



**MIDTOWN REDEVELOPMENT AUTHORITY  
and**

**REINVESTMENT ZONE NUMBER TWO, CITY OF HOUSTON, TEXAS  
(ALSO KNOWN AS THE MIDTOWN REINVESTMENT ZONE)**

**TO: THE BOARD OF DIRECTORS OF THE MIDTOWN REDEVELOPMENT AUTHORITY AND  
THE MIDTOWN REINVESTMENT ZONE AND TO ALL OTHER INTERESTED PERSONS:**

Notice is hereby given that the Board of Directors of the Midtown Redevelopment Authority (the "Authority") will hold a **joint special** meeting, open to the public, with the Board of Directors of the Midtown Reinvestment Zone to be held on **Thursday, September 28, 2017 12:30 P.M. on the 3rd Floor of the Houston Technology Center Phase II, 410 Pierce Street, Suite 355, Houston, Texas.** The Board of Directors of each of the Authority and the Midtown Reinvestment Zone will (i) consider, present and discuss orders, resolutions or motions; (ii) adopt and approve such orders, resolutions or motions; and (iii) take other actions as may be necessary, convenient or desirable, with respect to the following matters:

**AGENDA**

1. Call to Order and Introduction of Guests.
2. Public Comment.
3. Consent Agenda for the Midtown Reinvestment Zone:
  - a. Minutes for July 27, 2017.
4. Consent Agenda for the Authority:
  - a. Minutes for July 27, 2017;
  - b. Monthly financial report for July and August 2017;
  - c. Invoices from Trustee and Operating Accounts for August and September 2017;
  - d. Annual renewal of Professional Services Agreement with IDS Engineering Group.
5. Presentation of Community Outreach and Engagement Analysis Phases II and III – FordMomentum.
6. Financial Audit for Fiscal Year 2017.
7. Investment Policy and Broker/Dealer List.
8. Midtown Affordable Housing Program:
  - a. Real Estate Acquisition Resolution;
  - b. CCPPI Plan Approval;
  - c. Affordable Housing Program.

9. Midtown Capital Improvements Program:
- a. Parks and Greenspace - Walter P Moore / Design Workshop
    - i. Midtown Park
      - 1. Approve Garage Change Orders – Camden
      - 2. Approve Park Change Orders – Millis
    - ii. Entry Portals
  - b. HCC Capital Projects - IDS Engineering
    - i. Holman Street Pedestrian Enhancements
      - 1. Approve Change Orders – SER
  - c. Main Street Enhancements - Walter P. Moore / Design Workshop
    - i. Approve Change Orders – SER
  - d. Caroline Street Reconstruction – ESPA Corp/KCI
    - i. Approve Additional Services Request for Construction Phase Services – ESPA Corp/KCI
    - ii. Approve Work Order for Construction Management and Inspection Services - TLC Engineering, Inc.
  - e. FTA Grant Program - The Goodman Corporation
    - i. Approve Grant Funding Project Development Agreement – The Goodman Corporation

10. With respect to the foregoing agenda items, the Authority may conduct an executive session with regard to the following, as appropriate and necessary:

- a. Consultation with attorney (Section 551.071, Texas Government Code);
- b. The purchase, exchange, lease or value of real property (Section 551.072, Texas Government Code);
- c. Personnel matters (Section 551.074, Texas Government Code);
- d. Security personnel or devices (Section 551.076, Texas Government Code); and
- e. Economic development negotiations (Sections 551.087, Texas Government Code).

Upon entering into the executive session, the presiding officer shall note which agenda items will be discussed.

11. Adjourn.

  
\_\_\_\_\_  
Matt Thibodeaux  
Executive Director

**MINUTES OF THE BOARD OF DIRECTORS OF  
REINVESTMENT ZONE NUMBER TWO, CITY OF HOUSTON, TEXAS**

**July 27, 2017**

A regular meeting of the Board of Directors (the “Board”) of the Reinvestment Zone Number Two, City of Houston, Texas (the “Zone”), a non-profit corporation, was held at the Midtown Redevelopment Authority’s offices in the Houston Technology Center, 410 Pierce, Houston, Texas 77002, on Thursday, July 27, 2017, at 12:30 p.m. The meeting was open to the public. The roll was called of the duly appointed members of the Board, to-wit:

<u>Pos. #</u>	<u>Name</u>	<u>Pos. #</u>	<u>Name</u>
1	Vacant	6	Abe Goren
2	Doug Erwing	7	Caton M. Fenz
3	Robert D. Sellingsloh	8	John Thomas
4	Pamela Ngo Castleman	9	Brandon Dudley
5	Al Odom		

and all of the above were present with the exception of Directors Erwing, Odom & Dudley.

Also in attendance were Matt Thibodeaux, Kandi Schramm, Marlon Marshall, Todd Edwards, David Thomas, Cynthia Alvarado, Araceli Rodriguez, Michelle Ashton, Mark Sullivan, Jalisa Hurst, Amaris Salinas, and Jonathan Smith of Midtown; Peggy Foreman of Burney and Foreman; Barron F. Wallace of Bracewell LLP; Edwin Friedrichs, Brian Lozano and Rachel Ray of Walter P. Moore; Alex Ramirez of Design Workshop; Mechelle Phillips of One World Strategy Group; Jim Webb and Mariana Raschke of The Goodman Corporation; Roberta Burroughs, Algenita Scott Davis and Marsha Fisk of CCPPI; Eoles Whittaker of State Representative Coleman’s Office; Jennifer Curley of City of Houston; Jeremy Rocha of Walker Parking; Harry Klein of Cole Klein Builders; Clayton Trice, Intern with Wilson, Cribbs & Goren; Jessica Cusick; Consultant for the Art Programing in Midtown Park; Gary Bernard of 2016 Main; and Cynthia Aceves-Lewis, Dan Barnum and Jim Honey, Midtown Residents.

Chairman Sellingsloh called the meeting to order.

**CONSENT AGENDA**

**MINUTES FOR JUNE 29, 2017**

Matt Thibodeaux, Executive Director, presented the consent agenda to the Board.

Director Goren made a motion to approve the consent agenda. The motion was seconded by Director Fenz and carried by unanimous vote.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned.

\_\_\_\_\_  
Pamela N. Castleman, Secretary

\_\_\_\_\_  
Date

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**MINUTES OF THE BOARD OF DIRECTORS OF  
THE MIDTOWN REDEVELOPMENT AUTHORITY**

**July 27, 2017**

A regular meeting of the Board of Directors (the “Board”) of the Midtown Redevelopment Authority (the “Authority”) was held at the Authority’s offices in the Houston Technology Center, 410 Pierce, Houston, Texas 77002, on Thursday, July 27, 2017 at 12:30 p.m. The meeting was open to the public. The roll was called of the duly appointed members of the Board, to-wit:

<u>Pos. #</u>	<u>Name</u>	<u>Pos. #</u>	<u>Name</u>
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Chairman Sellingsloh called the meeting to order and asked the guests to introduce themselves.

**PUBLIC COMMENTS**

Jim Honey requested that the Board coordinate with the Mayor to address concerns about public safety in Midtown. He noted his observations that the number of officers in the South Central Command Station appears to have decreased, the homeless tent count appears to have increased and Fiesta has reduces the hours that it is open.

Cynthia Aceves-Lewis wants to assist the Board in addressing public safety concerns and quality of life concerns.

