

CITY OF SAN ANTONIO PRE-K EDUCATION CENTER

1235 Old Highway 90 W, San Antonio, TX 78237



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OFFERING STATEMENT / DISCLAIMER

CITY OF
SAN ANTONIO
PRE-K

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If you have no further interest in the Property, please return this Investment Offering forthwith.

InvestCore Commercial, Inc.
3910 W. Point Loma Blvd, 2nd Floor
San Diego, CA 92110



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THE LEASE IS GUARANTEED BY THE CITY OF SAN ANTONIO WHO HOLDS THE HIGHEST INVESTMENT GRADE RATING FROM STANDARD & POORS OF 'AAA'

INVESTMENT SUMMARY

Densely Populated Trade Area

- Nearly 100,000 people in a 3-mile radius and over 25,000 households.

Joint Base San Antonio (JBSA)

- As of 2010, JBSA includes Lackland Air Force Base, US Army Fort Sam Houston, and US Air Force Randolph Air Force Base.
- One of 12 joint bases in the US.
- Lackland is the sole location for US Air Force enlisted Basic Military Training for Active Duty Air Force, Air Force Reserve and Air National Guard.

San Antonio Food Bank

- The SA Food Bank provides 50 million pounds of food to fight hunger throughout Southwest Texas
- 500 partner agencies servicing 16 counties

151

67,000 CPD

90

19,769 CPD



CITY OF SAN ANTONIO PRE-K

Wrenn Middle School

- 671 Students

Missions Baseball Academy

- Opened in 2013, developed on 32 acres and consists of 4 major league size baseball fields.

Glazer's Distribution Warehouse

- 450,000 SF facility
- One of the most successful sales and marketing organizations in the wholesale beverage alcohol distribution industry



INVESTMENT SUMMARY

CITY OF
SAN ANTONIO
PRE-K

EXECUTIVE SUMMARY

Tenant:	City of San Antonio (highest credit rating of 'AAA' by S&P)
Use:	Pre-K Facility
Address:	1235 Old Highway 90 W, San Antonio, TX 78237
Building Size:	~50,150 SF
Land Size:	~237,837 SF (5.46 acres)
Year Built:	2014
Rent Commencement:	August 1, 2014
Lease Expiration:	July 31, 2021
Primary Term:	7 Years
Options:	Two (2) 8-year options to extend
Lease Type:	NNN
Rent Increases:	12% increases in each option

RENT SCHEDULE

Term	Years	Date of Increase	Annual Rent	% Increase
Primary	1-7		\$827,475	
Option 1	8-15	August 1, 2021	\$926,772	12%
Option 2	16-23	August 1, 2029	\$1,037,984	12%

OFFERING TERMS

Price:	\$13,413,448
TI Holdback*:	(\$2,000,000) - See Notes
Net Price:	\$11,413,448
Cap Rate:	7.25%



NOTES

Tenant Purchase Option: At the expiration of the primary term, the City has the option to purchase for \$13,200,000

(*)TI Holdback: If tenant does not elect to exercise their purchase option and exercises their first option period, Landlord is responsible for reimbursing tenant with the \$2,000,000 TI Holdback.

If the City of San Antonio exercises first option:

Option 1 NOI	\$926,772
Original Investment	\$11,413,448
TI Funding	\$2,000,000
Revised investment	\$13,413,448
Return on 8/1/2021	6.91%



INVESTMENT SUMMARY

**CITY OF
SAN ANTONIO
PRE-K**

INVESTMENT HIGHLIGHTS

INVESTMENT GRADE TENANT | CITY OF SAN ANTONIO

- The lease is guaranteed by the City of San Antonio, a fiscally sound government who holds the highest Standard & Poors credit rating of AAA
- The City of San Antonio has made the expansion of Pre-K education one of its top priorities and programs and backed by the Mayor, who was recently appointed Secretary of the HUD.

