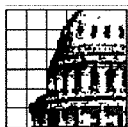


Homestead Preservation Reinvestment Zone No. 1
Preliminary Project Plan and Reinvestment Zone Financing Plan

EXHIBIT 3

Economic Feasibility Study



CAPITOL MARKET RESEARCH

Real Estate Research, Land Development Economics & Market Analysis

October 10, 2008

Margaret R. Shaw
Director
City of Austin, Neighborhood Housing
and Community Development
1000 East 11th Street, Suite 400
Austin, TX 78702

reg. Homestead Preservation District TIF

Dear Ms. Shaw,

As you requested, we have prepared an assessment of the Homestead Preservation District proposed for a portion of central east Austin. Our assessment includes a determination of historical and current real property values within the District and a forecast of taxable value to help estimate the potential revenue that could be generated from a tax increment district.

Overview

Between 1997 and 2007, the number of residential units receiving building permits within the boundaries of the Homestead Preservation District (HPD) increased from 35 units to 154 units per year. Permitted residential units during this time span decreased citywide by 5%, yet the number of permitted units in the HPD increased fourfold. Permitted units in the HPD, as a share of citywide residential units, increased from 0.5% in 1997 to 2.4% of total permits citywide by 2007.

An increasing number of mixed-use and loft-style buildings are being developed within the HPD, such as Saltillo Lofts, TwentyOne24, and Waterstreet Lofts. A recent Diana McIver & Associates report identified more than 16 residential or mixed-use developments with more than 650 units currently planned near the Saltillo TOD, one of two TOD's located within the HPD.

As the pace of development has increased in the HPD, property values of new and existing units have increased significantly. In 1999-2000 in the HPD area, the median price for residential listings on the Austin Board of Realtors Multiple Listing Service was \$90,000, with the median price per square foot at \$66.00. By 2005-2006, the median price on MLS had increased to \$135,000, with the price per square foot at \$109.00. This 50% increase in market value contrasts to a 30% increase city wide over the same period.

These trends point to a significant demographic shift in the Homestead Preservation District. The area is experiencing a rising level of development activity, including not only single-family homes but also mixed-use, loft-style developments. This new development

Capitol Market Research, Inc.
605 Brazos, Suite 300
Austin, Texas 78701
Phone: (512) 476-5000
Fax: (512) 476-5011
cheimsath@cmraustin.com

has contributed to increasing property values, but this trend has also had a negative financial impact on renters and homeowners seeking to remain in the area.

Methodology

The approach that we took and the results of our analysis are shown below.

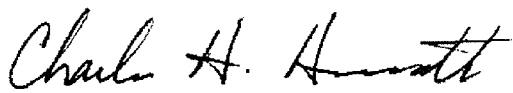
1. First we obtained from the Neighborhood Housing and Community Development Office a file that contains the property tax ID numbers and values for all 6,815 parcels in the proposed Homestead Preservation District. The appraisal district data included the property ID number, situs address, year of completion and total value by year, from 2000 through 2008. (Table 1)
2. Because there are two TOD areas within the proposed HPD TIF (Saltillo Plaza and MLK) which may also use TIF financing as a tool to foster development, we have also provided a forecast that removes the 464 TOD parcels from the HPD inventory with the result being a slightly smaller area with less value. (Table 2)
3. With this data, we then explored several options for estimating future values within the district and determined that the two most acceptable approaches were an extrapolation of historical trends using two different forecasting methods. The two approaches selected were
 - a) a district value forecast that is based on the average annual percentage increase in total district value from 2000 through 2008 (high scenario)
 - b) a district value forecast which uses a linear extrapolation of the total property values in the area from 2000 through 2008 (low scenario)
4. The results of these forecast options are presented in table (3) with TOD parcels and (3)a, (without TOD parcels)
 - a) the forecast based on district value increases from 2000 to 2008 results in a 2028 total district value of \$12.7 billion with the TOD parcels and \$12.5 billion without.
 - b) and the forecast which is based on a linear extrapolation of the property values results in a \$2.7 billion district value with the TOD parcels and \$2.5 billion value without.
 - c) After examining the two options, CMR also prepared a forecast that is the average of the two scenarios, and which falls into the middle of the range of values at \$7.7 billion in 2028 with the TOD parcels and \$7.4 billion without. And, as a more conservative approach, the City may wish to assume that growth will more closely approximate the city-wide average over the long-term future.