**CONSENT AGENDA FOR THE AUTHORITY:**

- a. **MINUTES FOR JUNE 29, 2017;**
- b. **MONTHLY FINANCIAL REPORT FOR JUNE 2017;**
- c. **INVOICES FROM TRUSTEE AND OPERATING ACCOUNTS FOR JULY 2017.**
- d. **ANNUAL INSURANCE RENEWAL FOR 8/01/2017 TO 7/31/2018.**
- e. **ANNUAL RENEWAL OF PROFESSIONAL SERVICES AGREEMENT WITH WALTER P. MOORE.**

Matt Thibodeaux, Executive Director, presented the various items on the consent agenda. Director Castleman made a motion to approve the consent agenda as presented. The motion was seconded by Director Goren, which carried by unanimous vote.

**INVESTMENT REPORT FOR THE QUARTER ENDING JUNE 30, 2017.**

Mr. Thibodeaux present the investment report for the quarter ending June 30, 2017 noting the average rate yield for the accounts is 0.517604% for a total amount of interested earned for the quarter ending June 30, 2017 is \$107,911.28. Director Goren made a motion to accept and approve the Investment Report for the Quarter ending June 30, 2017. The motion was seconded by Director Castleman and carried by unanimous vote.

**MPC UPDATE – MIDTOWN PARK ART PRESENTATION**

Vernon Williams introduced Jessica Cusick, the consultant for the Midtown Park Art Plan to the Board. Ms. Cusick noted that she and Rick Lowe developed the Midtown Park Art Plan which was approved by the MIDCorp Board of Directors late in 2015. The Plan establishes visions and goals for both permanent and temporary art in Midtown Park. Ms. Cusick reported that artists were selected by way of an invitational competition with a panel of local art professionals selecting artists. Sharon Engelstein, Dixie Friend Gay and Shahzia Sikander were commissioned to create site specific pieces for Midtown Park. Ms. Engelstein created Tall Ma and Little Ricky as playground sculptures that were installed in Midtown Park July 15, 2017. Ms. Gay is creating a mosaic mural of a Texas meadow to be installed at the berm along Main Street and is anticipating installation in late October 2017. Ms. Sikander is currently working to create a fountain of glass mosaic with an anticipated install of late fall/winter.

**MIDTOWN AFFORDABLE HOUSING PROGRAM**

- a. **REAL ESTATE RESOLUTION**

There is no resolution for this month.

- b. **CCPPI UPDATE;**

Todd Edwards introduced Roberta Burroughs and Algenita Scott Davis of CCPPI. Ms. Davis gave a brief history of herself noting that she is a native Houstonian, Chair of TIRZ #9, Vice Chair of TIRZ #7 and Executive Director for Habitat for Humanity and dedicated to affordable housing. Ms. Burroughs presented the comprehensive

report titled Midtown Affordable Housing Plan 2017. She stated that the Report has relied on the CDS Market Study in order to reach certain conclusions and as the basis for some of the recommendations. Ms. Burroughs emphasized that infrastructure was a very important component of the effort. She explained that the report process identified existing conditions, assessed market conditions, conducted affordability analysis, developed design guidelines, drafted a development program, formulated goals and composed recommendations. The area between Emancipation Ave and Elgin Street has been designated as the Demonstration District. It is anticipated that a 10 year period will be required to begin to give the program a foothold in the community. Director Fenz would like to receive feedback from the Directors prior to the September Board of Directors meeting. Ms. Burroughs thanked all who participated with the development of the report including Walter P. Moore, Danny Samuel of Taft Architects, Centro Partners, CDS Market Studies, and Design Workshop.

c. **UPDATE ON AFFORDABLE HOUSING PROGRAM**

No update at this meeting.

**MIDTOWN CAPITAL IMPROVEMENT PROGRAM**

b. **PARKS AND GREENSPACE – WALTER P. MOORE/DESIGN WORKSHOP**

i. **MIDTOWN PARK**

**GARAGE CHANGE ORDERS – CAMDEN**

Marlon Marshall reported that Camden continues work on the replacement of the pavilion deck. Concrete demolition has been completed and the condition of the deck has been reviewed by Walter P. Moore and the team. Due to holes punched in the deck during the concrete demo, the deck in its current condition will not be suitable for re-use without modifications to the slab design. The design team will provide a drawing reflecting the modification of the existing slab design through the use of more reinforcing and thicker concrete. It has been discovered that one of the CMU block walls is missing. This missing wall may have contributed to the cracking of the stage. It is anticipated that the work on the pavilion lid will be completed in 2-3 weeks after receipt of updated plans.

Mr. Marshall reported that there were no garage change orders at this time.

**PARK CHANGE ORDERS – MILLIS.**

Mr. Marshall reported that work continues to move forward on the bayou and calm pool, rain fountain, granite pavers and irrigation. He anticipates substantial completion in late August 2017.

Mr. Marshall reported that there were no park change orders at this time.



ii. **ENTRY PORTALS**

Mr. Marshall reported that construction on the Entry Portals is continuing.

c. **HCC CAPITAL PROJECTS - IDS ENGINEERS**

i. **HOLMAN STREET PEDESTRIAN ENHANCEMENTS**

Mr. Marshall reported that the Holman Street project bike and parking signage changes have been approved by the City of Houston.

**APPROVE CHANGE ORDERS – SER**

Director Castleman made a motion to approve Change Order #10 in the amount of \$30,423.60 for bike and parking signage. The motion was seconded by Director Fenz and carried by unanimous vote.

d. **MAIN STREET ENHANCEMENTS – WALTER P. MOORE /DESIGN WORKSHOP**

Mr. Marshall reported that the contractor continues to work on the sidewalk installations on the west blockfaces between Gray and McGowen. He reported that 2016 Main has a basement encroachment into the right of way that will make it to dangerous to work on that block. The team has received a proposal from METRO for up to a total of \$238,000 for median maintenance. Mr. Marshall will ask METRO to participate in the night work costs. He hopes to have an agreement with METRO by next month.

i. **APPROVE CHANGE ORDERS - SER**

No change order at this time.

e. **CAROLINE STREET RECONSTRUCTION – ESPA/KCI**

Mr. Marshall reported that we are meeting with the contractor August 22, 2017. . Construction is expected to begin in late 2017.

f. **FTA GRANT PROGRAM – THE GOODMAN CORPORATION**

The team has met with The Goodman Corporation to review additional funding grants.

**WITH RESPECT TO THE FOREGOING AGENDA ITEMS, CONDUCT AN EXECUTIVE SESSION WITH REGARD TO THE FOLLOWING, AS APPROPRIATE AND NECESSARY:**

- a. **CONSULTATION WITH ATTORNEY (SECTION 551.071, TEXAS GOVERNMENT CODE);**
- b. **THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY (SECTION 551.072, TEXAS GOVERNMENT CODE);**

- c. PERSONNEL MATTERS (SECTION 551.074, TEXAS GOVERNMENT CODE);
- d. SECURITY PERSONNEL OR DEVICES (SECTION 551.076, TEXAS GOVERNMENT CODE); AND ECONOMIC DEVELOPMENT NEGOTIATIONS (SECTIONS 551.087, TEXAS GOVERNMENT CODE).

