Midtown Redevelopment Authority

FINANCIAL STATEMENTS

June 30, 2026



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midtown Redevelopment Authority
Houston, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Midtown Redevelopment Authority (the Authority), a component of the City of Houston, Texas, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

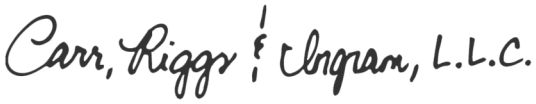
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedule – all funds, schedule of operating and capital expenditures, the schedule of estimated project costs to actual costs, the schedule of properties held – land held for resale and the schedule of capital assets (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Houston, Texas
September 28, 2026

The purpose of this discussion and analysis of Midtown Redevelopment Authority's (the Authority) financial statements is to help readers understand what the financial statements and notes in this financial report say about the Authority's financial health and why it changed since last year. This discussion and analysis includes comparative data for the year ended June 30, 2026 with the year ended June 30, 2025. Since Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and the footnotes.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rena Leddy or Steve Gibson, Co-CEOs, 410 Pierce Street, Suite 355, Houston, Texas 77002.

OVERVIEW OF THE FINANCIAL STATEMENTS

Under Governmental Accounting Standards Board, the Authority qualifies as a special purpose government with one program - redevelopment of Midtown.

The Authority's financial report contains basic financial statements. The financial statements present the Authority's finances at both an overall and detailed level.

Government-wide statements, which use the *economic resources measurement focus* and *accrual basis of accounting*, are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business. The Statement of Net Position includes all of the Authoriy's assets (resources the Authority controls), liabilities (amounts the Authority owes), deferred outflows of resources and deferred inflows of resources (flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related), with the difference between them presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal year. All the current year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

The fund financial statements report information about the Authority using the *current financial resources measurement focus* and *modified accrual basis of accounting*, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as revenue bonds, but they do report the flows of current financial resources related to those items; for example, the proceeds from issuing bonds as well as principal and interest payments on bonds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Authority has five governmental funds, including the general fund, the Authority's main operating fund, a debt service fund to record the repayment of outstanding bonds, a capital projects fund account for resources used for capital projects of the Authority that are paid with funds from tax increment bonds, an infrastructure and project fund account for resources used for capital projects of the Authority that are paid with tax increments, and an affordable housing fund to account for resources that are required to be used for affordable housing projects.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the basic financial statements.

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page 21.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the Authority's finances as reported in the financial statements. The information in the notes is as important to understanding the Authority's finances as the information in the financial statements. The Authority uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain commitments or contingencies).

FINANCIAL SUMMARY AND DETAILED ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the creation of the Tax Increment Reinvestment Zone Number Two (Midtown TIRZ or Zone) in 1995, the appraised base year value for real property located within the Zone was $157.1 million. With the addition of four annexations of land in each of 1997, 1999, 2009 and 2015, the appraised base year value for real property located within the Zone increased to $287.6 million. The preliminary ad valorem tax value for tax year 2025 (collectible Fiscal Year 2026) of real property located within the Zone is $3.335 billion.

The Authority continues its 2015 Management Agreement with Midtown Improvement and Development Corporation (MIDCorp), doing business as Midtown Parks Conservancy (MPC), to operate, maintain, and preserve key parks and facilities, including Bagby Park, Midtown Park, and the associated underground parking structure. Capital replacement and renewal of improvements to Midtown Park, Bagby Park, and Main Street were completed in fiscal year 2026. With an expanding portfolio of projects, the Zone remains committed to ensuring long-term operations and maintenance funding for fiscal year 2027.

The Caroline Street Project—comprising roadway, infrastructure, bicycle, and streetscape enhancements between Pierce and Elgin—was substantially completed in fiscal year 2024. Total costs exceeded $14 million, of which $5.5 million was funded by a Texas Department of Transportation (TxDOT) grant. The project included green stormwater and sustainable streetscape elements similar to those installed on Bagby Street. TxDOT has initiated final project closeout which will require payment of the remaining balance to TxDOT for construction and TxDOT management fees.

Planning and design began in fiscal year 2023 for roadway reconstruction, infrastructure upgrades, and streetscape enhancements along Brazos Street from St. Joseph to Elgin. The project will incorporate Low Impact Development (LID) strategies, green stormwater infrastructure, and sustainable streetscape elements similar to those on Bagby Street. The project has been placed on a temporary hold by the City of Houston to ensure the design aligns with infrastructure mandates of the current administration.

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Authority continued work on implementation of the Urban Redevelopment Plan's recommended priority programs and incentives developed based on feedback gathered during Developer Engagement Workshops. Recommended priority programs and incentives are intended to address barriers to development, increase awareness of available incentive programs, and explore new programs to encourage future development in Midtown.

The Authority continued planning and design efforts for additional street pavement and sidewalk improvement projects associated with its Street Overlay and Safe Sidewalk Programs. Work includes comprehensive mill and asphalt overlay with crosswalk and pavement marking improvements and sidewalks generally 5 feet to 6 feet. Improvements will be constructed in phases with priority based on pavement condition ratings, sidewalk conditions assessment, and community feedback. Corridors currently in design include Isabella, Truxillo, Jackson, Chenevert, Hadley, Cleburne, and Caroline Streets.

The Authority continued planning and funding coordination for cap parks and signature bridges related to the Texas Department of Transportation North Houston Highway Improvement Project (NHHIP). Houston-Galveston Area Council (HGAC) awarded a grant to the City of Houston for Segment 3A caps and 3B2 bridges along IH 69/US 59 in Midtown. The $78.8 million grant package includes caps at Caroline–Wheeler ($15.3 million), Almeda–Cleburne ($12.8 million), Fannin ($33.2 million) and signature bridges at Elgin, McGowen, Tuam ($5.8 million each). The Authority will continue coordination with City and TxDOT on incorporation of the grant funded improvements into the NHHIP project.

As part of TxDOT's NHHIP, the Authority will continue collaboration with TxDOT and the City of Houston on the conceptual design for the Caroline/Wheeler Cap Park. This project will create new parkland above the reconstructed Midtown segment of I-59/69. Planning and feasibility studies will continue into fiscal year 2027.

The Authority continued discussions with CenterPoint Energy to install additional Midtown decorative streetlights beyond standard City spacing minimums. CenterPoint Energy iniiated design for proposed installation sites with. construction projected to begin in fiscal year 2027.

The Authority continues to advance its Affordable Housing Program, with a strong emphasis strategic partnerships and development agreements that expand access to quality housing for low- and moderate-income households.

Between 2005 and 2019, the Authority assembled over 5 million square feet of land in the Third Ward and Southeast Houston at a cost of $40.9 million. The Authority assists in the development of affordable housing by providing this land at no or low cost to both multifamily and single-family housing developers in exchange for the development of housing affordable to lower-income households. To date, the Authority has granted or sold to developers approximately 2.75 million square feet of affordable housing land. Once developed, the housing is sold to qualified buyers with household incomes not exceeding 120% of the area median income, as determined by the U.S. Department of Housing and Urban Development (HUD), or rented to qualified households with incomes not exceeding 80% of the area median income. Currently, the Authority has over 745,000 square feet of land under development for affordable housing. There are approximately 2 million square feet of land available for future development.

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2026, the Authority entered into a Development Agreement with Heart of Houston Community Development Corporation for the development of 22 affordable duplex housing units on 113,116 square feet of land. Additionally, the Authority amended existing agreements with the following developers: Boynton-Houston Community Development Corporation, Change Happens Community Development Corporation, Fifth Ward Community Revitalization Corporation, and the Herbert Stroman Foundation. The Board also approved a purchase and sale agreement with the City of Houston to convey a 101,978-square-foot tract of land for a future fire station.

Additionally, the Authority has partnered with City of Houston Housing and Community Development (HCD) Department for administration of its Affordable Housing Program in the Greater Third Ward community.

In fiscal year 2026 the Authority continued to work under the Amended 2017 Municipal Service Cost Agreement with the City and remitted approximately $730,000 to the City in July 2025 for the purposes of reimbursing the City for increased public safety services within the Zone. This agreement has automatically renewed annually at amounts determined pursuant to the adopted budget. In addition, the Zone and the Authority may pay all or a portion of certain supplemental services within the boundaries of the Zone, such as homeless initiatives, private security services, cleanup and trash/debris removal, and public safety education and coordination services.

The Ion District Economic Development Agreement with the Rice Management Company (RMC or Rice) and the Authority relates to the development of The Ion District on approximately 16 acres of land in the southern portion of the Midtown Zone. The innovation district development includes an approximately 300,000 square feet innovation hub (The Ion) and has a public realm, mixed-use development with community spaces of plazas, educational/cultural spaces, a parking garage, restaurant and retail spaces, walkways and gardens on multiple blocks of property located in the southern portion of the Midtown Zone and is generally situated between Isabella Street to the North, Ruth Street to the West, Wheeler Avenue to the South and Austin Street to the East. As part of the agreement, RMC plans to construct and install certain public infrastructure and improvements which will significantly contribute to the economic improvement and development of the Midtown Zone. The construction of the initial phase of public improvements and the parking garage are completed. Midtown paid $274,525 in October 2025 as payment of The Ion District Economic Development Agreement.

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's net position at June 30:

	2026	2025
Assets		
Cash, cash equivalents and investments	**$ 60,326,000**	$ 60,851,000
Tax increment receivables	**-**	2,004,000
Grant receivable	**200,000**	-
Other receivables	**320,000**	352,000
Lease receivable	**827,000**	3,102,000
Property held for resale	**23,817,000**	24,285,000
Capital assets, net	**131,744,000**	134,915,000
Total assets	**217,234,000**	225,509,000
Liabilities		
Current liabilities	**4,793,000**	3,565,000
Other long-term liabilities	**37,410,000**	37,587,000
Loans and bonds payable – current	**3,775,000**	4,814,000
Loans and bonds payable – long-term	**58,342,000**	62,486,000
Total liabilities	**104,320,000**	108,452,000
Deferred inflow of resources	**861,000**	2,973,000
Net position		
Net investment in capital assets	**93,316,000**	92,756,000
Restricted	**51,139,000**	54,087,000
Unrestricted (accumulated deficit)	**(32,402,000)**	(32,759,000)
Total net position	**$ 112,053,000**	$ 114,084,000

Trust and operating cash accounts are invested in money market funds and local government investment pools (TexSTAR and LOGIC). All investments are stated at market value or amortized cost and are allowable under the Authority's investment policy and the Public Funds Investment Act.

Tax increment receivables at June 30 were due to the Authority from the following:

	2026	2025
Houston Community College System (HCCS)	**$ -**	$ 2,004,000
Total tax increment receivables	**$ -**	$ 2,004,000

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Net Position (Continued)

In 2026, other receivables include amounts due from Harris County Engineering Department as well as amounts due from other entities under memos of understanding for reimbursement of shared services. In 2025, other receivables include amounts due from other entities under memos of understanding for reimbursement of shared services.

