

# Brooks Development Authority

(A Component Unit of the City of San Antonio, Texas)

San Antonio, Texas

## Comprehensive Annual Financial Report

For the Fiscal Years Ended September 30, 2015 and 2014



# **Brooks Development Authority**

(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

## **Comprehensive Annual Financial Report**

For the Fiscal Years Ended September 30, 2015 and 2014

**Prepared by:**  
**Department of Finance, Accounting,**  
**and Administration**

Milo D. Nitschke  
Chief Financial Officer

# Brooks Development Authority

San Antonio, Texas

For the Fiscal Years Ended September 30, 2015 and 2014

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# Introductory Section



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January 12, 2016

To the Board of Directors  
Brooks Development Authority

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the Brooks Development Authority (“BDA”) for the fiscal year ended September 30, 2015. This report was prepared for BDA by BDA’s Department of Finance, Accounting, and Administration.

This CAFR is published to provide our Board of Directors, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of BDA. Management assumes full responsibility for the completeness and reliability of the presented data including all disclosures. We believe the information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of BDA.

Padgett, Stratemann & Co, L.L.P., Certified Public Accountants, have issued an unmodified (“clean”) opinion on BDA’s financial statements for the fiscal year ended September 30, 2015. The Independent Auditor’s Report is located at the front of the Financial Section of this report.

The Management’s Discussion and Analysis (“MD&A”) immediately follows the Independent Auditor’s Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

#### **PROFILE OF BDA**

BDA is a Defense Base Development Authority, which is a special purpose political subdivision under Section 379B of the Local Government Code of Texas. On September 27, 2001, a resolution was passed by the San Antonio City Council that established BDA. Under the provisions of Section 379B the Local Government Code of Texas, the City of San Antonio, Texas (the “City”) was empowered to create a Defense Base Development Authority to accept title to Brooks Air Force Base (“Brooks AFB”) and engage in economic development of the base, a military installation located within the City. Brooks Air Force Base was sold and transferred to the community by the Secretary of the Air Force, pursuant to authority conferred by the Military Construction Act, Public Law No. 106-246, and is now known as Brooks City Base. In addition to its role in economic development, BDA is responsible for property and infrastructure maintenance, development, land use, and environmental planning for Brooks City Base.

In 2005, the Base Realignment and Closure (“BRAC”) decision relocated Air Force missions to other installations and brought to an end 95 years of active military operations at Brooks City Base. In September 2011, a new era of innovation began at Brooks City Base as the Air Force officially left the development. For the first time in more than 95 years, Brooks City Base became an open campus as part of that transition.

Today, Brooks City Base represents a master planned community offering affordable housing and more than 1,200 acres of real estate for mixed-use development, including up to 400,000 square feet of available space for office, light industrial, and retail opportunities. Since its inception, the community has attracted 29 businesses, including public and private sector players in healthcare, energy, education, recreation, and other industries.

This area features amenities, infrastructure, and resources that make it an ideal location for companies looking to locate or expand their presence in a competitive business environment, surrounded by a variety of entertainment and hospitality options, and positioned among major national and international trade routes. Brooks City Base offers unique incentives, a sound investment, and an ideal location to live, work, learn, and play. As the owner and developer, BDA offers a variety of creative financial assistance programs to encourage business attraction and expansion.

BDA is governed by a board of directors consisting of 11 members, individually appointed by the City Council of San Antonio. There are two standing board committees: the Planning & Development Committee and the Finance Committee. The Planning & Development Committee's responsibilities include vision, goals, objectives, strategies, definition, and measurement of success; physical planning, marketing, development, and construction; historic preservation; and sales and leasing. The Finance Committee's responsibilities include accounting, legal, risk, regulatory, personnel, administration, management, property and resource management, utilities, equipment maintenance, safety and security.

#### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which BDA operates.

#### **LOCAL ECONOMY**

Brooks City Base is located southeast of San Antonio, Texas encompassing 1,356 acres of public and private sector players in healthcare, energy, education, recreation, and other industries. Since its inception, the community has attracted 29 businesses including DPT Laboratories ("DPT"), Mission Trail Baptist Hospital, Mission Solar, Calumet, and the University of the Incarnate Word Medical School. Brooks City Base has access to major national and international trade routes, as well as its proximity to quality healthcare facilities, also contributes to its strong economic development. In 2014, total economic activity attributed to businesses located within Brooks City Base and supported over 10,000 jobs.

#### **LONG-TERM FINANCIAL PLANNING**

BDA employs a comprehensive multi-year, Financial Master Plan which incorporates the operating budget and capital improvement planning programs, which are updated annually. Capital improvements include public infrastructure, construction of roads, drainage, parking, utilities, historic preservation, parks, hike and bike trails, public transportation, and other public improvements. Capital improvements also include economic development, capital outlays for land, and vertical structures to support a mixed-use community of retail outlets, office space, education facilities, dining establishments, hospitality businesses, and other community components that make up a work, live, learn, and play community. Capital improvements are long-term investments with asset life expectancies of 3 to 50 years or more. Debt management is a major component of the financial planning model, which incorporates projected financing needs for public and economic development infrastructure that is consistent with Brooks' Master Plan while at the same time measuring and assessing the cost and timing of each debt issuance. Financial management incorporates BDA's fiduciary responsibilities to protect asset values while maximizing the use of financial resources, minimizing costs, and mitigating financial risk.



The Finance Department is responsible for the administration and management of the BDA's budget, debt program, investment practice, and implementation of banking services. The financial management practice is comprehensive and dynamic which utilizes the application of quantitative technical analysis to evaluate, update, design, structure, and restructure its financial position. On-going financial analysis is used to: (1) develop financing structures that incorporate multiple sources of funding such as land equity, cash equity, debt, EB-5 financing, new market tax credits, historic tax credits, and other financial instruments and tools to finance capital improvements; (2) design financing structures that are financially sound, prudent, and secure; (3) minimize the cost of financing; (4) develop and protect BDA's creditworthiness; (5) evaluate and advise on financial options, costs, risks, and limitations on projects to be financed; (6) evaluate financing proposals; and (7) perform cash flow analyses on project and fund balances, revenues, projected short- and long-term capital improvement program financings and existing debt and future debt issuances.

Management of BDA is responsible for establishing and maintaining an internal control structure designed to ensure the assets of BDA are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes the cost of a control should not exceed the expected benefits and the evaluation of costs and benefits require management's estimates.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. All internal control evaluations occur within the above framework. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of misuse, if any, have been detected. We believe adequate precautions have been taken, within cost limitations, to safeguard assets and provide reasonable assurance of proper recording of financial transactions within BDA.

In keeping with BDA's mission and vision, the economic development effort is focused on individual and business prosperity for the BDA campus and the surrounding neighborhoods. This means attracting businesses that have job opportunities for salaries and wages that average \$50,000 per year or higher; preserve rent structures for quality housing, Class A offices, upscale retail and restaurant business enterprises, quality healthcare facilities, and campus amenities.

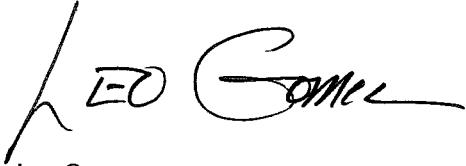
Total property owned by BDA includes 1,185 acres and 44 buildings. BDA has approximately 789 acres of land area to develop, which includes 13.65 acres of land that is currently under development with the Aviator Lofts Project and approximately 5.62 acres for the full service hotel project. The Aviator Loft Project will renovate 4 buildings and construct 2 new buildings to provide living units ranging in size from 780 square feet to 1,100 square feet. The full service hotel will include approximately 156 room hotel located on approximately 5.62 acres. It is planned that EB-5 funding will pay the mezzanine financing within 18 months and a portion of the first lien note.

## **ACKNOWLEDGMENTS**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the independent auditors and the entire staff of the Finance, Accounting, and Administration Departments. Appreciation is also expressed to employees throughout the organization, especially those employees who were instrumental in the successful completion of this report. The President's Office and

Accounting staff also wishes to commend and thank the Board of Directors for its leadership and support in maintaining the highest standards of professionalism in the management of the Brooks City Base finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Leo Gomez". The signature is written in a cursive style with a large, stylized "L" and "G".

Leo Gomez  
President & CEO

A handwritten signature in black ink that reads "Milo Nitschke". The signature is written in a cursive style with a large, stylized "M" and "N".

Milo Nitschke  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Brooks Development Authority  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO

**Brooks Development Authority Board Members  
Fiscal Year 2015**



**Manuel A. Pelaez-Prada**  
District 7  
Board of Directors – Chair



**John P. Jennings**  
District 1



**Margaret Wilson-Anaglia**  
District 2



**Michelle Krupa**  
District 3



**Ramiro A. Cavazos**  
District 4



**Carlos Contreras**  
District 5 –  
City Manager's Office



**Manuel Villa**  
District 6



**Steven Goldberg**  
District 8



**Tamara Tapman**  
District 9



**Jesse Hereford**  
District 10  
(Resigned December 2014)



**Iñigo Arzac**  
Mayor's Office

# Brooks Development Authority

San Antonio, Texas

## Leadership and Advisors

### Leadership

Leo Gomez	President and Chief Executive Officer
Milo Nitschke	Chief Financial Officer
John C. McCarthy	Vice President of Facilities and Infrastructure
Debbie D. Perales	Vice President of Administration and Tenant Relations
Sha-Rone Caffie-Reyes	Director of Brooks City Base EB-5 Regional Center
Connie Gonzalez	Public Relations Manager
Sonia Veliz	Executive Assistant to the President and Chief Executive Officer

### Advisors

Davidson Troilo Ream & Garza PC  
General Counsel  
San Antonio, Texas

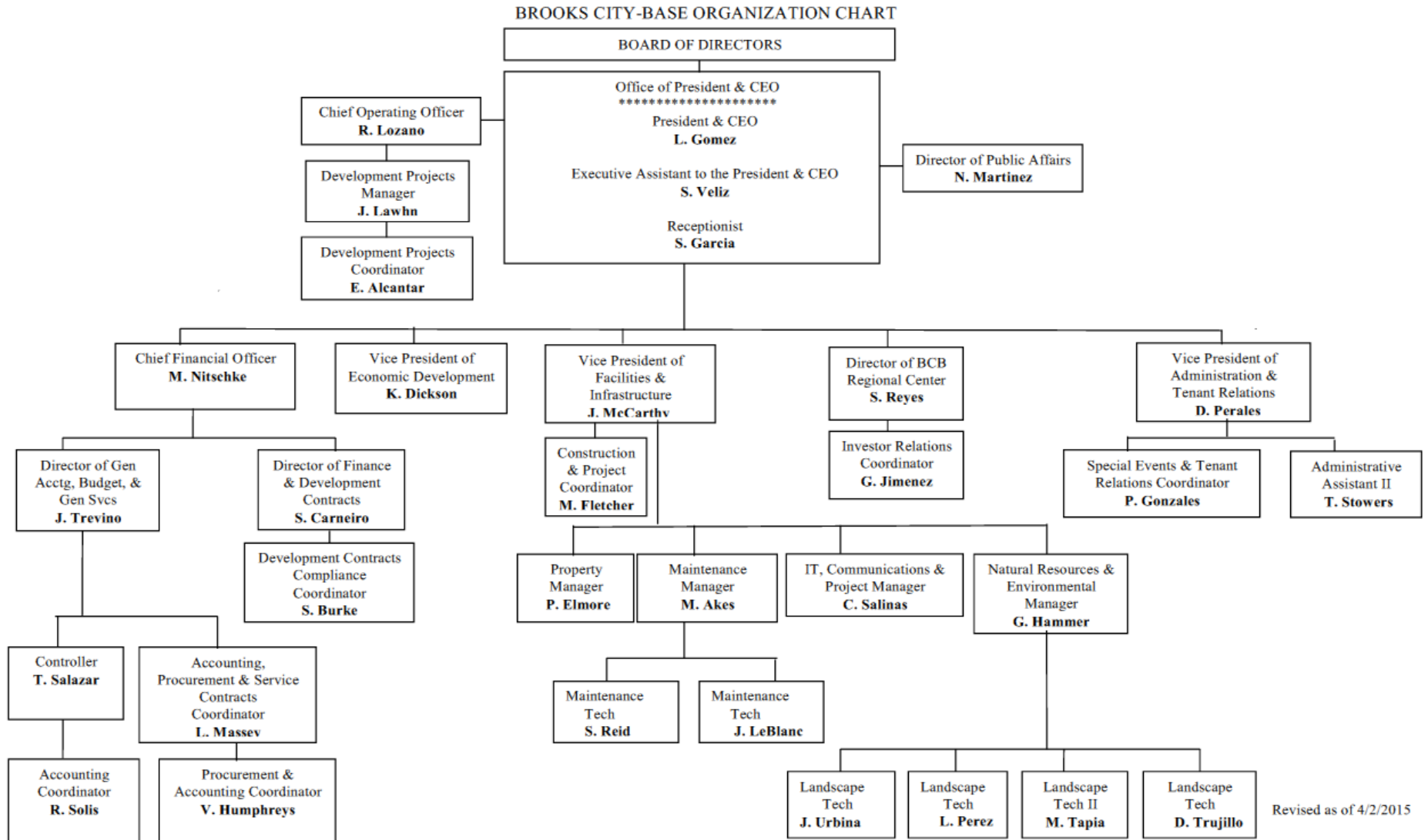
First Southwest Company  
Financial Advisor  
San Antonio, Texas

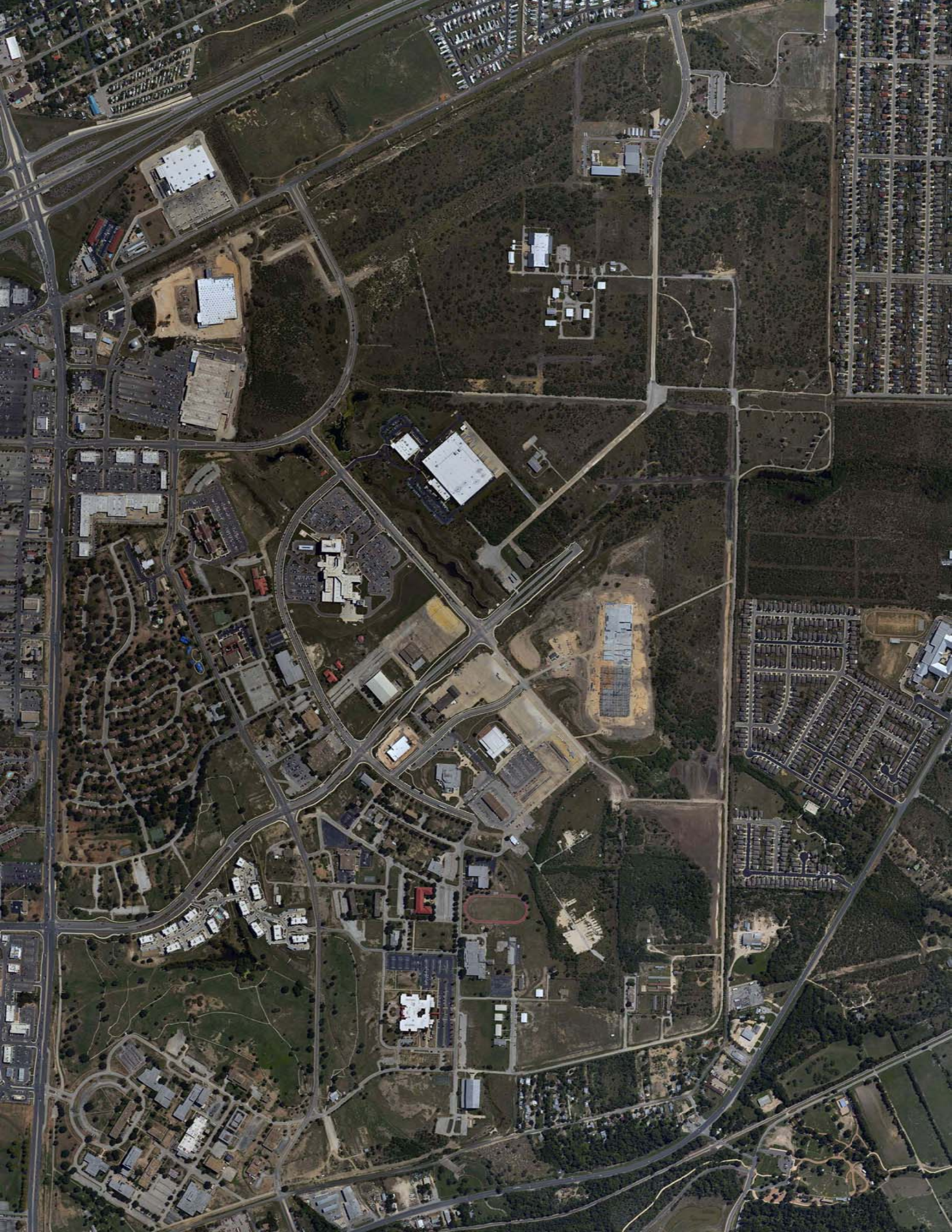
Padgett, Stratemann & Co., L.L.P.  
Certified Public Accountants – Audit Firm  
San Antonio, Texas

# Brooks Development Authority

San Antonio, Texas

## Organization Chart








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# Financial Section

An abstract graphic design featuring a brown, cone-like shape on the left side. Two curved, swoosh-like shapes are positioned to the right of the cone: a light blue one above and a light green one below. The text "(This page intentionally left blank.)" is centered in the white space between the two swooshes.

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# Padgett Stratemann

## Independent Auditor's Report

To the Board of Directors  
Brooks Development Authority  
San Antonio, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of Brooks Development Authority ("BDA"), a component unit of the City of San Antonio, Texas, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise BDA's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BDA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **AUSTIN**

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AUSTIN, TEXAS 78704  
512 476 0717

#### **HOUSTON**

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HOUSTON, TEXAS 77056  
713 335 8630

#### **SAN ANTONIO**

100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
210 828 6281

TOLL FREE: 800 879 4966  
WEB: PADGETT-CPA.COM

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of BDA as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BDA's basic financial statements. The Introductory and the Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Padgett, Stratemann + Co., L.L.P.*

San Antonio, Texas  
January 12, 2016

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

As management of Brooks Development Authority (“BDA”), we offer the following Management’s Discussion and Analysis (“MD&A”). The MD&A serves as an introduction to the financial statements for the fiscal years ended September 30, 2015 and 2014 and provides a narrative overview and analysis of financial activities and performance. We encourage readers to read it in conjunction with the transmittal letter at the front of this report and BDA’s financial statements, including the notes to the financial statements, which follow this section.

### Financial Highlights

- The assets and deferred outflow of resources of BDA exceeded its liabilities at the close of fiscal year 2015 by \$55,461,708. Of this amount, \$12,256,376 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$43,205,332, is the net amount invested in capital assets.
- BDA’s total net position decreased by \$3,585,330 from fiscal year 2014. This decrease is primarily due to the expenses related to closing on financing of capital projects totaling \$1,963,809 and bond issuance costs related to revenue bonds for \$916,008 also for financing of capital projects. Interest expense for fiscal year 2015 totaled \$1,541,986. In fiscal year 2014, net position increased by \$6,893,865 from fiscal year 2013. This increase is primarily due to the sale of the Landings I Apartments, which totaled \$10,388,383. The sale of the Landings I Apartments allowed BDA to designate some of the sales proceeds as board-designated funds to cover anticipated future projected shortfalls.
- The primary source of BDA’s operating revenues of \$9,162,760 stems from its commercial leases; this year totaling \$6,969,872, or 76% of total operating revenues. In addition, BDA realized \$2,192,888 from common area maintenance (“CAM”) fees, utility reimbursements, development fees, and other miscellaneous income. BDA has recognized \$1,166,542 in revenue from its agreement with NRP Management, LLC (“NRP”) related to managing the 163 single-family homes and duplexes, which comprise the Brooks Heritage Oaks at Brooks City Base (the “Heritage Project”), formerly military residential housing. As of September 30, 2015, BDA has recognized \$500,000 as ground lease revenue related to the Mission Solar Manufacturing Facility, which was completed in July 2014. BDA also received \$4,984,791 in capital contributions from the City related to capital project.

### Basic Financial Statements

The basic financial statements are comprised of the statements of net position; statements of revenues, expenses, and changes in net position; and the statements of cash flows. The basic financial statements report information using accounting methods similar to those used by private-sector companies. These financial statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred, regardless of when cash is received or paid. These financial statements also offer short-term and long-term financial information about its activities.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

The statements of net position include all BDA's assets, deferred outflow of resources, and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of BDA and assessing the liquidity and its financial flexibility.

The statements of revenues, expenses, and changes in net position present operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses consist of revenues earned and expenses incurred related to the operation and maintenance of the Brooks City Base property. Nonoperating revenues and expenses consist of investment income, capital assets sales, and dispositions related to permanent impairments or transfers to the City; and grants in aid from the City, and the Office of Economic Adjustment on behalf of the Department of Defense, and a grant from Bexar County for reimbursement of capital expenditures, as well as interest expense.