The Board did not conduct an executive session at this meeting.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

\_\_\_\_\_  
Pamela N. Castleman, Secretary

\_\_\_\_\_  
Date

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**Midtown Redevelopment Authority**  
**Balance Sheet**  
As of August 31, 2017

Aug 31, 17

**ASSETS**

**Current Assets**

Checking/Savings

101001 · Wells Fargo Ope Acctg 64040	7,446,922.80
101002 · Infrastructure Projects 1731	123,940.23
101010 · WF Surplus Acct 63943	882.34
101020 · WF FTA Enhanced Path 63919	48.94
102200 · Logic Operating Account (Investment Account)	354,332.93
103200 · TexStar Operating Acct 1111	1,028,556.22
103600 · Wells Fargo Oper Inves 63901	727.60
103700 · WF Operating Saving 3215777180	115,275.98
104000 · Affordable Housing Accounts	
104021 · WF Afford Hous 3927	4,666,633.04
104022 · WF Pilot Program 3935	342.70
104023 · WF PILOT PRO SAV 00860	35.72
104116 · TexStar Aff. Hsng MM 1800	1,919.16
104200 · Logic Affordable Housing (Investment Account)	2,380.72
Total 104000 · Affordable Housing Accounts	4,671,311.34
105000 · Trustee Investments	
105001 · Pledge Revenue Fund 422885	
105100 · Pledge Revenue Fund -422885	12,109.10
Total 105001 · Pledge Revenue Fund 422885	12,109.10
105002 · Debt Service Fund	
105200 · BNY-Debt Service Fund 422896	10,892,357.61
Total 105002 · Debt Service Fund	10,892,357.61
105003 · Reserve Fund 422897	
105324 · TexStar Debt Res Fnd MM 1023 (Debt Reserve Fund)	7,945,029.50
Total 105003 · Reserve Fund 422897	7,945,029.50
105009 · Austin Park Maint. Fund 422919	
105901 · Austin Park Money Market Acct.	3,465.08
Total 105009 · Austin Park Maint. Fund 422919	3,465.08
107000 · BOND FUNDS	
107012 · BNY 443264 2011 Escrow	9.99
107017 · 937933 8400 2017 ESCROW	1,312,428.94
107018 · LOGIC 2017 PROJECT FUND (Trust Account 7487592004)	20,093,962.85
107019 · LOGIC 2017 AFFORDABLE HOUSING (Trust Account 7487592005)	7,961,995.92
Total 107000 · BOND FUNDS	29,368,397.70
Total 105000 · Trustee Investments	48,221,358.99
Total Checking/Savings	61,963,357.37
Accounts Receivable	
130100 · Tax Increments Receivable	
103152 · Harris County Tax Increment	-7,481,412.05
Total 130100 · Tax Increments Receivable	-7,481,412.05
170000 · Accounts Receivable	
170008 · KIOS	600.00

## Midtown Redevelopment Authority

## Balance Sheet

As of August 31, 2017

	Aug 31, 17
170020 · Houston Technology Center	18,624.27
170021 · HTC BUILTOUT	361,545.20
170030 · FTA INCOME	7,340.00
170060 · Fourth Ward Redevelopment Autho (Expense Reimbursement)	12,941.58
Total 170000 · Accounts Receivable	<u>401,051.05</u>
Total Accounts Receivable	<u>-7,080,361.00</u>
Total Current Assets	<u>54,882,996.37</u>
Fixed Assets	
150000 · Fixed Assets	
150010 · Office Furniture & Equipment	26,321.36
150011 · Accumulated Depreciation-Furn.	-26,321.36
150020 · Computer Equipment	32,057.11
150021 · Accumulated Depreciation-Comp.	-32,057.11
150040 · Land - JPI Park	736,911.00
150045 · Walgreens/Lui Park Land	141,000.00
150062 · Land - Houston Tech.Center I	798,053.89
150063 · Houston Tech Center I	2,667,192.62
150064 · Accm Deprec-Houston Tech Cntr I	-1,911,999.05
150065 · Land - HTC Phase II	697,219.00
150066 · Houston Tech Center II	2,816,117.96
150067 · Accum.Deprec. HTC Phase I	-1,560,598.92
150069 · Land - Bagby Park	1,318,870.15
150070 · BagbyPark	2,453,218.83
150071 · Accum.Deprec. BagbyPark	-930,906.01
150075 · Midtown Park 2905 Travis St	3,506,306.26
150078 · Midtown Park Land-Tracts I & II	8,210,142.45
150078A · Midtown (Superblock) Garage	16,281,301.00
150078B · Midtown (Superblockj) Park	3,160,059.00
150080 · Land (Resale) (Land purchase for resale)	
150081 · Earnest Money	26,686.18
150082 · Option Fees	10,500.00
150803 · Affordable Housing Legal	109,050.45
150804 · Affordable Housing Misc	806,355.46
150805 · AFFORD HOUS GRANTS	126,750.28
150080 · Land (Resale) (Land purchase for resale) - Other	50,596,217.43
Total 150080 · Land (Resale) (Land purchase for resale)	<u>51,675,559.80</u>
150089 · Land HMAAC (Land)	1,206,150.00
150090 · HMAAC Property	918,850.00
150091 · Accum Depr HMAAC	-313,939.98
150100 · 2800 MAIN	317,069.93
Total 150000 · Fixed Assets	<u>92,186,577.93</u>
Total Fixed Assets	<u>92,186,577.93</u>
TOTAL ASSETS	<u>147,069,574.30</u>
LIABILITIES & EQUITY	
Liabilities	

## Midtown Redevelopment Authority

## Balance Sheet

As of August 31, 2017

Aug 31, 17

<b>Current Liabilities</b>	
Accounts Payable	
200000 · Accounts Payable	
202001 · Retainage Payable	546,263.71
200000 · Accounts Payable - Other	2,378,279.60
<b>Total 200000 · Accounts Payable</b>	<b>2,924,543.31</b>
<b>Total Accounts Payable</b>	<b>2,924,543.31</b>
Other Current Liabilities	
200001 · Current Liabilities	
201001 · MIDCORP Kios	20,954.84
202000 · Project Fund Liabilities	18,578.35
202100 · Harris County 19% Aff. Housing	-1,413,249.45
2021062 · Due MMD	-2,322.34
2021064 · Due to FWRA	-1,984.20
203000 · Escrow Fund Liabilities	
2021063 · trn to Aff Housing	1,238,661.25
<b>Total 203000 · Escrow Fund Liabilities</b>	<b>1,238,661.25</b>
204000 · HMAAC NOTE - CURRENT	102,902.00
200001 · Current Liabilities - Other	13,800.00
<b>Total 200001 · Current Liabilities</b>	<b>-22,659.55</b>
2103007 · Developer Advances Midtown Park	15,449,816.00
<b>Total Other Current Liabilities</b>	<b>15,427,156.45</b>
<b>Total Current Liabilities</b>	<b>18,351,699.76</b>
Long Term Liabilities	
210000 · Long Term Liabilities	
210044 · Bonds Payable Series 2011	19,280,000.00
210047 · Bonds Payabe Series '13	25,450,000.00
210048 · Current Portion Bonds Payable	6,195,000.00
210049 · Bond Payable Series '15	11,900,000.00
210050 · Bond Payable Series 2017	38,125,000.00
210053 · Accrued Bond Int 2015 series	81,914.58
210055 · Accrued Bond Interest 13 Series	230,644.80
210056 · Accrued Bond Interest Series 11	174,947.92
210058 · Series 2013 BOND PREMIUM	1,211,026.45
210059 · Series 2015 Bond Prem	988,184.26
210060 · Bond Premium Series 05	290,816.50
210061 · Series 2017 Bond Premium	4,219,699.85
2103000 · LOANS	
2103003 · HMAAC LOAN REFINANCED	1,360,427.17
<b>Total 2103000 · LOANS</b>	<b>1,360,427.17</b>
<b>Total 210000 · Long Term Liabilities</b>	<b>109,507,661.53</b>
<b>Total Long Term Liabilities</b>	<b>109,507,661.53</b>
<b>Total Liabilities</b>	<b>127,859,361.29</b>
Equity	
1110 · Retained Earnings (Retained Earnings)	22,606,987.91

Midtown Redevelopment Authority  
Balance Sheet  
As of August 31, 2017

Aug 31, 17

Net Income  
Total Equity  
TOTAL LIABILITIES & EQUITY

-3,396,774.90  
19,210,213.01  
147,069,574.30

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# Midtown Redevelopment Authority

