

EXECUTIVE SUMMARY

PROJECT: Flower Mound New Town

DEVELOPER: Flower Mound New Town, Ltd.

OFFER OF COMMITMENT: December 22, 1970 - \$18 million

EXECUTION OF FEDERAL GUARANTEE: September 23, 1971 - \$14 million

A. BACKGROUND AND SUMMARY OF PROGRESS

1. Background

On July 8, 1970, the Developer submitted a final application for Federal guarantee assistance under the New Communities Act of 1968. On December 22, 1970, the Secretary issued an Offer of Commitment under the 1968 Act to guarantee up to \$18 million to finance land acquisition and land development in connection with Flower Mound New Town. On September 23, 1971, the Project Agreement and other closing documents were signed and the developer issued \$14 million of Federally guaranteed debentures (Flower Mound New Town, Ltd., 7.60 percent Series A, due September 15, 1991) under the Urban Growth and New Community Development Act of 1970. At that time, the developer received contribution capital of the Partners in the amount of \$5,250,750; \$1,500,750 of which is represented by cash and \$3,750,000 of which is represented by equity in land and the capital stock of Flower Mound Farms, Inc.

Land use within the project as originally approved has been allocated as follows, together with the developer's proposed changes to the Development Plan also shown:

	<u>Approved</u>	<u>Proposed</u>
Residential	2,989	2,970
Retail Commercial	223	324
Office	39	39
Industrial	427	573
Schools	260	300
Civic and Cultural	117	127
Parks and Open Space	1,456	1,236
Mid-Cities Freeway	175	175
Major Roads	170	170
Special Use	300	107
Temporarily undersigned	--	135
Totals:	6,156	6,156

2. The Developer

The developer is a Limited Partnership established pursuant to the Texas Uniform Limited Partnership Act and known as Flower Mound New Town, Ltd. The General Partners are: Edward S. Marcus, Raymond D. Nasher and R. D. Nasher, Inc. There are approximately 22 Limited Partners. Marcus owns 16.3 percent of the Partnership and Nasher owns 21.8 percent. In accordance with the terms of the Limited Partnership Agreement, Nasher has sole responsibility for the development, management and operation of the Project. For his services, Nasher is to be paid a fee of \$150,000 per annum. Under a Management Agreement between the developer and Raymond D. Nasher, Nasher as Agent is to be paid 80 percent of the current commission schedule (in Dallas) for the management of properties within the Project.

Mr. Marcus is Chairman of the Board of the Neiman-Marcus Company and is a longtime landowner and ranch operator in the Flower Mound area.

Mr. Nasher has directed his own real estate development operations since 1951. In addition to his private development experience, Mr. Nasher has served nationally in the urban environment area as a member of several executive commissions. Among the Raymond D. Nasher Company developments are shopping centers, industrial parks, office buildings and residential properties.

3. Summary of Progress

During the first development year the developer initiated a comprehensive and intensive planning process. This process provided a solid base of new economic, financial, social design and environmental data which resulted in a number of proposed revisions to the approved Development Plan. Subsequently, NCA approved the first phase development area, postponing final agreement on the balance of the plan until a comprehensive master plan for the total Flower Mound area is completed.

Due to the inability of the Town of Flower Mound to finance the local share of providing municipal utilities, the developer obtained approval to create a Municipal Utility District to provide certain public facilities and services within the project. The MUD subsequently sold bonds to finance the first phase construction of the sanitary sewer system, water supply lines and storm drainage facilities, all of which are now under construction.

The Declaration of Covenants, Restrictions and Easements for Flower Mound New Town was approved by HUD in August, 1973 and

recorded against land within the project, thus permitting the developer to conclude pending land sales agreements on most of the 151 lots under development. These include:

- ..sale of 83 single family lots to U.S. Homes, Inc. for \$450,000 (268,000 paid for 46 lots as of 11/73);
- ..sale of two church sites of 2-1/2 acres each at \$20,000 per acre, and;
- ..a pending contract with General Telephone Corporation for the sale of two acres at \$25,000/acre for a communications building.