5. A Tax Increment revenue analysis was prepared using the most conservative forecast to determine what revenues would be available to support the planned affordable housing program initiatives within the district and these results are shown in Table(4) and (4)a.

We hope this preliminary analysis is useful to you as you consider the option of creating a Homestead Preservation District in Austin.

Respectfully yours,

CAPITOL MARKET RESEARCH, INC.



Charles H. Heimsath, AICP

October 10, 2008
Date

Table (1)
Homestead Preservation District Tax Valuation Summary

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,739	376,239,867	350,442,581
2001	6,744	440,713,546	407,565,143
2002	6,751	506,825,154	465,381,719
2003	6,760	540,240,799	489,540,931
2004	6,779	601,542,656	542,880,116
2005	6,785	656,922,625	590,068,946
2006	6,823	785,895,911	707,574,588
2007	6,835	928,976,896	840,251,056
2008	6,815	1,124,971,617	1,024,133,255

TaxValuationSummary.xls

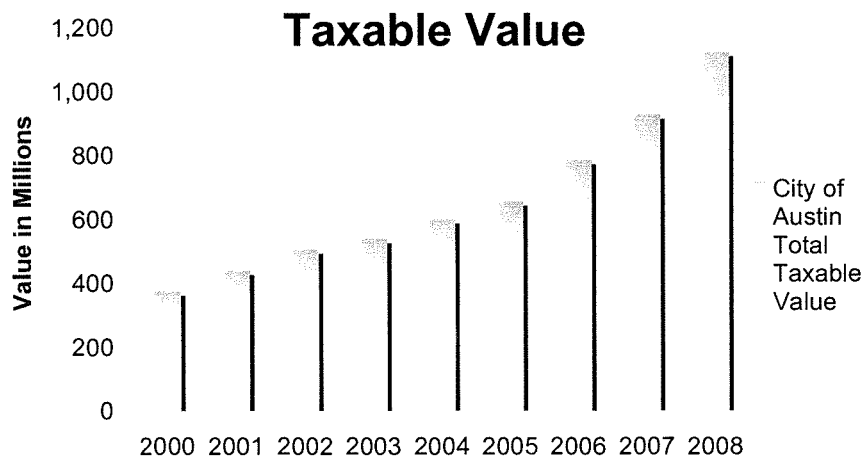


Table (2)
HPD Tax Valuation Summary (without TOD parcels)

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,286	326,373,619	301,401,317
2001	6,288	387,883,647	355,884,948
2002	6,295	447,496,882	407,454,579
2003	6,304	482,946,804	434,015,197
2004	6,323	533,359,300	476,860,841
2005	6,329	587,021,465	520,626,187
2006	6,363	706,508,636	630,676,022
2007	6,375	839,986,069	754,031,696
2008	6,351	1,009,339,633	911,606,955