IDEAL DEMOGRAPHICS FOR PRE-K EDUCATION FACILITY

- The median age in the area is 30.3 years old representing a number of young families looking for Pre-K child care.
- Highly populated area of West San Antonio with over 320,000 people in a 5 mile radius.
- Strong annual growth rate of 1.25% expected in 2013-2018 in the 5-mile radius

STRONG INVESTMENT FUNDAMENTALS

- Brand new construction of a freestanding 50,000 square foot building.
- New NNN lease in place upon the opening of the Pre-K, which is expected to be approximately August 1, 2014.
- Above average increases of 12% in each of the option periods.
- Ideal 1031 exchange property

PROXIMITY TO JOINT CASE SAN ANTONIO (LACKLAND)

- The Pre-K is ideally located less than 3 miles north of Joint Base San Antonio (Lackland), an amalgamation of the United States Army Fort Sam Houston, the United States Air Force Randolph Air Force Base and Lackland Air Force Base, which were merged on 1 October 2010. It is one of twelve formed in the US.
- The combination of the three bases supports more than 250,000 personnel and 80,000 members.
- There is no other public Pre-K facility in the immediate trade area surrounding the base.





INVESTMENT SUMMARY

CITY OF
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PRE-K

IN THE NEWS: Recent Articles on the Pre-K Initiative and The City of San Antonio's Highest Rating in Country

San Antonio Pre-K Push Gets Obama Administration Spotlight

The folks in San Antonio Mayor Julian Castro's office are continuing to collect praise for their city-run Pre-K 4 SA preschool program, including a high-five from an Obama administration official.

George Sheldon, the acting assistant secretary for the division of the U.S. Department of Health and Human Services, which administers Head Start, told reporters during a visit to the Tynan Early Childhood Education Center April 24 that he was impressed by the city's investment in preschool education, the San Antonio News-Express stated.

San Antonio Maintains Best Bond Rating of Any Major City in the Country

The City of San Antonio's 'AAA' general obligation bond rating has been re-affirmed by the three major rating agencies – Standard & Poor's, Fitch, and Moody's – for the sixth time since 2010. The 'AAA' bond rating is the highest credit rating an organization can receive and it allows the City to pay the lowest possible interest rates in the market. San Antonio is the only major city with a population of more than one million to have a 'AAA' bond rating from any one of the major rating agencies, let alone all three. According to the bond rating reports, some of the factors contributing to San Antonio's 'AAA' bond rating are its strong fiscal performance, strengthened financial management policies, strong budgetary flexibility, experienced management team and a strong and vibrant regional economy.



Joaquin Castro Turns Brother Julian's "Pre-K For SA" Into "Pre-K For USA"

The Pre-K for USA Act would allow local education agencies and cities to tap directly into the Fed Led Ed spigot through grant programs and cut out state legislatures entirely in the creation and development of preschool programs.

This is not entirely new to Texas. In 2013, the Houston Independent School District applied to the Race to the Top (RTTT) program through the U.S. Department of Education's "district" option (RTT-D), which allows for a district in a non participating state to go directly to the Fed Led Ed folks. Houston ISD was a \$30 million winner. Texas continues to be a non-Common Core participating state but Houston ISD feeds at the federal trough. RTTT and RTT-D are taxpayer funded.

San Antonio Pre-K model for Memphis push for education sales-tax increase

San Antonio has several things in common with Memphis — including widespread poverty (nearly 20 percent in San Antonio) and below-average rates of educated residents (fewer than one in five adults have college degrees).

Some Memphis leaders hope that, after Thursday's vote on a sales-tax referendum to fund prekindergarten programs, Memphis will have something else in common with San Antonio. Over the summer, the Texas city opened two pre-K centers funded by an eighth-of-a-cent sales tax hike voters approved a year ago.



INVESTMENT SUMMARY

**CITY OF
SAN ANTONIO
PRE-K**

ABOUT THE SAN ANTONIO PRE-K INITIATIVE

BACKGROUND

In 2011, Mayor Julián Castro convened a blue ribbon task-force of Chief Executive Officers, Superintendents, and education professionals to identify the most effective method for improving the quality of education in San Antonio. The Brainpower Taskforce recommended the development of a program focused on high-quality prekindergarten services for four-year-old children.

