

EXECUTIVE SUMMARY

Project Name: The Woodlands

Developer: The Woodlands Development Corporation
(Subsidiary of Mitchell Energy and
Development Corporation)

Approval: Offer of Commitment: April 3, 1972
Project Agreement: August 23, 1972

Amount of Guarantee: \$50 million

A. Background and Summary of Progress

(1) Background

The U.S. Department of Housing and Urban Development provided a guarantee of \$50 million for development of The Woodlands, a new town planned for 150,000 population located 28 miles north of Houston.

About 3,359 acre of the 18,000 acre wooded tract are being allocated for wildlife corridors through the development, buffer zones between land uses, and for pedestrian trails and pathways. Another 4,200 acres in The Woodlands will be retained as open space and developed as recreation acres. Seven (7) villages and a town center are proposed to contain 49,000 homes, about a third of which will house low and moderate-income families.

The site will include 2,000 acres for industrial use. It is estimated The Woodlands will provide industrial and business jobs for 30,000 people, in addition to on-site construction employment. Urban activity areas of 1,263 acres are designed to include commercial, business, institutional and governmental establishments. A 400 acres site has been donated for proposed construction of a 15,000-student branch of the University of Houston.

Three highly efficient pure oxygen sewage treatment systems are planned for The Woodlands to prevent possible contamination of ground water sources under the new town. A unique system of storm water drainage using grass swales, flood control drains and ground water recharge areas is proposed, and the use of porous concrete for roads and paths is under study to allow retention of rainwater in the soil on site.

(2) Developer

Mitchell Energy and Development Corporation is a consolidated operation with its principal revenues coming from oil and gas operations. The company's stock was admitted to trading on The American Stock Exchange on July 24, 1972,

Ownership is still held by George P. Mitchell. Total assets exceed \$100 million on a book basis and are in excess of \$200 million at market value. For fiscal year ended January 31, 1973, the company achieved a record earnings of \$5,525,000, a 30 percent gain over the previous year's record earnings.

The Title VII entity, Woodlands Development Corporation is under the direction of George P. Mitchell and J. Leonard Ivins. Mr. Ivins joined Mitchell Energy and Development two years ago and holds the position of Senior Vice President Real Estate and is a Director of the parent company. He was formerly Senior Development Director and Vice President of the Howard Research and Development Corporation. He worked a total of six years on the Columbia project and was most recently responsible for land development, building development, marketing and sales, finance, and property management for that new town. The project staff for the Woodlands Development Corporation.

Mr. Mitchell and Mr. Ivins have organized a well rounded and experienced Board and staff

for the Woodlands Development Corporation.

Like Mr. Ivins several members of the Board and a significant number of senior staff have several years experience as part of the management team for development of Columbia.

(3) Development Progress

Mitchell Energy and Development has organized subsidiaries to engage in non-Title VII activities and is off to a fast start with first stage commercial and industrial development. The Mitchell subsidiaries are joint-venturing with reputable commercial and industrial property developers, and in each case is the majority partner in the venture. Projects under construction and using this approach are:

(a) 335 acre Commercial, Leisure Conference

Center which is Financed by a \$12.5 million construction loan from Chase Manhattan with a guarantee by the parent company. The center will consist of (1) golf course and country club with a 200 room inn, (2) commercial convenience shopping center (3) condominiums and garden apartments, (4) community center and lake, etc. Opening is scheduled for fall of 1974.

(b) Two 50,000 sq. ft. local serving office buildings are under construction in the first business park at the site.

(c) One 50,000 sq. ft. industrial warehouse will be strated next month.

Residential construction is anticipated to begin in late fall with the first sales and leasing taking place in late spring of 1974. Land sales contracts are in various stages of negotiations for the entire first year stock of housing, commercil, and industrial development.

B. Financial History

The minimum required equity at 4 to 1 ratio on total capitalization was \$16,677,600. The developer proposed \$23,388,000 in equity consisting of \$10,000,000 in cash; \$8,388,000 in land represented by the difference between the assessed land value and the price at which it was sold to the development entity; and \$5,000,000 in debt fully subordinated to the Title VII debentures.