TaxValuationSummary.xls

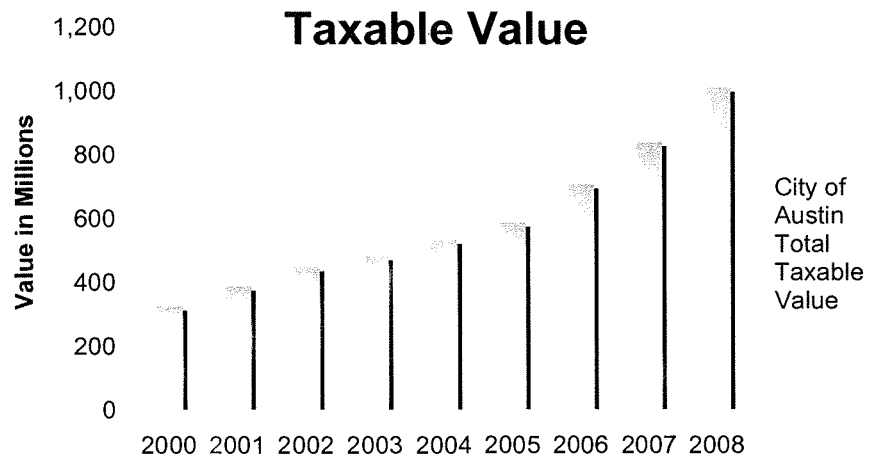


Table (3)
HPD Forecasted Taxable Value Options

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$376,239,867	.....	.....	.....	.....
2001	\$440,713,546	.....	.....	.....	.....
2002	\$506,825,154	.....	.....	.....	.....
2003	\$540,240,799	.....	.....	.....	.....
2004	\$601,542,656	.....	.....	.....	.....
2005	\$656,922,625	.....	.....	.....	.....
2006	\$785,895,911	.....	.....	.....	.....
2007	\$928,976,876	.....	.....	.....	.....
2008	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617
2009	.....	\$1,270,092,956	\$1,090,359,367	\$1,180,226,161	\$1,185,553,143
2010	.....	\$1,433,934,947	\$1,175,935,039	\$1,304,934,993	\$1,249,397,080
2011	.....	\$1,618,912,555	\$1,261,510,711	\$1,440,211,633	\$1,316,679,117
2012	.....	\$1,827,752,275	\$1,347,086,383	\$1,587,419,329	\$1,387,587,398
2013	.....	\$2,063,532,318	\$1,432,662,055	\$1,748,097,187	\$1,462,308,043
2014	.....	\$2,329,727,987	\$1,518,237,727	\$1,923,982,857	\$1,541,055,676
2015	.....	\$2,630,262,897	\$1,603,813,400	\$2,117,038,148	\$1,624,043,996
2016	.....	\$2,969,566,811	\$1,689,389,072	\$2,329,477,941	\$1,711,501,369
2017	.....	\$3,352,640,930	\$1,774,964,744	\$2,563,802,837	\$1,803,668,462
2018	.....	\$3,785,131,610	\$1,860,540,416	\$2,822,836,013	\$1,900,798,901
2019	.....	\$4,273,413,587	\$1,946,116,088	\$3,109,764,838	\$2,003,159,970
2020	.....	\$4,824,683,940	\$2,031,691,760	\$3,428,187,850	\$2,111,033,347
2021	.....	\$5,447,068,168	\$2,117,267,433	\$3,782,167,800	\$2,224,715,877
2022	.....	\$6,149,739,962	\$2,202,843,105	\$4,176,291,533	\$2,344,715,877
2023	.....	\$6,943,056,417	\$2,288,418,777	\$4,615,737,597	\$2,470,776,578
2024	.....	\$7,838,710,695	\$2,373,994,449	\$5,106,352,572	\$2,603,831,858
2025	.....	\$8,849,904,375	\$2,459,570,121	\$5,654,737,248	\$2,744,052,379
2026	.....	\$9,991,542,039	\$2,545,145,793	\$6,268,343,916	\$2,891,824,000
2027	.....	\$11,280,450,962	\$2,630,721,466	\$6,955,586,214	\$3,047,553,360
2028	.....	\$12,735,629,136	\$2,716,297,138	\$7,725,963,137	\$3,211,668,955