The statements of cash flows report cash inflows and outflows and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities and provide answers to such questions as where did cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

## Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

## Financial Analysis

BDA's total fiscal year 2015 operating revenues increased by 11% over fiscal year 2014 as a result of BDA's effort to continue to increase its commercial lease revenues after the Air Force lease vacated in fiscal year 2011. Commercial lease revenue decreased by less than 1% over last year going from \$7,011,484 in fiscal year 2014 to \$6,969,872 in fiscal year 2015. In fiscal year 2014, operating revenues increased by 9% over fiscal year 2013 as a result of BDA's effort to replace Air Force lease revenue, which ended in fiscal year 2011. Commercial lease revenue increased by 10% over last year going from \$6,385,056 in fiscal year 2013 to \$7,011,484 in fiscal year 2014.

Operating expenses, excluding depreciation, increased from \$8,923,679 to \$9,270,489, or by 4% from fiscal year 2014. Most major operating cost categories experienced an increase over last year with the exception of repairs and maintenance, utilities, insurance, and property management and development. These increases are due mainly to the new direction that leadership is undertaking, which includes an aggressive marketing program to promote BDA, plus an increase in staff, increase in outreach, travel, tenant relations, improvements to campus appearance, new capital projects, which are being financed by bank loans and revenue bonds, and EB-5 regional center implementation and operation. In fiscal year 2014, operating expenses, excluding depreciation, increased from \$6,924,584 to \$8,923,679, or by 29% from fiscal year 2013. Most major operating cost categories experienced an increase over last year with the exception of utilities, property management and development, and depreciation.

# Brooks Development Authority

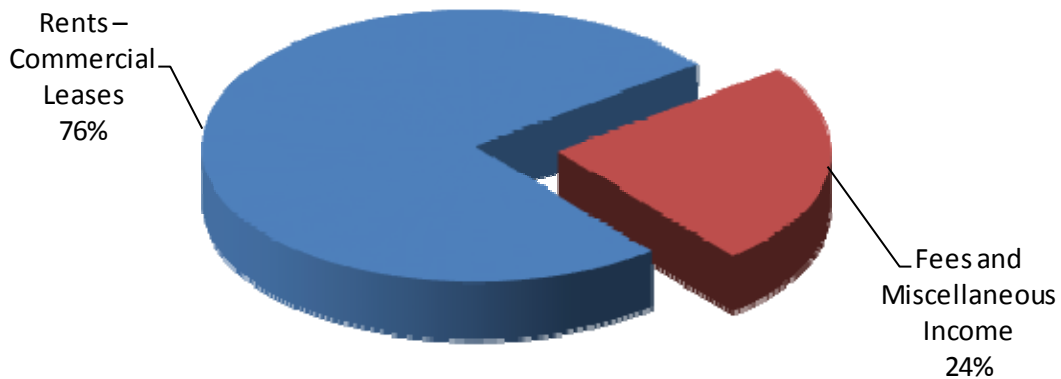
San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

Nonoperating activities reflect a deficit of \$4,161,850, which is caused primarily by interest expense of \$1,541,986, bond issuance costs of \$916,008, and financing costs of \$1,963,809. Other major nonoperating items include investment income of \$19,627 and \$220,000 from the Bexar County grant. BDA also received capital contributions of \$4,984,791 from the City for construction costs related to various capital projects. In fiscal year 2014, nonoperating activities reflect a surplus of \$10,680,912, which is caused primarily by the sale of the Landings I Apartments for \$10,388,383. Other nonoperating items include disposal/impairment of capital assets of \$65,695, \$220,000 from the Bexar County 381 grant, interest expense of \$984,282, interest income of \$618,019, other revenues of \$283,600, \$269,600 related to the settlement on repair cost of DPT's warehouse floor, and other contributions of \$14,000. There were also capital contributions of \$750,000 from Mission Solar for its contribution for the cost of infrastructure improvements related to its manufacturing facility.

### Fiscal Year 2015 Operating Revenues by Source



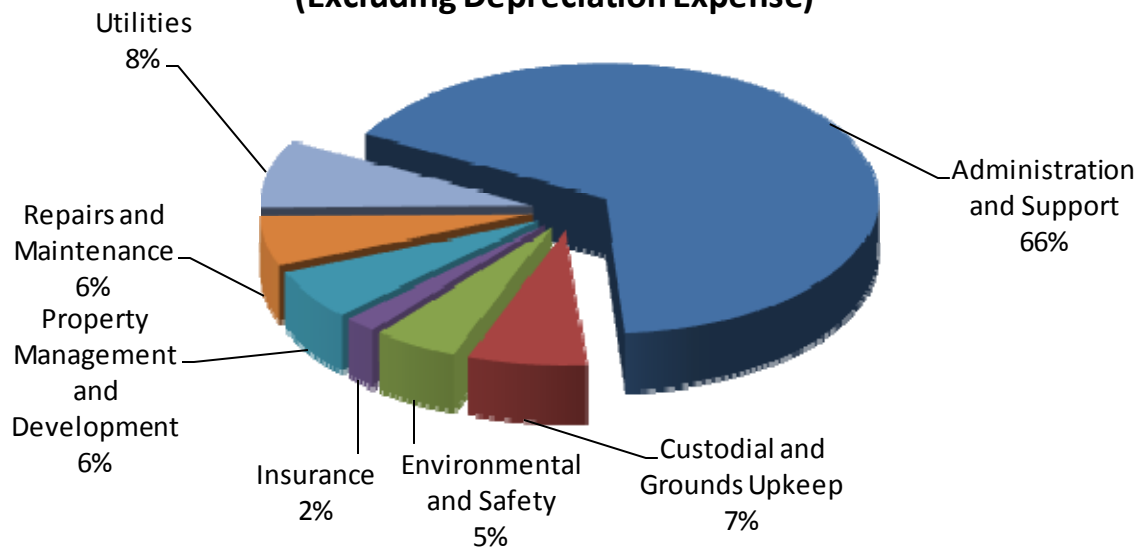
# Brooks Development Authority

San Antonio, Texas

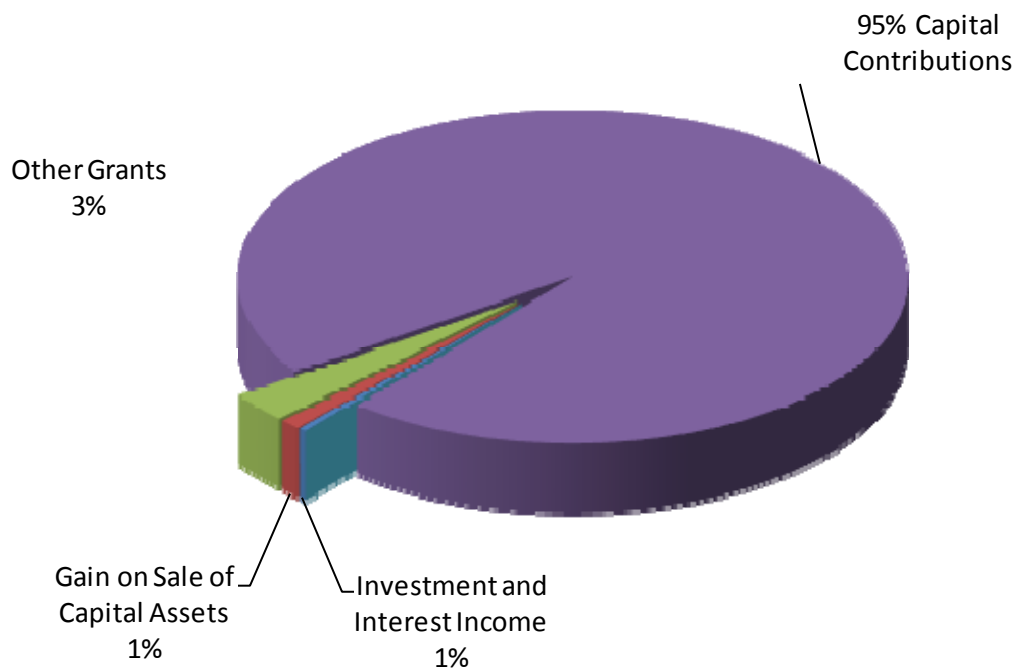
## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

### Fiscal Year 2015 Operating Expenses by Source (Excluding Depreciation Expense)



### Fiscal Year 2015 Nonoperating Revenues by Source





# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

**Table 1**  
**Condensed Statements of Net Position Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 25,545,717	\$ 24,857,337	\$ 19,948,957
Noncurrent assets	49,979,693	-	-
Capital assets – net	83,881,490	63,031,578	58,398,728
Deferred outflow of resources	<u>2,588,677</u>	<u>2,396,709</u>	<u>2,593,557</u>
 Total assets and deferred outflow of resources	 <u>\$ 161,995,577</u>	 <u>\$ 90,285,624</u>	 <u>\$ 80,941,242</u>
 Current liabilities	 \$ 16,342,408	 \$ 3,944,816	 \$ 3,914,272
Noncurrent liabilities	<u>90,191,461</u>	<u>27,293,770</u>	<u>24,873,797</u>
 Total liabilities	 <u>106,533,869</u>	 <u>31,238,586</u>	 <u>28,788,069</u>
 Net position:			
Net investment in capital assets	43,205,332	40,614,145	39,314,000
Unrestricted	<u>12,256,376</u>	<u>18,432,893</u>	<u>12,839,173</u>
 Total net position	 <u>55,461,708</u>	 <u>59,047,038</u>	 <u>52,153,173</u>
 Total liabilities and net position	 <u>\$ 161,995,577</u>	 <u>\$ 90,285,624</u>	 <u>\$ 80,941,242</u>

BDA's net position decreased \$3,585,330 from \$59,047,038 to \$55,461,708 (Table 2) resulting from a combination of operating loss of \$4,408,271, contributions and other grants of \$220,000, net nonoperating revenues (expenses) of \$4,401,850, and a gain on sale of capital assets of \$20,000. BDA also received capital contributions of \$4,984,791 from the City. In fiscal year 2014, net position increased \$6,893,865 from \$52,153,173 to \$59,047,038 (Table 2) resulting from a combination of net operating loss of \$4,537,047, gain on sale of capital assets of \$10,388,383, net nonoperating revenues of \$358,224, and a disposal/impairment of capital assets of \$65,695.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

**Table 2**  
**Condensed Revenues, Expenses, and Changes in Net Position Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>			
Rents – commercial leases	\$ 6,969,872	\$ 7,011,484	\$ 6,385,056
Fees and miscellaneous income	<u>2,192,888</u>	<u>1,228,991</u>	<u>1,145,506</u>
Total operating revenues	<u>9,162,760</u>	<u>8,240,475</u>	<u>7,530,562</u>
Operating expenses	9,270,489	8,923,679	6,924,584
Depreciation	<u>4,300,542</u>	<u>3,853,843</u>	<u>4,155,130</u>
Total operating expenses	<u>13,571,031</u>	<u>12,777,522</u>	<u>11,079,714</u>
Operating loss	<u>(4,408,271)</u>	<u>(4,537,047)</u>	<u>(3,549,152)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Gain on sale of capital assets	20,000	10,388,383	5,465,983
Disposal/impairment of capital assets	-	(65,695)	(563,806)
Loss on roads and infrastructure transferred to the City of San Antonio	-	-	(23,062,201)
Other grants	220,000	-	-
Nonoperating revenues (expenses) – net	<u>(4,401,850)</u>	<u>358,224</u>	<u>17,331</u>
Total nonoperating revenues (expenses) – net	<u>(4,161,850)</u>	<u>10,680,912</u>	<u>(18,142,693)</u>
Income (loss) before capital contributions	(8,570,121)	6,143,865	(21,691,845)
Capital contributions	<u>4,984,791</u>	<u>750,000</u>	<u>89,151</u>
Change in net position	(3,585,330)	6,893,865	(21,602,694)
Net position at beginning of year	<u>59,047,038</u>	<u>52,153,173</u>	<u>73,755,867</u>
Net position at end of year	<u>\$ 55,461,708</u>	<u>\$ 59,047,038</u>	<u>\$ 52,153,173</u>

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

### Overview of Fiscal Year 2015 Operating Budget (Non-GAAP)

	Fiscal Year 2015 Budget	Year-to-Date Actual	Year-to-Date Variance
<b>Sources of Funds</b>			
Commercial rents	\$ 3,776,161	\$ 3,887,042	\$ 110,881
CAM and reimbursable	1,021,681	1,287,727	266,046
Utility reimbursement	188,462	275,654	87,191
Residential rents	1,227,600	1,166,542	(61,058)
Grants	220,000	220,000	-
Interest income	17,000	19,657	2,657
Development fees	657,109	327,272	(329,837)
EB-5 Regional Center	150,000	-	(150,000)
DPT debt service payment	1,408,442	1,386,528	(21,914)
Total sources of funds	<u>8,666,455</u>	<u>8,847,630</u>	<u>181,175</u>
<b>Uses of Funds</b>			
Administration and support	5,766,940	5,793,146	(26,206)
Custodial and grounds	707,399	681,232	26,167
Environmental services	20,000	7,588	12,412
Security services	427,375	447,829	(20,454)
Repairs and maintenance	363,300	340,237	23,063
Utilities	663,117	760,862	(97,745)
Insurance	194,379	195,963	(1,584)
Contingency	50,980	24,282	26,698
Total uses of funds	<u>8,193,490</u>	<u>8,251,138</u>	<u>(57,648)</u>
Operating sources over uses of funds	472,965	596,492	123,527
Debt service	<u>2,272,396</u>	<u>2,135,408</u>	<u>136,988</u>
Net income (loss) after debt service	<u>\$ (1,799,430)</u>	<u>\$ (1,538,916)</u>	<u>\$ 260,515</u>

Variance descriptions are below:

- Residential rents were lower than expected due to unexpected expenditures incurred by NRP, the Heritage Oaks' management company.
- Development fees were lower than projected due to one project not being finalized until fiscal year 2016.
- EB-5 funds were lower than projected due to EB-5 funding prospects still a work in progress.

# Brooks Development Authority

San Antonio, Texas

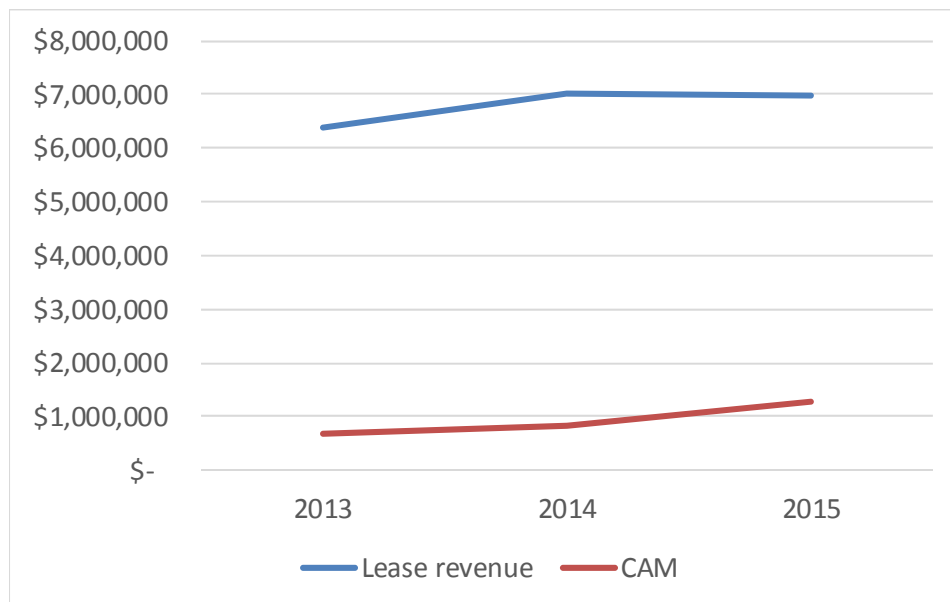
## Management’s Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

- Utilities were higher than projected due to usage of utilities. Tenant utility costs are reimbursed by each individual tenant dollar-for-dollar.

### Overview of Fiscal Year 2013 – Fiscal Year 2015 Lease Revenue and Common Area Maintenance Fee (“CAM”)

	2013	2014	2015
Lease revenue	\$ 6,385,056	\$ 7,011,484	\$ 6,969,872
CAM	687,667	837,143	1,287,727
Total	\$ 7,072,722	\$ 7,848,627	\$ 8,257,599



### Other Key Initiatives

The following are significant events that impacted BDA in fiscal year 2015. BDA continues to undertake initiatives to transform the former Air Force base into the vibrant Brooks City Base.

#### *Policy Development/Governance*

- In November 2014, BDA executed a contract with Phoenix Hospitality Group for the management of an Embassy Suites Hotel.
- In November 2014, BDA executed a Development Agreement with NRP for the construction of Landings II, consisting of 305 apartment units on approximately 13.75 acres of land.
- In December 2014, BDA executed the Franchise Agreement with Embassy Suites Hotel.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

- In February 2015, BDA approved the adoption of a staff housing incentive program to support the revitalization of the south side by encouraging and assisting BDA staff with financial incentives to locate within the designated area.
- In March 2015, BDA negotiated and executed a development agreement with the City's Animal Care Services Department for a 2,500 square foot spay and neuter clinic and parking area for the operational use of Animal Care Services.
- In April 2015, BDA negotiated and executed the amended Finance Plan and the amended Development Agreement between BDA, the City, and the Tax Increment Reinvestment Zone ("TIRZ") board of directors of the TIRZ #16.
- In May 2015, BDA negotiated and executed a contract with E-Z Bel Construction, LLC for the demolition of the existing Dave Erwin Drive and reconstruction as Kennedy Hill Roadway, a 2,545 feet roadway extending from SE Military Drive to Sidney Brooks, in an amount not to exceed \$6,905,551.
- In June 2015, BDA negotiated and executed a contract with Ben Reyna Contracting, Inc. to perform construction and renovation services for the Development Center Project, a 3,400 square foot office and meeting space, in an amount not to exceed \$638,632.
- In August 2015, BDA negotiated and executed a lease agreement and all related documents in connection with the development agreement with NRP (Brooks Apartments II Associates, LLC) for the construction and lease of the Brooks Apartments II.
  - In October 2014, BDA closed on loans totaling \$26,500,000 to finance the renovation of existing facilities and new construction which will provide 280 market rate apartment units known as the Aviator Apartments.
  - In January 2015, BDA executed a Real Estate Sales Agreement with Vantage at Brooks City Base, LLC for the sale of 20.55 acres for the construction of 288 market rate apartments. The transaction closed on October 2, 2015.
  - In March 2015, the Economic Development Administration ("EDA") awarded a Financial Assistance Award to BDA for an estimated amount of \$1,200,000. The BDA match contribution is \$1,176,375 for total funds of \$2,376,375.
  - In June 2015, BDA closed on loans and cash equity totaling \$37,301,517 to finance the construction of the Embassy Suites Hilton Hotel project.
  - In June 2015, BDA entered into funding agreements with the City totaling \$11,355,153 to be used for infrastructure improvements.
  - In August 2015, BDA closed on the delivery of \$54,900,000 BDA revenue bonds. The proceeds of the bonds will be used to reimburse BDA for prior infrastructure expenditures, additional infrastructure improvements, and vertical building construction.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

### ***Land Sales and New Leases***

- In October 2014, BDA negotiated and executed a 12-month lease for Building 912 with the City Radio Services for approximately 4,000 square feet of office space at \$5.00 per square foot (\$1,666.67 monthly/\$20,000 annually).
- In October 2014, BDA negotiated and executed a 48-month lease with the City for a portion of Building 510, 1,775 square feet, for the Council District 3 Office (\$468 monthly/\$5,616 annually).
- In February 2015, BDA negotiated and executed a 24-month lease for a portion of Building 510, 1,280 square feet, for the State of Texas, Representative Roland Gutierrez, and District #119 Office (\$550 monthly /\$6,600 annually).
- In June 2015, BDA negotiated a 12-month third lease renewal for Buildings 159, 160, and 170 with Wyle Laboratories, Inc. for a total annual extended base rental amount of \$375,000, plus \$69,750 annual CAM, for a total annual amount of \$444,750.
- In August 2015, BDA executed a 12-month first lease renewal for Building 704 with Somerset Academy, Inc., dba Brooks Academy of Science and Engineering for a total annual extended base rental amount of \$386,760, plus \$79,157 annual CAM, for a total annual amount of \$465,917.

