Tax Rate per \$100
HC ID 1	\$ 0.144
Houston Downtown MD	\$ 0.135
Greenspoint District	\$ 0.154
HC MMD 1	\$ 0.045
Spring Branch MD	\$ 0.100
HC ID 3	\$ 0.150
Westchase District	\$ 0.090
HC ID 6 (East Montrose)	\$ 0.125
International District	\$ 0.100
Five Corners ID	\$ 0.100
Near NW MD	\$ 0.132
Greater SE MD	\$ 0.115
Greater Sharpstown MD	\$ 0.060
HC ID 5 (Brays Oaks)	\$ 0.100
Midtown MD	\$ 0.118
Greater East End	\$ 0.150
East Downtown MD	\$ 0.125
HC ID 4	\$ 0.100
Median	\$ 0.117

Maintenance and Operating Costs

- We have made no attempt to estimate what annual operating costs would be.
- If annual operating costs are 1% of the project cost, then that is \$15 million per year.
- \$15 million is 14% of projected debt service.
- So, for every 1% of the project cost or \$15 million that is required to operate the facility, additional taxes of 14% of the amounts shown on page 4 would be needed.

Special Taxing Entity

- Create in legislature
- Could fund debt service and/or maintenance
- Creation as a management/improvement district could allow industrial property owners to sponsor creation

Revenue Bonds

- If some sort of tolling/assessment mechanism can be devised, it can likely be financed
- Additional costs:
 - Coverage: Must allow for cushion of projected revenues versus debt service such as 1.50 times coverage of revenues over debt service
 - Reserves: One year's debt service as a reserve
 - Interest rate: Considerably higher than 5.0% (7.0%?)
 - Capitalized interest during construction if payments don't start until completion adding 10% to 20% to project cost

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