## Profit & Loss

August 2017

Aug 17

Ordinary Income/Expense

Income

400000 · Revenue & Support	
400025 · Interest-Debt Service & Reserve	6,973.52
400026 · Interest-Other Bond Funds	30,188.52
400029 · Interest - Affordable Housing	132.28
400030 · Interest-Operating Funds	1,338.67
400031 · Interest Income	2.94
400032 · Other Revenue	719.12
Total 400000 · Revenue & Support	<u>39,355.05</u>

Total Income

39,355.05

Gross Profit

39,355.05

Expense

500000 · BOND FUND EXPENSES	
500003 · T-0225 Mobility	11,380.50
504000 · Projects & Expenses	
500009 · T-0210 Main Street Improvements	12,391.98
500010 · CIP '03 Admin & General Exp.	14,820.00
500048 · T-0235 Holman Ped Enhancement	14,890.04
Total 504000 · Projects & Expenses	<u>42,102.02</u>
Total 500000 · BOND FUND EXPENSES	53,482.52

510000 · INCREMENT PROJECTS/EXPENSE

510003 · Holman Street St T-0211	512.39
510008 · T-0220 Afford Housing Land Bnk	
510017 · T-0220 Drainage Fees	1,479.18
512001 · T-0220 Aff Hous Expense	<u>342,504.41</u>
Total 510008 · T-0220 Afford Housing Land Bnk	343,983.59
510045 · T-0224 HTC I - Bldg Maintenance	1,643.03
510046 · T-0221 Midtown Pk	68,366.83
510102 · HMAAC Interest Expense	4,706.85
510534 · T-0225 Mobility & Pedest Imprv	14,170.00
510700 · Municipal Services Costs	14,841.04
511001 · T-0232 Public & Cultural Fac	100,000.00
511002 · T-0233 Midtown Park Garage	<u>12,470.36</u>

Total 510000 · INCREMENT PROJECTS/EXPENSE

560,694.09

550000 · General & Admin. Expense

550002 · Contract Labor	4,250.00
550003 · Rent Expense (Additional office space)	3,995.00
550004 · Salaries	
550013 · Dental Coverage	1.16
550014 · Health Insurance	7,664.16
550015 · AFLAC	1,065.54
550004 · Salaries - Other	<u>107,942.80</u>

Total 550004 · Salaries

116,673.66

550007 · Courier Service	272.10
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Midtown Redevelopment Authority

Profit & Loss

August 2017

	<u>Aug 17</u>
550008 · Office Supply & Expense	1,815.81
550009 · Misc Exp	6,762.86
550010 · Telephone & Utilities	
550110 · Cellular Service	124.43
550010 · Telephone & Utilities - Other	<u>1,734.49</u>
Total 550010 · Telephone & Utilities	1,858.92
550012 · Postage	297.34
550022 · Bank Charges & Fees	10.00
550025 · Professional Services	5,550.00
550026 · Accounting Consultants	5,320.00
550027 · Financial Audit (Audit Services)	20,000.00
550028 · Legal Consultants	19,556.36
550034 · Equip Rent & Lease Expense	495.17
550039 · Computers & Repairs & Maint	2,030.00
550044 · Payroll Expense & PR Tax Exp	11,237.11
550050 · Depreciation Expense	40,304.65
550114 · Harris County Extension	<u>3,533.10</u>
Total 550000 · General & Admin. Expense	243,962.08
600000 · Bond Related Expenses	
550055 · Amort Bond Prem	-35,587.31
560038 · 11 Bond Series Interest Expense	87,473.96
560039 · 2013 Bond Series Int Expense	115,322.40
560040 · 2015 Bond Int Expense	40,957.29
560041 · 2017 Bond Int Expense	<u>145,408.25</u>
Total 600000 · Bond Related Expenses	<u>353,574.59</u>
Total Expense	<u>1,211,713.28</u>
Net Ordinary Income	<u>-1,172,358.23</u>
Net Income	<u>-1,172,358.23</u>

Midtown Redevelopment Authority

Trial Balance

As of September 30, 2017

Sep 30, 17

	Debit	Credit
101001 · Wells Fargo Ope Acctg 64040	579,826.86	
101002 · Infrastructure Projects 1731	123,940.23	
101010 · WF Surplus Acct 63943	882.34	
101020 · WF FTA Enhanced Path 63919	48.94	
102200 · Logic Operating Account	6,354,332.93	
103200 · TexStar Operating Acct 1111	1,029,470.07	
103600 · Wells Fargo Oper Inves 63901	727.60	
103700 · WF Operating Saving 3215777180	115,275.98	
104021 · WF Afford Hous 3927	1,366,659.44	
104022 · WF Pilot Program 3935	342.70	
104023 · WF PILOT PRO SAV 00860	35.72	
104116 · TexStar Aff. Hsng MM 1800	1,919.16	
104200 · Logic Affordable Housing	3,002,380.72	
105100 · Pledge Revenue Fund -422885	12,109.10	
105200 · BNY-Debt Service Fund 422896	10,892,357.61	
105324 · TexStar Debt Res Fnd MM 1023	7,945,029.50	
105901 · Austin Park Money Market Acct.	3,465.08	
107012 · BNY 443264 2011 Escrow	9.99	
107017 · 937933 8400 2017 ESCROW	1,312,428.94	
107018 · LOGIC 2017 PROJECT FUND	19,772,924.49	
107019 · LOGIC 2017 AFFORDABLE HOUSING	7,276,999.92	
103152 · Harris County Tax Increment		7,481,412.05
170008 · KIOS	600.00	
170020 · Houston Technology Center	18,624.27	
170021 · HTC BUILTOUT	361,545.20	
170030 · FTA INCOME	7,340.00	
170060 · Fourth Ward Redevelopment Autho	12,941.58	
150010 · Office Furniture & Equipment	26,321.36	
150011 · Accumulated Depreciation-Furn.		26,321.36
150020 · Computer Equipment	32,057.11	
150021 · Accumulated Depreciation-Comp.		32,057.11
150040 · Land - JPI Park	736,911.00	
150045 · Walgreens/Lui Park Land	141,000.00	
150062 · Land - Houston Tech.Center I	798,053.89	
150063 · Houston Tech Center I	2,667,192.62	
150064 · Accm Deprec-Houston Tech Cntr I		1,911,999.05
150065 · Land - HTC Phase II	697,219.00	
150066 · Houston Tech Center II	2,816,117.96	
150067 · Accum.Deprec. HTC Phase I		1,560,598.92
150069 · Land - Bagby Park	1,318,870.15	
150070 · BagbyPark	2,453,218.83	
150071 · Accum.Deprec. BagbyPark		930,906.01
150075 · Midtown Park 2905 Travis St	3,506,306.26	
150078 · Midtown Park Land-Tracts I & II	8,210,142.45	