The Authority has various lease operations that are reported in accordance with GASB Statement No. 87. Accordingly, lease receivable and deferred inflow balances of approximately $827,000 and $861,000, respectively, were included in the Statement of Financial Position as of June 30, 2026 compared to approximately $3,102,000 and $2,973,000, respectively, as of June 30, 2025. The change was the result of current year payments received, executed lease extensions, and the cancellation of leases during fiscal year 2026.

Property held for resale relates to the Authority's affordable housing land assemblage program. During fiscal year 2026, the Authority sold/granted 10 properties with a cost of approximately $468,000.

The decrease in capital assets, net, primarily relates to depreciation expense of approximately $3.4 million, along with retirements of approximately $13,000, partially offset by additions to capital assets of approximately $250,000.

In 2026 and 2025, other long-term liabilities consist of a long-term liability of $34.3 million to recognize the obligation to return a conveyed asset (a parking garage) back to a developer in December 2043 at the expected carrying value on that date. Additionally, at June 30, 2026 and 2025, there was approximately $3.1 million and $3.3 million, respectively, in unearned revenue related to the consideration paid upfront by the developer for the right to operate the parking garage for a period through December 2043. The decrease in unearned revenue is due to amortization of unearned revenue of approximately $176,000 in fiscal year 2026.

The net increase in current liabilities relates primarily to an increase in developer reimbursements accrued of approximately $251,000 due to timing of payments and the resolution of issues related to the developer agreement with Pearl, an increase of $417,000 related to the annual municipal services fee to the City, which increased in fiscal year 2026 based on updated calculations from the City, an additional increase in payables of $380,000 due to timing of payments and invoices, and an increase in retainage payable of $84,000 due to timing of project expenditures.

Activity related to long-term debt and bonds payable at June 30, 2026 and 2025 is discussed more fully in the "Significant Capital Asset and Long-Term Financing Activity" section below.

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Net Position (Continued)

At June 30, 2026 and 2025, the Authority has an unrestricted deficit of $32.4 million and $32.8 million, respectively. The deficit occurs by the Authority using bond funds and loans to pay for eligible project plan costs in current years in anticipation of receiving tax increments in future years. The Authority had net position restricted for debt service in the amount of $11.9 million and $13.0 million at June 30, 2026 and 2025, respectively; net position restricted for affordable housing in the amount of $39.2 million and $41.1 million at June 30, 2026 and 2025, respectively; and net position restricted for capital projects in the amount of $5.3 thousands and $5.1 thousands at June 30, 2026 and 2025, respectively. The Authority's total net position restricted for affordable housing includes amounts invested in land held for resale totaling $23.8 million and $24.3 million at June 30, 2026 and 2025, respectively.

Statement of Activities

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's operations for the years ended June 30:

	2026	2025
Revenues		
Tax increments	**$ 14,195,000**	$ 19,264,000
Lease revenue	**696,000**	1,323,000
Operating grants and contributions	**310,000**	290,000
Capital grants and contributions	**224,000**	-
Investment and other revenues (losses)	**1,760,000**	(1,671,000)
Total revenues	**17,185,000**	19,206,000
Expenses		
Current	**9,133,000**	7,775,000
Interest on debt service	**2,560,000**	2,771,000
Capital outlay on behalf of the City of Houston	**7,523,000**	8,215,000
Total expenses	**19,216,000**	18,761,000
Change in net position	**(2,031,000)**	445,000
Net position - beginning of year	**114,084,000**	113,639,000
Net position - end of year	**$ 112,053,000**	$ 114,084,000

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Activities (Continued)

The City and HISD have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. The base year for the original Zone is 1995, and the base year for the annexed area is 1999. HCCS began contributing to the Tax Increment Fund in 2009 (tax year 2008) upon execution of the Interlocal Agreement between the Authority, the Zone, HCCS and the City. The City remits tax increments collected by the City, HISD and HCCS on an annual basis. Tax increments decreased significantly in fiscal year 2026 due to the end of HISD participation in fiscal year 2025 (total HISD funds received in 2025 were approximately $5.1 million).

Lease revenue in fiscal year 2026 decreased substantially due to the cancellation of a lease at the Operations Center.

Significant amounts and changes related to non-tax increment revenues were as follows:

1. Reimbursements under interlocal agreements of $553,000 in fiscal year 2026 decreased approximately $332,000 as the agreements ended after the second quarter of fiscal year 2026 – see Note 7 to the financial statements.
2. Income from investments of approximately $1.72 million was consistent with prior year due to continued strong market conditions.
3. Capital and operating grants of $534,000 increased from prior year due mostly to a new $224,000 interlocal agreement between the City and the Authority. Related expenses from those grants decreased approximately $880,000 due to timing of when expenses were incurred.
4. Interest revenue on leases of approximately $48,000 decreased $60,000 from prior year due to the cancellation of a significant lease during the year.
5. Lease revenue of approximately $696,000 decreased approximately $620,000 from prior year due to the aforementioned cancellation of a significant lease.
6. Losses on the sale of affordable housing lots of approximately $485,000 decreased approximately $3,020,000 from prior year due to a significant decrease in the number of lots sold (lots are typically sold or granted for a nominal amount relative to their cost).
7. Miscellaneous revenues of approximately $181,000 decreased $220,000 due to build out reimbursements that were received in fiscal year 2025 but not 2026.

Capital outlay on behalf of the City of Houston funded from loan and bond proceeds and tax increments totaled 40% and 44% of total expenses in fiscal year 2026 and 2025, respectively. More detailed information about the Authority's capital outlays is presented in the supplementary information – Schedule of Operating and Capital Expenditures.

FINANCIAL SUMMARY AND DETAILED ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

General Fund

At the end of the current fiscal year, the Authority's general fund reported an ending fund balance of approximately $7.7 million, which is approximately $0.4 million less than the prior fiscal year. Approximately 0.7% of the fund balance, or $51,000, is related to leases and is considered nonspendable. Approximately 2.3% of the fund balances, or $176,000, is restricted to various capital projects. Approximately 97% of the fund balance, or $7.5 million, is assigned or available for spending at the government's discretion provided expenditures are allowable by the Authority's project plan and other legal authorities.

Infrastructure and Project Fund

At the end of the current fiscal year, the Authority's infrastructure and project fund reported an ending fund balance of approximately $17.8 million, which is approximately $1.1 million more than the prior fiscal year. Approximately 15% of the fund balance, or $2.6 million, is committed to various capital projects and developer and grant agreements entered into by the Authority. Approximately 85% of the fund balance, or $15.2 million, is assigned or available for spending at the government's discretion provided expenditures are allowable by the Authority's project plan and other legal authorities. The increase in the fund balance was due to an increase in specific contract commitments for future projects, as well as an increase in amounts assigned to future projects.

Capital Projects Fund

At the end of the current fiscal year, the Authority's capital projects fund reported an ending fund balance of approximately $5.3 thousand, which is similar to the prior fiscal year. The entirety of the fund balance is restricted for capital projects.

Affordable Housing Fund

At the end of the current fiscal year, the Authority's affordable housing fund reported an ending fund balance of approximately $39.2 million, which is approximately $1.9 million less than the prior fiscal year. Approximately 61% of the fund balance, or $23.8 milllion, is related to properties owned for purposes of building affordable housing and is considered nonspendable. Approximately (0.2%), or ($84,000), is related to leases and is also considered nonspendable. Approximately 39% of the fund balance, or $15.5 million, is restricted to affordable housing expenditures. The decrease in the fund balance was due to expenditures and transfers to other funds totaling $3.2 million, offset by approximately $1.3 million in net revenues from tax increments, investment income and sales of affordable housing lots.

Debt Service Fund

At the end of the current fiscal year, the Authority's debt service fund reported an ending fund balance of approximately $13.1 million, which is a decrease of approximately $1.2 million from the prior fiscal year. The entirety of the fund balance is restricted for debt service payments. The fund balance decreased due to reduced future annual obligations as notes and bonds are paid down or paid off.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

CAPITAL ASSETS

As of June 30, 2026, the Authority had approximately $131.7 million, net of accumulated depreciation, invested in a broad range of capital assets including land, land improvements, buildings and furniture, equipment, donated works of art and a conveyed structure.

More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

DEBT ADMINISTRATION

As of June 30, 2026 and 2025, the Authority has three series of Tax Increment Contract Revenue Bonds totaling $62,117,000 and $66,991,000, respectively. A debt service reserve fund in the amount of $13,396,113 is required based on an amount equivalent to the estimated annual debt service.

Total loans outstanding at June 30, 2025 were approximately $309,000. There were no loans outstanding at June 30, 2026.

The City limits the amount of debt that the Authority may incur. The current debt limitation that the City has approved for the Authority is $98 million for the issuance of bonds and $6 million for the issuance of notes, which are secured by tax increments paid by the City to the Authority pursuant to the Tri-Party Agreement.

Additional information on the Authority's long-term debt can be found in the notes to the basic financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Looking ahead, the Authority will continue to invest in infrastructure, mobility, public space, and housing initiatives that support the Midtown community's long-term growth and quality of life. Key projects anticipated for fiscal year 2027 and beyond include:

The Authority will continue implementation of the Urban Redevelopment Plan's recommended priority programs and incentives to address barriers to development, increase awareness of available incentive programs, and explore new programs to encourage future development in Midtown.

In coordination with the City of Houston, the Authority will use updated pavement condition data to prioritize and implement future asphalt overlays and repair and/or replace damaged sidewalks and accessibility ramps across Midtown's local street network. In fiscal year 2027, construction of street overlay and sidewalk improvements will begin on the following corridors: Isabella, Truxillo, Jackson, Chenevert, Hadley, Cleburne, and Caroline Streets.

The Authority has secured a $1,562,000 FTA grant and $179,000 Council District Service Funds (District D, CM Evans Shabazz) supporting mobility and pedestrian improvements along Cleburne Street and Caroline Street. No grant funds were expended in fiscal year 2026.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)

Planning and design will continue for public realm enhancements to the Brazos Street corridor between St. Joseph Parkway and Elgin Street. The project will address mobility, infrastructure, and pedestrian improvements to create a comfortable and safe corridor to better accommodate growing mobility and infrastructure demands and facilitate additional redevelopment. The project is partially funded through a Federal Transit Administration (FTA) grant.

Planning will begin for public realm enhancements to the Alabama Street corridor between Spur 527 and Chenevert Street. The project will address mobility, infrastructure, and pedestrian improvements to create a comfortable and safe corridor to better accommodate growing mobility and infrastructure demands and facilitate additional redevelopment. The project is partially funded through a FTA grant.

In partnership with The Goodman Corporation, the Authority will pursue federal, state, and local grants, including funding from the Federal Transit Administration, Texas Commission on the Arts, City of Houston Art Initiative Program, Houston-Galveston Area Council, and the Texas Department of Transportation. These resources will help advance large-scale public infrastructure, green space improvements, transit-oriented development, and public art installations.

Beginning in fiscal year 2027, the Authority expects to begin receiving a tax increment from Harris County; however, no agreement has yet been executed.