### ***Financial Planning***

- During fiscal year 2015, \$1,176,375 was transferred from the operating reserve and deposited to the EDA Grant Reserve Fund as matching funds to an EDA grant. The construction commitment by QPM Partners for the construction of a driveway was completed and \$512,892 was reimbursed to QPM Partners. BDA has drawn down \$1,538,916 from the Shortfall Reserve to cover projected cost of operations. Funds in the Capital Reserve were used to pay for projects predevelopment costs. The combined balances as of September 30, 2015 are \$9,496,336.
- BDA employs a comprehensive multi-year Financial Master Plan, which incorporates the operating budget and capital improvement planning programs, which are updated annually. Debt management is a major component of the financial planning model, which incorporates projected financing needs for public and economic development infrastructure that is consistent with BDA's Master Plan, while at the same time measuring and assessing the cost and timing of each debt issuance. Financial management incorporates BDA's fiduciary responsibilities to protect asset values while maximizing the use of financial resources, minimizing costs, and mitigating financial risk.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

### ***Leveraging Resources***

- In fiscal year 2015, BDA utilized first lien loans, bridge loan financing, and cash equity to finance the construction of the Aviator Apartments and the Embassy Suites Hilton Hotel. The loans are secured by a mortgage on the land and improvements on the land.
- In August 2015, BDA closed on the delivery of \$54,900,000 BDA revenue bonds that are secured by an encumbrance of approximately 700 acres of land and buildings on the BDA campus. Among other things, the bond covenants require BDA to maintain a net asset value equal to at least five times the net principal amount of the outstanding bonds.

### ***Project Development***

***Use of Bond Proceeds*** – The Series 2015A-1 Bonds are issued by the Authority in order to provide funds to finance the costs of certain infrastructure projects including: (1) street improvements, (2) linear park improvements, (3) drainage and detention pond improvements, (4) restoration of Hangar 9, (5) public building improvements, (6) landfill mitigation, (7) infrastructure to support a town center, and (8) engineering and design work for major road improvements. Each of these infrastructure projects is briefly described below:

***BDA Development Center:*** Building 470, a 3,336 square foot former child care building, will be renovated for the use of BDA staff. The renovation will consist of stabilization of the building's foundation and structural frame, replacement of air conditioning and heating systems, roof repairs, accessibility improvements to allow for universal access, and an interior finish-out to accommodate staff needs for office and meeting space. The estimated project cost consists of design at \$50,000, construction at \$535,000 and project management and contingency at \$75,000, for a total project cost of \$660,000.

***Northwest Corner Drainage:*** The Northwest Corner Drainage project consists of infrastructure improvements at two discontinuous sites to facilitate the development of a full-service hotel and retail development. The scope of work will include securing entitlements such as platting and zoning and extending and/or relocating both dry and wet utility services to the development parcels, including drainage structures, water, sanitary sewer, telecommunications, and power. The estimated cost for these infrastructure improvements is \$828,000.

***Kennedy Hill:*** Kennedy Hill (formerly Dave Erwin Dr.) is a proposed north-south, three-lane, undivided roadway extending 2,545 feet from SE Military Drive to Sidney Brooks. The proposed realignment of Kennedy Hill will provide access to the new School of Osteopathic Medicine at Incarnate Word University. The project will include demolition of the existing Dave Erwin Dr. and reconstruction as Kennedy Hill, along with required utility infrastructure. The estimated construction cost of the Kennedy Hill project is \$9,226,174.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

Brooks Linear Park: The proposed project will transform 40 acres of unutilized floodplain land and drainage channels into a linear park. The heart of the park is made up of a series of 5 ponds that step down with the natural topography of the area. Woven around the ponds are 3 miles of lighted hike-and-bike trails that will connect Brooks City Base to the San Antonio River. In total, the park will provide 8 acres of wet ponds, 9 acres of manicured recreation areas, 15 acres of restored native vegetation, 3 acres of vegetated bio-swales, 1 acre of natural wetlands, 3 pavilions, 12 picnic areas, a restroom facility, an amphitheater, and 2 parking areas. The estimated cost for these improvements is \$10,000,000.

Animal Care Services Center: The proposed build-to-suit option of a single story, 2,500 square foot facility on an approximately 0.65 acre site on Brooks City Base would create a spay and neuter clinic. BDA will develop the building to a shell condition with the City and/or veterinarians then providing the furnishings, fixtures, and equipment. The on-campus Animal Care Services Center will be an expansion of the City's Animal Care Services Department and will provide low-cost spay and neuter services that will be open to the public and it will be the first center of its kind equipped with its own dog park. The estimated cost of the Animal Care Services Center project is \$500,000.

Hangar 9: The Hangar 9 project will include the following areas of rehabilitation for use of the building as an aviation museum and meeting venue. Improvements include gravesite improvements and building renovation. The estimated cost is \$3,000,000.

Additional Projects and Financings: In addition to the infrastructure projects to be funded with proceeds from the Series 2015A-1 Bonds, a portion of the following projects will be funded with proceeds from the taxable bonds:

Aviator Apartments: The Aviator is a planned apartment complex consisting of approximately 280 apartment units on 13.65 acres of land. This project will renovate 4 buildings and construct 2 new buildings to provide living units ranging in size from 780 square feet to 1,100 square feet. The estimated cost of this project is \$30,775,000. The taxable bonds will be used to provide funding to finance the costs of construction of public improvements to the Aviator apartments. The Aviator is anticipated to be completed in February 2016.

Hotel Project: An Embassy Suites full-service hotel is being built on BDA's campus, located on approximately 6.0 acres. Total project cost is estimated at \$37,215,000. The Taxable Bonds will be used to provide funding to finance the costs of construction of public improvements to the Embassy Suites Hotel. The hotel is scheduled for completion in 2016.

### **Marketing**

In fiscal year 2014, BDA implemented a public affairs strategy that integrated all communications for the organization in order to effectively promote Brooks City Base as a premier mixed-use community.



# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

The public affairs strategy incorporates marketing, public relations, and legislative programs focused on establishing relationships with key organizations to leverage economic development, as well as investment attraction and retention efforts.

The public affairs strategy consists of the following:

- Marketing – the new brand, established in November 2013, was promoted in local, regional, and international target markets. The purpose was to increase brand awareness and position Brooks City Base as an ideal business location by way of a road show where the new campus-wide land use plan was rolled out into the community.
- Public Relations – new development on Brooks City Base was showcased through a series of public events to announce new project ground breakings, ribbon cuttings, etc. The aim was to reinforce positive brand equity by broadcasting and celebrating economic impact initiatives through community engagement.
- Legislative Programs – relationships with local, state, and federal government entities were strengthened to raise Brooks City Base's profile as a model for redevelopment in the BRAC (Base Realignment and Closure) community. The main objective was to increase accessibility to public funding opportunities tied to economic development on the Brooks City Base campus.

## Capital Assets

BDA's capital assets totaled \$83,881,490 (net of accumulated depreciation) as of September 30, 2015. Capital assets include land; construction in progress; roads; infrastructure and improvements; facilities and other improvements; buildings; furniture, fixtures, and equipment; and software. Significant capital asset events occurring during the current fiscal year included the following:

- There was a total of \$136,245 in investment in furniture, fixtures, and equipment, which included landscaping equipment for \$50,000, two vehicles for maintenance and landscaping for \$60,765, and HVAC equipment for \$25,480.
- Infrastructure improvements included \$520,783 for driveway development in support of two hotel developments and \$492,398 for the parking lot, sidewalk, and berm improvements in support of Building 661.
- Building improvements and renovations totaled \$48,680, which included the development of ADA sidewalk and ramps for Building 775.
- The purchase of 1.467 acres of land for \$199,626.

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

- New construction in progress for \$24,484,726 included the following major projects: Aviator Apartment project for \$15,692,015, Embassy Suites Hotel project for \$3,270,878, and Kennedy Hill roadway project for \$4,271,242.

### **Appraised Value**

During fiscal year 2014, an appraisal was initiated to provide an update to the book value. The appraisal was limited to certain general areas of the BDA campus. The appraisal effort reached a consensus in fiscal year 2015 to provide an estimated appraised value. In connection with the bond issuance during fiscal year 2015, the land area used to secure the bonds was defined by Pape-Dawson Engineers, Inc. in a boundary survey, description of the property and identification of metes and bounds. The area defined was approximately 700 acres, which is called the Encumbered Area. In addition to the Encumbered Area is the remaining property of BDA, which is collectively referred to as property. The appraised value of the Encumbered Area, plus the net value of the remaining property, totaled \$247,026,854 as of September 30, 2015.

An update appraisal will be completed in fiscal year 2016.

Additional information on BDA's capital assets can be found in Note 5 to the financial statements.

The property under operating leases and property not under lease as of September 30, 2015 are as follows:

**Table 3**  
**Capital Assets**

	<u>Under Operating Leases</u>	<u>Not Under Leases</u>	<u>Total</u>
Land	\$ -	\$ 4,699,804	\$ 4,699,804
Construction in progress	-	25,703,571	25,703,571
Roads	-	13,291,390	13,291,390
Infrastructure and improvements	-	13,065,244	13,065,244
Facilities and other improvements	-	1,108,623	1,108,623
Buildings	50,529,939	12,045,837	62,575,776
Furniture, fixtures, and equipment	5,930,790	3,681,829	9,612,619
Software	-	321,953	321,953
	<u>56,460,729</u>	<u>73,918,251</u>	<u>130,378,980</u>
Less accumulated depreciation	<u>26,583,184</u>	<u>19,914,306</u>	<u>46,497,490</u>
Net capital assets	<u>\$ 29,877,545</u>	<u>\$ 54,003,945</u>	<u>\$ 83,881,490</u>

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

### Investments

As of September 30, 2015, BDA had \$7,725,580 in investments that consisted entirely of money market funds (\$13,747,832 in 2014). See Note 2 to the financial statements for classification of investments on the statements of net position (reported as cash and cash equivalents – unrestricted on the statements of net position).

### Debt

As of September 30, 2015, BDA had a balance of \$90,597,887 in outstanding debt. This is made up of a loan of \$11,029,951 from JPMorgan Chase for the DPT Laboratories construction project, three loans from the State Energy Conservation Office Stimulus Program totaling \$5,463,625, two loans with Brevet Capital Special Opportunities Fund III, L.P. for \$12,422,569, a loan with Inter National Bank for \$6,781,742 and revenue bonds totaling \$54,900,000. BDA also had an equipment lease with Frost Bank for \$57,963. In 2014, BDA had a balance of \$22,417,434 in outstanding debt. This is made up of a loan of \$11,625,140 from JPMorgan Chase for the DPT Laboratories construction project, three loans from the State Energy Conservation Office Stimulus Program totaling \$6,192,294 and a loan with Brevet Capital Special Opportunities Fund III, L.P. for \$4,600,000. Additional information on BDA's debt can be found in Note 12 to the financial statements.

### Risk Factors Influencing Future Operations

BDA's mission is to promote, develop, and sustain a vibrant community and catalyst for progressive economic development and prosperity. To enhance administrative efficiency, BDA has undergone a comprehensive evaluation of its internal strengths and weaknesses and external opportunities and threats. The following are factors influencing the future operations of BDA:

- BRAC – The most significant factor is the ability of BDA to renovate and commercially lease the facilities vacated by the Air Force.
- Tax Incremental Reinvestment Zone ("TIRZ") – Brooks City Base was approved as a TIRZ, which may provide up to approximately \$56,364,027 to aid in the development of infrastructure projects on BDA. TIRZ supported debt in the amount of \$19,050,000 has been used for financing the construction of South New Braunfels Avenue Road Extension Project and portions of Research Rd., Challenger Rd., and Kennedy Hill. Additional infrastructure projects will be financed from TIRZ revenue collections.
- Leveraging Assets – Leveraging assets will continue to play a major role in securing financing for future capital development projects, as well as establishing public/private partnerships for achieving financing goals.
- Risks of Real Estate Investment – Development, ownership, and operation of real estate involves certain risks, including the risk of adverse changes in general economic and local conditions, adverse use of adjacent or neighboring real estate, changes in the costs of operation, damage caused by

# Brooks Development Authority

San Antonio, Texas

## Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2015 and 2014

adverse weather and delays in repairing such damage, population decreases, uninsured losses, environmental risks, failure of lessees to pay rent, operating deficits and mortgage foreclosure, adverse changes in neighborhood values, and adverse changes in federal, state, and local laws and regulations.

- **Damage, Destruction, or Condemnation** – If any portion of the premises is damaged or destroyed, or is taken in a condemnation proceeding, funds derived from proceeds of insurance or any such condemnation award for the premises must be applied as provided in the bond master indenture to restore or rebuild the premises or make payments on bonds. There can be no assurance that the amount of funds available to restore or rebuild the premises or to make payments on the bonds will be sufficient for that purpose, or that any remaining portion of the premises will generate gross revenues sufficient to pay the expenses of BDA and the debt service on the bonds remaining outstanding.
- **Substantial Leverage; Financing Capability** – BDA has substantial debt service requirements which are secured by project revenues, operating revenues, and assets pledged to secure the debt. The debt management plan projects that current cash balances and cash from projects and operations will be sufficient to meet BDA's debt service obligations. The ability of BDA to meet such obligations and requirements will depend in part on BDA's future operating performance, which is subject to financial, economic, competitive, regulatory, and other factors, which may be beyond the control of the issuer.

### Request for Information

This financial report is designed to provide a general overview of BDA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 3201 Sidney Brooks, San Antonio, Texas 78235.



*Basic Financial Statements*

# Brooks Development Authority

San Antonio, Texas

## Statements of Net Position

September 30, 2015 and 2014

<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash and cash equivalents – unrestricted	\$ 22,746,426	\$ 24,236,406
Accounts receivable – net of allowance for doubtful accounts	2,606,638	461,006
Accrued interest	2,784	5,378
Prepaid expenses	140,339	110,265
Inventories	49,530	44,282
	<u>25,545,717</u>	<u>24,857,337</u>
Total current assets	25,545,717	24,857,337
<b>Noncurrent Assets</b>		
Restricted cash – cash held with trustee	49,979,693	-
Capital assets – net	83,881,490	63,031,578
	<u>159,406,900</u>	<u>87,888,915</u>
Total assets	159,406,900	87,888,915
<b>Deferred Outflow of Resources</b>		
Derivative instrument	2,588,677	2,396,709
	<u>2,588,677</u>	<u>2,396,709</u>
Total assets and deferred outflow of resources	\$ <u>161,995,577</u>	\$ <u>90,285,624</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,302,735	\$ 1,610,370
Accrued expenses	84,865	84,132
Accrued interest payable	1,621,420	-
Current portion of long-term liabilities	6,456,950	1,420,192
Unearned revenues	715,605	669,289
Tenant security deposits	160,833	160,833
	<u>16,342,408</u>	<u>3,944,816</u>
Total current liabilities	16,342,408	3,944,816
<b>Long-Term Liabilities</b>		
Unearned revenues	3,208,333	3,739,262
Derivative instrument liability	2,588,677	2,396,709
Long-term debt and other liabilities	84,394,451	21,157,799
	<u>90,191,461</u>	<u>27,293,770</u>
Total long-term liabilities	90,191,461	27,293,770
Total liabilities	<u>106,533,869</u>	<u>31,238,586</u>
<b>Net Position</b>		
Net investment in capital assets	43,205,332	40,614,145
Unrestricted	12,256,376	18,432,893
	<u>55,461,708</u>	<u>59,047,038</u>
Total net position	55,461,708	59,047,038
Total liabilities and net position	\$ <u>161,995,577</u>	\$ <u>90,285,624</u>

The accompanying notes form an integral part of these statements.

# Brooks Development Authority

San Antonio, Texas

## Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Rents – commercial leases	\$ 6,969,872	\$ 7,011,484
Fees and miscellaneous income	<u>2,192,888</u>	<u>1,228,991</u>
Total operating revenues	<u>9,162,760</u>	<u>8,240,475</u>
<b>Operating Expenses</b>		
Administration and support	5,997,045	5,316,530
Custodial and grounds upkeep	681,232	530,731
Environmental and safety	460,167	408,036
Repairs and maintenance	571,767	701,016
Utilities	760,860	832,211
Insurance	221,289	355,038
Property management and development	578,129	780,117
Depreciation	<u>4,300,542</u>	<u>3,853,843</u>
Total operating expenses	<u>13,571,031</u>	<u>12,777,522</u>
Operating loss	<u>(4,408,271)</u>	<u>(4,537,047)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	19,627	20,887
Interest income	326	618,019
Interest expense	(1,541,986)	(984,282)
Bond issuance costs	(916,008)	-
Financing costs	(1,963,809)	-
Gain on sale of capital assets	20,000	10,388,383
Disposal/impairment of capital assets	-	(65,695)
Bexar County grant	220,000	220,000
Other revenues	-	283,600
Debt write-off	<u>-</u>	<u>200,000</u>
Total nonoperating revenues (expenses) – net	<u>(4,161,850)</u>	<u>10,680,912</u>
Income (loss) before capital contributions	(8,570,121)	6,143,865
Capital contributions	<u>4,984,791</u>	<u>750,000</u>
Change in net position	(3,585,330)	6,893,865
Net position at beginning of year	<u>59,047,038</u>	<u>52,153,173</u>
Net position at end of year	<u>\$ 55,461,708</u>	<u>\$ 59,047,038</u>

*The accompanying notes form an integral part of these statements.*

# Brooks Development Authority

San Antonio, Texas

## Statements of Cash Flows

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from tenants and others	\$ 9,271,850	\$ 8,530,951
Payments to employees	(2,548,957)	(2,322,714)
Payments to suppliers for goods and services	(6,806,044)	(6,654,915)
Net cash used in operating activities	<u>(83,151)</u>	<u>(446,678)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Contributions from local and federal governments	2,807,596	31,515
DPT floor settlement	-	269,600
Other grants	-	220,000
Net cash provided by noncapital financing activities	<u>2,807,596</u>	<u>521,115</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of assets	(18,868,158)	(8,452,148)
DPT land purchase option fee	20,000	80,000
Proceeds from Brevet Capital promissory note – Aviator	400,000	-
Proceeds from Brevet Capital promissory note – Hotel	7,422,569	-
Proceeds from INB loan	6,781,742	-
Reimbursements from Brevet Capital promissory note proceeds	201,034	-
Bond proceeds	54,625,435	-
Bond issuance costs and reimbursements	(641,443)	-
Financing costs	(1,963,809)	-
Proceeds from sale of Landings I Apartments	-	14,217,893
Payments on loans	(1,323,858)	(1,267,294)
Mission Solar contribution	-	750,000
Notes payable proceeds	-	4,600,000
Interest payments	(907,794)	(983,351)
Net cash provided by capital and related financing activities	<u>45,745,718</u>	<u>8,945,100</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	2,995	20,903
Interest income	16,555	1,669,843
Net cash provided by investing activities	<u>19,550</u>	<u>1,690,746</u>
Net increase in cash and cash equivalents	48,489,713	10,710,283
Cash and cash equivalents at beginning of year	24,236,406	13,526,123
Cash and cash equivalents at end of year	<u>\$ 72,726,119</u>	<u>\$ 24,236,406</u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>		
Operating loss	\$ (4,408,271)	\$ (4,537,047)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,300,542	3,853,843
Allowance for doubtful accounts	(121,422)	27,515
Changes in operating assets and liabilities:		
Accounts receivable	514,907	675,019
Prepaid expenses	(30,074)	18,698
Inventories	(5,248)	479
Accounts payable	(84,917)	(28,827)
Accrued expenses	733	(68,677)
Compensated absences	34,994	24,376
Unearned revenues	(284,395)	(412,057)
Net cash used in operating activities	<u>\$ (83,151)</u>	<u>\$ (446,678)</u>

The accompanying notes form an integral part of these statements.



# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### 1. Organization and Summary of Significant Accounting Policies

#### A. Reporting Entity

Brooks Development Authority (“BDA”) is a Defense Base Development Authority, which is a special purpose political subdivision under Section 379B of the Local Government Code of Texas. BDA was created by a Resolution of the City Council of the City, approved on September 27, 2001. This resolution became effective on the tenth day after its passage, October 7, 2001.

Under the provisions of Section 379B of the Local Government Code of Texas, the City was empowered to create a Defense Base Development Authority to accept title to Brooks Air Force Base (“Brooks AFB”) and engage in economic development of Brooks AFB, a military installation located within the City. Brooks AFB was sold and transferred to the community by the Secretary of the Air Force, pursuant to authority conferred by the Military Construction Act, Public Law No. 106-246, and is now known as Brooks City Base.

BDA’s governing board consists of 11 members appointed by the City Council of the City. BDA is considered a discretely presented component unit of the City for purposes of financial reporting, in accordance with the provisions of Governmental Accounting Standards Board (“GASB”) Codification *Defining Financial Reporting Entity*.

#### **Component Units Included**

The financial statements of BDA include three component units, the Brooks City Base Foundation, Inc. (the “Foundation”), Brooks City Base Aviator Apartments, LLLP (the “Aviator”), and the Brooks City Base Conference Center Hotel, LLLP (the “Hotel”).