## Midtown Redevelopment Authority

## Trial Balance

As of September 30, 2017

Sep 30, 17

	Debit	Credit
150078A · Midtown (Superblock) Garage	16,281,301.00	
150078B · Midtown (Superblockj) Park	3,160,059.00	
150080 · Land (Resale)	51,279,263.43	
150081 · Earnest Money	26,686.18	
150082 · Option Fees	10,500.00	
150803 · Affordable Housing Legal	109,050.45	
150804 · Affordable Housing Misc	806,355.46	
150805 · AFFORD HOUS GRANTS	126,750.28	
150089 · Land HMAAC (Land)	1,206,150.00	
150090 · HMAAC Property	918,850.00	
150091 · Accum Depr HMAAC		313,939.98
150100 · 2800 MAIN	317,069.93	
200000 · Accounts Payable		37,670.72
202001 · Retainage Payable		546,263.71
200001 · Current Liabilities		13,800.00
201001 · MIDCORP Kios		20,954.84
202000 · Project Fund Liabilities		18,578.35
202100 · Harris County 19% Aff. Housing	1,413,249.45	
2021062 · Due MMD	2,322.34	
2021064 · Due to FWRA	1,984.20	
2021063 · trn to Aff Housing		1,238,661.25
204000 · HMAAC NOTE - CURRENT		102,902.00
2103007 · Developer Advances Midtown Park		15,449,816.00
210044 · Bonds Payable Series 2011		19,280,000.00
210047 · Bonds Payabe Series '13		25,450,000.00
210048 · Current Portion Bonds Payable		6,195,000.00
210049 · Bond Payable Series '15		11,900,000.00
210050 · Bond Payable Series 2017		38,125,000.00
210053 · Accrued Bond Int 2015 series		81,914.58
210055 · Accrued Bond Interest 13 Series		230,644.80
210056 · Accrued Bond Interest Series 11		174,947.92
210058 · Series 2013 BOND PREMIUM		1,211,026.45
210059 · Series 2015 Bond Prem		988,184.26
210060 · Bond Premium Series 05		290,816.50
210061 · Series 2017 Bond Premium		4,219,699.85
2103003 · HMAAC LOAN REFINANCED		1,351,781.52
1110 · Retained Earnings		22,606,987.91
400020 · Reimb Off Exp & Staff		3,500.00
400022 · HTC Performance Rent		23,259.53
400025 · Interest-Debt Service & Reserve		13,599.16
400026 · Interest-Other Bond Funds		67,924.72
400029 · Interest - Affordable Housing		325.24
400030 · Interest-Operating Funds		2,636.06
400031 · Interest Income		378.46

Midtown Redevelopment Authority

Trial Balance

As of September 30, 2017

Sep 30, 17

	Debit	Credit
400032 · Other Revenue		1,700.47
4004036 · Main Street Project		1,131,063.05
500002 · T-0211 Holman St	18,549.80	
500003 · T-0225 Mobility	16,423.57	
500007 · T-0234 Parks and Open Space	77,232.80	
500009 · T-0210 Main Street Improvements	377,470.91	
500010 · CIP '03 Admin & General Exp.	33,250.00	
500048 · T-0235 Holman Ped Enhancement	14,890.04	
500022 · Affordable Housing Expenditures	1,950.00	
510003 · Holman Street St T-0211	1,710.69	
510532 · T-0211 - HCC Acad WK FTA	895.68	
510009 · T-0220 Afford Housing Ins	11,550.00	
510013 · T-0220 Affordable Housing Legal	47,500.00	
510017 · T-0220 Drainage Fees	2,781.26	
512001 · T-0220 Aff Hous Expense	832,772.07	
510041 · CIP Program Expenses	130.00	
510044 · T-0236 Bagby Park	326.67	
510045 · T-0224 HTC I - Bldg Maintenance	38,455.99	
510046 · T-0221 Midtown Pk	703,523.11	
510102 · HMAAC Interest Expense	14,690.08	
510534 · T-0225 Mobility & Pedest Imprv	27,820.00	
510700 · Municipal Services Costs	24,453.54	
511001 · T-0232 Public & Cultural Fac	100,000.00	
511002 · T-0233 Midtown Park Garage	73,571.79	
550002 · Contract Labor	9,490.00	
550003 · Rent Expense	11,985.00	
550004 · Salaries	215,791.85	
550013 · Dental Coverage	77.24	
550014 · Health Insruance	15,328.32	
550015 · AFLAC	1,827.19	
550007 · Courier Service	514.39	
550008 · Office Supply & Expense	3,087.53	
550009 · Misc Exp	7,011.80	
550010 · Telephone & Utilities	3,719.17	
550110 · Cellular Service	248.84	
550012 · Postage	555.79	
550022 · Bank Charges & Fees	661.19	
550025 · Professional Services	28,018.40	
550026 · Accounting Consultants	6,070.00	
550027 · Financial Audit	20,000.00	
550028 · Legal Consultants	64,440.23	
550030 · Planning Consultants	100.00	
550032 · Engineering Consultants	24,867.00	
550034 · Equip Rent & Lease Expense	1,968.39	

Midtown Redevelopment Authority

Trial Balance

As of September 30, 2017

Sep 30, 17

	<u>Debit</u>	<u>Credit</u>
550036 · Licenses & Fees	5,679.76	
550038 · Insurance - Office	94,546.00	
550039 · Computers & Repairs & Maint	5,980.00	
550040 · Repair & Maintenance	3,503.20	
550044 · Payroll Expense & PR Tax Exp	21,840.24	
550050 · Depreciation Expense	80,609.30	
550061 · Public Relations	22,500.00	
550114 · Harris County Extension	3,533.10	
550055 · Amort Bond Prem		71,174.62
560038 · 11 Bond Series Interest Expense	174,947.92	
560039 · 2013 Bond Series Int Expense	230,644.80	
560040 · 2015 Bond Int Expense	81,914.58	
560041 · 2017 Bond Int Expense	290,816.50	
TOTAL	<u>163,107,446.45</u>	<u>163,107,446.45</u>

## Midtown Redevelopment Authority

## Balance Sheet

As of July 31, 2017

Jul 31, 17

## ASSETS

## Current Assets

## Checking/Savings

101001 · Wells Fargo Ope Acctg 64040	2,759,551.25
101002 · Infrastructure Projects 1731	123,935.49
101010 · WF Surplus Acct 63943	798.15
101020 · WF FTA Enhanced Path 63919	48.94
102200 · Logic Operating Account (Investment Account)	353,952.34
103200 · TexStar Operating Acct 1111	1,027,688.73
103600 · Wells Fargo Oper Inves 63901	727.57
103700 · WF Operating Saving 3215777180	115,273.04
104000 · Affordable Housing Accounts	
104021 · WF Afford Hous 3927	2,581,107.51
104022 · WF Pilot Program 3935	342.69
104023 · WF PILOT PRO SAV 00860	45.72
104116 · TexStar Aff. Hsng MM 1800	1,917.56
104200 · Logic Affordable Housing (Investment Account)	2,378.20
Total 104000 · Affordable Housing Accounts	2,585,791.68
105000 · Trustee Investments	
105001 · Pledge Revenue Fund 422885	
105100 · Pledge Revenue Fund -422885	12,104.54
Total 105001 · Pledge Revenue Fund 422885	12,104.54
105002 · Debt Service Fund	
105200 · BNY-Debt Service Fund 422896	10,881,720.69
Total 105002 · Debt Service Fund	10,881,720.69
105003 · Reserve Fund 422897	
105324 · TexStar Debt Res Fnd MM 1023 (Debt Reserve Fund)	7,944,681.62
Total 105003 · Reserve Fund 422897	7,944,681.62
105009 · Austin Park Maint. Fund 422919	
105901 · Austin Park Money Market Acct.	3,463.77
Total 105009 · Austin Park Maint. Fund 422919	3,463.77
107000 · BOND FUNDS	
107012 · BNY 443264 2011 Escrow	9.99
107017 · 937933 8400 2017 ESCROW	1,312,428.94
107018 · LOGIC 2017 PROJECT FUND (Trust Account 7487592004)	20,140,855.27
107019 · LOGIC 2017 AFFORDABLE HOUSING (Trust Account 7487592005)	7,953,444.21
Total 107000 · BOND FUNDS	29,406,738.41
Total 105000 · Trustee Investments	48,248,709.03
Total Checking/Savings	55,216,476.22
Accounts Receivable	
170000 · Accounts Receivable	
170008 · KIOS	6,700.00
170010 · Midtown Management District	91,105.90
170011 · MIDCORP	116,910.02
170020 · Houston Technology Center	22,897.49