Midtown Redevelopment Authority
Statement of Net Position

June 30, 2026	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	$ 14,203,802
Investments	18,844,763
Grant receivables	200,000
Other receivables	319,953
Restricted assets	
Cash and cash equivalents	7,206,558
Investments	20,071,071
Lease receivable	827,402
Property held for resale	23,816,508
Capital assets, net	131,744,065
Total assets	217,234,122
Liabilities	
Accounts payable	3,473,805
Interest payable	1,232,551
Retainage payable	87,855
Unearned revenue	3,080,611
Other long-term liabilities	34,329,667
Bonds payable	
Due within one year	3,775,000
Due after one year	58,342,082
Total liabilities	104,321,571
Deferred Inflows of Resources	
Lease revenue	860,526
Total deferred inflows of resources	860,526
Net Position	
Net investment in capital assets	93,315,627
Restricted for	
Debt service	11,890,771
Affordable housing	39,242,838
Capital expenditures	5,270
Unrestricted (accumulated deficit)	(32,402,481)
Total net position	$ 112,052,025

The accompanying notes are an integral part of these basic financial statements.

Midtown Redevelopment Authority
Statement of Activities

For the year ended June 30, 2026		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities					
General government	$ 19,216,113	$ 1,249,299	$ 310,000	$ 224,406	$ (17,432,408)
Total primary government	19,216,113	1,249,299	310,000	224,406	(17,432,408)
General revenues					
Tax increments					14,195,350
Investment income					1,718,480
Other revenues (losses)					(513,333)
Total general revenues					15,400,497
Change in net position					(2,031,911)
Net position, beginning of year					114,083,936
Net position, end of year					$ 112,052,025

The accompanying notes are an integral part of these basic financial statements.

Midtown Redevelopment Authority
Balance Sheet – Governmental Funds

June 30, 2026	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 14,026,055	$ 177,747	$ -	$ -	$ -	$ 14,203,802
Investments	18,844,763	-	-	-	-	18,844,763
Grant receivables	200,000	-	-	-	-	200,000
Other receivables	319,953	-	-	-	-	319,953
Restricted assets						
Cash and cash equivalents	-	-	-	735,588	6,470,970	7,206,558
Investments	-	-	5,270	12,887,069	7,178,732	20,071,071
Lease receivable	696,185	-	-	131,217	-	827,402
Due to/from other funds	(20,741,127)	18,894,117	-	2,100,599	(253,589)	-
Property held for resale	-	-	-	23,816,508	-	23,816,508
Total assets	$ 13,345,829	$ 19,071,864	$ 5,270	$ 39,670,981	$ 13,396,113	$ 85,490,057
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	$ 1,709,646	$ 1,278,200	$ -	$ 213,168	$ 272,791	$ 3,473,805
Unearned revenue	3,080,611	-	-	-	-	3,080,611
Total liabilities	4,790,257	1,278,200	-	213,168	272,791	6,554,416
Deferred inflows of resources						
Operating grants and contributions	200,000	-	-	-	-	200,000
Lease revenue	645,551	-	-	214,975	-	860,526
Total deferred inflows of resources	845,551	-	-	214,975	-	1,060,526
Fund balances						
Nonspendable	50,634	-	-	23,732,750	-	23,783,384
Restricted	176,214	-	5,270	15,510,088	13,123,322	28,814,894
Committed	-	2,598,003	-	-	-	2,598,003
Assigned	7,483,173	15,195,661	-	-	-	22,678,834
Total fund balances	7,710,021	17,793,664	5,270	39,242,838	13,123,322	77,875,115
Total liabilities, deferred inflows of resources and fund balances	$ 13,345,829	$ 19,071,864	$ 5,270	$ 39,670,981	$ 13,396,113	$ 85,490,057

The accompanying notes are an integral part of these basic financial statements.

Midtown Redevelopment Authority
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

June 30, 2026

Total fund balance of governmental funds	$	77,875,115
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities, including conveyed assets, are not financial resources and therefore are not reported in the funds		131,744,065
Certain operating grants and contributions are not available for current period expenditures and therefore deferred in the funds		200,000
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds		(1,320,406)
Long-term liabilities, including those related to public-private partnership arrangements, are not due and payable in the current period and therefore are not reported in the funds		(96,446,749)
Net position of governmental activities	$	112,052,025

The accompanying notes are an integral part of these basic financial statements.

Midtown Redevelopment Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the year ended June 30, 2026	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Tax increments	$ 9,375,378	$ -	$ -	$ 838,123	$ 5,985,546	$ 16,199,047
Investment income	927,941	-	207	515,037	275,295	1,718,480
Lease revenue	327,181	-	-	416,907	-	744,088
Other revenues (expenses)	824,353	-	-	(484,571)	-	339,782
Total revenues	11,454,853	-	207	1,285,496	6,260,841	19,001,397
Expenditures						
Current						
Administration and support	4,359,420	-	-	109,267	-	4,468,687
Municipal services cost agreement	1,358,537	-	-	-	-	1,358,537
Capital outlay	-	4,229,644	-	3,454,005	-	7,683,649
Debt service						
Principal payments	308,968	-	-	-	4,505,000	4,813,968
Arbitrage rebate	-	-	-	-	272,791	272,791
Interest charges	1,496	-	-	-	2,646,146	2,647,642
Total expenditures	6,028,421	4,229,644	-	3,563,272	7,423,937	21,245,274
Excess (deficiency) of revenues over (under) expenditures	5,426,432	(4,229,644)	207	(2,277,776)	(1,163,096)	(2,243,877)
Other Financing Sources (Uses)						
Internal transfers	(5,782,224)	5,377,066	-	421,034	(15,876)	-
Net other financing sources (uses)	(5,782,224)	5,377,066	-	421,034	(15,876)	-
Net change in fund balances	(355,792)	1,147,422	207	(1,856,742)	(1,178,972)	(2,243,877)
Fund balances, beginning of year	8,065,813	16,646,242	5,063	41,099,580	14,302,294	80,118,992
Fund balances, end of year	$ 7,710,021	$ 17,793,664	$ 5,270	$ 39,242,838	$ 13,123,322	$ 77,875,115

The accompanying notes are an integral part of these basic financial statements.

Midtown Redevelopment Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2026

Change in total fund balance of governmental funds	$	(2,243,877)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital additions (total capital outlays of $7,683,649 less capital outlays on behalf of the City of Houston of $7,522,729)		250,252
Depreciation expense		(3,407,525)
In the statement of activities, only the gain/loss on the sale/disposal of capital assets is reported. However, in the government funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.		(13,498)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,813,968
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		369,039
Certain operating grants and contributions in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		200,000
Tax increments collected in the current year and reported as revenues in the funds were recognized as revenues in previous years in the statement of activities		(2,003,697)
Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities as they were reported when the liability was incurred, regardless of the timing of the related cash flow		3,427
Change in net position of governmental activities	$	(2,031,911)

The accompanying notes are an integral part of these basic financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midtown Redevelopment Authority (the Authority) is a local government corporation, incorporated on July 11, 1995 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code. The Authority was authorized by the City of Houston (the City) on June 28, 1995 to aid, assist and act on behalf of the City in the performance of the City's obligations with respect to Reinvestment Zone Number Two, City of Houston, Texas (Midtown TIRZ or Zone).

City of Houston Reinvestment Zone Number Two

Midtown TIRZ was created on December 14, 1994, under Chapter 311, Texas Tax Code (TIF Act), by the City, as a tax incremental reinvestment zone (TIRZ). The Midtown TIRZ originally consisted of 356 acres of the area known as Midtown. Of this total, 203 acres were designated for redevelopment during the life of the Midtown TIRZ (original area/Part A). In 1997, the City approved the addition of approximately 108 acres of land contiguous to the original zone (expanded area/Part B). In 1999, the City approved an additional six parcels of land, totaling approximately 153 acres that are contiguous to the original zone (expanded area/Part C) and in 2009, the City approved the enlargement of the Midtown TIRZ to include additional tracts of land immediately adjacent to the existing Zone which designated the Cultural District and the related facilities (expanded area/Part D). Part D consists of publicly owned land and is not presently taxed. Midtown TIRZ is authorized to provide new capital for public works and public improvements in Midtown. Midtown TIRZ provides a source of funding through the tax increments generated by redevelopment of the Midtown area. The area known as Midtown is generally located between the central business district of the City and the Texas Medical Center. During 2021, the City approved the extension of the life of the Zone until December 31, 2050.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements represent all the funds of the Authority. The Authority is a component unit of the City of Houston, Texas. Component units are legally separate entities for which the primary government is financially accountable. The City appoints voting Board Members and approves the Authority's budget. There are no separate legal entities that are a part of the Authority's reporting entity. In evaluating the Authority as a reporting entity, management has considered all potential component units in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Authority are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Authority does not have any component units or business-type activities.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Tax increments and investment income not included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. The Authority has five governmental funds: the general fund, the infrastructure and project fund, the capital projects fund, the affordable housing fund, and the debt service fund. The Authority does not have any proprietary or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax increments are recognized as revenues in the year for which the related taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and proceeds from sale of capital assets are reported as other financing sources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government which are used to implement the Authority's Project Plan and Reinvestment Zone Financing Plan (Project Plan).

The *Infrastructure and Project Fund* accounts for the construction of the Authority's capital projects from tax increments.

The *Capital Projects Fund* accounts for the construction of the Authority's projects funded with bond proceeds.

The *Affordable Housing Fund* accounts for the accumulation of financial resources for the payment of affordable housing projects.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of principal and interest on bonds issued by the Authority. Tax increments are used for the payment of principal and interest.

Budgetary Information

Budgetary Basis of Accounting

The Board adopted an unappropriated budget for the combined governmental funds of the Authority for the year ended June 30, 2025. The budget was approved by the Board in January 2026, but has not been approved by the City. The fiscal year 2026 budget for the Authority was not yet approved by the Board or the City. The Authority continued to operate under its board approved budget for fiscal year 2025 pursuant to Section VI of the Tri-Party Agreement between the City, the Authority and the Zone. As the budget is not legally adopted, as defined by GASB, the budgetary comparison schedule is presented as supplementary information.

The unappropriated budget is based on projected tax increments revenues and is prepared according to the Authority's Project Plan. The budget may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases and decreases in the budget may be made upon Board of Director's and the City's approval.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, and demand deposits held in banks with original maturities of three months or less from the date of acquisition.

Investments

Investments of the Authority consist of Texas Short Term Asset Reserve Program (TexSTAR) and Local Government Investment Cooperative (LOGIC), both local government investment pools created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR and LOGIC are administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc.

Investments for the Authority meet all the specified criteria in GASBSC Section I50: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the Authority's position in the pool is equal to the value of the pooled shares.

Receivables and Payables

Tax Increment receivables – Amounts due from the Authority are recorded in the general fund for annual tax increments not collected before year-end. As of June 30, 2026, the Authority believes all tax increment receivables are fully collectible, and, accordingly, no allowance has been created.

Grant receivables – Amounts due from other entities under grants not collected before year-end. As of June 30, 2026, the Authority believes all grant receivables are fully collectible, and accordingly, no allowance has been created.