Under current planning the developer will use Title VII financing for the construction of the proposed primary roadway system, and residential, industrial and commercial streets. Construction of the proposed water, sewerage and drainage systems will be publicly financed in the

usual local manner by Water Districts which will be organized by the developer under State law and are expected to be fully operational in the fourth year of the development. However, during the initial three years of the development, the developer proposes to finance construction of the water, sewerage and drainage facilities planned within this period and sell them to the Water District which will refinance them through a tax free bond issue in the fourth year. The Water District will assume responsibility for future water sewer and drainage installations and costs.

The proposed amenity facilities will be constructed by the developer for the Community Association under Title VII financing. Upon completion, the facilities will be purchased by the Association from the developer at cost. All land for amenity facilities will be conveyed to the Community Association by the developer at zero (0) cost.

At this time there is no apparent need for additional guarantee authority or outside financing to meet the land development obligations under the project agreement.

(See attachment for other financial data)

C. Key Issues and Concerns

There are no issues anticipated which might require board action in the near future.

1. Management

Board and Staff - Excellent

2. Marketing and Sales

Contracts and negotiations with potential buyers are progressing well. Actual sales have been delayed until HUD approves the Declaration of Covenants and Restrictions which must be recorded before land sales can be made. Conditional approval was given to land sales transactions mentioned earlier in this report.

3. Low and Moderate Income Housing

Although the developer's projected starts for low and moderate income housing during first development year are 30% under target, they are consistent with the overall delay in construction due to unusually heavy rains.

4. Equal Opportunity

(No report at this time)

5. Community Service Delivery

(No issues at this time)

6. Environmental and Planning

The Woodlands Development Standards vary in the area of drainage from the FHA Minimum Property Standards. In as much as it is a prerequisite for FHA mortgage insurance to meet the FHA Minimum Property Standards, there is concern that if the FHA finds the Woodlands Development Standards unacceptable it could jeopardize future availability of FHA mortgage insurance and federally subsidized housing for the project.

The FHA Minimum Property Standards require the use of conventional curbs, gutters, and organized drainage pipe systems for drainage facilities. On the other hand, the Woodlands Development Standards promote to the greatest extent practicable the use of existing natural drainage systems supplemented by grass swales, retention basins and other appurtenances.

The drainage approaches of the Woodlands Development Standards were derived from extensive soil, water and geologic studies of the Woodlands site. The studies indicated that the drainage approaches

in the FHA Minimum Property Standards may not be applicable to the entire Woodlands site.

The staff of the Houston Insuring Office has agreed to work with the Developer's Staff until this matter is settled.

PROJECT NAME _____

Other Financial DataBACKGROUND

1. Total Guarantee	\$ 50,000,000
2. Projected Cumulative Net Cash Flow (original)	\$ 344,031,000
3. Cash Equity at closing	\$ 14,603,000
4. Guarantee Issued	\$ 50,000,000
5. Interest Rate (s)	\$ 7.10%
6. Escrow Balance (Date <u>6/30/73</u>)	\$ 5,695,576

<u>STATUS</u> (Date <u>6/30/73</u>)	<u>Cumulative Amount in Thousands</u>		
	<u>Budget 1/</u>	<u>Actual</u>	<u>Difference</u>
Operating Revenues (sales, investments, etc)	\$ 4,102	\$ 2,211	\$ (1,891)
Less:			
Land Acquisition Costs	34,422	32,519	(1,903)
Construction Costs	12,194	140	(12,054)
Non-construction Costs	6,089	6,943	854
Financing Costs	7,243	2,556	(4,687)
	<u>\$ (55,846)</u>	<u>\$ (39,947)</u>	<u>\$ (15,899)</u>

Cash Income (deficit)

1/ From year 0 thru $\frac{1}{2}$ of 1973 amountsREMARKS1/ From year 0 thru $\frac{1}{2}$ of 1973 amounts



US 75
IH 45

CONROE

New
Community

US 59

montgomery
harris

25 mile radius

new
airport

hempstead hy.

HOUSTON