INITIATIVE OVERVIEW

This proposed initiative will provide four-year-olds high-quality prekindergarten education through:

- Four Education Center facilities serving 500 students each with full-day Pre-K instruction
- Competitive Grant Awards to local independent school districts and other education providers to educate 1,700 children annually
- Professional Development for Pre-K through Grade 3 educators
- Proposed program over eight (8) years
- July 1, 2013 – June 30, 2021
- When program is fully implemented, 3,700 four-year-olds will be educated annually through Pre-K 4 SA initiative
- 22,400 four-year-olds served over eight-year period
- City will partner with school districts and other education amenities to provide service
- Funded by 1/8 cent increase in local (San Antonio) sales tax rate (1/8 cent per \$1.00 of taxable purchase) beginning April 1, 2013

PURPOSE AND GOALS

To improve quality and quantity of prekindergarten education for four-year-olds citywide:

- Achievement gaps reduced by at least 25% in language, 33% in math, and 90% in literacy when compared to kindergarten students who do not attend Centers
- By 3rd grade, students from Centers should close the achievement gap in STAAR reading and math assessments by at least 10%
- 20% to 40% Reduction in special education placement and grade retention
- To provide high-quality professional development for all Pre-K through 3rd grade educators in the City
- To help prepare our children for the 21st century job market

Pre-K 4 SA Education Centers (2014 - 2015 School Year)



For more information, please visit their website at <http://www.sanantonio.gov/Pre-K4SanAntonio.aspx>.