Additional residential land sales contracts for 46 lots are in preliminary draft and a major industrial land marketing effort is underway.

B. KEY ISSUES AND CONCERNS

1. Land Acquisition

At the time of the Project Agreement, the developer owned 3,583 acres within the project boundaries at a cost of \$11.9 million (\$3,347 average cost per acre). As of November 10, 1973, the developer owned 4,221 acres within the Project boundaries at a total cost of \$14.3 million (\$3,405 average per acre). Due in large part to the installation of water and sewer facilities as well as the completion of the Dallas-Fort Worth Airport, land costs have increased from \$3,300 per acre to between \$5,000 and \$6,000 per acre. As a result, a key issue for the developer is whether it will be able to acquire the balance of land projected to be developed as part of the project at a reasonable cost and on a timely basis. Should it not be possible to acquire all land scheduled for development, a major revision to the development plan will, of course, be necessary.

2. Local Governmental Relations

(a) Town of Flower Mound

The present Town Council is controlled by individuals who are opposed to the development of the project. Fortunately, however, a recent proposal to disannex approximately 75 percent of the Town (including most of the project land) was defeated in a general vote. The developer is confident that local government relations are improving and believes that as soon as the first FMNT residents move in, the balance of power in the Town will shift favorably to the ultimate benefit of the project and the developer.

(b) HUD Dallas Area Office

The Developer and FHA staff in the Dallas Area office are in substantial disagreement on the matter of lot valuation for insurance purposes. The basic issue appears to be what, if any, value added should be allowed for comprehensive planning within the Project and the amenity package to be provided. Relationships between the Developer and HUD Area Office personnel are of particular concern in conjunction with the processing of applications for low and moderate income housing subsidies. The availability of such subsidies will of course affect the Developer's ability to meet projected low and moderate income housing production levels.

3. Proposed Revisions to Development Plan

The Developer has proposed elimination of Neighborhood Centers and a shift in residential mix to significantly reduce

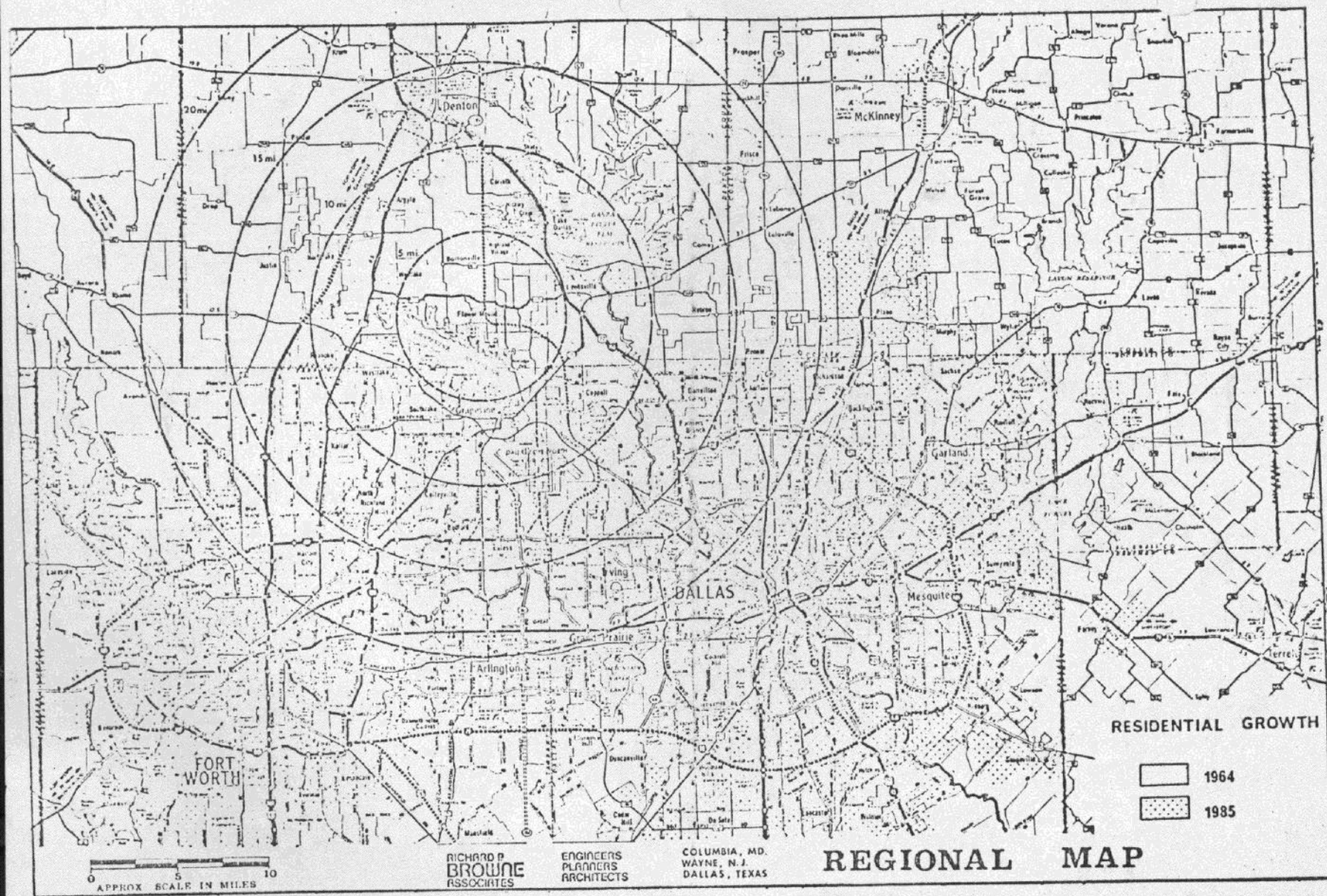
the proposed total number of multi-family units and increase the number of single-family detached units. The total impact of such proposed revisions has not yet been fully documented. Resolution of these matters is expected within the next three months during the course of establishing new One Year, Three Year and Long Term Plans for the Project.

