

4 NOV 1973

Executive Summary

Project: San Antonio Ranch New Town
Developer: San Antonio Ranch, Ltd.
Commitment: February 23, 1972 - \$18 million

A. Background and Summary of Progress

1. Background

On February 23, 1972, the Secretary issued an offer of commitment to the Developer under the Urban Growth and New Community Development Act of 1970 to guarantee up to \$18 million of debt obligations to finance land acquisition and land development for San Antonio Ranch.

The Project consists of 9,318 acres (Developer presently owns 8,342 acres) located in South Central Texas in the north-west quadrant of Bexar County, approximately twenty miles northwest of downtown San Antonio. It is currently entirely outside the city limits of San Antonio or any other city, however, 43% of its total land area is within the extra-territorial jurisdiction of the City of San Antonio.

Land use categories for the Project have been established as follows:

<u>Type</u>	<u>Acres</u>	<u>Percent</u>
Residential	4,249	46
Commercial	160	2
Industrial	625	6
Special Use	609	6
Open Space and Recreation	2,203	24
Technical Center	500	5
Roads	642	7
Schools	330	4
Total	9,318	100

The Project is planned to be developed for 88,000 persons in 29,476 dwelling units (35% scheduled for low and moderate income households) over a thirty-year period in Seven Stages as follows:

Stage	Years	Acres	Population	Employment	Dwelling Units	
					S-F	M-F
I-A	1973-74	728		285		
I	1975-79	1,307	9,339	3,434	2,498	956
II	1980-84	2,067	14,336	2,743	3,284	2,240
III	1985-89	2,131	18,125	4,349	3,608	2,245
IV	1990-94	1,855	21,528	4,074	3,791	3,235
V	1995-99	1,855	16,187	2,443	--	
VI	2000-02	345	8,457	662	--	2,970
Totals		9,318	87,972	17,990	13,181	16,295

The Offer of Commitment was conditioned upon HUD approval of all terms and conditions of the sale of obligations, full compliance at the time of Project Agreement with the Act and regulations and instructions then in effect thereunder, as well as completion of satisfactory plans for development of the project. The Developer's acceptance of the offer of commitment was made contingent upon the following provisions excerpted from the letter of commitment:

"(1)(a) your agreement to a moratorium prohibiting development over the recharge zone of the Edwards Underground Reservoir, as defined by the U. S. Geological Survey, until completion of a comprehensive study by you of the recharge zone within the proposed new community site and until approval by the CDC Board and the Texas Water Quality Board of the measures to protect the natural conditions disclosed by the study, (b) your making or assuring you will make the study's results available for review and comment by members of the public and an interagency board organized to the satisfaction of the CDC Board, and (c) your agreement to accomplish the treatment measures, including continuing measures such as monitoring of water quality, required by the CDC Board and the Texas Water Quality Board.

"(2) execution of an agreement between you and the City of San Antonio for Water and Sewer service to the project acceptable to the CDC Board;

"(3) provision of a governance plan by the execution of an agreement with the City of San Antonio wherein the City agrees to future annexation of the project site or by the provision of an alternate governance plan, such agreement or plan to be concluded on terms acceptable to the CDC Board;

"(4) provision by you of analysis and assurances demonstrating that the project will not have an adverse long-term fiscal impact on the surrounding political jurisdiction;

"(5) resolution to the satisfaction of the Secretary of the question of the authority of the Edwards Underground Water District and the San Antonio River Authority."

2. Summary of Progress

Extensive geological studies were undertaken with the cooperation of all interested Federal, State and local agencies, resulting in agreement by the Developer to an elaborate water quality and quantity monitoring program. Negotiations were also initiated between HUD and the Developer on the Project Agreement and Indenture and Deed of Trust documents. Subsequently, the CDC Board found that conditions to acceptance of the Offer of Commitment had been complied with, and issued its notice of intent to proceed to guarantee the proposed issue of debentures.

However, since legal action to halt further Federal support for the Project had been instituted against HUD at the time of the Offer of Commitment, the issue of debentures was postponed. Such legal action was brought under the National Environmental Policy Act by the Sierra Club and other local agencies (Sierra Club et al v. Lynn et al, SA 72 CA77) out of concern that the

Project would pollute the Edwards Aquifer--the underground water supply source for the City of San Antonio.

On May 21, 1973, the District court in San Antonio upheld HUD's decision to support the Project and noted that "the exacting restrictions" placed on the developer were the only meaningful attempt so far to control land use over the recharge zone. The judge retained jurisdiction, however, and ordered all concerned Texas and local agencies as well as HUD and the Developer to keep him advised on steps being taken to prevent pollution of the aquifer. On July 17, 1973, the plaintiffs in Sierra Club gave notice that they were appealing the District Court's decision. In November, 1973, Keith Burris, attorney for Bexar County (one of the plaintiffs in the suit) observed that the present moratorium on subsidized housing programs, would make it impossible for San Antonio Ranch New Town to comply with the requirements of the Act regarding the provision of low and moderate income housing and requested that the Secretary, as a result, withdraw support for the Project.