Other receivables – Amounts due from the from other entities under memos of understanding are recorded in the general fund for reimbursement of shared services not collected before year-end. As of June 30, 2026, the Authority believes all other receivables are fully collectible, and, accordingly, no allowance has been created.

Lease receivables - The Authority's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Unearned revenue – Unearned revenue recorded on the accompanying financial statements represents amounts received before eligibility requirements are met.

Interfund Activities and Transactions

During the course of operations, the Authority has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds which are eliminated in the statement of net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Interfund Activities and Transactions (Continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and actions of the Board of Directors. Transfers between the funds are eliminated in the statement of activities.

Restricted Assets

Certain amounts of cash, cash equivalents and investments are restricted by revenue bond ordinances or enabling legislation. Restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bond debt service accounts – Includes certain proceeds from issuance of tax increment bonds set aside for the repayment of bonds obligations as set forth in the bond indentures.

Affordable housing accounts – Includes certain proceeds from both annual tax increments and issuance of tax increment bonds restricted for affordable housing.

Capital project accounts – Includes certain proceeds from issuance of tax increment bonds set aside for capital projects.

Property Held for Resale

Property held for resale consists of properties that the Authority has acquired for affordable housing and other properties held for future mixed-use development and are not used in the Authority's operations. The Authority intends to sell, lease or otherwise convey the properties to third parties for future development. Any properties sold, leased or otherwise conveyed by the Authority, related to affordable housing, will have a deed restriction to ensure the properties will be used only for affordable housing.

Capital Assets

Capital assets, which include land, buildings and improvements, works of art and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Donated assets are recorded at their acquisition value at the date of donation in accordance with GASB 72, *Fair Value Measurement and Application.*

Land and construction in progress are not depreciated. The other capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives (in years)
Works of art	3 - 25
Buildings and improvements	20 - 50
Equipment	3 - 5

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Public-Private Partnership Arrangements

Public-Private Partnership Arrangements (PPP), where the government retains control of the asset or service, are accounted for as unearned revenue initially, with revenue recognized over the term of the agreement as obligations are fulfilled. Assets and related liabilities are recorded in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority had no deferred outflows as of June 30, 2026.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has three (3) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to tax increment revenue is only reported on the governmental funds balance sheet and represents receivables that were not collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. As of June 30, 2026, the Authority does not have any deferred inflows related to tax increment revenue. The deferred inflows related to leases are associated with amounts owed to the Authority, as lessor, by entities leasing the Authority's capital assets and are reported on the governmental funds balance sheet and on the statement of net position. The deferred inflows related to operating grants and contributions is only reported in the governmental funds balance sheet and represents receivables that were not collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASBC Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are expensed during the current period. The debt proceeds are reported as other financing sources. Premiums received on debt issuances and discounts on debt issuances as well as payment to refunded bond escrow agent, when applicable, are reported as other financing uses. The payments of principal and interest are reported as expenditures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Authority considers restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The Authority considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance as required under GASB No. 54. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of the governmental fund is reported in various classifications based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balance are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balance is restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's Board of Directors. The Authority's Board of Directors is the highest level of decision-making authority for the Authority that can, by adoption of a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the motion remains in place until a similar action is taken (the adoption of another motion) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (Continued)

Assigned fund balance– Amounts that are constrained by the Authority's intent to be used for a specific purpose but do not meet the criteria to be classified as committed. This intent can be expressed by the Board of Directors through the budgetary process. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax increments revenue, interest earnings, and other revenue are reported as general revenues rather than as program revenues.

Tax increments – Tax increments represents a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the Midtown TIRZ since January 1, 1995 for the original area and January 1, 1999 for the annexed area. The City and Houston Community College System (HCCS) have agreed to deposit to the established Tax Increment Fund no later than May 1st of each year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the useful lives and recoverability of capital assets, leases and the liability related to the obligation to convey an asset in the future.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 28, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting blueprint to enhance its effectiveness in providing essential information and to address certain application issues. The Statement requires changes to management's discussion and analysis to make it easier to read and understand and to focus on explaining the reasons why balances and results of operation have changed. The Statement also provides more explicit definitions of operating and nonoperating revenues and expenses and changes the presentation of nonoperating revenues and expenses in the proprietary funds statement of revenues, expenses, and changes in fund net position. The new standards also (1) combine extraordinary items and special items into a single category, unusual or infrequent items, and clarify how they should be reported; (2) limits the reporting of major component unit information to the face of the government-wide financial statements, if it does not reduce their readability, or in combining financial statements following the fund financial statements; and (3) requires that budgetary comparisons be presented as required supplementary information, eliminating the option to present them as basic financial statements. There were no significant impacts of implementing this statement.

GASB Statement No. 104, Disclosure of Certain Capital Assets. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In addition to existing requirements regarding the level of detail with which notes to financial statements should disclose intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets, the Statement requires that (1) intangible right-to-use assets recognized by government operators in a public-public partnership should be disclosed by major class of underlying asset; (2) other types of intangible assets should be disclosed by major class; and (3) right-to-use assets should be disclosed separately from owned assets of the same type. The Statement also establishes that capital assets held for sale are those a government has decided to sell and whose sale within a year of the financial statement date is probable. Capital assets held for sale should be disclosed together with other capital assets of the same class. Governments also should disclose in notes the historical cost and accumulated depreciation (or amortization) of capital assets held for sale, as well as the carrying amount of debt for which they are pledged as collateral, by major class of asset for governmental and business-type activities. There were no significant impacts of implementing this Statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

The Governmental Accounting Standards Board has issued a statement that will become effective in future years. This statement is as follows:

GASB Statement No. 105, Subsequent Events. The objective of this Statement is to enhance the consistency with which the standards for reporting subsequent events are applied, thereby better meeting the information needs of financial statement users. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued (that is, when the financial statements are complete in a form and format that complies with generally accepted accounting principles and approvals necessary for issuance have been obtained), rather than the date the financial statements are issued. The date through which subsequent events have been evaluated should be disclosed. A recognized subsequent event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date and should be reflected in those estimates. A nonrecognized subsequent event results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following: a debt-related transaction; government combination or a disposal of government operations; a change to the legally separate entities that compose the financial reporting entity; or a transaction or other event that is of such a nature that disclosure is essential to a user's analysis for making decisions or assessing accountability. Governments will be required to disclose a description of the nonrecognized event and its effect and an estimate of the amount of the effect (or the reason why an estimate cannot be made).

The Authority is evaluating the requirements of the above statement and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of June 30, 2026, the carrying amount of the Authority's deposits totaled $21,410,360 and the bank balances totaled $21,928,746. The Authority's deposits in excess of federal deposit insurance totaling $4,490,586 were adequately collateralized by securities held by the pledging financial institution, while deposits totaling $10,238,519 were uncollateralized. Uncollateralized deposits were transferred to investment accounts in July 2026. Custodial credit risk for deposits with financial institutions is the risk that in the event of the failure of a depository financial institution the Authority may not be able to recover deposits. The Authority's investment policy requires pledging of collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits.

The Board of Directors has adopted and continues to amend and/or ratify annually a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies; (4) certificates of deposit; (5) local government investment pools; and (6) various other items that comply with the Public Funds Investment Act.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's investment in the TexSTAR and LOGIC funds are rated AAAm by Standard and Poor's and maintain a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The Authority considers the investments in TexSTAR and LOGIC to have maturities of less than one year due to the fact the share position can unusually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value. As of June 30, 2026, the Authority held deposits of $31,726,402 in LOGIC and $7,189,432 in TexSTAR.

TexSTAR and LOGIC are specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The program seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools.

Under GASBC Section I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transactions amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2026, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Authority's access to 100 percent of their account value in either external investment pool.

Credit Risk - Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. To minimize credit risk, TexSTAR and LOGIC investment policies restrict investments of the portfolio into designated investments only. Market risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates.

Interest Rate Risk - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. In accordance with the Authority's investment policy, the Authority limits its exposure to interest rate risk by structuring its portfolio to provide safety and liquidity of funds while maximizing yields for operating funds not immediately needed. The investment policy limits the maximum maturity of any investment to three (3) years.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy does not limit the amount of funds that may be invested in any authorized investment.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Certain amounts of deposits and investments are restricted by revenue bond ordinances or enabling legislation. A summary of these restricted amounts at June 30, 2026 are as follows:

	Cash and Cash Equivalents	Investments	Total
Trustee funds			
Debt service	$ 6,470,970	$ -	$ 6,470,970
Debt service reserve fund	-	7,178,732	7,178,732
Project fund	-	5,270	5,270
Total trustee funds	6,470,970	7,184,002	13,654,972
Enabling legislation			
Affordable housing	735,588	12,887,069	13,622,657
Total restricted assets	$ 7,206,558	$ 20,071,071	$ 27,277,629

Capital Assets

The following is a summary of changes in capital assets during the year ended June 30, 2026:

For the year ended June 30, 2026	Beginning Balance	Increases	Reclassifications	Decreases	Ending Balance
Capital assets, not being depreciated					
Land and improvements	$ 13,948,063	$ -	$ -	$ -	$ 13,948,063
Construction in process	82,746	-	(82,746)	-	-
Capital assets, being depreciated					
Works of art	1,137,027	-	-	-	1,137,027
Buildings and improvements, including conveyed asset	141,767,192	250,252	82,746	(17,998)	142,082,192
Equipment	131,085	-	-	-	131,085
Total capital assets	157,066,113	250,252	-	(17,998)	157,298,367
Less: accumulated depreciation	(22,151,277)	(3,407,525)	-	4,500	(25,554,302)
Governmental activities - capital assets, net	$ 134,914,836	$ (3,157,273)	$ -	$ (13,498)	$ 131,744,065

All property and equipment purchased by or donated to the Authority shall be the property of the Authority until the Zone is terminated. If the infrastructure is integrated in and used as a part of the City's infrastructure, it may be conveyed to the City.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

Development Agreement

During fiscal year 2024, the Authority was conveyed a garage from a developer which they are required to return to the developer on December 31, 2043. See Note 8 for further details regarding this long-term liability.

Loans Payable

In September 2013, the Authority refinanced a $1,843,593 loan with a bank which was originally used to purchase the Houston Museum of African American Culture land and building. This loan was refinanced again in November 2020. The refinanced loan bore interest at 4.0%, and required monthly principal and interest payments totaling $10,545. The loan was secured by 4807 Caroline Street property. The loan had a due on demand clause.