## Midtown Redevelopment Authority

## Balance Sheet

As of July 31, 2017

Jul 31, 17

170021 · HTC BUILTOUT	361,545.20
170030 · FTA INCOME	7,340.00
170060 · Fourth Ward Redevelopment Autho (Expense Reimbursement)	12,941.58
Total 170000 · Accounts Receivable	619,440.19
Total Accounts Receivable	619,440.19
Total Current Assets	55,835,916.41
Fixed Assets	
150000 · Fixed Assets	
150010 · Office Furniture & Equipment	26,321.36
150011 · Accumulated Depreciation-Furn.	-26,321.36
150020 · Computer Equipment	32,057.11
150021 · Accumulated Depreciation-Comp.	-32,057.11
150040 · Land - JPI Park	736,911.00
150045 · Walgreens/Lui Park Land	141,000.00
150062 · Land - Houston Tech.Center I	798,053.89
150063 · Houston Tech Center I	2,667,192.62
150064 · Accm Deprec-Houston Tech Cntr I	-1,889,772.45
150065 · Land - HTC Phase II	697,219.00
150066 · Houston Tech Center II	2,816,117.96
150067 · Accum.Deprec. HTC Phase I	-1,537,131.28
150069 · Land - Bagby Park	1,318,870.15
150070 · BagbyPark	2,453,218.83
150071 · Accum.Deprec. BagbyPark	-903,648.03
150075 · Midtown Park 2905 Travis St	3,506,306.26
150078 · Midtown Park Land-Tracts I & II	8,210,142.45
150078A · Midtown (Superblock) Garage	16,281,301.00
150078B · Midtown (Superblockj) Park	3,160,059.00
150080 · Land (Resale) (Land purchase for resale)	
150081 · Earnest Money	22,686.18
150082 · Option Fees	10,100.00
150803 · Affordable Housing Legal	109,050.45
150804 · Affordable Housing Misc	806,355.46
150805 · AFFORD HOUS GRANTS	126,750.28
150080 · Land (Resale) (Land purchase for resale) - Other	50,596,217.43
Total 150080 · Land (Resale) (Land purchase for resale)	51,671,159.80
150089 · Land HMAAC (Land)	1,206,150.00
150090 · HMAAC Property	918,850.00
150091 · Accum Depr HMAAC	-306,282.90
150100 · 2800 MAIN	317,069.93
Total 150000 · Fixed Assets	92,262,787.23
Total Fixed Assets	92,262,787.23
TOTAL ASSETS	148,098,703.64
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	

## Midtown Redevelopment Authority

## Balance Sheet

As of July 31, 2017

Jul 31, 17

Accounts Payable	
200000 · Accounts Payable	
202001 · Retainage Payable	546,263.71
200000 · Accounts Payable - Other	348,672.32
Total 200000 · Accounts Payable	<u>894,936.03</u>
Total Accounts Payable	894,936.03
Other Current Liabilities	
200001 · Current Liabilities	
201000 · Operating Account Liabilities	-62.10
201001 · MIDCORP Kios	20,954.84
202000 · Project Fund Liabilities	18,578.35
2021062 · Due MMD	-2,322.34
2021064 · Due to FWRA	-1,984.20
203000 · Escrow Fund Liabilities	
2021063 · trn to Aff Housing	1,238,661.25
Total 203000 · Escrow Fund Liabilities	<u>1,238,661.25</u>
204000 · HMAAC NOTE - CURRENT	102,902.00
200001 · Current Liabilities - Other	13,800.00
Total 200001 · Current Liabilities	<u>1,390,527.80</u>
2103007 · Developer Advances Midtown Park	15,449,816.00
Total Other Current Liabilities	<u>16,840,343.80</u>
Total Current Liabilities	17,735,279.83
Long Term Liabilities	
210000 · Long Term Liabilities	
210044 · Bonds Payable Series 2011	19,280,000.00
210047 · Bonds Payable Series '13	25,450,000.00
210048 · Current Portion Bonds Payable	6,195,000.00
210049 · Bond Payable Series '15	11,900,000.00
210050 · Bond Payable Series 2017	38,125,000.00
210058 · Series 2013 BOND PREMIUM	1,223,774.09
210059 · Series 2015 Bond Prem	1,010,390.64
210061 · Series 2017 Bond Premium	4,255,920.45
2103000 · LOANS	
2103003 · HMAAC LOAN REFINANCED	1,369,410.00
Total 2103000 · LOANS	<u>1,369,410.00</u>
Total 210000 · Long Term Liabilities	<u>108,809,495.18</u>
Total Long Term Liabilities	<u>108,809,495.18</u>
Total Liabilities	126,544,775.01
Equity	
1110 · Retained Earnings (Retained Earnings)	22,606,687.91
Net Income	-1,052,759.28
Total Equity	<u>21,553,928.63</u>
TOTAL LIABILITIES & EQUITY	<u><u>148,098,703.64</u></u>



Midtown Redevelopment Authority

Profit & Loss

July 2017

Jul 17

Ordinary Income/Expense

Income

400000 · Revenue & Support

400020 · Reimb Off Exp & Staff	3,500.00
400025 · Interest-Debt Service & Reserve	6,625.64
400026 · Interest-Other Bond Funds	37,736.20
400029 · Interest - Affordable Housing	2.48
400030 · Interest-Operating Funds	383.54
400031 · Interest Income	9.58
400032 · Other Revenue	981.35

Total 400000 · Revenue & Support 49,238.79

Total Income 49,238.79

Gross Profit 49,238.79

Expense

500000 · BOND FUND EXPENSES

500002 · T-0211 Holman St	13,924.80
500003 · T-0225 Mobility	5,043.07
504000 · Projects & Expenses	
500007 · T-0234 Parks and Open Space	57,418.44
500009 · T-0210 Main Street Improvements	65,825.46
500010 · CIP '03 Admin & General Exp.	18,430.00

Total 504000 · Projects & Expenses 141,673.90

Total 500000 · BOND FUND EXPENSES 160,641.77

510000 · INCREMENT PROJECTS/EXPENSE

510003 · Holman Street St T-0211	
510532 · T-0211 - HCC Acad WK FTA	895.68
510003 · Holman Street St T-0211 - Other	88.44

Total 510003 · Holman Street St T-0211 984.12

510008 · T-0220 Afford Housing Land Bnk	
510009 · T-0220 Afford Housing Ins	11,550.00
510013 · T-0220 Affordable Housing Legal	47,500.00
510017 · T-0220 Drainage Fees	441.36
512001 · T-0220 Aff Hous Expense	348,127.03

Total 510008 · T-0220 Afford Housing Land Bnk 407,618.39

510041 · CIP Program Expenses	130.00
510044 · T-0236 Bagby Park	326.67
510045 · T-0224 HTC I - Bldg Maintenance	35,345.50
510046 · T-0221 Midtown Pk	156,498.84
510102 · HMAAC Interest Expense	4,939.20
510534 · T-0225 Mobility & Pedest Imprv	13,650.00
511002 · T-0233 Midtown Park Garage	26,449.14

Total 510000 · INCREMENT PROJECTS/EXPENSE 645,941.86

550000 · General & Admin. Expense

550002 · Contract Labor	5,240.00
550003 · Rent Expense (Additional office space)	3,695.00