In view of the conditions imposed to acceptance of the offer and subsequent delays caused by the litigation, HUD has granted a series of 120-day extensions to the original offer of commitment dated February 23, 1972 and has waived reopening charges in each case. To date, the Developer has not paid the \$90,000 commitment charge. The current extension expires on November 25, 1973.

3. The Developer

The Developer is a limited partnership known as San Antonio Ranch, Ltd., to be organized pursuant to the Texas Uniform Limited Partnership Act. The General Partners are New Town Management Company, Ltd. ("the Company")--a Texas limited partnership, and SARLCO, Inc. (the Corporate General Partner). The Limited Partners are H and F Properties Corporation, W Corporation, S Corporation, Farley Corporation, RCW Corporation and RLW Corporation, all Texas business corporations; the Company and the Secretary are all of the shareholders of the Corporate General Partner.

GRHR, Ltd. is the only general partner and RGH, Ltd., W. O. Rothwell, William Gunter and Robert Russell are all of the limited partners of New Town Management Company, Ltd. RGH, Ltd., W. O. Rothwell, William Gunter and Robert Russell are all of the general partners and all of the limited partners of a limited partnership known as GRHR, Ltd. Robert G. Honts is the only general partner and Robert G. Honts, George Christian, Banks Miller and Mack Fleming are all of the limited partners of a limited partnership known as RGH, Ltd.

B. Proposed Financing Plan

1. Land Equity--The excess of the value of the land over and above the notes and mortgages issued to various land-owners is proposed to equal \$1,043,500.
2. Cash Equity--The cash investment by various investors is to be \$3,600,000.

The total equity of \$4,643,500 as indicated above, would exceed present NCA equity requirements based on the proposed issue of \$18 million of debt obligations.

C. Key Issues and Concerns

1. Litigation against the Secretary and the Developer challenging the Department's actions with respect to this project both under Title VII and under the National Environmental Policy Act is presently pending. The Developer and the Secretary were successful in the District Court and the plaintiffs, including the Sierra Club, Bexar County and the Edwards Underground Water District, have appealed to the Fifth Circuit of the U. S. Court of Appeals. In view of the risks involved, if the appeal were successful following the issuance of the guaranteed debentures and the Developer were enjoined from developing pending completion of a new environmental impact statement and in view of information that a court decision was likely sometime after the end of the year, the Office of General Counsel has recommended that no debentures be guaranteed until the Fifth Circuit has reached a decision on this matter.
2. The Developer has submitted a number of cash flow projections for the project to NCA since the Offer of Commitment. They reflect different assumptions regarding the allocation of land use within the project, the pace of development, the cost of development and projected land sales revenue. It is critical to determine that current financial projections accurately

reflect the Developer's obligations contained in the draft Project Agreement and Development Plan and land development costs which are reasonably expected to be incurred. Efforts are currently underway to appropriately revise financial projections to reflect the current status of the project and confirm its economic and financial feasibility.