A summary of changes in the Authority's loans payable follows:

Balance at July 1, 2025	$	308,968
Additions		-
Retirements		(308,968)
Balance at June 30, 2026	$	-
Current portion, long-term debt	$	-

Tax Increment Contract Revenue Bonds

In January 2017, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2017 (the 2017 Bonds) in the aggregate principal amount of $39,310,000. The refunding was undertaken to obtain new money and partially refund the Tax Increment Contract Revenue Bonds Series 2011 (Series 2011). The Authority achieved a cash flow savings and an economic gain of $42,201 as a result of the refunding.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Tax Increment Contract Revenue Bonds (Continued)

The 2017 Bonds mature serially January 1, in each year 2018 through 2038. The 2017 Bonds are callable in whole or in part any date beginning January 1, 2034 at par. The 2017 Bonds bear interest between 3.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 430,000	$ 1,597,875	$ 2,027,875
2028	450,000	1,576,375	2,026,375
2029	470,000	1,553,875	2,023,875
2030	490,000	1,535,075	2,025,075
2031	510,000	1,515,475	2,025,475
2032-2036	17,735,000	6,550,700	24,285,700
2037-2038	12,540,000	948,250	13,488,250
Total	$ 32,625,000	$ 15,277,625	$ 47,902,625

In March 2020, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2020 (the 2020 Bonds) in the aggregate principal amount of $11,085,000. The refunding was undertaken to partially refund the Tax Increment Contract Revenue Bonds Series 2011 (Series 2011). The Authority achieved a cash flow savings and an economic gain of $2,245,644 as a result of the refunding.

The 2020 Bonds mature serially January 1, in each year 2022 through 2033. The 2020 Bonds are callable in whole or in part any date beginning January 1, 2030 at par.

The 2020 Bonds bear interest between 3.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 790,000	$ 280,050	$ 1,070,050
2028	830,000	240,550	1,070,550
2029	870,000	199,050	1,069,050
2030	915,000	155,550	1,070,550
2031	965,000	109,800	1,074,800
2032-2033	2,040,000	102,400	2,142,400
Total	$ 6,410,000	$ 1,087,400	$ 7,497,400

In October 2022, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2022 (the 2022 Bonds) in the aggregate principal amount of $22,510,000. The refunding was undertaken to refund the Tax Increment Contract Revenue Bonds Series 2013 (Series 2013). The Authority achieved a cash flow savings and an economic gain of $2,169,734 as a result of the refunding.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Tax Increment Contract Revenue Bonds (Continued)

The 2022 Bonds mature January 1, in each year 2023 through 2033. The 2022 Bonds are callable in whole or in part any date beginning October 5, 2032 at par.

The 2020 Bonds bear interest of 2.98% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 2,555,000	$ 592,041	$ 3,147,041
2028	2,635,000	514,845	3,149,845
2029	2,715,000	436,423	3,151,423
2030	2,795,000	353,200	3,148,200
2031	2,880,000	268,753	3,148,753
2032-2033	6,015,000	274,293	6,289,293
Total	$ 19,595,000	$ 2,439,555	$ 22,034,555

A summary of changes in tax increment contract revenue bonds follows:

Balance at July 1, 2025	$ 63,135,000
Additions	-
Retirements	(4,505,000)
Balance at June 30, 2026	$ 58,630,000
Current portion, long-term debt	$ 3,775,000

Tax Increment Revenue Bonds at June 30, 2026 consist of the following:

Date Series Issued	Outstanding Balance
2017	$ 32,625,000
2020	6,410,000
2022	19,595,000
Total principal payable	58,630,000
Unamortized premium and discount, net	3,487,082
Total bonds payable	$ 62,117,082

The City of Houston limits the amount of debt that the Authority may incur. The current debt limitation that the City has approved for the Authority is $98,000,000 for the issuance of bonds and $6,000,000 for the issuance of notes, which are secured by tax increments paid by the City to the Authority pursuant to the Tri-Party Agreement.

Note 3: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2026, fund balances of the governmental funds are classified as follows:

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total
Nonspendable						
Property held for resale	$ -	$ -	$ -	$ 23,816,508	$ -	$ 23,816,508
Leases	50,634	-	-	(83,758)	-	(33,124)
Restricted for						
Capital projects	176,214	-	5,270	-	-	181,484
Affordable housing	-	-	-	15,510,088	-	15,510,088
Debt service	-	-	-	-	13,123,322	13,123,322
Committed to						
Loan payments	-	-	-	-	-	-
Streetscapes and gateways	-	2,106,075	-	-	-	2,106,075
Parks	-	217,403	-	-	-	217,403
Developer and grant agreements	-	274,525	-	-	-	274,525
Assigned to						
FY 2027 CIP plan and budget	7,483,173	15,195,661	-	-	-	22,678,834
Total fund balances	$ 7,710,021	$ 17,793,664	$ 5,270	$ 39,242,838	$ 13,123,322	$ 77,875,115

Note 4: TAX INCREMENTS

The City, Houston Independent School District (HISD) and Houston Community College System (HCCS) (each a Participant) has agreed to deposit to the Tax Increment Fund established for the Midtown TIRZ (the Tax Increment Fund) a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the Midtown TIRZ since January 1, 1995 for the original area and January 1, 1999 for the annexed area (the Tax Increments).

Each Participant is required to collect taxes on real property located within the Midtown TIRZ in the same manner as other taxes are collected by the Participant. The Participant is then required to pay into the Tax Increment Fund the Tax Increments, as agreed upon in accordance with such Participant's agreement with the City and the Midtown TIRZ (collectively, the Participation Agreements) by no later than the 90th day after the delinquency date for the Participant's property taxes. Thus, Tax Increments are due to be deposited in the Tax Increment Fund on May 1. The City has agreed to pay 100% of their Tax Increments to the Increment Fund. The City retains an administrative fee from the tax increments deposited in the Tax Increment Fund.

Note 4: TAX INCREMENTS (Continued)

HISD has agreed to pay collected Tax Increment arising from the Original Zone based on its then current tax rate and from the annexed areas based on a tax rate of $0.96 per $100 of value. The First Amendment of the interlocal agreement between the City, HISD and the Midtown TIRZ amends HISD participation and provides for provision of tax increment funds for the payment of education facilities project costs due to the annexation of additional area approved by the City of Houston Ordinance No. 1999-849 (annexed area). For the original area the HISD tax increment participation is the amount of taxes collected by HISD each year by levying a tax on property in the original area at the then current tax rate per $100 valuation of the Captured Appraised Value. One third of the Tax Increment is attributable to affordable housing. Of the remaining two-thirds of the tax increment participation attributable to the original area: (a) beginning in the tax year commencing January 1, 2000, up to $1,200,000 of taxes collected by HISD by levying a tax at a tax rate of $0.64 per $100 valuation on the Captured Appraised Value shall be for the payment of educational facilities project costs, (b) the amount of taxes collected by HISD by levying a tax at a tax rate of $0.64 per $100 valuation on the Captured Appraised Value in excess of $1,200,000 shall be applied to the payment of non-educational facilities project costs, including administrative costs, and school support expenses, and (c) the remaining portion of the HISD tax increment participation attributable to the original area shall be for the payment of educational facilities project costs. HISD tax increment participation in the annexed area is the amount of taxes collected by HISD each year by levying at a tax rate of $0.96 cents per $100 of valuation on the Captured Appraised Value. One third of the Tax Increment is attributable for affordable housing, one-third for educational facilities project and one-third for non-educational facilities projects costs, including administrative costs and school support expenses. Under the provisions of the HISD interlocal agreement, taxes collected by HISD in any year on actual Captured Appraised Value that exceeds the estimate of Captured Appraised Value for that year shown in the Project Plan approved before September 1, 1999, shall be retained by HISD. HISD's participation ended with the collection of the Tax Year 2024 payment.

Beginning with tax year 2008, HCCS began to contribute 100% of the Tax Increments attributable to HCCS into the Tax Increment Fund. HCCS is not obligated to pay Tax Increments from any other source other than taxes collected on the Captured Appraised Value from the portion of taxes levied by HCCS for maintenance and operations. Initially, two-thirds of the HCCS Tax Increment, up to $5,000,000, will be applied to project costs associated with streetscape improvements to the block faces that are contiguous to HCCS central campus. Thereafter, one-third of the HCCS Tax Increments will be applied to project costs in the general vicinity of HCCS central campus, one-third to any other eligible project costs, and the remaining one-third to affordable housing.

The TIF Act under which the Midtown TIRZ presently operates requires that one-third of the Tax Increments be dedicated to providing affordable housing during the term of the Midtown TIRZ. The Authority agreed to this covenant in the Bond Resolution and Tri-Party Agreement and the Authority will continually comply with the requirements in the TIF Act, if any, relating to the provision of affordable housing during the term of the Midtown TIRZ.

Note 4: TAX INCREMENTS (Continued)

The Tri-Party Agreement requires that any portion of the affordable housing component of Tax Increment, including interest, or bond proceeds derived from such increments, paid to the Authority that remains unexpended or uncommitted at the end of twelve months after being received by the Authority will, upon request, be paid to the City for their affordable housing program.

The Authority's tax increment revenues, net of transfers, for the year ended June 30, 2026, as reflected in the Statement of Activities was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston	$ 12,727,488	$ (636,374)	$ 12,091,114
Houston Community College System	2,129,236	(25,000)	2,104,236
Total tax increments	$ 14,856,724	$ (661,374)	$ 14,195,350

The Authority's tax increment revenues, net of transfers, for the year ended June 30, 2026, as reflected in the governmental funds, was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston (Tax Year 2025)	$ 12,727,488	$ (636,374)	$ 12,091,114
Houston Community College System (Tax Year 2025)	2,129,236	(25,000)	2,104,236
Houston Community College System (Tax Year 2024)	2,028,697	(25,000)	2,003,697
Total tax increments	$ 16,885,421	$ (686,374)	$ 16,199,047

Note 5: LEASE REVENUE

The Authority accounts for leases in accordance with GASBC Section L20, *Leases*. The Authority's leasing operations consist of the leasing of office space and apartment units at the Operations Center, a kiosk at Bagby Park, and office space at HTC Building.

Operations Center: Office Space

The Authority leases office space to two tenants under operating leases which are non-cancellable and terminate no later than March 2029. The leases call for monthly payments (fixed payments) that range from $2,263 to $2,420 with certain leases subject to annual escalations. Certain provisions of the leases provide for payment of a proportionate share of building's operating costs (variable non-lease component).

HTC Building: Office Space

The Authority leases office space to various tenants under operating leases which are non-cancellable and terminate no later than October 2029. The leases call for monthly payments (fixed payments) that range from $1,617 to $5,162 with certain leases subject to annual escalations.

Bagby Park: Kiosk

The Authority leases a kiosk to a local restaurant to sell food and beverage under a non-cancellable operating lease with a lease term through June 2033, as modified during fiscal year 2025. The lease calls for monthly minimum payments of $3,500 subject to $100 annual escalation and additional rent of 6% of gross sales in excess of break-even point (variable lease payment), as defined in the lease agreement.