The Foundation is a nonprofit organization whose purpose is to benefit BDA exclusively. The Foundation meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the Foundation are blended with those of BDA. The Foundation’s financial statements can be requested from BDA’s finance department. As of September 30, 2015, the Foundation’s net position had a balance of \$66,067 (\$157 in 2014).

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

The following are condensed statements of the Foundation:

### Condensed Statements of Net Position

	September 30,	
	2015	2014
Total assets	\$ <u>66,067</u>	\$ <u>73,292</u>
Total liabilities	\$ -	\$ 73,135
Total net position	<u>66,067</u>	<u>157</u>
Total liabilities and net position	\$ <u>66,067</u>	\$ <u>73,292</u>

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended September 30,	
	2015	2014
Operating revenues	\$ 16	\$ 14,016
Operating expenses	<u>21</u>	<u>47</u>
Operating income (loss)	(5)	13,969
Nonoperating revenues (expenses) – net	<u>65,915</u>	<u>-</u>
Change in net position	65,910	13,969
Net position (deficit) at beginning of year	<u>157</u>	<u>(13,812)</u>
Net position at end of year	\$ <u>66,067</u>	\$ <u>157</u>

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### Condensed Statements of Cash Flows

	Years Ended September 30,	
	2015	2014
Operating activities	\$ (5)	\$ 13,969
Net increase (decrease) in cash and cash equivalents	(5)	13,969
Cash and cash equivalents at beginning of year	66,072	52,103
Cash and cash equivalents at end of year	\$ 66,067	\$ 66,072

The Aviator, formed on November 25, 2014, is a limited liability limited partnership whose sole purpose is to operate as an investment partnership under the EB-5 Immigrant Investor Program. The Aviator meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the Aviator are blended with those of BDA. BDA has the ability to impose its will and meets the financial benefit/burden criteria. The Aviator's financial statements can be requested from BDA's finance department. As of September 30, 2015, the Aviator's net position had a balance of \$25,000.

The following are condensed statements of the Aviator:

### Condensed Statements of Net Position

	September 30,	
	2015	2014
Total assets	\$ 25,000	\$ -
Total liabilities	\$ -	\$ -
Total net position	25,000	-
Total liabilities and net position	\$ 25,000	\$ -

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended September 30,	
	2015	2014
Operating revenues	\$ 25,000	\$ -
Operating expenses	<u>-</u>	<u>-</u>
Change in net position	25,000	-
Net position at beginning of year	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ 25,000</u>	<u>\$ -</u>

### Condensed Statements of Cash Flows

	Years Ended September 30,	
	2015	2014
Operating activities	\$ <u>25,000</u>	\$ <u>-</u>
Net increase in cash and cash equivalents	25,000	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 25,000</u>	<u>\$ -</u>

The Hotel, formed on July 23, 2015, is a limited liability limited partnership whose sole purpose is to operate as an investment partnership under the EB-5 Immigrant Investor Program. The Hotel meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the Hotel are blended with those of BDA. BDA has the ability to impose its will and meets the financial benefit/burden criteria. The Hotel's financial statements can be requested from BDA's finance department. For the fiscal year ended September 30, 2015, the Hotel had no activity and, therefore, no condensed statements for the Hotel are presented.

#### B. Basis of Accounting

All BDA's activities are reported in a single proprietary (enterprise) fund and are prepared on the accrual basis of accounting and the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### C. Cash and Cash Equivalents

For purposes of the statements of cash flows, noninterest-bearing demand deposit accounts and cash in interest-bearing demand accounts with commercial banks are considered cash equivalents. Short-term, highly liquid investments that are both readily convertible and invested in money market funds with original maturities of three months or less are “cash equivalents.”

### D. Cash Held With Trustee – Restricted

In accordance with the Senior Lien Master Trust Indenture, Deed of Trust, and Security Agreement dated July 1, 2015 between BDA and UMB Bank, N.A., a national banking association (the “Trustee”), the Senior Lien Revenue bond proceeds are deposited and administered by the Trustee and are considered restricted cash for the purpose of financing the economic development of the Brooks City Base Property and areas around the property.

### E. Accounts Receivable

Tenant, other receivables, and the allowance for doubtful accounts are shown separately on the financial statements. The allowance for doubtful accounts is established as losses are estimated to have occurred though a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically-identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

### F. Capital Assets and Depreciation

Property and equipment consist of the appraised fair market value of the property transferred to BDA by the United States Air Force (the “Air Force”) on July 22, 2002. All other capital assets built or purchased by BDA are recorded on the basis of cost.

Depreciation of BDA’s property that was transferred by the Air Force began July 22, 2002 and was computed on the remaining estimated useful life of property, as established by independent appraisers. This remaining life ranged from 3 to 45 years. Depreciation on newly purchased assets was based upon the below established depreciation lives as follows:

Buildings	10-30 years
Improvements	10-30 years
Roads	20 years
Furniture, fixtures, and equipment	5-10 years

BDA has a policy to capitalize expenditures for renewals and betterments in excess of \$10,000.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

BDA accounts for public infrastructure construction costs funded by grants and other revenue sources as construction in progress. Infrastructure assets (e.g., roads, sidewalks), which are completed and accepted by the City, are recorded as nonoperating expenses in the year the infrastructure is accepted. In the current year, infrastructure placed into service that has not yet been accepted by the City was transferred to roads and depreciated over their useful life. BDA provides for depreciation on assets using the straight-line method in order to amortize costs of assets over their estimated useful lives.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

### **G. Impairment of Long-Lived Assets**

BDA reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and effects of obsolescence, demand, competition, and other economic factors. In fiscal year 2015, BDA recorded no impairment loss on vacated buildings that are no longer suitable to lease to commercial tenants (\$57,626 in 2014). The 2014 impairment is reported as a disposal/impairment of capital assets in the financial statements.

### **H. Deferred Outflow of Resources**

In addition to assets, the statements of net position will sometime report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (expense) until then. BDA only has one item that qualifies for reporting in this category. It is deferred outflows on the derivative instrument described in Note 3.

### **I. Inventories**

All inventories are valued at cost using the first-in, first-out method. Inventories are recorded as an expense when consumed rather than when purchased.

### **J. Personal Time Off (“PTO”)**

Prior to April 1, 2015, BDA employees accrued vacation of 5 to 10 days and unused vacation days were payable at termination. Effective April 1, 2015, BDA adopted a new PTO policy, and employees earn between 20 to 30 days of PTO depending on their years of employment. PTO hours are front loaded on October 1 and must be used by September 30. Any unused PTO as of September 30 is forfeited. With the adoption of the new PTO policy, employees’ vested vacation balance at April 1, 2015 was banked and may be used at a later date and is payable at termination. The amount of vested PTO and banked vacation pay as of September 30, 2015 and 2014 totaled \$195,551 and \$160,557, respectively.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### **K. Unearned Revenues**

BDA receives rental income in advance from customers. The balance in the unearned revenue represents these advances.

### **L. Risk Management**

BDA is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. BDA carries commercial insurance for risk of loss that may arise from such losses. This insurance is for property, casualty, general liability, workers' compensation, and employee health. Settled claims resulting from other risks of loss have not exceeded commercial insurance coverage in any of the past three years.

### **M. In-Kind Revenues/Expenses**

In-kind revenues/expenses are comprised of donated services, which are measured and recorded at their fair value.

### **N. Operating Revenues and Expenses**

BDA's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Brooks City Base property. All other revenues and expenses are reported as nonoperating revenues and expenses.

### **O. Capital Contributions**

Capital contributions consist of funds received through various grants to assist in the acquisition or construction of capital assets.

### **P. Comparative Data**

Comparative data for the prior year has been presented to provide an understanding of the changes in financial position and operations.

### **Q. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

### **R. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### S. Restricted and Unrestricted Resources

When both restricted and unrestricted net position are available for use, it is BDA's policy to use restricted net position first, and then unrestricted net position as needed.

### T. Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to BDA, but which will only be resolved when one or more future events occur or fail to occur. BDA's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against BDA or unasserted claims that may result in such proceedings, BDA's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in BDA's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

### 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	September 30,	
	2015	2014
Cash in bank	\$ 15,020,846	\$ 10,488,574
Cash held with trustee – restricted	49,979,693	-
Cash equivalents:		
Money market funds:		
INVESCO Aim Treasury Portfolio	343,833	343,759
INVESCO Aim Government Agency Portfolio	<u>7,381,747</u>	<u>13,404,073</u>
Total cash and cash equivalents	<u>\$ 72,726,119</u>	<u>\$ 24,236,406</u>



# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### ***Deposits***

As of September 30, 2015, the carrying amount of BDA's bank deposits totaled \$15,020,846 (\$10,488,574 in 2014), and the bank balance totaled \$15,021,329 (\$10,562,045 in 2014). BDA's cash deposits at September 30, 2015 and 2014 were covered by the Federal Deposit Insurance Corporation and by pledged collateral held by BDA's agent bank in BDA's name.

### ***Investments***

State statutes govern BDA's investment policies. State authorized investments include obligations of the United States Treasury and United States Government agencies, commercial paper, and repurchase agreements. BDA complies with applicable provisions of the State of Texas Public Funds Investment Act. Realized and unrealized gains and losses on investments are reported as investment income. Investments are valued at fair value.

***Credit Risk*** – BDA's investment policy requires obligations of other governments be rated by a nationally recognized rating firm at not less than A, commercial paper be rated not less than A-1 or P-1, and mutual funds be rated no less than AAA. BDA's two money market funds are rated AAA (Moody's) and AAA (Standard & Poor's).

***Interest Rate Risk*** – As required by state law and BDA's investment policy, investments in obligations are limited to having maturities at the date of purchase of no more than 10 years. BDA also limits maturities of commercial paper to no more than 270 days from the date of issuance and requires mutual funds have a weighted-average maturity of 90 days or fewer. As of September 30, 2015, BDA's 2 money market funds had weighted-average maturity of 44.83 and 54.06 days.

***Concentration of Credit Risk*** – BDA places no limit on the amount it may invest in any one issuer. BDA's total investments are held in money market funds. The money market funds hold only repurchase agreements and United States Treasury obligations.

### **3. Derivative Instrument**

#### ***Interest Rate Swap***

***Objective of the Interest Rate*** – To reduce the risk associated with possible projected interest rate increases, BDA entered into an interest rate swap agreement in connection with an adjustable rate promissory note in the amount of \$14,270,451. This note served as the permanent financing of construction costs associated with build-to-suit buildings for a BDA lessee. This loan is scheduled to mature on July 11, 2024, but will be modified to coincide with the related building lease agreement ending date.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

**Terms** – The interest rate swap agreement and the related loan are scheduled to mature on July 11, 2024 and have been extended to match the lease agreement. The interest rate swap's notional amount of \$14,851,837 matches the maximum principal amount of the permanent adjustable rate note that will be used to pay-off the interim construction loan. In 2008, the lease agreement was extended to a 20-year term and, accordingly, the permanent note was extended to a 20-year term, and the principal amount was increased to \$15,000,000.

During 2008, the original adjustable rate promissory note was revised to become a principal plus interest note. The interest rate is a floating rate, which is based on LIBOR plus 1.50%. As of September 30, 2015, LIBOR was 0.20% (0.15% in 2014) plus 1.50%, resulting in an overall rate of 1.70% (1.65% in 2014).

**Fair Value** – The interest rate swap had a negative fair value of \$2,588,677 and \$2,396,709 as of September 30, 2015 and 2014, respectively. The fair value was estimated using a proprietary valuation model developed by a counterparty.

The interest rate swap has been deemed an effective hedge and, therefore, qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a noncurrent liability. Changes in the interest rate swap's fair value are recorded as a deferred outflow and included in deferred outflow of resources.

**Credit Risk** – BDA was not exposed to credit risk on its outstanding interest rate swap as of September 30, 2015 and 2014 because the interest rate swap had a negative fair value. However, should interest rates change and the interest rate swap becomes positive, BDA would be exposed to credit risk in the amount of the interest rate swap's fair value. The interest rate swap's counterparty has guaranteed all payments and is rated AAA by Standard & Poor's. The interest rate swap agreement provides no collateral by the counterparty.

**Interest Rate Risk** – The interest rate swap decreases BDA's exposure to interest rate risk.

**Termination Risk** – The interest rate swap was issued pursuant to the International Swap Dealers Association ("ISDA") Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. BDA or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. If the interest rate swap is terminated, the related variable rate promissory note would no longer carry a synthetic interest rate.

Also, if at the time of termination the interest rate swap has a negative fair value, BDA would be liable to the counterparty for a payment equal to the swap's fair value. As of September 30, 2015 and 2014, the interest rate swap had negative fair values of \$2,588,677 and \$2,396,709, respectively.

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

***Swap Payments and Associated Debt*** – Adjustable rate promissory note and related interest rate swap payments are effective July 11, 2006. Debt associated with the interest rate swap as of September 30, 2015 and 2014 totaled \$11,029,951 and \$11,625,140, respectively.

***BDA Collateral*** – Under the terms of the ISDA Master Agreement, BDA is required to provide credit support (collateral) for the interest rate swap in the form of cash collateral deposited with the counterparty. The completed buildings serve as collateral.

#### 4. Accounts Receivable

The allowance for doubtful accounts was based upon management's evaluation of the accounts receivable collectibility. Accounts receivable consist of the following:

	September 30,	
	2015	2014
Accounts receivable – tenants	\$ 37,192	\$ 299,685
Less allowance for doubtful accounts	<u>27,317</u>	<u>148,740</u>
Total accounts receivable – tenants	9,875	150,945
Federal government	-	7,220
Local governments	2,493,809	52,592
Housing management	63,189	191,613
Other	<u>39,765</u>	<u>58,636</u>
Total accounts receivable – net	<u>\$ 2,606,638</u>	<u>\$ 461,006</u>

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### 5. Capital Assets

Changes in BDA's capital assets for the fiscal year ended September 30, 2015 consist of the following:

	<u>October 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>September 30, 2015</u>
Land	\$ 4,500,178	\$ 199,626	\$ -	\$ -	\$ 4,699,804
Construction in progress	<u>1,969,805</u>	<u>24,484,726</u>	<u>(183,035)</u>	<u>(567,925)</u>	<u>25,703,571</u>
Capital assets not subject to depreciation	<u>6,469,983</u>	<u>24,684,352</u>	<u>(183,035)</u>	<u>(567,925)</u>	<u>30,403,375</u>
Roads	13,272,434	-	-	18,956	13,291,390
Infrastructure and improvements	12,544,461	512,892	-	7,891	13,065,244
Facilities and other improvements	616,225	-	-	492,398	1,108,623
Buildings	62,954,997	-	(427,901)	48,680	62,575,776
Furniture, fixtures, and equipment	9,476,374	136,245	-	-	9,612,619
Software	<u>321,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,953</u>
Total depreciable assets	<u>99,186,444</u>	<u>649,137</u>	<u>(427,901)</u>	<u>567,925</u>	<u>99,975,605</u>
Total capital assets	<u>105,656,427</u>	<u>25,333,489</u>	<u>(610,936)</u>	<u>-</u>	<u>130,378,980</u>
Accumulated depreciation:					
Roads	(5,818,811)	(375,591)	-	-	(6,194,402)
Infrastructure and improvements	(3,554,766)	(653,867)	-	-	(4,208,633)
Facilities and other improvements	(505,666)	(60,985)	-	-	(566,651)
Buildings	(30,606,190)	(2,539,687)	427,901	-	(32,717,976)
Furniture, fixtures, and equipment	(1,817,463)	(670,412)	-	-	(2,487,875)
Software	<u>(321,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(321,953)</u>
Total accumulated depreciation	<u>(42,624,849)</u>	<u>(4,300,542)</u>	<u>427,901</u>	<u>-</u>	<u>(46,497,490)</u>
Net capital assets	<u>\$ 63,031,578</u>	<u>\$ 21,032,947</u>	<u>\$ (183,035)</u>	<u>\$ -</u>	<u>\$ 83,881,490</u>

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

Changes in BDA's capital assets for the fiscal year ended September 30, 2014 consist of the following:

	<u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>September 30, 2014</u>
Land	\$ 4,500,178	\$ -	\$ -	\$ -	\$ 4,500,178
Construction in progress	3,075,790	8,432,423	(8,570)	(9,529,838)	1,969,805
Capital assets not subject to depreciation	<u>7,575,968</u>	<u>8,432,423</u>	<u>(8,570)</u>	<u>(9,529,838)</u>	<u>6,469,983</u>
Roads	6,024,146	-	-	7,248,288	13,272,434
Infrastructure and improvements	12,050,151	-	-	494,310	12,544,461
Facilities and other improvements	616,225	-	-	-	616,225
Buildings	61,576,550	-	(93,941)	1,472,388	62,954,997
Furniture, fixtures, and equipment	9,055,421	128,537	(22,436)	314,852	9,476,374
Software	321,953	-	-	-	321,953
Total depreciable assets	<u>89,644,446</u>	<u>128,537</u>	<u>(116,377)</u>	<u>9,529,838</u>	<u>99,186,444</u>
Total capital assets	<u>97,220,414</u>	<u>8,560,960</u>	<u>(124,947)</u>	<u>-</u>	<u>105,656,427</u>
Accumulated depreciation:					
Roads	(5,777,088)	(41,723)	-	-	(5,818,811)
Infrastructure and improvements	(2,916,665)	(638,101)	-	-	(3,554,766)
Facilities and other improvements	(446,921)	(58,745)	-	-	(505,666)
Buildings	(28,158,730)	(2,483,884)	36,424	-	(30,606,190)
Furniture, fixtures, and equipment	(1,200,329)	(631,390)	14,256	-	(1,817,463)
Software	(321,953)	-	-	-	(321,953)
Total accumulated depreciation	<u>(38,821,686)</u>	<u>(3,853,843)</u>	<u>50,680</u>	<u>-</u>	<u>(42,624,849)</u>
Net capital assets	<u>\$ 58,398,728</u>	<u>\$ 4,707,117</u>	<u>\$ (74,267)</u>	<u>\$ -</u>	<u>\$ 63,031,578</u>

## 6. Accounts Payable

Accounts payable consist of the following:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Accounts payable trade	\$ 258,795	\$ 343,712
Construction payable	5,237,473	969,300
Retainage payable	<u>1,806,467</u>	<u>297,358</u>
Total accounts payable	<u>\$ 7,302,735</u>	<u>\$ 1,610,370</u>

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

### 7. State Energy Conservation Office (“SECO”) Stimulus Program

During fiscal year September 30, 2011, BDA became a participant in two loan programs from the SECO Stimulus Program totaling \$1,657,000 and \$3,780,000. The \$1,657,000 loan is for energy utilization improvements to portions of two existing buildings (Buildings 160 and 170), and the replacement of the heating, ventilation, and air conditioning (“HVAC”) systems associated with the buildings. The \$3,780,000 loan is for upgrades to Buildings 150, 532, 570, and 775 for the installation of roof top solar panels and the replacement of the HVAC system. In May 2012, BDA was awarded a third loan from SECO in the amount of \$2,400,000, which was subsequently reduced to \$1,662,230 for energy savings upgrades to Buildings 155, 502, 704, 754, and 940 and to 163 residential housing units. In December 2012, the third loan was increased to \$1,952,932. BDA received the first two loans at 2% interest with a term of ten years and the third note at 3% interest with a term of eight years utilizing the energy savings realized from the upgrades. As of September 30, 2012, BDA has expended \$1,657,000 of the \$1,657,000 loan, \$3,664,226 of the \$3,780,000 loan, and \$16,480 of the \$1,952,932 loan. Projects funded by the first two loans were completed in January 2012, and the first loan payments on both loans were due and paid on November 30, 2012 in the amounts of \$46,565 and \$103,419, respectively. During fiscal year September 30, 2013, projects funded by the third loan were completed in May 2013 and July 2013 and all loan proceeds were expended plus accrued interest for a total of \$1,974,334. The first payment on the third loan was due and paid in November 2013. As of September 30, 2015 and 2014, the combined outstanding balance of these three loans totaled \$5,463,625 and \$6,192,294, respectively.

### 8. Note Payable – JPMorgan Chase

The purpose of this loan was to provide funding for the construction of a built-to-suit facility for a lessee of BDA. In 2008, the promissory note, dated November 28, 2006, was revised to become a principal plus interest note. The interest portion of the note will vary monthly between the interest rate swap (Note 3) settlement payment and the floating interest portion of the note. This revision will ensure principal plus interest payments on the note plus the interest rate swap settlement payments will total approximately \$115,500. As interest rates fell during 2008, the interest rate swap settlement payments increased significantly and, when combined with the fixed monthly note payment of \$115,544, the total payment amounts exceeded the monthly lease payment. The original interest rate swap agreement was designed to hedge against rising interest rates. This revised note will ensure that such funding deficits will not occur going forward by ensuring the note payment and the interest rate swap settlement payments will total approximately \$115,500 monthly. As of September 30, 2015 and 2014, BDA owed \$11,029,951 and \$11,625,140, respectively, to JPMorgan Chase.