Historical and Forecasted Value Options

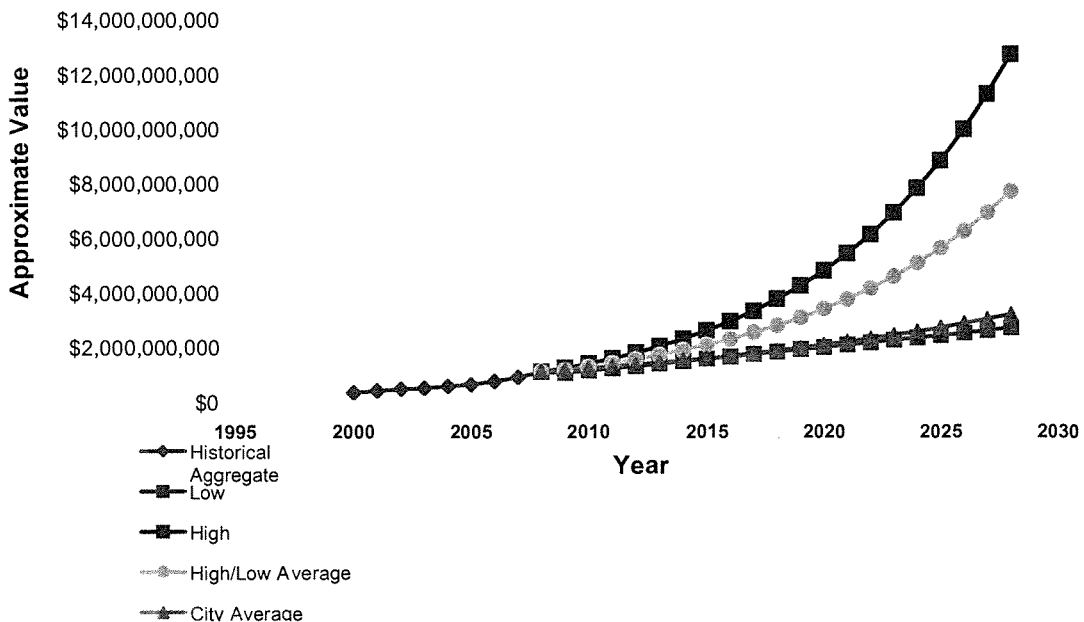


Table (3)a
HPD Forecasted Taxable Value Options without TOD parcels

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$326,373,619	.....	.....	.....
2001	\$387,883,647	.....	.....	.....
2002	\$447,496,882	.....	.....	.....
2003	\$482,946,804	.....	.....	.....
2004	\$533,359,300	.....	.....	.....
2005	\$587,021,465	.....	.....	.....
2006	\$706,508,636	.....	.....	.....
2007	\$839,986,069	.....	.....	.....
2008	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633
2009	.....	\$1,144,591,144	\$983,735,353	\$1,064,163,248	\$1,063,694,191
2010	.....	\$1,297,966,357	\$1,062,239,844	\$1,180,103,101	\$1,120,975,829
2011	.....	\$1,471,893,849	\$1,140,744,336	\$1,306,319,092	\$1,181,342,175
2012	.....	\$1,669,127,625	\$1,219,248,827	\$1,444,188,226	\$1,244,959,345
2013	.....	\$1,892,790,726	\$1,297,753,319	\$1,595,272,023	\$1,312,002,402
2014	.....	\$2,146,424,684	\$1,376,257,810	\$1,761,341,247	\$1,382,655,835
2015	.....	\$2,434,045,591	\$1,454,762,302	\$1,944,403,947	\$1,457,114,069
2016	.....	\$2,760,207,701	\$1,533,266,793	\$2,146,737,247	\$1,535,581,998
2017	.....	\$3,130,075,533	\$1,611,771,285	\$2,370,923,409	\$1,618,278,551
2018	.....	\$3,549,505,654	\$1,690,275,776	\$2,619,890,715	\$1,705,422,285
2019	.....	\$4,025,139,411	\$1,768,780,268	\$2,896,959,840	\$1,797,262,009
2020	.....	\$4,564,508,093	\$1,847,284,759	\$3,205,896,426	\$1,894,047,051
2021	.....	\$5,176,152,177	\$1,925,789,251	\$3,550,970,714	\$1,996,044,943
2022	.....	\$5,869,756,569	\$2,004,293,742	\$3,937,025,156	\$2,103,535,164
2023	.....	\$6,656,303,949	\$2,082,798,234	\$4,369,551,091	\$2,216,813,906
2024	.....	\$7,548,248,678	\$2,161,302,725	\$4,854,775,702	\$2,336,192,889
2025	.....	\$8,559,714,001	\$2,239,807,217	\$5,399,760,609	\$2,462,000,623
2026	.....	\$9,706,715,677	\$2,318,311,708	\$6,012,513,693	\$2,594,583,304
2027	.....	\$11,007,415,578	\$2,396,816,200	\$6,702,115,889	\$2,734,305,775
2028	.....	\$12,482,409,265	\$2,475,320,691	\$7,478,864,978	\$2,881,552,526