For the year ended June 30, 2026, payments are as follows:

	Fixed Payment	Interest Revenue	Variable Payment	Total
Operations Center: Office Space	$ 111,836	$ 12,463	$ 103,774	$ 228,073
HTC Building: Office Space	190,647	27,372	7,450	225,469
Bagby Park: Kiosk	42,279	8,069	61,984	112,332
	$ 344,762	$ 47,904	$ 173,208	$ 565,874

Note 5: LEASE REVENUE (Continued)

Lease receivable activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Cancellations	Reductions	Ending Balance
Operations Center: Office Space	$ 2,557,858	$ 826,932	$ (3,149,357)	$ (104,216)	$ 131,217
HTC Building: Office Space	172,505	297,372	-	(106,544)	363,333
Bagby Park: Kiosk	371,583	-	-	(38,731)	332,852
	$ 3,101,946	$ 1,124,304	$ (3,149,357)	$ (249,491)	$ 827,402

Future fixed payments, including interest, due to the Authority under non-cancellable agreements are as follows:

For the years ending June 30,	Principal	Interest	Total
2027	$ 215,221	$ 23,134	$ 238,355
2028	231,919	15,135	247,054
2029	158,558	7,650	166,208
2030	65,316	4,284	69,600
2031	49,752	3,048	52,800
2032-2033	106,636	2,565	109,201
	$ 827,402	$ 55,816	$ 883,218

The other leases of the Authority are short-term leases and, therefore, no lease receivable and deferred inflow of resources have been recognized from the apartment units at the Operations Center and certain office space at HTC building in accordance with GASB Statement No. 87. The Authority recognized lease revenue from short-term leases of $178,214 for the year ended June 30, 2026.

Note 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters.

The Authority purchases separate commercial insurance coverage for property damage. Coverage for general liability claims is a maximum of $1,000,000 per occurrence and $2,000,000 annual aggregate. Coverage for excess liability claims is a maximum of $5,000,000 per occurrence and annual aggregate. Coverage for hired car and non-ownership automobile liability claims are $1,000,000 per claim with no aggregate limit. Coverage for the directors and officers is $1,000,000 per claim with no annual limit. There have been no significant reductions in insurance coverage and no settlements.

Note 6: RISK MANAGEMENT (Continued)

The commercial insurance carried is a claims incurred policy for which the Authority is covered for claims originating against the Authority during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The Authority has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended June 30, 2026.

Note 7: RELATED PARTIES

The Authority had an administrative contract with the Midtown Management District (the District) whereby the Authority provides administrative and management services to the District. The District and the Authority share the same Executive Director through January 2026, and the same interim Executive Directors from February 2026 through June 2026. The Authority provided services to the District amounting to approximately $509,000 for the year ended June 30, 2026. At June 30, 2026, approximately $22,000 was due to the Authority under this contract and is included in other receivables in the accompanying basic financial statements.

The Authority's Executive Director and Board Vice-Chairman are also members of the Midtown Improvement and Development Corporation (MIDCorp) Board of Directors. The Authority incurred approximately $413,000 for the year ended June 30, 2026 related to the cost of MIDCorp's personnel and services provided to MIDCorp. These costs are included in T-0207 Operating of Zone and Project Facilities capital project. In addition, as of June 30, 2026, approximately $44,000 was due from MIDCorp related to reimbursable expenses.

Note 8: COMMITMENTS AND CONTINGENCIES

Houston Museum of African American Culture (HMAAC)

During fiscal year 2011, the Authority entered into an agreement with HMAAC (or the Museum) to purchase the land and building of the Museum and then lease back the property for an original term of three years. The agreement was amended in October 2012 and again in September 2013. The lease term has been extended through November 2020 and, beginning July 1, 2014, HMAAC is required to make monthly rent payments of $13,700. Under the terms of the agreement, HMAAC has the option to purchase the property during the lease term at the amount equal to the outstanding principal and any accrued but unpaid interest on the Authority's loan for the property. HMAAC continues to occupy the property pursuant to the terms of the expired agreement; however, no rental payments have been received by the Authority.

Construction Contracts and Consultant Agreements

Engineering and construction contracts relating to construction-in-progress and other capital projects aggregated approximately $3,414,000. These contracts will be paid in future period as work is performed. Payment will be made with operating reserves, and Federal grants to be received. In addition, the Authority enters into agreements with various consultants to provide professional services each year.

Note 8: COMMITMENTS AND CONTINGENCIES (Continued)

Affordable Housing Operations Campus

The Affordable Housing Operations Campus (Operations Center) which consists of a 5-story building (Operations Campus), a 20-unit multi-family affordable housing development (Housing Development) and a parking garage was completed as of June 30, 2021. The project costs were incurred by the Authority through direct payment to vendors. The Authority was responsible for 80% of the project costs. Reimbursement for the remaining 20% of the project costs was obtained from the sale of the parking garage to Old Spanish Trail/Almeda Corridors Redevelopment Authority (OSTAC) for which a $3 million down payment was received during 2021 and another $3 million was received during fiscal year 2023 when the sale-lease back agreement was finalized and executed in October 2022. The lease calls for annual payments of $1 with an initial term of 30 years commencing on October 28, 2022 and expiring on June 30, 2052.

Effective April 2021, the Authority, as owner, and CCPPI, as operator, entered into a management agreement with NAI Partners to manage the Operations Campus. The Authority will be charged a management fee equal to the greater of 3% of gross revenue, as defined in the agreement, or $3,500 per month for the term of this agreement. In addition, the Authority is obligated to reimburse NAI Partners certain expenses as outlined in the initial management services proposal or the approved annual budget thereafter. This agreement expired on March 31, 2023 and will continue to be automatically renewed on an annual basis thereafter unless terminated by the Authority or NAI Partners.

Effective February 2021, the Authority entered into a management agreement with StressFree Property Solutions to manage and lease the Housing Development. The Authority will be charged a management fee of $1,200 per month for the term of this agreement. In addition, the Authority will be charged a leasing fee for new tenants that will range from 50% to 75% of the base rent and a renewal fee for renewed tenants of $250. This agreement expired on February 28, 2022 and will continue to be automatically renewed on a monthly basis thereafter unless terminated by the Authority or StressFree Property Solutions.

Pearl Midtown ROW and Pearl Rosemont ROW Development Agreements

In 2017, the Authority entered into a Development Agreement with Pearl Residences at Midtown Owner, LLC. (Pearl Residences) for reimbursement of up to $3.8 million of eligible project costs related to the Pearl Midtown ROW project. This agreement was executed contemporaneously with a development agreement entered into by the Authority with Helena – Dew Holdings, LLC (Helena - Dew) for reimbursement of up to $1.4 million of eligible project costs related to the Pearl Rosemont ROW project. Reimbursement to each developer, Pearl Residences and Helena – Dew, will occur over 9 years from available tax increments, as defined in the agreement. Reimbursement commences after completion of the project and execution of a maintenance agreement. As the Pearl Midtown ROW project was completed in October 2019 and the maintenance agreement was executed in February 2020, the reimbursement related to the Pearl Midtown ROW project commenced in fiscal year 2021 with a payment of $466,694 followed by a second payment of $529,491 in fiscal year 2022, and a third payment of $539,394 in fiscal year 2023. During fiscal year 2026, the Authority worked with the developer to cure an event of default by the developer and reached an agreement for a final payment of $816,171, which is included in accounts payable in the accompanying basic financial statements.

Note 8: COMMITMENTS AND CONTINGENCIES (Continued)

"The Ion District" Development Agreement

In 2022, the Authority entered into a Development Agreement with Rice University, acting by and through Rice Management Company (Rice) for reimbursement of up to $65 million of eligible project costs related to an innovation hub (the Ion), and other public infrastructure and improvements (phase I and II), including a parking garage in connection with "The Ion District" development. The parking garage, once completed, will be conveyed to the Authority and operated and maintained by Rice. Reimbursement commences after completion of the Ion, completion of each phase of the other infrastructure and improvements and completion of the parking garage and conveyance to the Authority. Reimbursement of Phase II of the other infrastructure and improvements can commence after completion of each sub-phase of Phase II, as defined in the development agreement. The Authority has the right to terminate this agreement if Rice does not complete the phase II of this project on or before December 31, 2035. As the Ion was completed in April 2021 and the maintenance agreement was executed in September 2022, the reimbursement related to the Ion project commenced in fiscal year 2023 with a payment of $392,714, followed by a payment of $331,582 in fiscal year 2024, a payment of $345,796 in fiscal year 2025, and a payment of $274,525 in fiscal year 2026. Subsequent annual reimbursement from available tax increment are due by November 1 of each year through December 31, 2044. The parking garage was completed during fiscal year 2024. Tax increment reimbursements related to the completion of the garage commenced in calendar year 2025 (fiscal year 2026).

In accordance with the "The Ion District" development agreement, ownership of the parking garage was conveyed to the Authority on March 8, 2024 upon completion of construction. Immediately following the conveyance of the parking garage, the Authority entered into a Parking Management Agreement (the management agreement) that qualifies as a Public-Private Partnership Arrangement under GASB Statement No. 94, *Public-Private and Public Partnerships and Availability Payment Arrangements*. The conveyed parking garage (conveyed asset) was recognized as part of the Authority's capital assets at its fair value of $56,900,000 with a corresponding liability of $34,329,667 measured at the estimated carrying value of the conveyed asset as of the termination date of the management agreement. The difference between the conveyed asset and the corresponding liability of $22,570,333 was recorded as a capital grant in fiscal year 2024. Pursuant to the terms of the management agreement, Rice will operate and maintain the garage, collect all parking fees and manage the day-to-day operations through December 31, 2043. As part of the management agreement, Rice provided upfront payments in 2024 totaling $3,491,359 in exchange for the right to operate the parking during the agreement term. These upfront payments represent the total consideration for the management rights and has been recognized as unearned revenue in the accompanying financial statements. The unearned revenue is being amortized on a straight-line basis over the term of the agreement. For the year ended June 30, 2026, the Authority recognized revenue of $176,035 related to this agreement which has been recorded as other revenue in the accompanying financial statements.

Grant Agreement with Bloomberg Family Foundation, Inc.

In 2024, the Authority was awarded a $1,000,000 grant from the Bloomberg Family Foundation, Inc. (Bloomberg) to support temporary public art projects in the City. In fiscal year 2025, the Authority entered into an assignment agreement with the District under which the Authority transferred and assigned all of the Authority's responsibilities under the grant agreement to the District. In addition, the assignment agreement also transferred all funds received under the agreement by the Authority to the District to be used in accordance with the program budget agreed upon with Bloomberg. As of June 30, 2026, the Authority has received $1,000,000 under this grant, of which $10,000 was received during fiscal year 2026 and is included in operating grants revenue in the accompanying basic financial statements.

Note 8: COMMITMENTS AND CONTINGENCIES (Continued)

Grant Agreements with Houston Endowment

In fiscal year 2026, the Authority was awarded a $100,000 grant from Houston Endowment, Inc. to support public art projects in the City. Also in fiscal year 2026, the Authority transferred and assigned all of the Authority's responsibilities under the grant agreement to the District under an assignment agreement. In addition, the assignment agreement also transferred all funds received under the agreement by the Authority to the District to be used in accordance with the program budget agreed upon with Houston Endowment, Inc. During the year ended June 30, 2026, the entirety of the funds were received and are included in operating grants revenue in the accompanying basic financial statements.

In fiscal year 2026, the Authority was also awarded a $400,000 grant from Houston Endowment, Inc. to support public art projects in the City. From this grant, $200,000 of funds is outstanding and included in grant receivables in the accompanying basic financial statements, and as a deferred inflow in the accompanying balance sheet – governmental funds, as the funds were not received within sixty days after year-end. The $200,000 of funds outstanding are also expected to be assigned to the District, but an assignment agreement has not yet been executed. The remaining $200,000 will be recognized in a future period subject to meeting certain eligibility requirements.