### 9. Aviator Lofts Apartments (the “Project”)

**Inter National Bank Loan** – On October 31, 2014, BDA entered into a loan agreement for first lien note with the Inter National Bank, McAllen, Texas, in the amount of \$21,500,000. This note provides a portion of the funds that, when combined with a bridge loan in the amount of \$5,000,000, the BDA contribution of land valued at \$4,275,000 (appraised value) and cash in the amount of \$1,000,000 is being used to pay the development, construction, soft costs, and transaction costs of the Project. For

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the 3-year term of this loan, the interest rate is at 4.35%, with interest-only payments beginning on November 30, 2014 through October 31, 2016; thereafter, the principal and interest are payable in 59 equal monthly installments in the amount of \$118,438 per month through September 30, 2021. The remaining outstanding principal plus accrued interest is due and payable on October 31, 2021. Commencing on October 31, 2017, the interest rate on the note will be at a fluctuating rate of interest equal to the prime rate, plus 1.10% per annum. The minimum interest rate is 4.35%. Effective with the end of the fixed interest rate at October 31, 2017, the amount of the equal monthly payments will be calculated on a 25-year amortization schedule with the final balloon payment of principal plus interest due on October 31, 2021. As of September 30, 2015, BDA has drawn \$6,781,742 of this note and paid \$86,434 in interest.

**Brevet Capital Special Opportunities Fund III, L.P. (Brevet Capital)** – On September 30, 2014, BDA closed on a bridge loan in the amount of \$4,600,000, for development costs, as part of a financing package for the construction of the Project. Terms of the loan are 5 years with interest at a fixed rate of 14.00% compounded monthly for 18 months and thereafter at a floating rate equal to 1-month LIBOR plus 11.00% subject to a LIBOR floor of 4.00% and a LIBOR cap of 6.00%; payable at the end of the term. The bridge loan is not pre-payable for 18 months. Fees include a 1.75% closing fee and a \$2,500 per month administrative agent fee. On October 31, 2014, the \$4,600,000 note was amended and restated in its entirety, which increased the loan an additional \$400,000 for a total loan amount of \$5,000,000 with a stated maturity date of November 1, 2019. Principal plus accrued interest may be prepaid in whole or in part on May 1, 2016 or on the first of each month through and including the stated maturity date on November 1, 2019. As of September 30, 2015 BDA, has accrued \$691,363 in interest payable.

**Supplemental Funding** – As part of the construction of the Project, BDA entered into a development agreement with a developer. Effective September 24, 2015, Amendment Number 2 to the development agreement was signed. The amendment calls for a \$1,000,000 cash advance to be used for construction costs of the Project. According to the amendment, the cash advance will be part of BDA's equity contribution into the Project. The amendment also adds a new term – Preferred Return on BDA Cash Advance defined to mean: an annual rate of return on the BDA Cash Advance at a rate of 11% per annum, simple interest, calculated from the date of the BDA Cash Advance. In accordance with the amendment, BDA expects a return for this supplemental funding in accordance with Section 2.7 Distributions of the development agreement. At September 30, 2015, the \$1,000,000 had been spent as part of the Project construction costs and, accordingly, is recorded as part of construction in progress in the statement of net position.

### 10. Embassy Suites Hotel

**International Bank of Commerce ("IBC") Loan** – On June 26, 2015, BDA entered into a first lien loan agreement for a real estate lien note with IBC, San Antonio, Texas, in the amount of \$25,600,000. This note provides a portion of the funds that, when combined with a bridge loan in the amount of \$7,300,000, the BDA contribution of land valued at \$3,675,000 (appraised value) and cash in the amount of \$4,278,948 is being used to pay the development, construction, soft costs, and transaction costs of the Embassy Suites by Hilton Hotel Project. The maturity date is June 26, 2017 with interest-only payments for 23 months at an interest rate at a floating rate equal to the New York prime rate plus 0.75% per annum with a minimum

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interest rate of 4.25%. At the 24<sup>th</sup> payment date, the total principal and accrued interest will be extended to the extension option maturity date being 4 years from the extension date to June 26, 2021. Upon exercise of the extension option, monthly principal and interest payments will be calculated on a 20-year amortization schedule with a balloon payment due on the payment date of the 48<sup>th</sup> month. As of September 30, 2015 BDA, has not drawn funds on the \$25,600,000 note.

**Brevet Direct Lending – Short Duration Fund L.P. (Brevet Capital)** – On June 26, 2015, BDA closed on a bridge loan in the amount of \$7,422,569, for development costs, as part of a financing package for the construction of the Embassy Suites by Hilton Hotel Project. Terms of the loan are 5 years with interest at a fixed rate of 14% compounded monthly for 18 months and thereafter at a floating rate equal to 1-month LIBOR plus 11% subject to a LIBOR floor of 4% and a LIBOR cap of 6%; payable at the end of the term. The bridge loan is not pre-payable for 18 months. Fees include an origination fee of \$127,750 and a \$2,500 per month administrative agent fee. The stated maturity date is June 26, 2017. Principal plus accrued interest may be prepaid in whole or in part on November 14, 2016 or on the first of each month through and including the stated maturity date on June 26, 2017. As of September 30, 2015, BDA has accrued \$280,706 in interest payable.

**Supplemental Funding** – BDA provided cash to pay for predevelopment costs totaling \$1,612,542 plus an additional cash contribution of \$2,666,406 at the closing on June 26, 2015 for a total cash investment of \$4,278,948.

### 11. Brooks Development Authority Revenue Bonds

**Series 2015 A-1 Bonds** – On August 3, 2015, BDA closed on the issuance of \$36,100,000 Brooks Development Authority Senior Lien Revenue Bonds, Series 2015A-1 (the “Series 2015A-1 Bonds”). The funds will be used to provide funds to (i) finance the costs of (1) street improvements, (2) linear park improvements to approximately 42 acres of land located in flood prone areas, (3) drainage and detention pond improvements, (4) restoration of Hangar 9, which is listed in the National Register of Historic Places, (5) public building improvements, (6) landfill mitigation, (7) infrastructure to support a town center, and (8) engineering and design work for major road improvements; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay the costs of issuance of the Series 2015A-1 Bonds. The bonds are sold as a term bond with an interest rate of 6.50% and a maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2021 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA. As of September 30, 2015, BDA has accrued \$371,529 in bond interest payable.



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**Series 2015 B-1 Bonds** – On August 3, 2015, BDA closed on the issuance of \$7,200,000 Brooks Development Authority Senior Lien Revenue Bonds, Series 2015B-1 (the “Series 2015B-1 Bonds”). The funds will be used to provide funds to (i) finance the costs of (1) street improvements, (2) linear park improvements to approximately 42 acres of land located in flood prone areas, (3) drainage and detention pond improvements, (4) restoration of Hangar 9, which is listed in the National Register of Historic Places, (5) public building improvements, (6) landfill mitigation, (7) infrastructure to support a town center, and (8) engineering and design work for major road improvements; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay the costs of issuance of the Series 2015B-1 Bonds. The bonds are sold as a term bond with an interest rate of 7.00% and a maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2029 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA. As of September 30, 2015, BDA has accrued \$79,800 in bond interest payable.

**Series 2015 B-2 Bonds** – On August 3, 2015, BDA closed on the issuance of \$11,600,000 Brooks Development Authority Senior Lien Revenue Bonds, Taxable Series 2015B-2 (the “Series 2015B-2 Bonds”). The funds will be used to provide funds to (i) finance the costs of construction of public improvements to the Landings II Apartments, the Aviator Apartments, and the Embassy Suites Hotel; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay costs of issuance of the Series 2015B-2 Bonds. The bonds are sold as a term bond with an interest rate of 8.75% and a maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2033 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA. As of September 30, 2015, BDA has accrued \$160,708 in bond interest payable.

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### 12. Long-Term Liabilities

Long-term debt activity for the fiscal year ended September 30, 2015 is as follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2015</u>	<u>Due in One Year</u>
Notes payable:					
SECO I and II	\$ 4,425,057	\$ -	\$ 515,288	\$ 3,909,769	\$ 525,672
SECO III	1,767,237	-	213,381	1,553,856	219,854
JPMorgan Chase	11,625,140	-	595,189	11,029,951	636,061
Aviator Apartments notes payable:					
INB Aviator	-	6,781,742	-	6,781,742	-
Brevet Capital	4,600,000	400,000	-	5,000,000	5,000,000
Embassy Suites Hotel note payable:					
Brevet Capital Hotel	-	7,422,569	-	7,422,569	-
Revenue Bonds:					
Series 2015 A-1	-	36,100,000	-	36,100,000	-
Series 2015 B-1	-	7,200,000	-	7,200,000	-
Series 2015 B-2	-	11,600,000	-	11,600,000	-
Total notes and bonds payable	<u>22,417,434</u>	<u>69,504,311</u>	<u>1,323,858</u>	<u>90,597,887</u>	<u>6,381,587</u>
Other long-term liabilities:					
Frost Bank equipment lease	-	60,763	2,800	57,963	11,440
PTO	<u>160,557</u>	<u>175,543</u>	<u>140,549</u>	<u>195,551</u>	<u>63,923</u>
Total long-term liabilities	<u>\$ 22,577,991</u>	<u>\$ 69,740,617</u>	<u>\$ 1,467,207</u>	<u>\$ 90,851,401</u>	<u>\$ 6,456,950</u>

Long-term debt activity for the fiscal year ended September 30, 2014 is as follows:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2014</u>	<u>Due in One Year</u>
Notes payable:					
SECO I and II	\$ 4,930,167	\$ -	\$ 505,110	\$ 4,425,057	\$ 515,288
SECO III	1,974,335	-	207,098	1,767,237	213,381
JPMorgan Chase	12,180,226	-	555,086	11,625,140	595,189
Embassy Suites Hotel note payable:					
Brevet Capital note	<u>-</u>	<u>4,600,000</u>	<u>-</u>	<u>4,600,000</u>	<u>-</u>
Total notes payable	19,084,728	4,600,000	1,267,294	22,417,434	1,323,858
Other long-term liabilities:					
SAWS agreement	200,000	-	200,000	-	-
PTO	<u>136,181</u>	<u>75,183</u>	<u>50,807</u>	<u>160,557</u>	<u>96,334</u>
Total long-term liabilities	<u>\$ 19,420,909</u>	<u>\$ 4,675,183</u>	<u>\$ 1,518,101</u>	<u>\$ 22,577,991</u>	<u>\$ 1,420,192</u>

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The principal and interest payments on the notes payable for the next five years and in five-year increments thereafter are summarized below:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,381,587	\$ 6,372,101	\$ 12,753,688
2017	9,012,898	4,816,293	13,829,191
2018	1,570,276	4,713,239	6,283,515
2019	1,634,527	4,671,736	6,306,263
2020	1,710,308	4,614,159	6,324,467
2021-2025	14,292,899	20,605,378	34,898,277
2026-2030	4,340,392	18,819,619	23,160,011
2031-2035	5,320,000	17,633,311	22,953,311
2036-2040	9,680,000	15,105,031	24,785,031
2041-2045	14,470,000	11,050,734	25,520,734
2046-2050	<u>22,185,000</u>	<u>4,805,980</u>	<u>26,990,980</u>
	<u>\$ 90,597,887</u>	<u>\$ 113,207,581</u>	<u>\$ 203,805,468</u>

### 13. Funding Agreements With the City of San Antonio, Texas (the "City")

BDA has entered into funding agreements with the City to provide money to finance a portion of the construction costs for Linear Creek construction, Kennedy Hill, North Campus Drainage, Hangar 9 Restoration, and Aeromedical Drive.

\$3,500,000 Kennedy Hill Funding – the City's Budget adopted by the City Council provided for \$500,000 to be available in fiscal year 2015 and \$3,000,000 in fiscal year 2016. The funding agreement is a grant and is not required to be repaid to the City.

\$500,000 Kennedy Hill Funding – the City will sell certificates of obligation or notes to provide these funds. The certificates of obligation will be paid by revenues received by the City from CPS Energy revenues. The funding agreement is a grant and is not required to be repaid to the City.

\$5,105,153 Kennedy Hill Funding – Tax Increment Reinvestment Zone #16 ("TIRZ") funds. The TIRZ board meeting on March 16, 2015 approved the amended Project Plan, Plan of Finance, and reprogramming of \$5,105,153 to be used for Kennedy Hill. The total amount of money available for the Kennedy Hill project is \$9,105,153. The project budget amount is \$9,096,839. The amount to be drawn from the City will not exceed \$9,105,153 and may be reduced based on the actual project cost. The City's source of funding is provided through the issuance of bonds and/or certificates of obligation. The annual debt service requirements are paid from revenues that are derived from the TIRZ tax revenue collections. During the fiscal year ended September 30, 2015, BDA incurred \$4,271,243

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in project costs related to Kennedy Hill. These costs are reported as part of capital assets, subject to depreciation and BDA has been reimbursed \$1,891,361 of project costs, leaving a receivable of \$2,379,882.

- \$1,200,000 North Campus Drainage Funding – the total drainage project estimate for the North Campus Drainage improvements is \$5,843,100, exclusive of City administrative fees and legal costs. The hotel component of this drainage estimate is approximately \$1,200,000. As the hotel construction is a major project and drainage in the northern portion of the campus is an essential public improvement, \$1,200,000 from City funding will cover the costs of drainage, as it impacts the hotel project. The funding agreement is a grant and is not required to be repaid to the City. As of September 30, 2015, BDA has incurred \$143,457 in project costs and has been reimbursed \$98,739, leaving a receivable of \$44,718.
- \$1,050,000 Aeromedical Drive – Aeromedical Drive is a three-lane, undivided roadway extending 540-feet south from Sidney Brooks to Junkin Dr. The proposed extension of Aeromedical Drive Phase 1 is classified as a Local B street with 40 feet of pavement and 60-feet of right-of-way. The proposed realignment of Aeromedical Drive will provide public street access to multi-family and single-family developments, as well as the existing site currently occupied by Texas A&M. The project will include street, drainage, and utility infrastructure. The construction cost is estimated at \$1,818,000. The City Funding Agreement will provide \$1,050,000 and an additional \$768,000 from bond proceeds or other available funds. The funding agreement is a grant and is not required to be repaid to the City. As of September 30, 2015, BDA has not incurred any project costs.
- \$3,000,000 Brooks Drainage and Multi-Use Pathways Funding – on July 16, 2014, BDA entered into a funding agreement with the City to provide a portion of the funds needed for the development, design and construction of a linear park. The Brooks Drainage and Multi-Use Pathways will transform approximately 42 acres of unutilized floodplain land and drainage channels into a linear park. The estimated cost for these improvements is \$10,000,000. The City adopted its fiscal years 2014-2019 Capital Budget on September 12, 2013, which approved funding in the amount of \$3,000,000 to be utilized for infrastructure improvements to facilitate future development at BDA. The balance of the funding needed to complete the project will be provided from proceeds received from the sale of BDA’s revenue bonds in the summer of 2015. The funding agreement with the City is a grant and is not required to be repaid to the City. As of September 30, 2015 BDA, has incurred \$325,091 in project costs and has been reimbursed \$255,882, leaving a receivable of \$69,209.

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\$245,000 Hangar 9 Restoration – the City’s 2012 Bond Election contained the following language to provide funding for support of Hangar 9 restoration, which resulted in \$250,000 to fund Phase I of the restoration. The City will retain \$5,000 for fiscal/project oversight, netting BDA \$245,000 in project funds. In exchange, BDA will provide a license to the City to allow use of the site by the City in coordination with BDA. Phase 1 will include improvements to the hangar site, including the Sidney Brooks gravesite and connecting areas. As of September 30, 2015, BDA incurred \$245,000 in project costs and was reimbursed the full amount.

As of September 30, 2015, BDA had received \$2,490,982 from the above funding agreements with the City and is reflecting a receivable of \$2,493,809 and total capital contributions of \$4,984,791.

### 14. Bexar County Grant

In 2008, BDA entered into an agreement with Bexar County (the “County”) where the County will reimburse BDA for certain capital expenditures. The reimbursement will be made from certain ad valorem taxes collected from a defined area exceeding the base year (January 1, 2008) value in the defined area. Based on the grant agreement, the County will pay BDA the lesser of \$220,000 or the actual amount of ad valorem taxes received by the County for qualifying capital expenditures made for a period of 15 years not to exceed \$3,300,000 starting in 2012. BDA has incurred up to \$3,300,000 in what management believes to be qualifying expenditures for this grant. This amount has not been recognized as revenue in the financial statements since the County is not under any obligation to pay this grant until the related ad valorem taxes have been collected. Revenue will be recognized in future years equal to the amount of qualifying expenditures and ad valorem taxes collected not to exceed \$3,300,000. During the fiscal years ended September 30, 2015 and 2014, BDA received \$220,000 from the County.

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### 15. Operating Leases

BDA leases Brooks City Base property to commercial tenants under cancellable leases ranging from 1 to 50 years. Leased property consists of commercial rental realty and ground leases. For the fiscal years ended September 30, 2015 and 2014, BDA received \$6,969,872 and \$7,011,484, respectively, from rents under its operating leases as follows:

	Year Ended September 30, 2015		Year Ended September 30, 2014	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Rent – commercial leases	\$ <u>6,969,872</u>	76%	\$ <u>7,011,484</u>	85%
Total rents	6,969,872		7,011,484	
Fees and miscellaneous income	<u>2,192,888</u>	<u>24%</u>	<u>1,228,991</u>	<u>15%</u>
Total income	\$ <u><u>9,162,760</u></u>	<u>100%</u>	\$ <u><u>8,240,475</u></u>	<u>100%</u>

The carrying value of BDA property held for the above operating leases is as follows:

	September 30,	
	<u>2015</u>	<u>2014</u>
Buildings	\$ 50,529,939	\$ 44,306,164
Furniture, fixtures, and equipment	<u>5,930,790</u>	<u>5,905,310</u>
	56,460,729	50,211,474
Less accumulated depreciation	<u>26,583,184</u>	<u>18,103,114</u>
Total	\$ <u><u>29,877,545</u></u>	\$ <u><u>32,108,360</u></u>

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As of September 30, 2015, future lease revenues from noncancellable leases for each of the five succeeding fiscal years and five-year increments thereafter are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 8,446,567
2017	8,565,618
2018	4,839,723
2019	4,262,597
2020	3,521,989
2021-2025	18,561,800
2026-2030	10,546,081
2031-2035	8,965,288
2036-2041	13,857,606
	<u>\$ 81,567,269</u>

### 16. Major Customer

One customer occupies office space, warehouse, and lab space in a build-to-suit facility, which was financed by a construction loan with JPMorgan Chase. Lease payments from this customer serve as debt service payments which, for the fiscal years ended September 30, 2015 and 2014, totaled \$1,386,525 (20% in 2015 and 27% in 2014 as a percent of total rents – commercial leases). The customer also pays a CAM fee, which totaled \$97,815, which is 4% of fees and miscellaneous income in 2015 (\$97,815, which is 8% of fees and miscellaneous income in 2014). In fiscal year 2014, the customer started leasing additional office space, which totaled \$30,000 for fiscal year 2015 and \$17,895 for 2014.

### 17. Commitments and Contingencies

#### A. Grant Funding

BDA participates in various state, city, and county grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent BDA has not complied with the rules and regulations governing the grants, refunds of money received may be required. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although BDA's management expects such amounts, if any, to be immaterial to the financial statements.

#### B. Pending Lawsuits and Claims

From time to time, BDA is a defendant in lawsuits or claims filed against it. It is the opinion of management that the outcome of these lawsuits or claims will not have a material adverse effect on BDA's financial position or operations.

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### C. Construction Contracts

BDA is committed under various construction contracts or acquisition of capital assets. Changes in commitments occurred as follows:

	<u>Beginning Balance</u>	<u>New Contracts</u>	<u>Payments</u>	<u>Ending Balance</u>
2015	\$ 398,704	\$ 57,814,607	\$ 13,678,543	\$ 44,534,768
2014	5,995,770	762,843	6,359,909	398,704

### D. Environmental Issues

BDA is aware of various existing conditions that will require environmental remediation to facilitate development. The Air Force remains responsible for the remediation of any environmental contamination resulting from its past activities, whether it is known to exist or is currently undiscovered. Since the Air Force remains responsible for these matters, it is the opinion of management the effect, if any, would be immaterial to the financial statements.