Historical and Forecasted Value Options

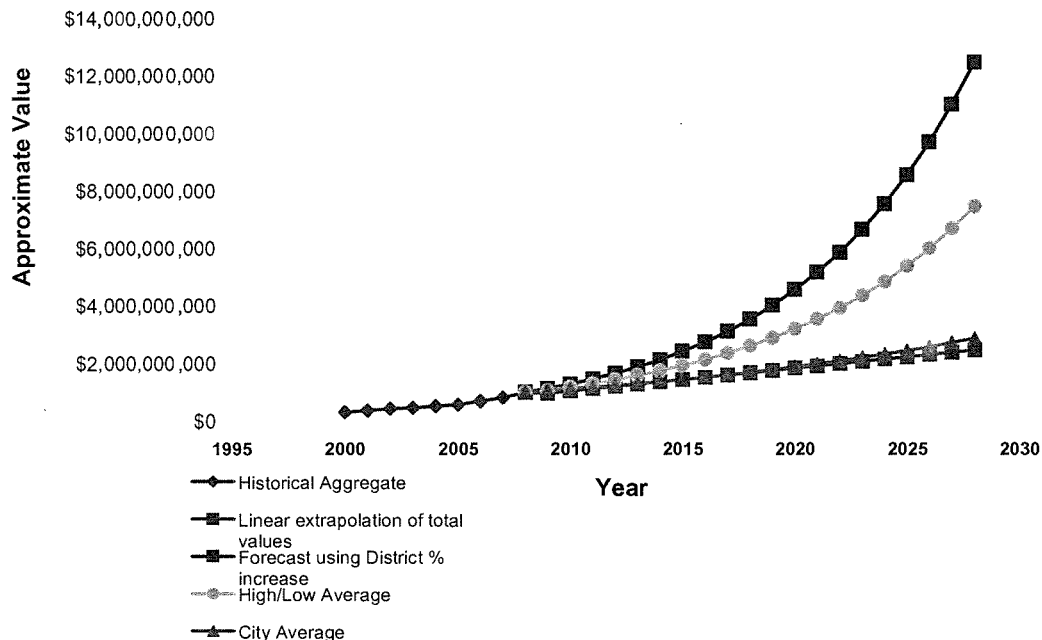


Table (4)
Homestead Preservation District: Austin, Texas
Cummulative City of Austin Property Tax Collections