PROPERTY DESCRIPTION

Downtown San Antonio

- Less than 10 miles away

CITY OF SAN ANTONIO PRE-K

19,769 CPD

90

151

67,000 CPD



PROPERTY DESCRIPTION

CITY OF
SAN ANTONIO
PRE-K

SUBJECT PROPERTY - EXTERIOR





PROPERTY DESCRIPTION

CITY OF
SAN ANTONIO
PRE-K

SUBJECT PROPERTY - INTERIOR

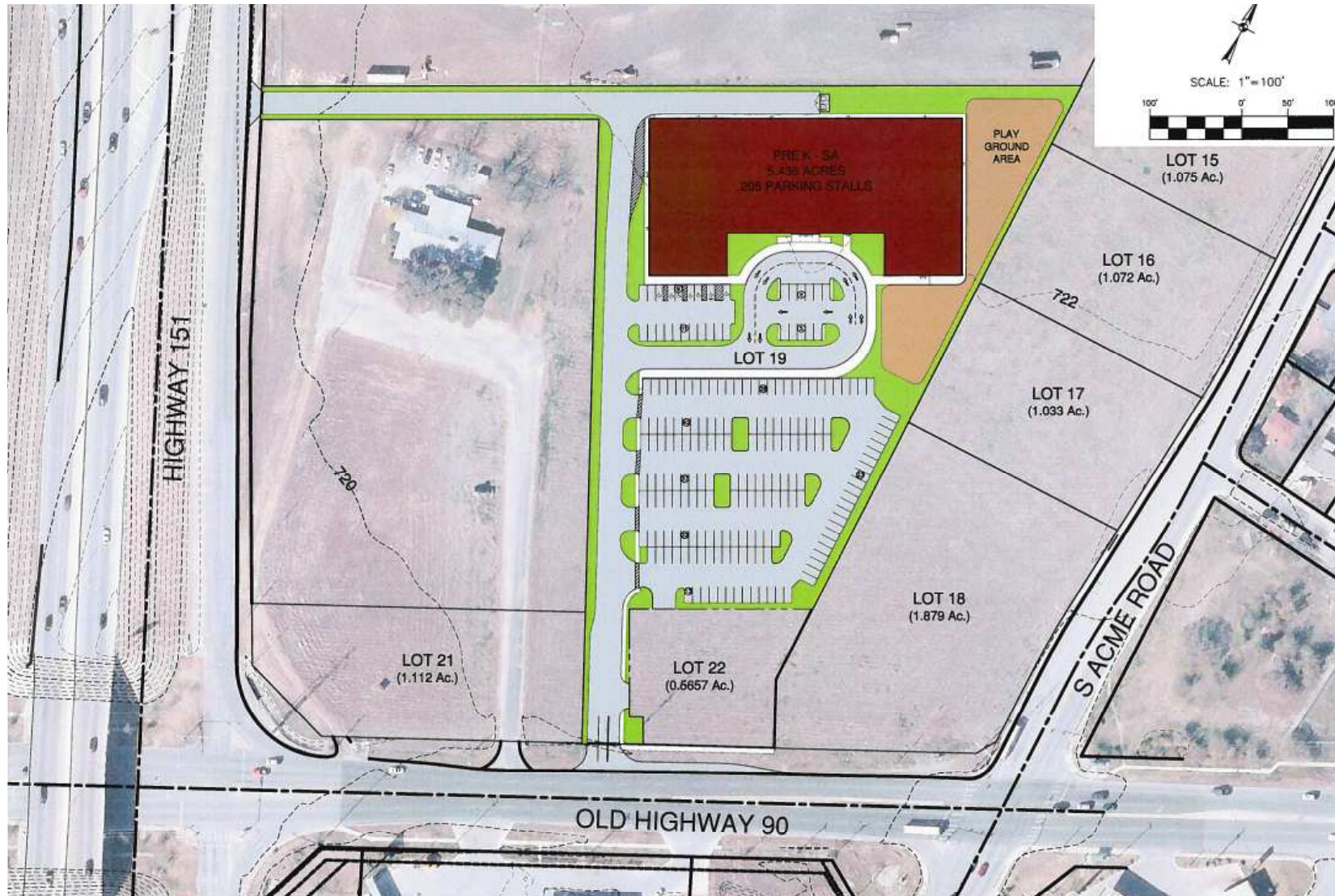




PROPERTY DESCRIPTION

CITY OF
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PRE-K

SITE PLAN

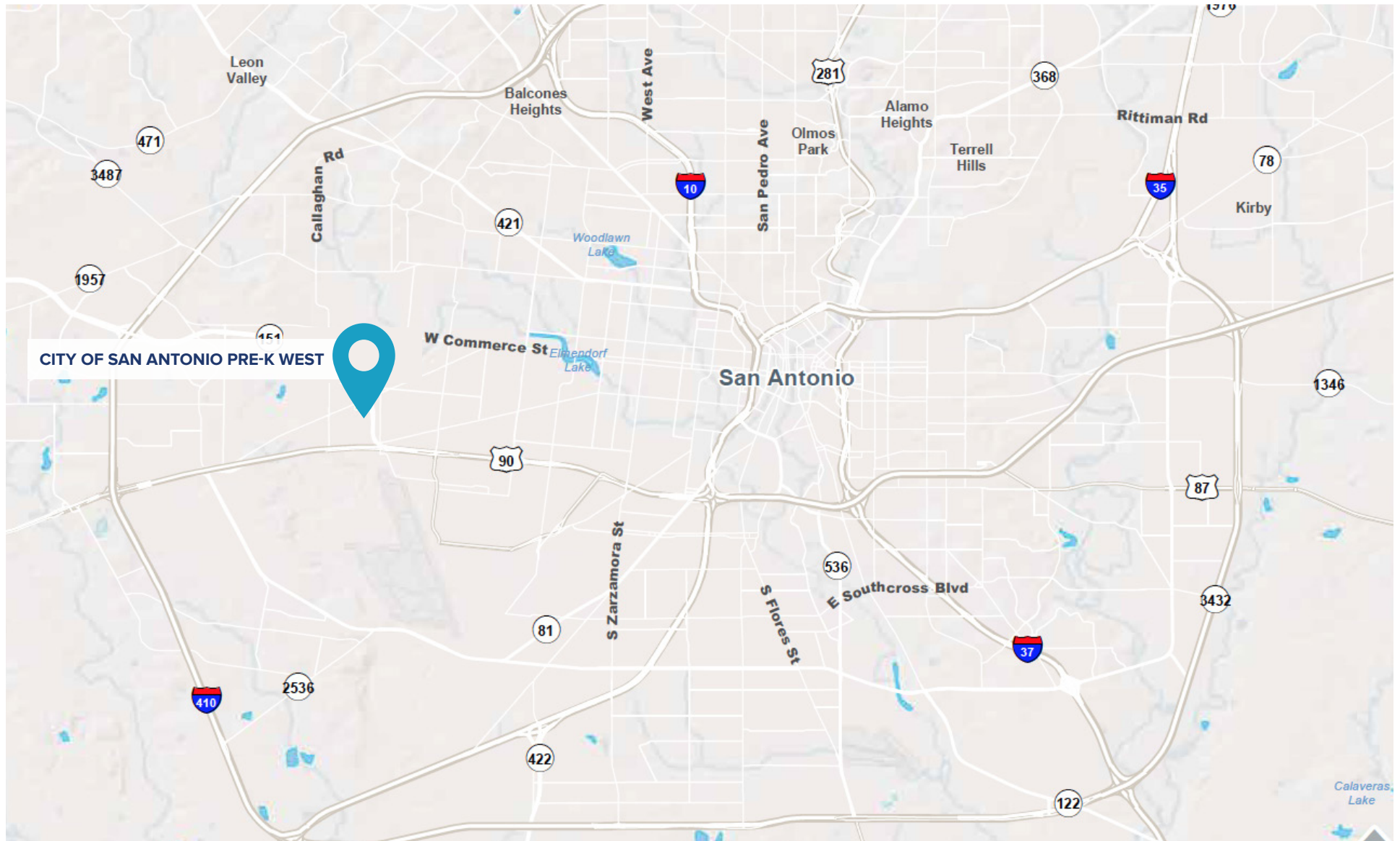




PROPERTY DESCRIPTION

CITY OF
SAN ANTONIO
PRE-K

STREET MAP





PROPERTY DESCRIPTION

CITY OF
SAN ANTONIO
PRE-K

AERIAL



AREA OVERVIEW

San Antonio Food Bank

- The SA Food Bank provides 50 million pounds of food to fight hunger throughout Southwest Texas
- 500 partner agencies servicing 16 counties

Glazer's Distribution Warehouse

- 450,000 SF facility
- One of the most successful sales and marketing organizations in the wholesale beverage alcohol distribution industry

67,000 CPD

151

90

19,769 CPD

CITY OF SAN ANTONIO PRE-K

Wrenn Middle School

- 671 Students

	1 mi.	3 mi.	5 mi.
Population	8,880	97,624	329,179
HH Income	\$36,312	\$37,140	\$41,332
Households	2,628	28,290	104,484



AREA OVERVIEW

CITY OF
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MARKET SUMMARY

- Seventh-largest city in the United States.
- Third-largest city within the state of Texas, with a population of 1.4 million.
- Located in the American Southwest and the south central part of Texas, the city serves as the seat of Bexar County.
- San Antonio has characteristics of other western urban centers in which there are sparsely populated areas and a low density rate outside of the city.
- Fastest growing of the top 10 large city in the nation from 2000 to 2010.
- The San Antonio–New Braunfels metropolitan area has a population of nearly 2.1 million based on the 2009 U.S. Census estimate, making it the 28th largest metropolitan area in the U.S and third in Texas.