### 18. Unearned Revenues

Unearned revenues consist of the following:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
The Foundation	\$ -	\$ 30,929
Unearned tenant rent	<u>3,923,938</u>	<u>4,377,622</u>
	<u>\$ 3,923,938</u>	<u>\$ 4,408,551</u>

In February 2013, BDA received \$5,000,000 from Mission Solar, previously called Nexolon America, LLC, as a one-time prepayment for a lease with an option to purchase 85.86 acres of land upon which Mission Solar will construct a photovoltaic solar panel manufacturing facility. Mission Solar will invest more than \$115,000,000 in real and personal property to construct and establish the facility made up of several buildings. Mission Solar will conduct the design, engineering, and construction of the facility and anticipates completing construction of the manufacturing facility in the second quarter of 2014. BDA has designated this project as a redevelopment project under Section 379B.009 of the Texas Local Government Code. The lease agreement with BDA is for a term of ten years. Upon completion of the construction, the facility will become the property of BDA, and BDA will continue to own the land and facility during the term of the lease until title is transferred. Upon substantial completion of the facility, Mission Solar will commence making additional annual rent payments of \$275,000 to BDA, plus an annual consumer price index increase not to exceed 2%, to be paid during the entire term of the lease. BDA agrees to provide Mission Solar the option to request transfer of title to the land and improvements at



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any time during, or at the end of the ten-year lease term, with the understanding that such real property, once owned by Mission Solar, will then be subject to full taxation. As of September 30, 2015 and 2014, BDA has recognized \$500,000 as lease revenue and the remaining balance of \$3,708,333 as of September 30, 2015 is reflected as unearned rent (\$4,208,333 in 2014).

### 19. Deferred Compensation Plan

BDA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all regular BDA employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. BDA makes a two-for-one matching contribution in an amount equal to 200% of the employee's deferred salary reduction, up to a maximum of 6% participant contribution. BDA's contributions are fully vested after five years of continuous service. Employees' contributions vest immediately. Employees receive credit for their contribution, as well as BDAs, and benefits are based on the total assets owned in the employee's individual accounts.

All employees may defer amounts up to the maximum allowed by the Internal Revenue Service each year. All assets and liabilities are in a trust for the exclusive benefit of the participants and their beneficiaries. The plan is not included in BDA's financial statements. BDA and employees' contributions for the fiscal years ended September 30, 2015 and 2014 totaled \$331,268 and \$308,949, respectively.

### 20. NRP Management Agreement

On July 19, 2010, BDA signed an agreement with NRP, in which NRP will serve as manager of the 163 single-family homes and duplexes, which comprise the Heritage Oaks, formerly military residential housing. The initial term is through September 30, 2011 with four one-year renewable options. Effective October 1, 2011, the contract was amended to allow BDA, at the end of every month, to sweep all collected funds in excess of \$50,000 into BDA's general operating account. As of September 30, 2015, BDA had received \$1,103,353 (\$1,282,117 in 2014) of collected funds and recorded a receivable of \$63,189 (\$114,799 in 2014) for total revenue of \$1,166,543 (\$1,396,916 in 2014). For fiscal year 2015, the performance bonus payable to NRP totaling \$32,473 is to be paid from the Heritage Oaks operating budget (\$29,044 in 2014).

### 21. Board-Designated Reserve Funds

On September 16, 2014, BDA's Board of Directors approved the establishment of board-designated reserve funds. Board-designated reserve funds were created for the following purposes: (1) cover projected operating revenue shortfalls through fiscal year 2016; (2) comply with the QPM Partners Escrow Fund requirements; (3) provide an operating reserve to cover unexpected shortfalls; (4) establish a repair

# Brooks Development Authority

San Antonio, Texas

## Notes to the Financial Statements

Years Ended September 30, 2015 and 2014

and replacement fund; (5) create a balance to be used solely for the purpose of making improvements to Hangar 9; and (6) to transfer an amount to the Foundation to be used for BDA improvements. Designated reserves are as follows:

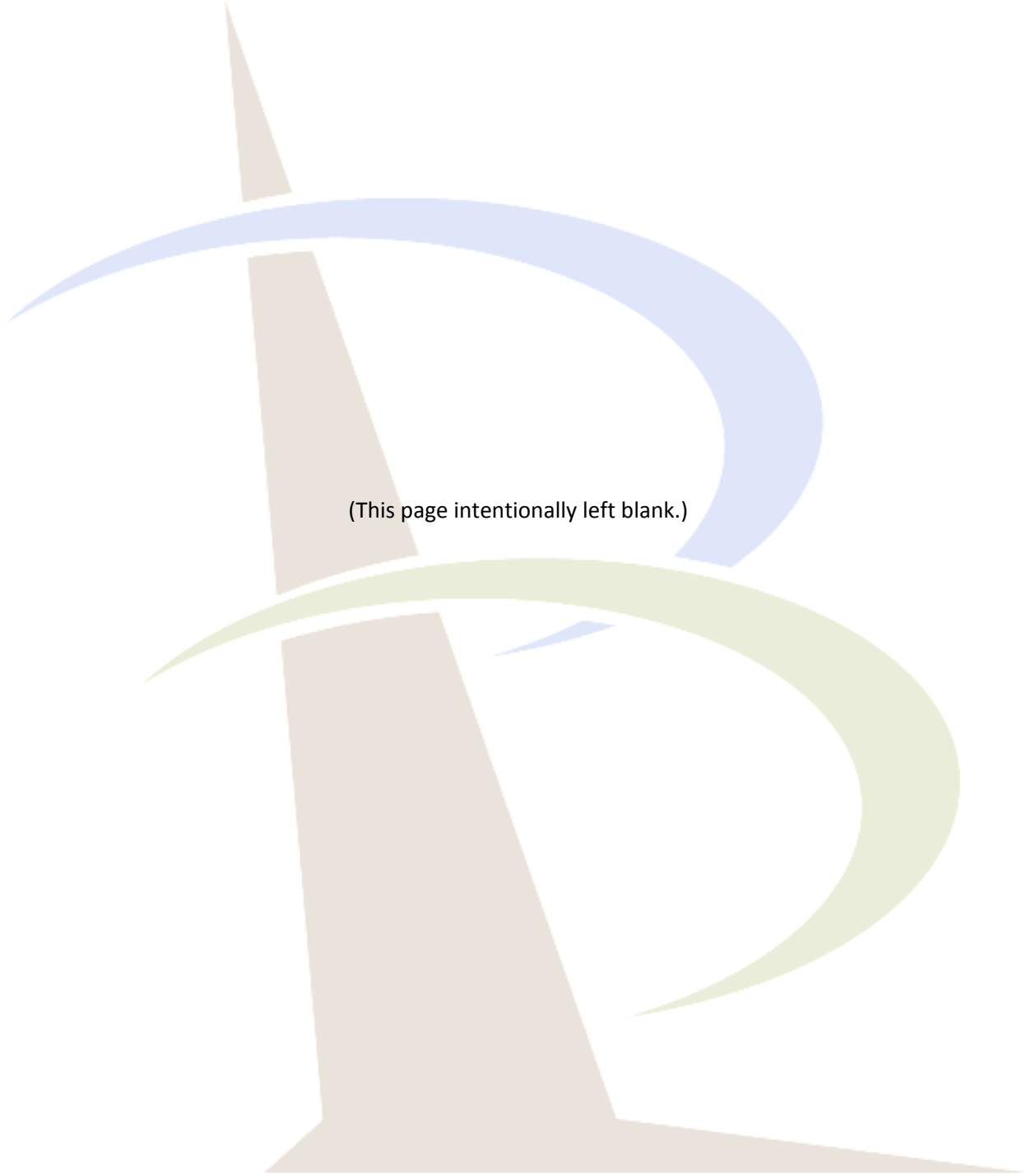
	September 30,	
	2015	2014
Operating revenue shortfalls	\$ 3,493,832	\$ 4,802,550
QPM Partners Escrow Fund	-	512,823
Restricted operating reserve	3,702,504	4,878,879
Repair and Replacement Fund	800,000	800,000
Hangar 9	1,500,000	1,500,000
The Foundation	-	38,689
	<u>                    </u>	<u>                    </u>
Total designated reserves	<u>\$ 9,496,336</u>	<u>\$ 12,532,941</u>

## 22. Subsequent Events

On October 2, 2015, BDA closed on the sale of 20.55 acres of land to Vantage at Brooks City Base, LLC upon which the buyer will develop a multi-family housing project called the Vantage Apartments. The real estate sales contract includes, among other things, a sales price of \$3,580,632 (being \$4.00 per square foot), \$1,790,316 of which will be payable to BDA at closing, and the remaining \$1,790,316 will be payable to BDA upon sale of the project by the buyer. Net amount to BDA for sale after closing costs was \$1,722,245.



## Statistical Section – Unaudited



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# Statistical Section

The goal of the statistical section is to provide a chief source of information regarding a government's economic condition. All information presented in the statistical section is organized around five specific objectives.


**Financial Trends** data is provided to help users understand and assess a government's financial position may have changed over a period of time.

**Revenue Capacity** data is provided to help users understand and assess a government's ability to generate own-source revenues.

**Debt Capacity** data is provided to help users understand and assess a government's burden and its ability to issue additional debt.

**Demographic and Economic Information** is provided to help users understand and assess a government's socioeconomic environment and facilitate comparisons of financial statement information over time and among governments.

**Operating Information** is provided to help users understand and assess a government's operations and resources, as well as to provide a context for understanding and assessing its economic condition.

An abstract graphic design featuring a brown, cone-like shape on the left side. Two curved, swoosh-like shapes are positioned to the right of the cone: a light blue one above and a light green one below. The text "(This page intentionally left blank.)" is centered in the white space between the two swooshes.

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## *Financial Trends*

# Brooks Development Authority

San Antonio, Texas

## Net Position by Component

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>2011</u> <u>(Restated)</u>	<u>2010</u> <u>(Restated)</u>	<u>2009</u> <u>(Restated)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Net Position</b>										
Net investment in										
capital assets	\$ 43,205,332	\$ 40,614,145	\$ 39,314,000	\$ 62,274,829	\$ 68,745,724	\$ 66,950,662	\$ 58,990,161	\$ 58,247,455	\$ 52,972,703	\$ 52,913,654
Unrestricted	<u>12,256,376</u>	<u>18,432,893</u>	<u>12,839,173</u>	<u>11,481,038</u>	<u>13,276,853</u>	<u>10,848,985</u>	<u>11,848,505</u>	<u>6,698,859</u>	<u>(693,689)</u>	<u>(3,731,762)</u>
Total net position	<u>\$ 55,461,708</u>	<u>\$ 59,047,038</u>	<u>\$ 52,153,173</u>	<u>\$ 73,755,867</u>	<u>\$ 82,022,577</u>	<u>\$ 77,799,647</u>	<u>\$ 70,838,666</u>	<u>\$ 64,946,314</u>	<u>\$ 52,279,014</u>	<u>\$ 49,181,892</u>



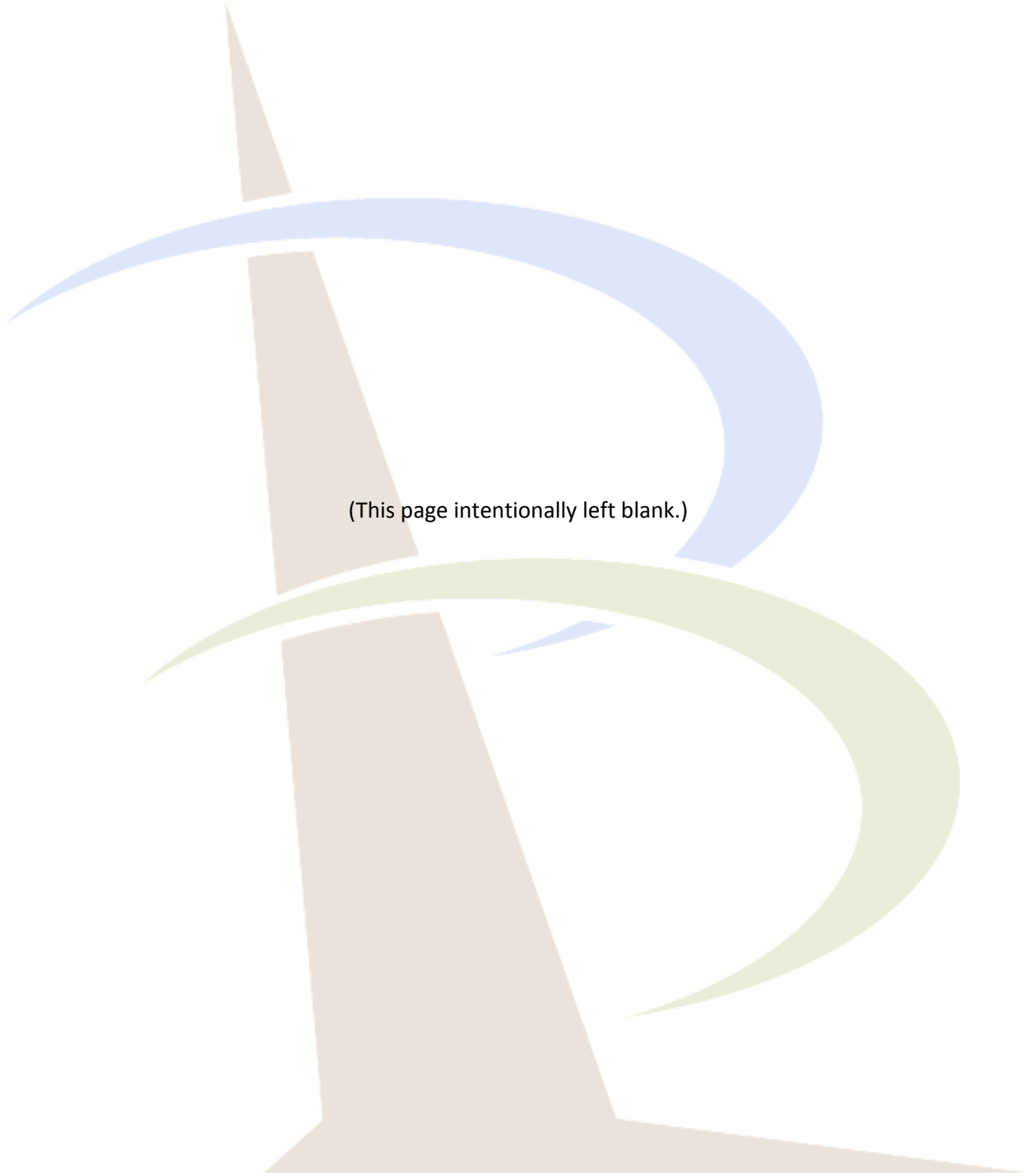
# Brooks Development Authority

San Antonio, Texas

## Changes in Net Position

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>2011</u> <u>(Restated)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Operating Revenues</b>										
Rents – commercial leases	\$ 6,969,872	\$ 7,011,484	\$ 6,385,056	\$ 6,054,329	\$ 2,961,325	\$ 3,872,756	\$ 3,735,921	\$ 3,614,830	\$ 2,751,402	\$ 2,458,315
Fees and miscellaneous income	2,192,888	1,228,991	1,145,506	1,277,668	1,426,777	370,042	391,813	374,661	386,304	465,443
Air Force lease payments	-	-	-	-	8,538,697	12,875,942	13,261,580	13,271,375	13,241,091	10,039,903
<b>Total operating revenues</b>	<b>9,162,760</b>	<b>8,240,475</b>	<b>7,530,562</b>	<b>7,331,997</b>	<b>12,926,799</b>	<b>17,118,740</b>	<b>17,389,314</b>	<b>17,260,866</b>	<b>16,378,797</b>	<b>12,963,661</b>
<b>Operating Expenses</b>										
Administration and support	5,997,045	5,316,530	3,614,869	4,333,722	3,440,425	4,077,518	4,969,164	4,552,891	3,946,693	3,880,664
Custodial and grounds upkeep	681,232	530,731	257,106	223,491	1,237,690	1,641,917	1,825,239	1,993,289	1,743,557	1,633,952
Environmental and safety	460,167	408,036	379,598	395,027	824,899	769,285	790,968	711,067	765,317	669,480
Repairs and maintenance	571,767	701,016	1,293,775	739,846	1,567,088	1,984,407	2,643,252	2,372,921	2,948,740	2,398,833
Utilities	760,860	832,211	993,425	1,089,607	1,881,201	1,783,852	1,940,480	1,928,103	1,804,771	2,401,092
Insurance	221,289	355,038	248,510	263,283	377,186	447,215	560,035	644,984	712,614	585,236
Property management and development	578,129	780,117	137,301	249,088	145,009	219,243	225,854	231,312	175,126	107,028
Depreciation	4,300,542	3,853,843	4,155,130	4,934,981	4,675,104	3,932,892	4,575,068	4,625,490	5,695,566	4,931,242
<b>Total operating expenses</b>	<b>13,571,031</b>	<b>12,777,522</b>	<b>11,079,714</b>	<b>12,229,045</b>	<b>14,148,602</b>	<b>14,856,329</b>	<b>17,530,060</b>	<b>17,060,057</b>	<b>17,792,384</b>	<b>16,607,527</b>
<b>Operating Income (loss)</b>	<b>(4,408,271)</b>	<b>(4,537,047)</b>	<b>(3,549,152)</b>	<b>(4,897,048)</b>	<b>(1,221,803)</b>	<b>2,262,411</b>	<b>(140,746)</b>	<b>200,809</b>	<b>(1,413,587)</b>	<b>(3,643,866)</b>
<b>Nonoperating Revenues (Expenses)</b>										
Investment income	19,627	20,887	23,471	16,492	738	17,528	5,887	176,184	282,683	283,212
Interest income	326	618,019	922,748	687,658	173,921	2,038	16,085	18,080	22,884	66,784
Interest expense	(1,541,986)	(984,282)	(972,772)	(871,923)	(933,666)	(1,001,568)	(1,064,279)	(1,149,268)	(1,279,876)	(447,810)
Bond issuance costs	(916,008)	-	-	-	-	-	-	-	-	-
Financing costs	(1,963,809)	-	-	-	-	-	-	-	-	-
Performance credits	-	-	-	-	-	(14,316)	796,080	968,528	964,020	684,178
Miscellaneous expense	-	-	-	-	-	-	(2,475)	(88,669)	(30,000)	-
Gain on sale of capital assets	20,000	10,388,383	5,465,983	915,174	-	-	-	5,381,246	-	802,909
Disposal/impairment of capital assets	-	(65,695)	(563,806)	(2,001,163)	(5,205,482)	-	(465,706)	-	(230,889)	-
Loss on roads and infrastructure transferred to City of San Antonio	-	-	(23,062,201)	(4,997,611)	-	-	-	-	-	-
Metro Health Grants	-	-	-	-	-	-	-	-	-	-
Other grants	220,000	220,000	43,884	99,962	74,334	874,758	782,034	613,642	274,599	379,648
Expenses – other grants	-	-	-	-	-	-	-	-	(22,676)	(379,648)
Other revenues	-	283,600	-	14,000	50,000	40,100	-	52,481	-	-
Reimbursements – tenant improvements	-	-	-	724,937	114,066	27,241	112,643	567,855	506,512	884,326
Tenant improvements	-	-	-	-	(8,749)	(25,112)	(99,946)	(531,854)	(476,320)	(853,665)
Prepaid utility upgrades	-	-	-	-	10,442	-	-	-	-	1,022,246
Utility upgrades	-	-	-	-	-	-	-	-	-	(1,178,584)
Prepaid lease amortization	-	-	-	-	2,345,716	2,345,711	2,345,711	2,345,711	2,345,711	2,345,712
Debt write-off	-	200,000	-	-	-	-	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(4,161,850)</b>	<b>10,680,912</b>	<b>(18,142,693)</b>	<b>(5,412,474)</b>	<b>(3,378,680)</b>	<b>2,266,380</b>	<b>2,426,034</b>	<b>8,353,936</b>	<b>2,356,648</b>	<b>3,609,308</b>
<b>Income (loss) before capital contributions</b>	<b>(8,570,121)</b>	<b>6,143,865</b>	<b>(21,691,845)</b>	<b>(10,309,522)</b>	<b>(4,600,483)</b>	<b>4,528,791</b>	<b>2,285,288</b>	<b>8,554,745</b>	<b>943,061</b>	<b>(34,558)</b>
<b>Capital contributions</b>	<b>4,984,791</b>	<b>750,000</b>	<b>89,151</b>	<b>2,042,812</b>	<b>8,823,413</b>	<b>2,432,190</b>	<b>3,807,064</b>	<b>4,112,555</b>	<b>2,154,061</b>	<b>33,185,608</b>
<b>Change in net position</b>	<b>\$ (3,585,330)</b>	<b>\$ 6,893,865</b>	<b>\$ (21,602,694)</b>	<b>\$ (8,266,710)</b>	<b>\$ 4,222,930</b>	<b>\$ 6,960,981</b>	<b>\$ 6,092,352</b>	<b>\$ 12,667,300</b>	<b>\$ 3,097,122</b>	<b>\$ 33,151,050</b>



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## *Revenue Capacity*

# Brooks Development Authority

San Antonio, Texas

## Lease Revenue Components

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Rent	\$ 6,969,872	\$ 7,011,484	\$ 6,385,056	\$ 6,054,329	\$ 3,422,174	\$ 3,872,756	\$ 3,735,921	\$ 3,614,830	\$ 2,751,402	\$ 2,458,315
CAM charges (1)	1,287,727	837,143	687,667	556,914	357,228	239,832	234,050	230,999	193,053	111,834
Air Force lease payments	-	-	-	-	8,538,697	12,875,942	13,261,580	13,271,375	13,241,091	10,039,903
Total lease revenue components	<u>\$ 8,257,599</u>	<u>\$ 7,848,627</u>	<u>\$ 7,072,722</u>	<u>\$ 6,611,243</u>	<u>\$ 12,318,099</u>	<u>\$ 16,988,530</u>	<u>\$ 17,231,551</u>	<u>\$ 17,117,204</u>	<u>\$ 16,185,546</u>	<u>\$ 12,610,052</u>

(1) Included in fees and miscellaneous income on the statements of revenues, expenses, and changes in net position.