Administrative Agreement

The Authority has a memorandum of understanding with Fourth Ward Redevelopment Authority (Fourth Ward) whereby the Authority provides office space, certain equipment and certain staff services to Fourth Ward. The Authority invoices these entities on a quarterly basis for reimbursement of costs incurred under the agreements.

Midtown Improvement and Development Corporation

The Authority and MIDCorp entered into an operating agreement effective July 1, 2015. Under this agreement, MIDCorp will operate, manage, maintain and preserve the Park Facilities pursuant to the terms of the agreement. The Park Facilities include Bagby Park, Midtown Park and the parking facility under Midtown Park. Revenue from these facilities is remitted to or retained by MIDCorp to support its operations. The term of the agreement is 40 years with automatic renewal and extension for two consecutive 20 year periods. Under the agreement, the Authority will pay an annual maintenance fee of $250,000 per year for the first two years, then in each year thereafter, an amount not to exceed $500,000 based on MIDCorp' s annual operating budget. Certain credits are applied towards the annual maintenance fee based on excess of facilities revenues. In addition, the Authority will pay $50,000 per year for 10 years to be applied to the Renewal and Replacement Fund. Effective December 31, 2025, the operating agreement between the Authority and MIDCorp was terminated.

Supplementary Information

Midtown Redevelopment Authority
Budgetary Comparison Schedule – All Funds

For the year ended June 30, 2026

	Original and Final Budgeted Amounts *	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	$ 35,485,368	$ 80,118,992	$ 44,633,624
Resources			
Incremental property tax revenue	34,097,862	16,885,421	(17,212,441)
Grant proceeds	-	310,000	310,000
Miscellaneous revenue (expense)	1,225,094	773,870	(451,224)
Other interest income	1,749,000	1,718,480	(30,520)
Total available resources	72,557,324	99,806,763	27,249,439
Expenses			
Maintenance and operations	4,478,737	4,359,420	(119,317)
Project costs and capital expenditures	7,360,453	7,267,283	(93,170)
Developer/project reimbursements	1,046,479	525,633	(520,846)
Special projects as determined by the COH	125,000	-	(125,000)
Debt service	9,578,796	7,734,401	(1,844,395)
Other interfund transfers:			
HISD educational facilities	6,283,468	25,000	(6,258,468)
Municipal services - public safety	730,000	1,121,185	391,185
Municipal services - quality of life	544,000	237,352	(306,648)
Administrative fees	664,613	661,374	(3,239)
Total expenses	30,811,546	21,931,648	(8,879,898)
Budgetary fund balance - end of year	$ 41,745,778	$ 77,875,115	$ 36,129,337

* Budgeted amounts are based on the 2025 budget approved by the Authority's board of directors and the City as the 2026 budget has not been approved by the Authority's board of directors.

Midtown Redevelopment Authority
Budgetary Comparison Schedule – All Funds (Continued)

For the year ended June 30, 2026

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 99,806,763
differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(80,118,992)
Budgeted revenues include HISD educational facilities transfers and city administrative charges, while the Authority's funds report revenues net of these transfers	(686,374)
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	$ 19,001,397
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 21,931,648
differences - budget to GAAP:	
Budgeted expenditures include HISD educational facilities transfers and city administrative charges, while the Authority's funds report revenues net of these transfers	(686,374)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	$ 21,245,274

Midtown Redevelopment Authority
Schedule of Operating and Capital Expenditures

For the year ended June 30, 2026

Management Consulting Services	Vendor	Budget *	Actual Expenditures	Variance
Administration and Overhead:				
Administration (Salaries, Benefits and Taxes)	n/a	$ 620,000	$ 1,630,761	$ (1,010,761)
Office Expenses	n/a	522,428	229,911	292,517
Midtown Management District	n/a	1,333,000	508,976	824,024
Fourth Ward Redevelopment Authority	n/a	40,000	44,139	(4,139)
Insurance	The Hartford, RLI Insurance Company, United National Insurance Agency, G&A Partners	800,000	500,349	299,651
Accounting	The Morton Accounting Services	200,000	193,075	6,925
Auditor - Financial	Carr, Riggs & Ingram, LLC	50,000	45,000	5,000
Bond Services/Trustee	Hilltop Securities Inc., Masterson Advisors, LLC, Bank of New York Mellon	25,000	9,398	15,602
Total Administration and Overhead		3,590,428	3,161,609	428,819
Program and Project Consultants:				
Legal - General Matters	Bracewell LLP, Greenberg Traurig, LLC	545,000	576,480	(31,480)
Engineering consultants	IDS Engineering Group, Walter P. Moore	95,000	107,229	(12,229)
Oher Consultants	Various	248,309	514,102	(265,793)
Total Program and Project Consultants		888,309	1,197,811	(309,502)
Total Management Consulting Services		$ 4,478,737	$ 4,359,420	$ 119,317

Capital Expenditures	Vendor	Budget	Actual Expenditures	Variance
T-0207 Operating of Zone and Project Facilities Construction/maintenance	Various	$ 1,999,525	$ 1,982,904	$ 16,621
Total Operating of Zone and Project Facilities		1,999,525	1,982,904	16,621
T-0203 Entry Portals	Courtland Place Civic Association, Inc.	9,311	2,026	7,285
T-0204 Enhanced Street Lights	COH, Centerpoint Energy	203,667	6,167	197,500
T-0214 Caroline Streets @ HCCS (Elgin to Holman)	TLC Engineering, Inc., Elite Construction and Engineering SVCS, The Goodman Corporation	96,952	10,455	86,497
T-0225 Mobility and Pedestrian Improvements	The Goodman Corporation, Gauge Engineering, ARUP US, Inc.	149,863	93,991	55,872

Midtown Redevelopment Authority
Schedule of Operating and Capital Expenditures (Continued)

For the year ended June 30, 2026

Capital Expenditures - Continued	Vendor	Budget *	Actual Expenditures	Variance
T-0220 Affordable Housing:				
Other professionals	Various	$ 1,780,000	$ 1,281,730	$ 498,270
Build-Out	Ellard Insurance Agency, LLC, Honeycomb Programs, Inc., Ryland Enterprises, Inc., Vergel Gay & Associates, LLC, Centerpoint Energy	-	323,891	(323,891)
CCPPI	CCPPI	1,429,000	1,190,833	238,167
Maintenance	Various	452,152	766,818	(314,666)
Total Affordable Housing		3,661,152	3,563,272	97,880
T-0221 Midtown Park:				
Construction and management	Walter P. Moore, Williams Scotsman Inc.	182,606	88,160	94,446
Other	Wulfe & Co., LaCalle LLC	47,611	38,603	9,008
Total Midtown Park		230,217	126,763	103,454
T-0222 Street Overlay Program	The Goodman Corporation, Walter P. Moore	46,106	387,507	(341,401)
T-0224 HTC Building Maintenance	Various	543,838	350,716	193,122
T-0232 Public and Cultural Facilities	Center for African American Military History	-	426,175	(426,175)
T-0233 Parking Garage - Midtown Park				
Equipment	Walter P. Moore	15,393	6,389	9,004
Other	Bracewell LLP	77,118	34,614	42,504
Total Parking Garage - Midtown Park		92,511	41,003	51,508
T-0234 Parks and Open Spaces				
Design	Design Workshop, Inc. OJB	164,771	73,687	91,084
Construction	Lion Heart	73,727	69,637	4,090
Total Parks and Open Spaces		238,498	143,324	95,174
T-0236 Bagby Park	MLN Service Company	-	14,900	(14,900)
T-0239 Brazos Street Reconstruction	Walter P. Moore	39,926	65,788	(25,862)

Midtown Redevelopment Authority
Schedule of Operating and Capital Expenditures (Continued)

For the year ended June 30, 2026

Capital Expenditures - Continued	Vendor	Budget *	Actual Expenditures	Variance
T-0240 Real Estate Development	Cushman & Wakefield, Inc.	$ 48,587	$ 45,917	$ 2,670
T-0248 Tuam Street	Co-Create Strategies, LLC	300	75	225
T-0249 Pearl Market Place (Developer Agreement)	Pearl Residences	-	251,108	(251,108)
Caydon Developer Agreement	Caydon Houston Property LP	700,683	-	700,683
Rice-Ion Developer Agreement	William Marsh Rice U	345,796	274,525	71,271
General CIP:				
Other Consultants	Equi-Tax, Inc.	-	6,300	(6,300)
Total General CIP		-	6,300	(6,300)
Total Capital Expenditures		$ 8,406,932	$ 7,792,916	$ 614,016

* Budgeted amounts are based on the 2025 budget approved by the Authority's board of directors and the City as the 2026 budget has not been approved by the Authority's board of directors.

Midtown Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
For the Period December 29, 1995 (Date of Inception) through June 30, 2026

Budget Line Item	Budgeted Expenditures (a)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2025	Actual Expenditures for the Year Ended June 30, 2026	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2026	Variance to Budget
Non-Educational Project Costs					
Infrastructure improvements:					
Roadway and utility system improvements:					
Streets and utilities	$ 164,063,856	$ 45,470,630	$ 1,241,525	$ 46,712,155	$ 117,351,701
Streetscape and gateways	70,773,654	43,366,272	98,110	43,464,382	27,309,272
Public infrastructure	77,000,000	57,990,578	2,281,182	60,271,760	16,728,240
Total infrastructure improvements	311,837,510	146,827,480	3,620,817	150,448,297	161,389,213
Other project costs:					
Real property assembly	25,533,106	17,135,609	396,633	17,532,242	8,000,864
Professional services	11,966,225	8,714,937	6,300	8,721,237	3,244,988
Historic preservation	10,139,992	139,992	-	139,992	10,000,000
Parks and recreational facilities	53,903,004	31,980,400	463,428	32,443,828	21,459,176
Safety and security infrastructure	1,576,282	-	-	-	1,576,282
Remediation	4,393,956	-	-	-	4,393,956
Cultural and public facilities	16,633,276	6,077,677	427,671	6,505,348	10,127,928
Total other project costs	124,145,841	64,048,615	1,294,032	65,342,647	58,803,194
Affordable housing	294,840,659	159,951,463	3,563,272	163,514,735	131,325,924
Financing costs (b)	95,507,011	82,709,154	2,558,364	85,267,518	10,239,493
Zone administration	50,286,136	25,017,683	3,122,596	28,140,279	22,145,857
Educational Project Costs					
Education project costs	83,770,000	97,630,636	6,233,467	103,864,103	(20,094,103)
Total project plan	$ 960,387,157	$ 576,185,031	$ 20,392,548	$ 596,577,579	$ 363,809,578

(a) Expenditures for the life of the Zone as provided in the Project and Financing Plan. This includes expenditures for both original and annexed areas in the Zone. Line item amounts may be adjusted with approval of the City and the Zone Board of Directors as long as the total costs do not exceed $960,387,157. The Budgeted Expenditures are reported based on the Authority's 7th Amendment to the Project and Financing Plan that was approved by City Council in December 2020.