San Antonio has a diversified economy with four primary focuses: financial services, government, health care, and tourism. Located northwest of the city center is the South Texas Medical Center, which is a conglomerate of various hospitals, clinics, and research and higher educational institutions. The city is also home to one of the largest military concentrations in the United States. The defense industry in San Antonio employs over 89,000 and provides a \$5.25 billion impact to the city's economy.

Twenty million tourists visit the city and its attractions every year, contributing a substantial amount to the city's economy. The jewel of the city is the River Walk, which meanders through the downtown area. Lined with numerous shops, bars, and restaurants, as well as the Arneson River Theater, this attraction is transformed into an impressive festival of lights during the Christmas and New Year holiday period, and is suffused with the local sounds of folklorico and flamenco music during the summer, particularly during celebrations such as the Fiesta Noche del Rio. The Henry B. Gonzalez Convention Center alone hosts more than 300 events each year with over 750,000 convention delegates from around the world. Finally, the Alamo is Texas' top tourist attraction, drawing over 4 million visitors each year. Tourism employs 94,000 citizens and makes an economic impact of over \$10.7 billion in the local economy as revealed in the Economic Impact Study conducted every two years by the San Antonio Tourism Council and the research team of

Dr. Richard Butler and Dr. Mary Stefl of Trinity University. Tourism also brings new annual revenues to the City of San Antonio and other governmental entities with the hotel & motel tax, sales taxes and other revenues from hospitality agreements and contracts. This number exceeded over \$160 million in the 2004 study.

San Antonio is home to five Fortune 500 companies: Valero Energy Corp, Tesoro, USAA, Clear Channel Communications, and NuStar Energy. H-E-B, the 19th largest private company in the United States is also headquartered in San Antonio. Some other influential companies based out of San Antonio are: Kinetic Concepts, Frost National Bank, Harte-Hanks, Eye Care Centers of America, Bill Miller Bar-B-Q Enterprises, Taco Cabana, and Rackspace.