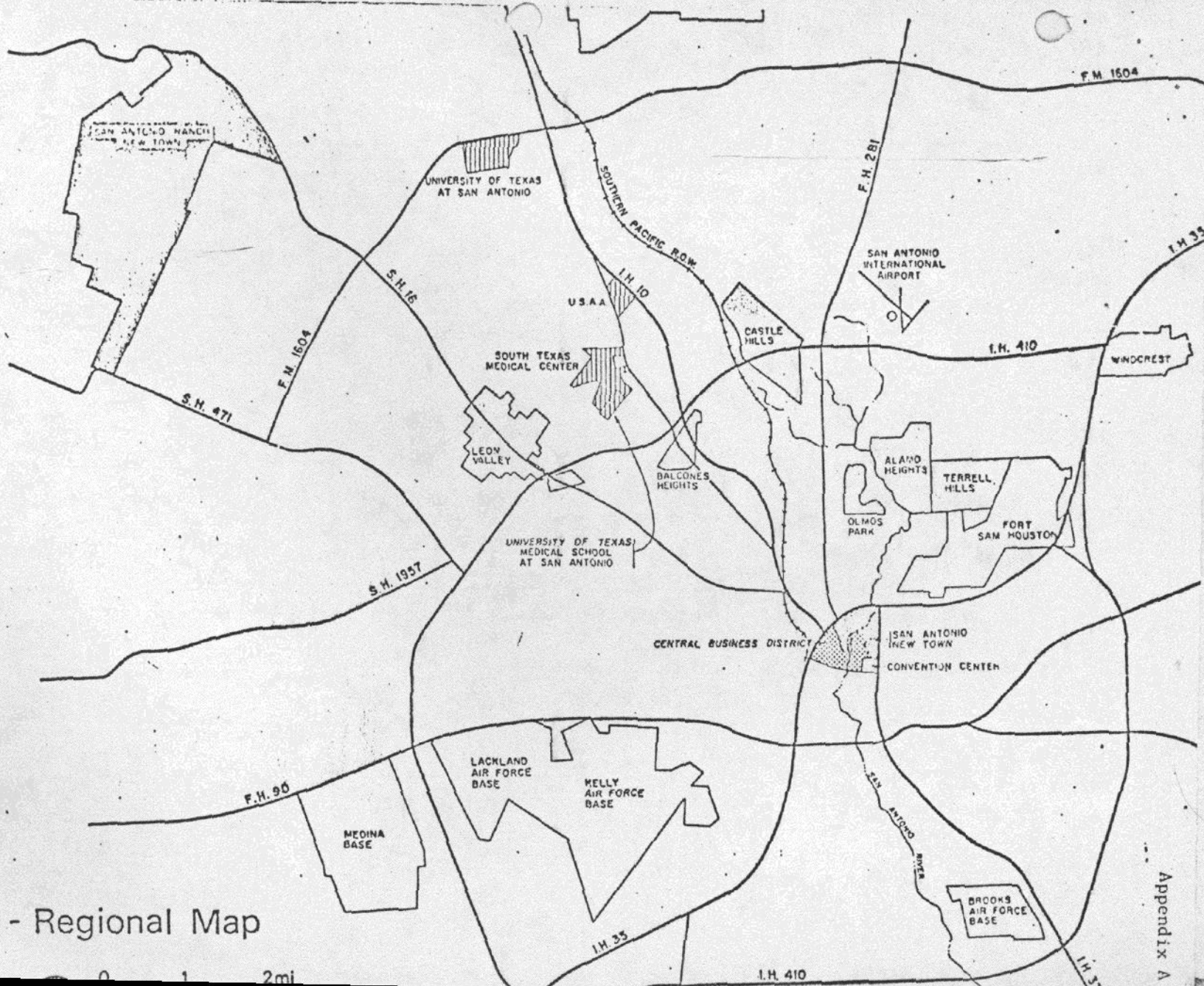
3. The Developer has proposed creation of a Municipal Utility District pursuant to Chapter 54 of the Texas Water Code, to finance certain public facilities and services within and serving the Project. The City of San Antonio has reviewed and subject to certain conditions, has consented to the creation within its extraterritorial jurisdiction of San Antonio MUD #1. The Developer subsequently petitioned the Texas Water Rights Commission to authorize the creation of San Antonio MUD #1. The petition is currently pending before the Commission.

Although the Developer has agreed to certain conditions regarding the establishment and operation of the proposed MUD, additional agreements with the Developer may be required by NCA prior to issuance of Federally-guaranteed Debentures.

4. Developer Capability--New Town Management, Inc. as the general partner, is proposed to be responsible for managing project development. Since the principals are not experienced land developers, it is necessary that professional staff satisfactory

to NCA be retained prior to issuance of Federally-guaranteed obligations. In accordance with the Offer of Commitment the Developer, as required by the regulations, must demonstrate that it possesses the requisite ability and background for implementing the project as approved.

.11/73



1- Regional Map

0 1 2mi

PROJECT NAME San Antonio Ranch New TownBACKGROUND

1. Commitment (Date <u>Feb. 23, 1972</u>)	\$ <u>18,000,000</u>
2. Projected Cumulative Net Cash Flow	\$ <u>67,861,000</u>
3. Cash Equity (Proposed)	\$ <u>3,600,000</u>
4. Guarantee Issued (Proposed)	\$ <u>18,000,000</u>
5. Interest Rate (Assumed)	\$ <u>8.0%</u>
6. Escrow Balance (Date _____)	\$ _____

<u>STATUS</u> (Date _____)	Cumulative Amount in Thousands		
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Operating Revenues	\$ <u>213,869</u>	\$ _____	\$ _____
Less:			
Land Acquisition Costs	<u>10,721</u>	_____	_____
Construction Costs	<u>64,614</u>	_____	_____
Non-construction Costs	<u>40,873</u>	_____	_____
Financing Costs	<u>29,650</u>	_____	_____
	\$ <u>68,011</u>	\$ _____	\$ _____

*Based on November 8, 1973 Cash Flow Projections which include the use of a Municipal Utility District.

REMARKS

The November 8, 1973 Cash Flow reflects the Developer's present concept of the proposed Municipal Utility District and its relationship to the San Antonio Ranch Project. The Cash Flow assumes that the project will be annexed by the City of San Antonio in the eighth year of the development process. The difference between Projected Cumulative Net Cash Flow and total costs as shown above is the inclusion of \$150,000 of costs to capitalize a proposed Minority Small Business Investment Company (MESBIC).