Midtown Redevelopment Authority

Profit & Loss

July 2017

Jul 17

550004 · Salaries	
550013 · Dental Coverage	
550014 · Health Insurance	7,664.16
550015 · AFLAC	761.65
550004 · Salaries - Other	107,849.05
Total 550004 · Salaries	<u>116,274.86</u>
550007 · Courier Service	206.48
550008 · Office Supply & Expense	933.36
550009 · Misc Exp	248.94
550010 · Telephone & Utilities	
550110 · Cellular Service	126.48
550010 · Telephone & Utilities - Other	1,057.67
Total 550010 · Telephone & Utilities	<u>1,184.15</u>
550012 · Postage	258.45
550022 · Bank Charges & Fees	651.19
550025 · Professional Services	19,868.40
550026 · Accounting Consultants	750.00
550028 · Legal Consultants	27,007.33
550030 · Planning Consultants	100.00
550034 · Equip Rent & Lease Expense	791.29
550036 · Licenses & Fees	139.76
550038 · Insurance - Office	94,546.00
550039 · Computers & Repairs & Maint	1,975.00
550040 · Repair & Maintenance	3,503.20
550044 · Payroll Expense & PR Tax Exp	10,541.03
550061 · Public Relations	7,500.00
Total 550000 · General & Admin. Expense	<u>295,414.44</u>
Total Expense	<u>1,101,998.07</u>
Net Ordinary Income	<u>-1,052,759.28</u>
Net Income	<u><u>-1,052,759.28</u></u>

DRAFT

Midtown Redevelopment Authority

Date	Num	Name	Memo	Debit
<b>SEPTEMBER 2017</b>				
101001 - Wells Fargo Ope Acctg 64040				
09/01/2017	8381	NOTonsite	MRA Monthly Services	1,975.00
09/01/2017	8387	Houston Technology Center	Rent: 2 rooms; 1 storage room; 7 parking spaces SEPT	3,695.00
09/05/2017	DEBIT	AT&T -2	Office phones	356.83
09/05/2017	8388	One World Strategy Group, LLC	Monthly retianer per contract June 2017 Dated 07-03-20	7,500.00
09/05/2017	debit	T - Mobile	110855028AUG17	124.43
09/06/2017	8389	Millis Development & Construction, Inc.	MRA - IDS Project No. 1174-005-07 JULY 2017	478,657.44
09/07/2017	8390	PHONOSCOPE SERVICES, INC.	SEPTEMBER 2017	144.75
09/11/2017	8391	Kwik Kopy	40 BROCHURE MAPS GLOSSY 1 SIDE 8X5	349.00
09/11/2017	8392	Midtown Parks Conservancy	JANUARY & FEBRUARY PARK KIOS LEASE	6,400.00
09/12/2017	# 493495	City of Houston - Water	155065	1,036.75
09/13/2017	1769845612	TPX Communications	Acct # 153341 Internet services	656.52
09/18/2017	176505777	ATT -1	Elevators 410 & 402 Pierce	312.84
09/18/2017	1746530625	ATT -1	2811 TRAVIS	163.25
09/18/2017	1746546761	ATT -1	2811 TRAVIS	244.87
09/18/2017	1746643350	ATT -1	2811 TRAVIS FAX	163.25
09/18/2017	8393	CHAMPION ENERGY SERVICES	2811 Travis St	1,643.14
09/18/2017	8394	City of Houston-Public Works	Encroachment Fee 402 Pierce St 7702 OCT 2017 - OCT 1	125.00
09/20/2017		Reliant Energy	1551 1/2 HEINER ST	115.50
09/20/2017	DEBIT	Reliant Energy	1201 1/2 HOLMAN	121.40
09/20/2017		Reliant Energy	3500 1/2 MILAM	67.91
09/20/2017		Reliant Energy	1625 1/2 HOLMAN ST	40.05
09/20/2017	DEBIT	ATT -3	New Tablet 713 561-1148	22.39
09/21/2017	8396	City of Houston - Water	VOID: 155065	0.00
09/22/2017	8397	City of Houston - Water	155065	1,027.71
09/28/2017	8398	Bee-Line Delivery Service	550008	266.99
09/28/2017	8399	Bracewell LLP		17,876.54
09/28/2017	8400	CRI	Progress Billing for the agreed-upon-procedures MRA 06	20,000.00
09/28/2017	8401	Design Workshop, Inc.	DW MIDTOWN WO#1 AUGUST 2017	15,046.45
09/28/2017	8402	FirstSouthwest	Computational fee incurred in connection with abritrage ca	5,180.00
09/28/2017	8403	FordMomentum, LLC	Communications Assessment	2,600.00
09/28/2017	8404	Humana Dental Insurance Company	Dental Insurance OCTOBER 2017	76.08
09/28/2017	8405	IDS Engineering Group		55,607.90
09/28/2017	8406	marimon	Contract bas cost & copies	286.00
09/28/2017	8407	MBM Financial Corporation	CANON/IRAC5250	244.06
09/28/2017	8408	McConnell & Jones, LLP	Aff Hou Computation; Adj entries; AH Letters FY2017; adj	2,320.00
09/28/2017	8409	Midtown Scouts Square Property, LP	CONTRACT PARKING 2017	300.00
09/28/2017	8410	NFBPA Membership	Membership renewal 2017-2018 Matt Thibodeaux	235.00
09/28/2017	8411	One World Strategy Group, LLC	Monthly retianer per contract August 2017	7,500.00
09/28/2017	8412	Pitney Bowes Global Financial Services LL Lease		151.87
09/28/2017	8413	Purchase Power	Postage Purchased 36512879 Postage Purchase AUGUS	297.34
09/28/2017	8414	Qualtrics LLC	Community Survey	6,300.00
09/28/2017	8415	Staples Advantage		657.80
09/28/2017	8416	The Goodman Corporation	FTA	14,170.00
09/28/2017	8417	The Tab Store	BLANK TABS	128.80
09/28/2017	8418	THR Enterprises, Inc.	Dumpster	9,612.50
09/28/2017	8419	ThyssenKrupp Elevator		1,467.46
09/28/2017	8420	TLC Engineering, Inc.	Midtown Park Garage	32,645.90
09/28/2017	8421	Walter P. Moore		53,557.72
09/28/2017	8422	West Unified Communications Services Inc	Meeting Center Audio	93.16
09/30/2017	DEBIT	Liberty Bank and Trust	53752 SEPT2017	13,689.68
				<b>765,454.28</b>