Homestead Preservation District				
Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,124,971,617	\$1,124,971,617	\$0	\$0
2009	\$1,124,971,617	\$1,180,226,161	\$55,254,544	\$245,961
2010	\$1,124,971,617	\$1,304,934,993	\$179,963,376	\$489,987
2011	\$1,124,971,617	\$1,440,211,633	\$315,240,016	\$731,939
2012	\$1,124,971,617	\$1,587,419,329	\$462,447,712	\$971,667
2013	\$1,124,971,617	\$1,748,097,187	\$623,125,570	\$1,209,351
2014	\$1,124,971,617	\$1,923,982,857	\$799,011,240	\$1,444,644
2015	\$1,124,971,617	\$2,117,038,148	\$992,066,531	\$1,677,382
2016	\$1,124,971,617	\$2,329,477,941	\$1,204,506,324	\$1,907,395
2017	\$1,124,971,617	\$2,563,802,837	\$1,438,831,220	\$2,134,502
2018	\$1,124,971,617	\$2,822,836,013	\$1,697,864,396	\$2,357,739
2019	\$1,124,971,617	\$3,109,764,838	\$1,984,793,221	\$2,577,483
2020	\$1,124,971,617	\$3,428,187,850	\$2,303,216,233	\$2,793,513
2021	\$1,124,971,617	\$3,782,167,800	\$2,657,196,183	\$3,005,601
2022	\$1,124,971,617	\$4,176,291,533	\$3,051,319,916	\$3,213,511
2023	\$1,124,971,617	\$4,615,737,597	\$3,490,765,980	\$3,416,999
2024	\$1,124,971,617	\$5,106,352,572	\$3,981,380,955	\$3,615,813
2025	\$1,124,971,617	\$5,654,737,248	\$4,529,765,631	\$3,809,697
2026	\$1,124,971,617	\$6,268,343,916	\$5,143,372,299	\$3,998,387
2027	\$1,124,971,617	\$6,955,586,214	\$5,830,614,597	\$4,181,615
2028	\$1,124,971,617	\$7,725,963,137	\$6,600,991,520	\$4,359,111
Total				\$48,142,297

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008
Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

Table (4)a

Homestead Preservation District (without TOD Parcels): Austin, Texas Cumulative City of Austin Property Tax Collections

Homestead Preservation District

Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,009,339,633	\$1,009,339,633	\$0	\$0
2009	\$1,009,339,633	\$1,064,163,248	\$54,823,615	\$220,680
2010	\$1,009,339,633	\$1,180,103,101	\$170,763,468	\$439,512
2011	\$1,009,339,633	\$1,306,319,092	\$296,979,459	\$656,534
2012	\$1,009,339,633	\$1,444,188,226	\$434,848,593	\$871,557
2013	\$1,009,339,633	\$1,595,272,023	\$585,932,390	\$1,084,441
2014	\$1,009,339,633	\$1,761,341,247	\$752,001,614	\$1,295,407
2015	\$1,009,339,633	\$1,944,403,947	\$935,064,314	\$1,504,074
2016	\$1,009,339,633	\$2,146,737,247	\$1,137,397,614	\$1,710,288
2017	\$1,009,339,633	\$2,370,923,409	\$1,361,583,776	\$1,913,886
2018	\$1,009,339,633	\$2,619,890,715	\$1,610,551,082	\$2,114,003
2019	\$1,009,339,633	\$2,896,959,840	\$1,887,620,207	\$2,310,976
2020	\$1,009,339,633	\$3,205,896,426	\$2,196,556,793	\$2,504,608
2021	\$1,009,339,633	\$3,550,970,714	\$2,541,631,081	\$2,694,692
2022	\$1,009,339,633	\$3,937,025,156	\$2,927,685,523	\$2,881,017
2023	\$1,009,339,633	\$4,369,551,091	\$3,360,211,458	\$3,063,362
2024	\$1,009,339,633	\$4,854,775,702	\$3,845,436,069	\$3,241,503
2025	\$1,009,339,633	\$5,399,760,609	\$4,390,420,976	\$3,415,206
2026	\$1,009,339,633	\$6,012,513,693	\$5,003,174,060	\$3,584,236
2027	\$1,009,339,633	\$6,702,115,889	\$5,692,776,256	\$3,748,351
2028	\$1,009,339,633	\$7,478,864,978	\$6,469,525,345	\$3,907,308
Total				\$43,161,641

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008

Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

Base year TOD values of \$115,631,984 removed from District total value of \$1,124,971,617

prepared by CMR, October 8, 2008

HPD Tax Revenue Forecast.xls