# Brooks Development Authority

San Antonio, Texas

## Direct Rates Applied to the Revenue Base

Last Four Fiscal Years

<u>Fiscal Year</u>	<u>Total Leased Square Footage</u>	<u>Total Number of Tenants</u>	<u>Average Leased Square Footage</u>	<u>Yearly Rent</u>	<u>Average Yearly Rent</u>	<u>Average Term (Months)</u>	<u>Direct Rate</u>
2012	952,171	23	41,399	\$ 6,054,329	\$ 263,232	131	\$ 6.36
2013	1,344,554	24	56,023	6,385,056	266,044	132	4.75
2014	1,365,940	24	56,914	7,011,484	292,145	151	5.13
2015	1,628,380	25	65,135	7,730,745	309,230	162	4.75

Note: The United States Air Force (“USAF”) maintained a presence at BDA as it reassessed its mission during the years 2006 to 2011. While the USAF was reducing its mission, BDA was an active military installation with security measures in force that limited the ability to economically develop BDA. The data for years 2006-2011 is representative of a military installation that is closing down, and is not representative of an active economic development area. All USAF personnel and activities were closed in September 2011. Since then, a new Board of Directors and a new Chief Executive Officer have adopted a new vision and mission with an aggressive economic development plan to include a defined land use plan for the entire campus. The results of the initial efforts, the departure of the USAF, and the aggressive economic development program are reflected in the financial information for years 2012 to 2015, as presented. The ten-year data required by this schedule will be presented prospectively.

# Brooks Development Authority

San Antonio, Texas

## Information About Major Payors and Remitters of Lease Revenue

Current Fiscal Year and Nine Years Ago

### 2015

Tenant	Square Footage	Lease Term (in Months)	Lease Income	Percentage to Total Lease Revenue
DPT Laboratories, Ltd.	256,500	241	\$ 1,386,525	17.94%
Volt Information Sciences, Inc.	70,562	100	1,009,926	13.06%
Nexolon (Mission Solar)	350,000	120	777,288 *	10.05%
Texas A&M	77,648	60	745,885	9.65%
Calumet (NuStar)	41,003	120	<u>434,364</u>	5.62%
<b>Total Major Payors</b>			<u>\$ 4,353,988</u>	56.32%
<b>Total Lease Revenue</b>			<u>\$ 7,730,745</u>	

\*Includes noncash lease revenue items.

### 2006

Tenant	Square Footage	Lease Term (in Months)	Lease Income	Percentage to Total Lease Revenue
United States Air Force	N/A	N/A	\$ 10,039,903	80.33%
City of San Antonio – Storm Water	26,828	60	342,564 *	2.74%
Earth Tech, Inc.	26,332	63	242,143	1.94%
Holt Cat	9,375	60	97,412	0.78%
City of San Antonio – vehicle maintenance	21,912	60	<u>92,150</u>	0.74%
<b>Total Major Payors</b>			<u>\$ 10,814,172</u>	86.53%
<b>Total Lease Revenue</b>			<u>\$ 12,498,218</u>	

\*Includes noncash lease revenue items.

Source: Executed lease agreements.



## *Debt Capacity*

# Brooks Development Authority

San Antonio, Texas

## Ratios of Total Outstanding Debt

<u>Fiscal Year</u>	<u>Notes Payable Revenue Bonds Equipment Lease (a)</u>	<u>Gross Operating Revenues</u>	<u>Ratio of Total Debt to Gross Revenue</u>	<u>Square Feet Leased (b)</u>	<u>Debt Per Square Feet Leased</u>
2015	\$ 90,655,850	\$ 9,162,760	9.89	1,628,380	55.67
2014	22,417,434	8,240,475	2.72	1,365,940	16.41
2013	19,284,728	7,530,562	2.56	1,344,554	14.34
2012	18,339,691	7,331,997	2.50	952,171	19.26

Note: The United States Air Force (“USAF”) maintained a presence at BDA as it reassessed its mission during the years 2006 to 2011. While the USAF was reducing its mission, BDA was an active military installation with security measures in force that limited the ability to economically develop BDA. The data for years 2006-2011 is representative of a military installation that is closing down, and is not representative of an active economic development area. All USAF personnel and activities were closed in September 2011. Since then, a new Board of Directors and a new Chief Executive Officer have adopted a new vision and mission with an aggressive economic development plan to include a defined land use plan for the entire campus. The results of the initial efforts, the departure of the USAF, and the aggressive economic development program are reflected in the financial information for years 2012 to 2015, as presented. The ten-year data required by this schedule will be presented prospectively.

(a) Details regarding outstanding debt can be found in the notes to the financial statements. Air Force leaseback liability and prepaid utility upgrades are excluded from the schedule.

(b) Represents total square feet leased out to tenants as of fiscal year-end.



# Brooks Development Authority

San Antonio, Texas

## Debt Coverage Ratios


Last Ten Fiscal Years

Revenue Bonds				
Fiscal Year	Pledged Operating Revenue	Debt Service		Coverage
		Principal	Interest	
2015	\$ 9,162,760	\$ - (1)	\$ - (1)	\$ - (1)

(1) 2015 was the year of issuance. Accordingly, no principal nor interest payments were scheduled. Further, there was no debt outstanding in the previous nine years that was secured by pledged revenue.



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*Demographic and Economic Information*

# Brooks Development Authority

San Antonio, Texas

## City of San Antonio Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Total Personal Income (b) (Thousands of Dollars)</u>	<u>Per Capita Personal Income (b)</u>	<u>Employment (c)</u>	<u>Unemployment Rate (c)</u>
2014	2,328,652	\$ 96,341,038	\$ 41,372	1,048,234	4.5
2013	2,282,201	91,071,886	39,905	1,021,839	5.7
2012	2,237,771	88,682,521	39,630	996,294	5.9
2011	2,194,231	84,583,865	38,548	968,526	7.3
2010	2,153,255	77,313,994	35,906	947,977	7.2
2009	2,105,672	72,882,745	34,613	901,259	7.3
2008	2,061,275	73,887,061	35,845	905,279	4.9
2007	2,011,543	69,406,279	34,504	890,095	4.1
2006	1,956,361	64,871,981	33,160	877,179	4.5
2005	1,896,328	59,400,811	31,324	857,030	4.8

Note: Ten years from 2005-2014 since 2015 data was not available at time of this report.

Source: U.S. Census Bureau

(a) Source: Bureau of Economic Analysis, San Antonio/New Braunfels Metropolitan Area

(b) Source: Bureau of Economic Analysis, San Antonio/New Braunfels Metropolitan Area

(c) Source: Texas Workforce Commission, Labor Market Career Information, LAUS MSA 2000-Defined, San Antonio/New Braunfels Metropolitan Area

# Brooks Development Authority

San Antonio, Texas

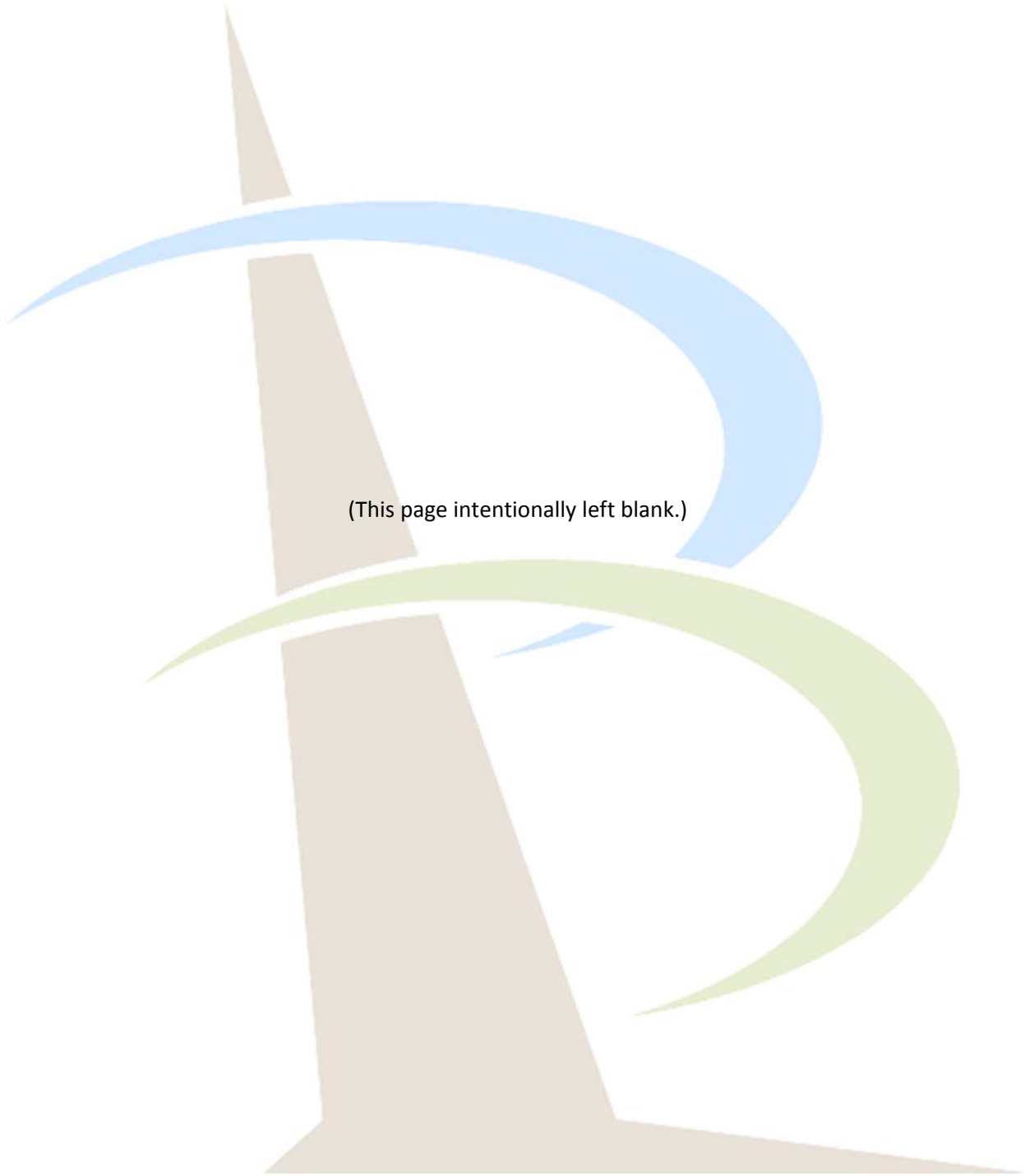
## Principal Employers

Current Fiscal Year and Nine Years Ago

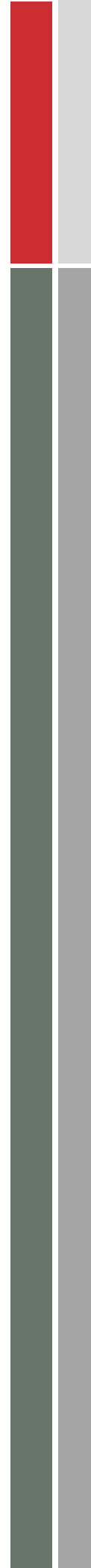
<b>2015</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (1)</b>
Joint Base San Antonio (Lackland, Fort Sam Houston, and Randolph)	80,165	1	8.12%
H-E-B	20,000	2	2.02%
USAA	17,000	3	1.72%
Northside I.S.D.	12,751	4	1.29%
North East I.S.D.	10,052	5	1.02%
City of San Antonio	9,145	6	0.93%
Methodist Healthcare System	8,118	7	0.82%
San Antonio I.S.D.	7,000	8	0.71%
Baptist Health System	6,498	9	0.66%
JP Morgan Chase	5,200	10	0.53%
<b>2006</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (2)</b>
Joint Base San Antonio (Lackland, Fort Sam Houston, and Randolph)	41,491	1	5.17%
USAA	13,800	2	1.72%
H-E-B	14,588	3	1.82%
City of San Antonio	9,813	4	1.22%
Northside I.S.D.	8,800	5	1.10%
San Antonio I.S.D.	8,000	6	1.00%
Methodist Healthcare System	7,200	7	0.90%
Northeast I.S.D.	6,473	8	0.81%
AT&T	6,500	9	0.81%
Baptist Health System	4,225	10	0.53%

Source: San Antonio Economic Development Foundation and Economic Development Division, City of San Antonio, Texas Book of Lists 2015

- (1) Percent based on an employment estimate of 987,700 of nonfarm jobs in the San Antonio-New Braunfels Metropolitan Statistical Area as of November 2015. Figures provided by the Texas Workforce Commission, Labor Market Career Information.
- (2) Percent based on an employment estimate of 802,800 of nonfarm jobs in the San Antonio-New Braunfels Metropolitan Statistical Area as of November 2006. Figures provided by the Texas Workforce Commission, Labor Market Career Information.



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## *Operating Information*

# Brooks Development Authority

San Antonio, Texas

## Full-Time Equivalent Employees by Department

Last Ten Fiscal Years

<u>Program/Department</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Administration	7	7	7	4	6	6	9	8	6	5
Finance	8	7	6	5	6	6	8	8	8	8
Environmental	1	1	1	1	1	1	1	-	-	3
Facilities	7	7	5	5	3	3	5	7	8	11
Residential property	-	-	-	-	-	-	2	3	2	2
Information technology	1	1	1	1	1	1	2	2	2	2
Marketing	1	1	1	1	1	2	1	1	1	-
Planning and development	1	1	1	1	1	1	1	3	2	2
Real estate services	5	5	4	5	1	1	2	-	1	2
Economic development	-	-	-	-	-	-	1	1	1	-
Security	-	-	-	-	-	-	-	1	-	-
Government affairs	-	-	-	-	-	-	-	-	1	-
BRAC project	-	-	-	-	-	-	-	1	1	-
EB-5 Program	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>33</u>	<u>31</u>	<u>27</u>	<u>24</u>	<u>20</u>	<u>21</u>	<u>32</u>	<u>35</u>	<u>33</u>	<u>35</u>



# Brooks Development Authority

San Antonio, Texas

## Level Demand for Services

Last Ten Fiscal Years

Note: This schedule is not presented since BDA does not provide services to its citizens.

# Brooks Development Authority

San Antonio, Texas

## Capital Asset Statistics by Category

Current Fiscal Year

<u>Capital Asset Type</u>	<u>Quantity</u>	<u>Square Feet</u>
Buildings leased	17	2,863,645
Buildings unleased	<u>27</u>	<u>1,804,698</u>
Total buildings owned	<u>44</u>	<u>4,668,343</u>
	<u>Acres</u>	
Land developed	270.59	
Land undeveloped	691.09	
Land nondevelopable	<u>223.74</u>	
Total land owned	<u>1,185.42</u>	

Note 1: This schedule is presented for the current fiscal year only. Information for the previous nine fiscal years is not available, but will be accumulated over the next nine years

# **Brooks Development Authority**

San Antonio, Texas

## **Tax Increment Reinvestment Zone**

### **Introduction**

The Brooks City Base Tax Increment Reinvestment Zone (“TIRZ”) is located in the southeast side of the City and will encompass approximately 2,522 acres. The approximate boundaries of the TIRZ lie west of I-37, south of South New Braunfels Avenue and SE Military Drive, east of South Presa Street and Old Corpus Christi Road, and north of Dave Erwin Dr. and SE Loop 410 (please refer to map that follows). This TIRZ is City-initiated and is designed to leverage ongoing area development in support of a special joint project between the U.S. Air Force and the City to successfully convert and redevelop the former Brooks Air Force Base. The City created the Brooks Development Authority (“BDA”) in September 2001 to receive title of 1,300 acres of real property of the former military base and to transition it into a business and technology park. BDA is the project’s developer. The life of the TIRZ is projected to be 24.82 years with a termination date of September 30, 2029.

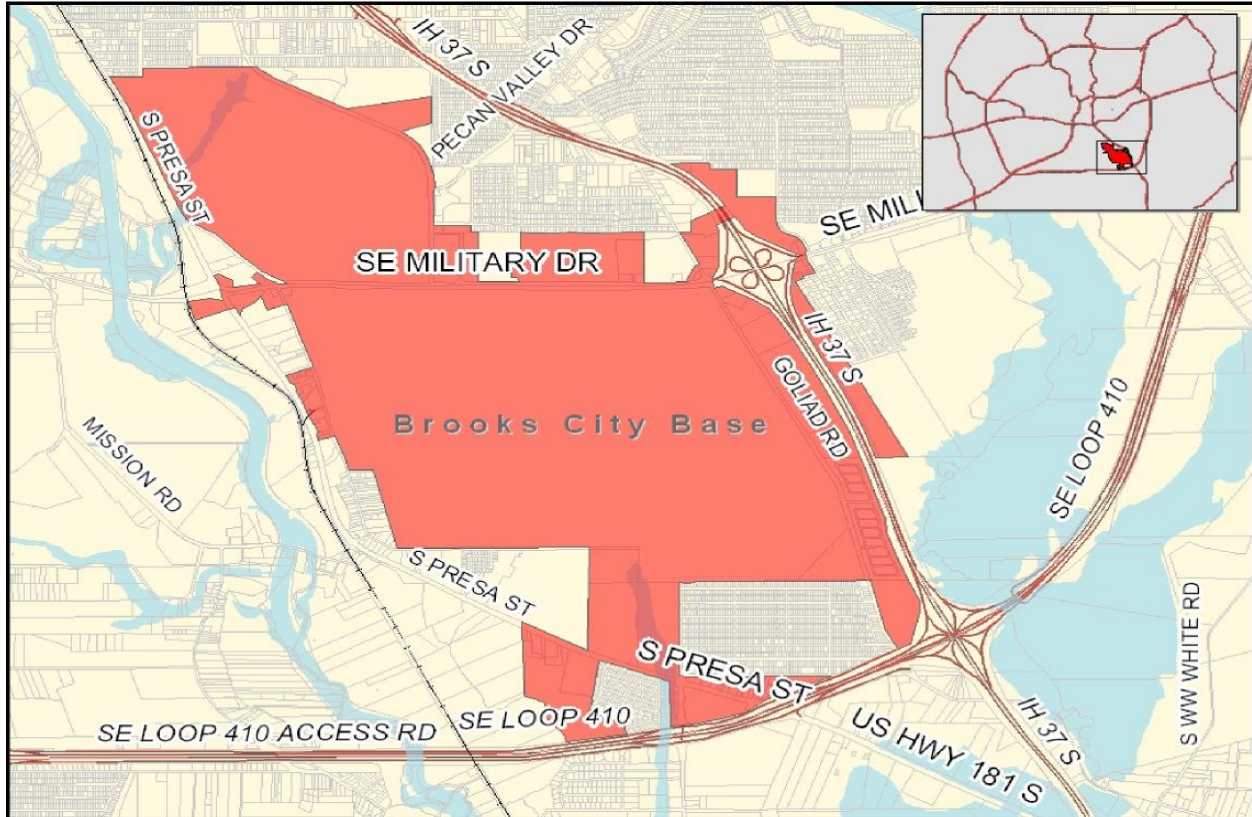
### **Public Infrastructure**

The public infrastructure improvements and related capital costs include streets, drainage, and water improvements and other costs approved by the TIRZ board. The TIRZ will provide a source of funding for public improvements. Annual construction of public improvements will be reimbursed as TIRZ revenues become available. The estimated TIRZ revenue to be received through September 30, 2029 is \$58,624,663.