AREA OVERVIEW

DEMOGRAPHICS

	1 mile	3 miles	5 miles
Population			
2000 Population	7,489	93,614	297,692
2010 Population	8,530	97,206	315,576
2013 Population	8,674	98,648	323,849
2018 Population	9,193	103,701	344,596
2000-2010 Annual Rate	1.31%	0.38%	0.59%
2010-2013 Annual Rate	0.52%	0.45%	0.80%
2013-2018 Annual Rate	1.17%	1.00%	1.25%
2013 Male Population	49.8%	49.5%	49.6%
2013 Female Population	50.2%	50.5%	50.4%
2013 Median Age	30.8	29.6	30.3

In the identified area, the current year population is 323,849. In 2010, the Census count in the area was 315,576. The rate of change since 2010 was 0.80% annually. The five-year projection for the population in the area is 344,596 representing a change of 1.25% annually from 2013 to 2018. Currently, the population is 49.6% male and 50.4% female.

Median Age

The median age in this area is 30.3, compared to U.S. median age of 37.3.

Race and Ethnicity

2013 White Alone	63.8%	71.0%	71.8%
2013 Black Alone	8.1%	3.3%	4.3%
2013 American Indian/Alaska Native Alone	1.5%	1.3%	1.1%
2013 Asian Alone	0.2%	0.3%	0.9%
2013 Pacific Islander Alone	0.0%	0.1%	0.1%
2013 Other Race	23.5%	20.9%	18.5%
2013 Two or More Races	2.8%	3.0%	3.2%
2013 Hispanic Origin (Any Race)	89.6%	90.0%	83.7%

Persons of Hispanic origin represent 83.7% of the population in the identified area compared to 17.4% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 62.3 in the identified area, compared to 62.1 for the U.S. as a whole.

Households

2000 Households	2,160	26,299	92,294
2010 Households	2,498	27,916	100,672
2013 Total Households	2,553	28,448	103,541
2018 Total Households	2,719	30,064	110,786
2000-2010 Annual Rate	1.46%	0.60%	0.87%
2010-2013 Annual Rate	0.67%	0.58%	0.87%
2013-2018 Annual Rate	1.27%	1.11%	1.36%
2013 Average Household Size	3.36	3.30	3.00

The household count in this area has changed from 100,672 in 2010 to 103,541 in the current year, a change of 0.87% annually. The five-year projection of households is 110,786, a change of 1.36% annually from the current year total. Average household size is currently 3.00, compared to 3.00 in the year 2010. The number of families in the current year is 73,549 in the specified area.



AREA OVERVIEW

DEMOGRAPHICS

	1 mile	3 miles	5 miles
Median Household Income			
2013 Median Household Income	\$26,793	\$27,936	\$30,989
2018 Median Household Income	\$30,497	\$31,014	\$35,900
2013-2018 Annual Rate	2.62%	2.11%	2.99%
Average Household Income			
2013 Average Household Income	\$35,635	\$37,079	\$40,303
2018 Average Household Income	\$41,262	\$42,593	\$46,525
2013-2018 Annual Rate	2.98%	2.81%	2.91%
Per Capita Income			
2013 Per Capita Income	\$10,688	\$11,742	\$13,800
2018 Per Capita Income	\$12,388	\$13,348	\$15,820
2013-2018 Annual Rate	3.00%	2.60%	2.77%

Households by Income

Current median household income is \$30,989 in the area, compared to \$51,314 for all U.S. households. Median household income is projected to be \$35,900 in five years, compared to \$59,580 for all U.S. households

Current average household income is \$40,303 in this area, compared to \$71,842 for all U.S. households. Average household income is projected to be \$46,525 in five years, compared to \$83,667 for all U.S. households

Current per capita income is \$13,800 in the area, compared to the U.S. per capita income of \$27,567. The per capita income is projected to be \$15,820 in five years, compared to \$32,073 for all U.S. households