4. Request for Additional Guarantee Beyond the \$18 million Commitment

The Developer has orally indicated that it plans to issue the remaining \$4 million which HUD has committed to guarantee sometime during 1974. In addition, the Developer plans to request an additional guarantee between \$3-\$5 million to be issued in 1976-1977. The necessary supporting documentation for such request is understood to be in preparation. As of August 31, 1973, the Developer had \$5,564,554 remaining in the Escrow Account. Although the residential market for the Project appears quite strong, there is concern that the Developer has so far failed to generate any sales of industrial land (fifteen acres were projected to be sold by the end of 1973).

Attachment..

November 1973



PROJECT NAME Flower Mound New TownOther Financial DataBACKGROUND

1. Commitment (Date <u>Dec. 1970</u>)	\$ <u>18,000,000</u>
2. Projected Cumulative Net Cash Flow (original)	\$ <u>42,249,000</u>
3. Cash Equity	\$ <u>1,500,000</u>
4. Guarantee Issued (Sept. 1971)	\$ <u>14,000,000</u>
5. Interest Rate	\$ <u>7.6%</u>
6. Escrow Balance (Date <u>June 1973</u>)	\$ <u>5,971,511</u>

STATUS (Date <u>June 1973</u>)	Cumulative Amount in Thousands		
	Budget	Actual	Actual over (under) Budget
Operating Revenues	\$ <u>3,372</u>	\$ <u>350</u>	\$ <u>(3,022)</u>
Less:			
Land Acquisition Costs	<u>15,725</u>	<u>1,750</u>	<u>(13,975)</u>
Construction Costs	<u>3,332</u>	<u>75</u>	<u>(3,257)</u>
Non-construction Costs	<u>2,743</u>	<u>3,586</u>	<u>843</u>
Financing Costs	<u>3,016</u>	<u>2,225</u>	<u>(791)</u>
Cash Income (deficit)	\$ <u>(21,444)</u>	\$ <u>(7,286)</u>	\$ <u>(14,158)</u>

REMARKS