# Brooks Development Authority

San Antonio, Texas

## Tax Increment Reinvestment Zone – Continued



# Brooks Development Authority

San Antonio, Texas

## Tax Increment Reinvestment Zone – Continued

Brooks City Base- Tax Increment Reinvestment Zone #16  
 September 30, 2015  
Projected Tax Increment Revenue

Tax Year	(1)	(2)	(3)	(4)				(4)				Fiscal Year Ending
	Beginning Assessed Value	Improvements	Growth	Projected Assessed Value	Projected Assessed Value	Exemptions 13.00000000%	Net Taxable Value	Total Base Taxable Value	Captured Taxable Value	Projected Tax Rate	Projected Tax Increment Revenues	
2003												2004
2004	36,815,100			36,815,100	36,815,100	(340,592)	36,474,508	36,474,508				2005
2005	36,815,100	-	3,568,283	40,383,383	40,383,383	(282,100)	40,101,283	36,474,508	3,626,775	0.57854	17,581	2006
2006	40,383,383	53,174,240	120,088,496	213,646,119	213,646,119	(102,631,990)	111,014,129	36,474,508	74,539,621	0.57854	366,314	2007
2007	213,646,119	33,659,610	-8,212,199	239,093,530	239,093,530	(104,258,556)	134,834,974	36,474,508	98,360,466	0.57231	478,035	2008
2008	239,093,530	9,358,650	46,725,291	295,177,471	295,177,471	(117,113,647)	178,063,824	36,474,508	141,589,316	0.56714	677,110	2009
2009	295,177,471	429,660	8,487,042	304,094,173	304,094,173	(138,982,116)	165,112,057	36,474,508	128,637,549	0.56569	615,747	2010
2010	304,094,173	9,302,370	144,080,845	457,477,388	457,477,388	(291,993,307)	165,484,081	36,474,508	129,009,573	0.56569	627,076	2011
2011	457,477,388	25,446,330	-7,492,580	475,431,138	475,431,138	(286,935,847)	188,495,291	36,474,508	152,020,783	0.56569	730,721	2012
2012	475,431,138	78,180,890	-252,089,631	301,522,397	301,522,397	(62,244,173)	239,278,224	36,474,508	202,803,716	0.56569	958,003	2013
2013	301,522,397	19,006,510	64,800,512	385,329,419	385,329,419	(87,803,357)	297,526,062	36,474,508	261,051,554	0.56569	1,399,850	2014
2014	385,329,419	21,059,910	7,706,588	414,095,917	414,095,917	(89,559,424)	324,536,493	36,474,508	288,061,985	0.56569	1,357,415	2015
2015	414,095,917	107,279,230	34,702,245	556,077,392	556,077,392	(91,350,613)	464,726,779	36,474,508	428,252,271	0.55827	1,991,540	2016
2016	556,077,392	103,350,000	9,875,348	669,302,740	669,302,740	(95,041,177)	574,261,563	36,474,508	537,787,055	0.55827	2,500,919	2017
2017	669,302,740	75,480,000	10,809,157	755,591,898	755,591,898	(96,942,001)	658,649,897	36,474,508	622,175,389	0.55827	2,893,358	2018
2018	755,591,898	44,300,000	11,761,643	811,653,541	811,653,541	(98,880,841)	712,772,700	36,474,508	676,298,192	0.55827	3,145,050	2019
2019	811,653,541	44,300,000	12,733,177	868,686,718	868,686,718	(100,858,458)	767,828,260	36,474,508	731,353,752	0.55827	3,401,080	2020
2020	868,686,718	92,707,500	13,724,143	975,118,361	975,118,361	(102,875,627)	872,242,734	36,474,508	835,768,226	0.55827	3,886,647	2021
2021	975,118,361	5,512,500	14,734,928	995,365,789	995,365,789	(104,933,139)	890,432,650	36,474,508	853,958,142	0.55827	3,971,238	2022
2022	995,365,789		15,765,928	1,011,131,717	1,011,131,717	(107,031,802)	904,099,915	36,474,508	867,625,407	0.55827	4,034,796	2023
2023	1,011,131,717		16,817,549	1,027,949,266	1,027,949,266	(109,172,438)	918,776,828	36,474,508	882,302,320	0.55827	4,103,049	2024
2024	1,027,949,266		17,890,202	1,045,839,468	1,045,839,468	(111,355,887)	934,483,581	36,474,508	898,009,073	0.55827	4,176,092	2025
2025	1,045,839,468		18,984,308	1,064,823,776	1,064,823,776	(113,583,005)	951,240,771	36,474,508	914,766,263	0.55827	4,254,019	2026
2026	1,064,823,776		20,100,296	1,084,924,073	1,084,924,073	(115,854,665)	969,069,408	36,474,508	932,594,900	0.55827	4,336,929	2027
2027	1,084,924,073		21,238,604	1,106,162,677	1,106,162,677	(143,801,148)	962,361,529	36,474,508	925,887,021	0.55827	4,305,735	2028
2028	1,106,162,677		22,399,678	1,128,562,355	1,128,562,355	(146,713,106)	981,849,249	36,474,508	945,374,741	0.55827	4,396,360	2029
		722,547,400	369,199,855			\$ (2,820,539,016)					\$ 58,624,663	
<b>Existing Value Growth Factors</b>												
				2.00%		Participation Level						85%
				0.00%		Tax Rate Growth Factor						0.00%
				2.00%		Tax Rate Collection Factor						98.00%

(1) Tax year 2015 value based on Bexar County Appraisal District certified values of existing property within the proposed zone.

(2) Projected value of proposed improvements.

(3) Estimated growth in values plus value of other improvements.

(4) Projected captured taxable value. Current year total taxable value less the base year taxable value.

# Brooks Development Authority

San Antonio, Texas

## Regional Center EB-5 Program

The mission of BDA's Regional Center EB-5 Program is to promote, develop, and sustain a thriving community and catalyst for progressive economic development and prosperity. Our vision is to create a premier community that attracts local, national, and international investment to stimulate world-class opportunities that will transform the surrounding area and region while respecting its rich and vibrant history; thus, supporting Brooks City Base's ambition to becoming a community to live, work, learn, and play.

The EB-5 program was created by Congress in 1990 to stimulate the United States economy through job creation and foreign capital investment. Qualified investors obtain an expedited United States visa by investing \$500,000 or \$1,000,000 dollars into a United States-based project. The project must create 10 full-time American jobs per investor. The investment is repaid to the investor within 2 to 5 years. The investor must prove that the capital investment was invested and that 10 jobs were created and maintained for at least 24 months. BDA's strategic goal is to fund a project(s) utilizing the Brooks City Base Regional Center and leverage opportunities for Foreign Direct Investment ("FDI").

To date, the program has identified projects on and off campus and has built an investment network to raise roughly \$19,000,000 in EB5/FDI funds for the Aviator Apartment Lofts and hotel projects, a cumulative registry of 38 investors at \$500,000 invested each. Both of these projects have the ability to generate between \$950,000-\$1,900,000 in fiscal year 2015 in administration fees, which will offset the Brooks Regional Center expenses (travel, marketing, etc.), and we anticipate raising \$500,000-\$950,000 in fiscal year 2015.

The BCBRC's goal to identify on-campus potential projects has outlined the following projects:

- Multi-family housing (Aviator Lofts)
- A full-service hotel
- Class A office building

# Brooks Development Authority

San Antonio, Texas

## Master Land Use Plan and Maps

In December 2013, BDA engaged the services of Live Oak Gottesman to develop a Master Land Use Plan, which was adopted in July 2014. The Master Land Use Plan divides the main campus into three main parcels.

**Parcel A:** Encompasses an estimated 225 acres, which is projected to yield at least 1,637,004 square feet of building space that is available for lease or sale over the next five years. Parcel A land use will be allocated to retail, education, mid- and low-density residential use, commercial- and mixed-use businesses and living space. In addition, Parcel A includes approximately 40 acres of linear parkway, trails, and ponds. The University of the Incarnate Word School of Osteopathic Medicine will also be located in Parcel A. A lease agreement has been entered into with the expected opening of the school in the fall of 2017.

**Parcel B:** Encompasses an estimated 245 acres, which is projected to yield at least 1,778,752 square feet of building space that is available for lease or sale over the next five years. Parcel B land use will be allocated to low-density residential use, commercial- and mixed-use businesses, and living space.

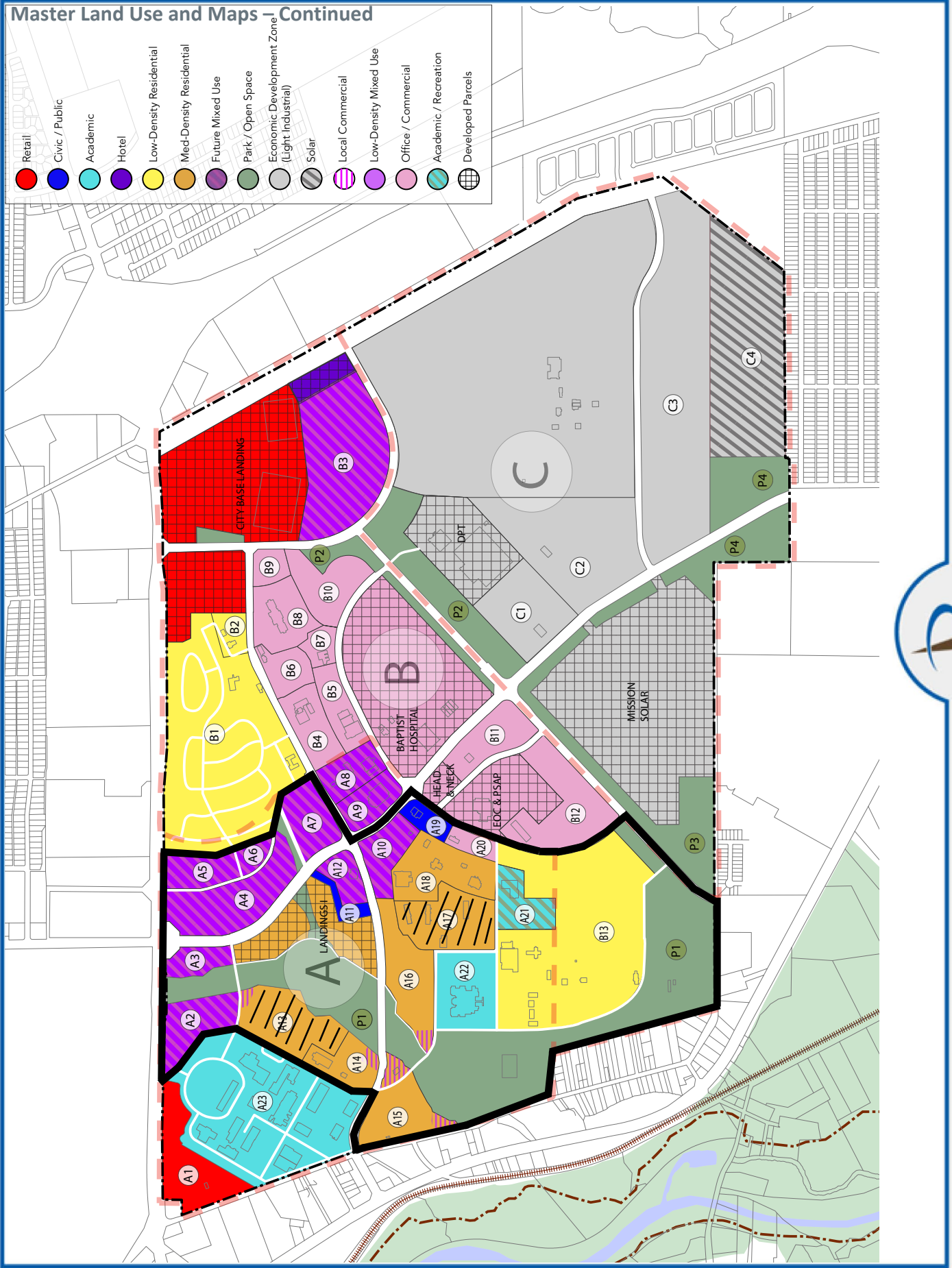
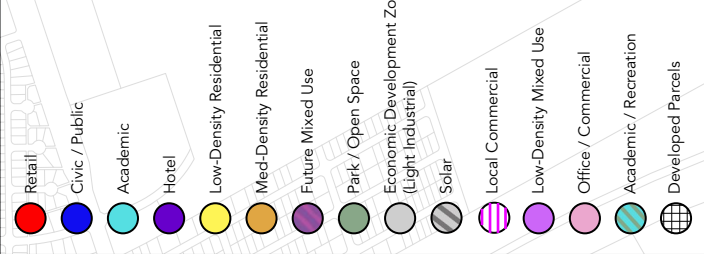
**Parcel C:** Encompasses an estimated 319 acres, which is projected to yield at least 2,319,574 square feet of building space that is available for lease or sale over the next five years. Parcel C land use will be allocated to light industrial development.

# Brooks Development Authority

San Antonio, Texas

LAND USE

## Master Land Use and Maps – Continued





# Brooks Development Authority

San Antonio, Texas

## Master Land Use and Maps – Continued



Third Party Land	Acres	Comments
City Base Landing	62.5	
Limited Service Hotels	4.0	
Baptist Hospital	48.5	
DPT	20.8	see option
Head and Neck	2.5	
EOC/PSAP	14.5	
Landings I	17.0	
Mission Solar	85.6	
<b>Total</b>	<b>253.4</b>	

Developable Land	Acres	Description	Size
A1	13.7		
A2	9.0		
A3	4.5		
A4	16.4		
A5	6.3		
A6	2.1		
A7	7.8		
A8	6.2		
A9	5.8	Callumet	41,003 RSF
A10	7.0		
A11	2.0		
A12	4.4		
A13	13.6		
A14	7.3		
A15	12.3		
A16	12.5		
A17	13.7	Pending- Aviator Lofts   210 Developers	
A18	12.1		
A19	2.9	Hangar 9	
A20	2.9		
A21	6.5	Gym	22,296 RSF
A22	11.9	TAMU	77,648 RSF
A23	52.7	The Hill	500,000 RSF +/-
B1	63.5	Heritage Oaks Housing	
B2	2.2		
B3	30.4		
B4	7.5	Grubb Engineering	30,295 RSF
B5	6.2		
B6	5.3		
B7	3.0	Volt	70,562 RSF
B8	9.6	Volt	
B9	3.1		
B10	10.0		
B11	9.1		
B12	16.4		
B13	61.6		
C1	15.6	DPT - Option strike= \$1.75 psf	
C2	198.2		
C3	62.2		
C4	43.1		
<b>Total</b>	<b>780.6</b>		

Parks/Tree Preservation/Detention Ponds	Acres
P1	91.9
P2	22.1
P3	8.0
P4	23.0
<b>Total</b>	<b>145.0</b>

**Total Land Acreage**  
 "A" Developable Land area : 233.6 acres  
 "B" Developable Land area : 227.9 acres  
 "C" Developable Land area : 319.1 acres

**SITE TOTAL BOUNDARY : 1,308 acres**



# Brooks Development Authority

San Antonio, Texas

## Economic Impact

Of the original 1,308 acres of land conveyed to BDA, approximately 238 acres have been sold or under a long-term lease, approximately 281 acres are under lease, designated green area or are a drainage area. BDA also acquired 55 acres located on the east side of South Presa Street, north of SE Military Dr. Of these 55 acres, approximately 22 acres is drainage area. The gross developable area is 789 acres on the BDA campus and 33 acres at the off-campus site, for a total of 844 acres.

BDA has 28 business tenants or owner enterprises on the campus employing an estimated 2,830 individuals with an approximate average annual salary of \$50,000. A listing of the businesses and number of employees is shown in the following table:

<b>Brooks Development Authority</b>		
<b>No.</b>	<b>Tenant Name</b>	<b>No. of Employees</b>
1	Bexar County Office of Emergency Management	11
2	Bridge PTS	7
3	Brooks Academy of Science & Engineering	165
4	Brooks City-Base Health and Wellness Center	6
5	City of San Antonio – City Council – District 3	6
6	City of San Antonio – Emergency Operations Center	52
7	City of San Antonio – Metro Health	28
8	City of San Antonio – Police Fire Safety & Emergency Dispatch Center	250
9	City of San Antonio – Radio Services	10
10	City of San Antonio – SAPD K-9 Unit	19
11	Carenet	170
12	Calumet Specialty Products	103
13	Community Bible Church	2
14	DPT Laboratories	180
15	Head & Neck	18
16	Heritage Oaks	3
17	Mission Trail Baptist Hospital	540
18	South San Antonio Chamber of Commerce	3
19	Spine and Pain Center of SA	19
20	Texas A& M – San Antonio	75
21	Texas House of Representative – District 119	2
22	Texas State Senate	4
23	The Landings at Brooks City Base	7
24	University of the Incarnate Word (Development Pending)	15
25	VOLT	750
26	Wyle Integrated Science and Engineering	33
27	Mission Solar	352
28	Aviator (development in progress)	-
Total		<u>2,830</u>

# Brooks Development Authority

San Antonio, Texas

## Proposed Infrastructure Projects

### Building 470

The renovation of Building 470, a 3,336 square foot former child care building, will be adaptively re-used by the expanding BDA staff. The renovation will consist of stabilization of the buildings foundation and structural frame, replacement of air conditioning and heating systems, roof repairs, accessibility improvements to allow for universal access, and an interior finish-out to accommodate staff needs for office and meeting space. The estimated project cost is \$660,000.

### Northwest Corner Drainage

The Northwest Corner Drainage project will make infrastructure improvements at two discontinuous sites to facilitate the development of a full-service hotel and retail development. The scope of work will include securing entitlements such as platting and zoning and extending and/or relocating both dry and wet utility services to the development parcels, including drainage structures, water, sanitary sewer, telecommunications, and power. The estimated cost for these infrastructure improvements is \$828,000.

### South New Braunfels Avenue

South New Braunfels Avenue is a four-lane divided roadway with a raised concrete median, 2 southbound and 2 northbound lanes. South New Braunfels Avenue is designated as a Secondary Arterial Type A with 86 feet of right-of-way on the City's Major Thoroughfare Plan ("MTP"). The MTP shows South New Braunfels Avenue extending south from its current terminus to Southton Road/Siluria Street at the intersection with South Presa Street and continuing south to the intersection of Loop 410. The estimated construction cost of South New Braunfels is \$24,584,500.

### Kennedy Hill

Kennedy Hill (formerly Dave Erwin Dr.) is a proposed north-south, three-lane, undivided roadway extending 2,545 feet from SE Military to Sidney Brooks. Kennedy Hill is classified as a collector street with 44 feet of pavement and 70 feet of right-of-way. The proposed realignment of Kennedy Hill will provide access to the new School of Osteopathic Medicine at Incarnate Word University. The project will include demolition of the existing Dave Erwin Dr. and reconstruction as Kennedy Hill, along with required utility infrastructure. The estimated construction cost of Kennedy Hill is \$9,226,174.

### Brooks Linear Park

The proposed project will transform 40 acres of unutilized floodplain land and drainage channels into a linear park unique to Brooks City Base and San Antonio alike. The heart of the park is made up of a series of 5 ponds that step down with the natural topography of the area. Woven around the ponds are 3 miles of lighted hike-and-bike trails that will connect Brooks City Base to the San Antonio River. In total, the park will provide 8 acres of wet ponds, 9 acres of manicured recreation areas, 15 acres of restored native vegetation, 3 acres of vegetated bio-swales, 1 acre of natural wetlands, 3 pavilions, 12 picnic areas, a

# Brooks Development Authority

San Antonio, Texas

## Proposed Infrastructure Projects – Continued

restroom facility, an amphitheater, and 2 parking areas. In addition to the amenities and aesthetic enhancement of the area, the park will also stimulate opportunities for economic development, improve storm-water management, and promote campus interconnectivity through alternate modes of transportation.

### **Animal Care Services Center**

The proposed build-to-suit option of a single story, 2,500 square foot facility on an approximately 0.65 acre site on Brooks City Base would create a spay and neuter clinic. BDA will develop the building to a shell condition with the City and/or veterinarians then providing the furnishings, fixtures, and equipment. With the high demand for spay and neuter services in the vicinity of Brooks City Base and the south side of town, the on-campus Animal Care Services Center will be an expansion of the City's Animal Care Services Department and will provide low cost spay and neuter services that will be open to the public. In tandem with the City's spay and neuter clinics, the new clinic will solicit and utilize private veterinarians to operate out of the facility, and it will be the first center of its kind equipped with its own dog park. The facility will be located behind a major retail center and between the proposed Vantage apartments and the newly proposed hotel near the corner of City Base Landing Drive and Goliad Road.

### **Brooks Town Center**

The Brooks Town Center is located in the west, northwest area of the BDA campus. The area will serve as a walkable and integrated, open-air, multiuse development that is organized around a clearly identifiable and energized public realm where citizens can gather and strengthen their community bonds. It is anchored by retail, dining, and leisure uses, as well as by vertical or horizontal residential uses. The Brooks Town Center development will include offices, hospitality, civic, and cultural uses. The Brooks Town Center will be the most dense and most diverse part of the BDA's community, with strong connections to its historical heritage and geographic surroundings.

The infrastructure design will support a well-conceived street and block pattern and network – a sound pattern and an effective street and open-space plan which allows flexibility and adaptability that permits the public realm to evolve, change, and grow over time. Emphasis is placed on connectivity and design of streets, sidewalks, plazas, squares, parks, promenades, courtyards, walkways connecting to parking facilities and surrounding areas, enclosed public spaces, public and civic buildings, cultural facilities, and parking facilities.