Housing			
2000 Total Housing Units	2,281	27,695	97,928
2000 Owner Occupied Housing Units	1,566	16,996	53,085
2000 Owner Occupied Housing Units	594	9,303	39,209
2000 Vacant Housing Units	121	1,396	5,634
2010 Total Housing Units	2,666	30,618	110,598
2010 Owner Occupied Housing Units	1,604	17,361	54,847
2010 Renter Occupied Housing Units	894	10,555	45,825
2010 Vacant Housing Units	168	2,702	9,926
2013 Total Housing Units	2,764	31,347	113,784
2013 Owner Occupied Housing Units	1,624	17,384	55,294
2013 Renter Occupied Housing Units	929	11,064	48,247
2013 Vacant Housing Units	211	2,899	10,243
2018 Total Housing Units	2,965	33,204	121,257
2018 Owner Occupied Housing Units	1,764	18,689	60,148
2018 Renter Occupied Housing Units	955	11,376	50,638
2018 Vacant Housing Units	246	3,140	10,471

Currently, 48.6% of the 113,784 housing units in the area are owner occupied; 42.4%, renter occupied; and 9.0% are vacant. Currently, in the U.S., 56.4% of the housing units in the area are owner occupied; 32.3% are renter occupied; and 11.3% are vacant. In 2010, there were 110,598 housing units in the area - 49.6% owner occupied, 41.4% renter occupied, and 9.0% vacant. The annual rate of change in housing units since 2010 is 1.27%. Median home value in the area is \$104,219, compared to a median home value of \$177,257 for the U.S. In five years, median value is projected to change by 3.77% annually to \$125,421.



INFORMATION ABOUT BROKERAGE SERVICES

CITY OF
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Before working with a real estate broker, you should know that the duties of a broker depend on whom the broker represents. If you are a prospective seller or landlord (owner) or a prospective buyer or tenant (buyer), you should know that the broker who lists the property for sale or lease is the owner's agent. A broker who acts as a subagent represents the owner in cooperation with the listing broker. A broker who acts as a buyer's agent represents the buyer. A broker may act as an intermediary between the parties if the parties consent in writing. A broker can assist you in locating a property, preparing a contract or lease, or obtaining financing without representing you. A broker is obligated by law to treat you honestly.

IF THE BROKER REPRESENTS THE OWNER

The broker becomes the owner's agent by entering into an agreement with the owner, usually through a written-listing agreement, or by agreeing to act as a subagent by accepting an offer of subagency from the listing broker. A subagent may work in a different real estate office. A listing broker or subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first. The buyer should not tell the owner's agent anything the buyer would not want the owner to know because an owner's agent must disclose to the owner any material information known to the agent.

IF THE BROKER REPRESENTS THE BUYER

The broker becomes the buyer's agent by entering into an agreement to represent the buyer, usually through a written buyer representation agreement. A buyer's agent can assist the owner but does not represent the owner and must place the interests of the buyer first. The owner should not tell a buyer's agent anything the owner would not want the buyer to know because a buyer's agent must disclose to the buyer any material information known to the agent.

IF THE BROKER ACTS AS AN INTERMEDIARY

A broker may act as an intermediary between the parties if the broker complies

with The Texas Real Estate License Act. The broker must obtain the written consent of each party to the transaction to act as an intermediary. The written consent must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. The broker is required to treat each party honestly and fairly and to comply with The Texas Real Estate License Act. A broker who acts as an intermediary in a transaction:

- (1) shall treat all parties honestly;
- (2) may not disclose that the owner will accept a price less than the asking price unless authorized in writing to do so by the owner;
- (3) may not disclose that the buyer will pay a price greater than the price submitted in a written offer unless authorized in writing to do so by the buyer; and
- (4) may not disclose any confidential information or any information that a party specifically instructs the broker in writing not to disclose unless authorized in writing to disclose the information or required to do so by The Texas Real Estate License Act or a court order or if the information materially relates to the condition of the property.

With the parties' consent, a broker acting as an intermediary between the parties may appoint a person who is licensed under The Texas Real Estate License Act and associated with the broker to communicate with and carry out instructions of one party and another person who is licensed under that Act and associated with the broker to communicate with and carry out instructions of the other party.

If you choose to have a broker represent you, you should enter into a written agreement with the broker that clearly establishes the broker's obligations and your obligations. The agreement should state how and by whom the broker will be paid. You have the right to choose the type of representation, if any, you wish to receive. Your payment of a fee to a broker does not necessarily establish that the broker represents you. If you have any questions regarding the duties and responsibilities of the broker, you should resolve those questions before proceeding.