(b) Amount expended for the year ended June 30, 2026, does not include the repayment of bond and note principal payments in the amount of $4,813,968.

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale

June 30, 2026	Total Value
Purchased properties - affordable housing:	
MRA 001	$ -
MRA 002	-
MRA 003	-
MRA 004	-
MRA 005	-
MRA 006	-
MRA 007	-
MRA 008	36,702
MRA 009	40,483
MRA 010	-
MRA 011	-
MRA 012	-
MRA 013	-
MRA 014	-
MRA 015	22,845
MRA 016	32,679
MRA 017	49,169
MRA 018	79,183
MRA 019	-
MRA 020	40,955
MRA 021	131,786
MRA 022	-
MRA 023	22,421
MRA 024	38,492
MRA 025	59,313
MRA 026	49,826
MRA 027	55,871
MRA 028	50,289
MRA 029	50,239
MRA 030	82,780
MRA 031	64,756
MRA 032	49,792
MRA 033	-
MRA 034	-
MRA 035	54,351
MRA 036	61,128
MRA 037	69,942
MRA 038	28,402
MRA 039	149,920
MRA 040	-
MRA 041	51,960
MRA 042	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 043	$ 97,118
MRA 044	143,750
MRA 045	76,627
MRA 046	66,995
MRA 047	47,201
MRA 048	-
MRA 049	44,898
MRA 050	-
MRA 051	25,944
MRA 052	-
MRA 053	46,881
MRA 054	-
MRA 055	-
MRA 056	-
MRA 057	51,615
MRA 058	-
MRA 059	60,907
MRA 060	52,078
MRA 061	75,904
MRA 062	-
MRA 063	-
MRA 064	-
MRA 065	131,406
MRA 066	56,788
MRA 068	-
MRA 069	120,466
MRA 071	46,664
MRA 072	49,840
MRA 073	539,513
MRA 075	123,670
MRA 076	82,100
MRA 077	-
MRA 078	46,584
MRA 079	-
MRA 081	-
MRA 082	-
MRA 084	-
MRA 085	-
MRA 086	64,458
MRA 087	41,963
MRA 088	75,056
MRA 089	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 092	$ -
MRA 093	58,694
MRA 094	54,141
MRA 095	-
MRA 096	112,485
MRA 097	-
MRA 098	-
MRA 099	59,613
MRA 100	-
MRA 101	-
MRA 102	51,881
MRA 103	49,211
MRA 104	68,243
MRA 105	-
MRA 106	-
MRA 107	-
MRA 108	99,863
MRA 109	33,432
MRA 110	109,552
MRA 111	79,296
MRA 112	-
MRA 113	63,951
MRA 114	-
MRA 115	-
MRA 116	56,824
MRA 117	-
MRA 118	-
MRA 119	43,900
MRA 120	466,009
MRA 121	93,114
MRA 122	67,347
MRA 123	52,019
MRA 124	45,015
MRA 125	46,632
MRA 126	46,937
MRA 127	52,803
MRA 128	52,147
MRA 129	52,745
MRA 130	52,560
MRA 131	53,970
MRA 132	55,800
MRA 133	55,800
MRA 134	55,705

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 135	$ 55,705
MRA 136	-
MRA 137	-
MRA 138	109,315
MRA 139	-
MRA 140	54,715
MRA 141	61,890
MRA 142	-
MRA 143	-
MRA 144	-
MRA 145	-
MRA 146	-
MRA 148	45,923
MRA 149	69,704
MRA 150	-
MRA 151	-
MRA 152	-
MRA 153	-
MRA 154	49,645
MRA 155	50,140
MRA 156	55,890
MRA 157	44,965
MRA 158	38,905
MRA 159	45,674
MRA 160	-
MRA 161	-
MRA 162	-
MRA 163	-
MRA 164	-
MRA 165	-
MRA 166	53,570
MRA 167	58,518
MRA 168	128,835
MRA 169	214,131
MRA 170	-
MRA 171	-
MRA 172	-
MRA 173	75,435
MRA 174	-
MRA 175	72,853
MRA 176	140,837

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 177	$ -
MRA 178	53,003
MRA 179	-
MRA 180	98,491
MRA 181	-
MRA 182	-
MRA 183	-
MRA 184	48,407
MRA 185	-
MRA 186	-
MRA 187	43,125
MRA 188	61,635
MRA 189	-
MRA 190	-
MRA 191	-
MRA 192	43,203
MRA 193	53,203
MRA 194	-
MRA 195	142,927
MRA 196	-
MRA 197	40,882
MRA 198	52,832
MRA 199	61,481
MRA 200	71,680
MRA 211	-
MRA 212	-
MRA 213	53,137
MRA 214	-
MRA 215	-
MRA 216	-
MRA 217	-
MRA 218	49,322
MRA 219	52,312
MRA 220	48,322
MRA 221	-
MRA 222	110,019
MRA 223	-
MRA 224	41,072
MRA 225	-
MRA 226	61,725
MRA 227	-
MRA 228	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 229	$ -
MRA 230	34,177
MRA 231	-
MRA 232	-
MRA 233	-
MRA 234	-
MRA 235	-
MRA 236	156,107
MRA 237	113,557
MRA 238	-
MRA 239	58,150
MRA 240	-
MRA 241	-
MRA 242	53,567
MRA 243	43,251
MRA 244	53,572
MRA 245	-
MRA 246	102,856
MRA 247	-
MRA 248	-
MRA 249	58,572
MRA 250	-
MRA 251	409,461
MRA 252	-
MRA 253	61,887
MRA 254	58,572
MRA 255	100,282
MRA 256	-
MRA 257	44,602
MRA 258	-
MRA 259	64,572
MRA 260	-
MRA 261	53,572
MRA 262	164,771
MRA 263	298,007
MRA 264	-
MRA 265	-
MRA 266	38,447
MRA 267	-
MRA 268	56,052
MRA 269	63,897

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 270	$ 50,472
MRA 271	311,464
MRA 272	-
MRA 273	231,350
MRA 274	52,146
MRA 275	41,572
MRA 276	105,072
MRA 277	-
MRA 278	-
MRA 279	141,072
MRA 280	82,298
MRA 281	-
MRA 282	19,572
MRA 283	-
MRA 284	-
MRA 285	-
MRA 286	-
MRA 287	-
MRA 288	-
MRA 289	36,902
MRA 290	56,938
MRA 291	-
MRA 292	112,688
MRA 293	-
MRA 294	-
MRA 295	-
MRA 296	63,424
MRA 297	56,872
MRA 298	-
MRA 299	-
MRA 300	-
MRA 301	-
MRA 302	-
MRA 303	-
MRA 304	-
MRA 305	-
MRA 306	90,922
MRA 307	-
MRA 308	129,598
MRA 309	63,668
MRA 310	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 311	$ 59,018
MRA 312	-
MRA 313	44,418
MRA 314	-
MRA 315	58,142
MRA 316	-
MRA 317	59,518
MRA 318	-
MRA 319	69,414
MRA 320	-
MRA 321	45,810
MRA 322	58,338
MRA 323	115,618
MRA 324	58,211
MRA 325	-
MRA 326	58,868
MRA 327	87,418
MRA 328	-
MRA 329	34,343
MRA 330	-
MRA 331	57,382
MRA 332	-
MRA 333	182,963
MRA 334	-
MRA 335	56,959
MRA 336	-
MRA 337	-
MRA 338	56,518
MRA 339	-
MRA 340	-
MRA 341	-
MRA 342	-
MRA 343	-
MRA 344	-
MRA 345	53,118
MRA 346	-
MRA 347	-
MRA 348	-
MRA 349	508,500
MRA 350	57,444
MRA 351	63,043

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 352	$ -
MRA 353	-
MRA 354	-
MRA 355	51,163
MRA 356	-
MRA 366	-
MRA 367	142,138
MRA 368	65,314
MRA 369	-
MRA 370	-
MRA 371	268,053
MRA 372	69,681
MRA 373	59,426
MRA 374	59,426
MRA 375	-
MRA 376	59,963
MRA 377	-
MRA 378	69,418
MRA 379	-
MRA 380	287,349
MRA 381	283,031
MRA 382	-
MRA 383	59,010
MRA 384	94,038
MRA 385	-
MRA 386	48,537
MRA 387	69,651
MRA 388	65,663
MRA 389	-
MRA 390	-
MRA 391	-
MRA 392	64,663
MRA 393	65,963
MRA 394	-
MRA 395	66,926
MRA 396	-
MRA 397	22,901
MRA 398	-
MRA 399	-
MRA 400	74,713
MRA 401	228,478

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 402	$ -
MRA 403	-
MRA 404	-
MRA 405	102,038
MRA 406	52,351
MRA 407	32,091
MRA 408	75,463
MRA 409	-
MRA 410	186,257
MRA 411	-
MRA 412	-
MRA 413	-
MRA 414	-
MRA 415	139,578
MRA 416	-
MRA 417	-
MRA 418	89,071
MRA 419	-
MRA 420	156,838
MRA 421	78,679
MRA 422	-
MRA 423	68,219
MRA 424	1,004,453
MRA 425	91,801
MRA 426	78,476
MRA 427	-
MRA 428	78,476
MRA 429	78,476
MRA 430	62,613
MRA 431	24,993
MRA 432	-
MRA 433	-
MRA 434	67,401
MRA 435	-
MRA 436	76,789
MRA 437	-
MRA 438	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 439	$ 2,035,977
MRA 440	-
MRA 441	154,038
MRA 442	-
MRA 443	-
MRA 444	-
MRA 445	99,354
MRA 446	-
MRA 447	-
MRA 448	62,700
MRA 449	-
MRA 450	60,000
MRA 451	67,710
MRA 452	-
MRA 453	32,055
MRA 454	-
MRA 455	-
MRA 456	-
MRA 457	-
MRA 458	344,324
MRA 459	-
MRA 460	54,407
MRA 461	-
MRA 462	106,157
MRA 463	54,402
MRA 464	-
MRA 465	260,417
MRA 466	213,156
MRA 467	79,782
MRA 468	54,156
MRA 469	-
MRA 470	54,157
MRA 471	100,076
MRA 472	54,407
MRA 473	54,406
MRA 474	64,657
MRA 475	-

Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale (Continued)

June 30, 2026		Total Value
Purchased Properties - Affordable Housing (Continued):		
MRA 476	$	541,257
MRA 477		57,461
MRA 478		57,356
MRA 479		55,336
MRA 480		152,691
Total Purchased Properties - Affordable Housing		23,553,838
Costs associated with pending properties and other general costs not allocated to specific properties		262,670
Total land held for resale - affordable housing	$	23,816,508

Midtown Redevelopment Authority
Schedule of Capital Assets

June 30, 2026

Property	Net Book Value
Houston Technology Center	$ 1,770,759
JPI Park Land	736,911
Bagby Park	2,452,063
Operations Center	25,089,412
Walgreens/Lui Park Land	141,000
Houston Museum of African American Culture	1,405,229
The Ion Parking Garage (conveyed asset)	54,244,667
Midtown Park Land and Improvements	45,904,024
Total capital assets	$ 131,744,065