Midtown Redevelopment Authority

	Date	Num	Name	Memo	Debit
	<b>AUGUST 2017</b>				
101001 - Wells Fargo Ope Acctg 64040					
	08/01/2017	8345	Houston Technology Center	RENTAL EXPENSES	3,695.00
	08/03/2017	8349	Marlon Marshall	COH CODE OF ENFORCEMENT REFUND	104.57
	08/04/2017	DEBIT	TPX Communications	Acct # 153341 Internet services	656.52
	08/04/2017	DEBIT	AT&T -2	Office phones	358.75
	08/10/2017	8350	Green Business Certification Inc.	Certification & Registration Midtown Park	9,000.00
	08/10/2017	debit	T - Mobile	110855028JUL17	126.48
	08/11/2017	8351	Midtown Scouts Square Property. LP	CONTRACT PARKING AUGUST 2017	300.00
	08/11/2017	00002941326	Reliant Energy	3500 1/2 MILAM	69.24
	08/13/2017	DEBIT	PAYCHECK	PR 08/13/2017	64,445.45
	08/15/2017	1542654705	ATT -1	Elevators 410 & 402 Pierce	388.99
	08/15/2017	DEBIT	ATT -1	2811 TRAVIS	164.34
	08/15/2017	1543016303	ATT -1	2811 TRAVIS	246.51
	08/15/2017	8352	CHAMPION ENERGY SERVICES	2811 Travis St	1,752.67
	08/22/2017	DEBIT	Reliant Energy	1625 1/2 HOLMAN ST	35.84
	08/24/2017	477486	City of Houston - Water	Water Bills	197.37
	08/24/2017	477489	City of Houston - Water	Water Bills	132.03
	08/24/2017	477491	City of Houston - Water	Water Bills	81.21
	08/24/2017	1605202564	AT&T	UVERSE	102.09
	08/24/2017	1605220136	ATT -1	2811 TRAVIS	163.25
	08/24/2017	R2S038C9X	ATT -3	Tablet 713 561-1148	22.39
	08/27/2017	DEBIT	PAYCHECK	PR 08/27/2017	64,588.45
	08/31/2017	debit	Liberty Bank and Trust	53752 AUGUST 2017	13,689.68
	08/31/2017	8353	A. O. Phillips & Associaes	MWDBE SERVICES	14,820.00
	08/31/2017	8354	AFLAC	AUGUST 2017	2,270.22
	08/31/2017	8355	Bee-Line Delivery Service	Courier Service	189.99
	08/31/2017	8356	Bracewell LLP	Legal Services	23,089.46
	08/31/2017	8357	VOID	VOID	0.00
	08/31/2017	8358	Creative Financial Staffing	TaMarr Daniels 07/23/2017	483.00
	08/31/2017	8359	Equi-Tax, Inc.	Increment Study - projections to TY2040	130.00
	08/31/2017	8360	FordMomentum, LLC	Communications Assessment Interviews JULY 2017	5,550.00
	08/31/2017	8361	Humana Dental Insurance Company	Dental Insurance SEPTEMBER 2017	76.08
	08/31/2017	8362	IDS Engineering Group	Professional Consultation	149,732.44
	08/31/2017	8363	marimon	Contract bas cost & copies	262.17
	08/31/2017	8364	MBM Financial Corporation	CANON/IRAC5250	233.00
	08/31/2017	8365	McConnell & Jones, LLP	Professional Fees JULY 2017	750.00
	08/31/2017	8366	Midtown Management District -2	Reimbursement : 2016 Single Audit CRI	3,000.00
	08/31/2017	8367	Midtown Parks Conservancy	JANUARY & FEBRUARY PARK KIOS LEASE	6,400.00
Total 101001 - W	08/31/2017	8368	Midtown Scouts Square Property. LP	CONTRACT PARKING SEPTEMBER 2017	300.00
	08/31/2017	8369	NEVA Corporation	Preventative Maintenance and Monthly Service	1,000.00
	08/31/2017	8370	NOTonsite	MRA Monthly Services	1,975.00
	08/31/2017	8371	Novis Network, Inc.	Office supplies	1,085.00
	08/31/2017	8372	One World Strategy Group, LLC	Monthly retianer per contract	7,500.00
	08/31/2017	8373	Purchase Power	Postage Purchased 36512879 Postage Purhase July 20	258.45
	08/31/2017	8374	Staples Advantage	Office supplies	720.04
	08/31/2017	8375	THR Enterprises, Inc.	Dumpster	6,190.00
	08/31/2017	8376	Walter P. Moore	Design	71,177.15
	08/31/2017	8377	West Unified Communications Services Inc	Meeting Center Audio	132.82
	08/31/2017	8378	NOTonsite	ADOBE ACROBAT PRO 2017 WINDOWS G-40959 THE	55.00
	08/31/2017	8379	THR Enterprises, Inc.	Dumpster	6,651.04
	08/31/2017	8381	ThyssenKrupp Elevator	Elevator service	330.19
	08/31/2017	8382	MATCH	Grant Agreement FY2017 Payment	100,000.00
	08/31/2017	8384	Kandi Schramm	Admin Expense Reimbursement	72.97
	08/31/2017	8385	Burney & Foreman	Legal Services	11,100.00
					<u>566,754.85</u>

**Midtown Redevelopment Authority**  
**Bond & Project Fund Expenses & Balances**  
**Saturday, September 30, 2017**

<b>Trustee Investments (Bond Funds)</b>	<b>Beginning Balance</b>	<b>Chase</b>	<b>BKNY MELLON</b>	<b>WELLS FARGO</b>	<b>TexSTAR/LOGIC</b>	<b>Ending Balance</b>
<b>422885 Pledge Reserve Funds 422896</b>	12,104.54		7,481,416.59	-7,481,412.03		12,109.10
<b>422896 Debt Service US Treasury Money Market Funds</b>	10,881,720.69		10,636.92			10,892,357.61
<b>422897 Reserve Fund US Treasury Money Market Funds</b>	0.00					0.00
<b>Texstar Debt Service Reserve</b>	7,944,681.62		-6,625.64		6,973.52	7,945,029.50
<b>422919 Austin Park Maint.(2001 Series) US Treasury Money Market Funds</b>	3,463.77		1.31			3,465.08
<b>LOGIC 2017 Affordable Housing</b>	7,953,444.21		8,551.71		-684,996.00	7,276,999.92
<b>BNY-TICR AFF HSG 693802</b>	684,996.00					
REQ 119 Star Tex Title Agency LLC			388,947.50			
REQ 118 Star Tex Title Agency LLC			294,098.50			
REQ 120 Walter P. Moore			1,950.00			
			<u>684,996.00</u>			0.00
<b>LOGIC 2017 Project Funds</b>	20,162,492.08		321,038.36		-321,038.36	19,841,453.72
<b>2017 Project 937932</b>	321,038.36					
REQ 048 SER Construction Partners, Ltd.			229,253.47			
REQ 049 SER Construction Partners, Ltd.			70,000.00			
REQ 050 Walter P. Moore			6,652.91			
REQ 051 TLC Engineering, Inc.			4,625.00			
REQ 052 IDS Engineering Group			10,506.98			
<b>Total</b>			<u>321,038.36</u>			0.00
<b>443264 2011 Escrow 1998 2001</b>	9.99					9.99
<b>9379338400 2017 ESCROW</b>	1,312,428.94					1,312,428.94

Midtown Redevelopment Authority  
 Bond & Project Fund Expenses & Balances  
 Thursday, August 31, 2017

Trustee Investments (Bond Funds)	Beginning Balance	Chase	BKNY MELLON	WELLS FARGO	TexSTAR/LOGIC	Ending Balance
422885 Pledge Reserve Funds 422896	12,104.54		7,481,412.05	-7,481,412.05		12,104.54
422896 Debt Service US Treasury Money Market Funds	10,881,720.69					10,881,720.69
422897 Reserve Fund US Treasury Money Market Funds	0.00					0.00
Texstar Debt Service Reserve	7,944,681.62					7,944,681.62
422919 Austin Park Maint.(2001 Series) US Treasury Money Market Funds	3,463.77					3,463.77
LOGIC 2017 Affordable Housing	7,953,444.21					0.00
LOGIC 2017 Project Funds	20,072,326.04		-68,529.23			20,140,855.27
2017 Project 937932	68,529.23					
REQ 041 Walter P. Moore			3,082.09			
REQ 042 Walter P. Moore			14,982.80			
REQ 043 The Goodman Corporation			13,650.00			
REQ 044 IDS Engineering Group			19,585.84			
REQ 045 IDS Engineering Group			5,868.00			
REQ 046 Bracewell LLP			504.00			
REQ 047 Design Workshop, Inc.			10,876.50			
<b>Total</b>			<u>68,529.23</u>			0.00
443264 2011 Escrow 1998 2001	9.99					9.99
9379338400 2017 ESCROW	1,336,257.28					1,336,257.28

Midtown Redevelopment Authority

Date	Num	Name	Memo	Debit
<b>SEPTEMBER 2017</b>				
104000 - Affordable Housing Accounts				
09/07/2017	489214	City of Houston - Water	Water bills	101.52
09/13/2017	3151	City of Houston Municipal Courts	N33643967 5753 Milart St Houston, Texas 77021	324.00
09/13/2017	3152	City of Houston Municipal Courts	N33711894 6411 Beekman St Houston, Texas 7702	324.00
09/19/2017	500201	City of Houston - Water	Water bills	50.72
09/19/2017	500202	City of Houston - Water	Water bills	4.95
09/19/2017	500206	City of Houston - Water	Water bills	65.12
09/19/2017	500211	City of Houston - Water	Water bills	134.26
09/19/2017	500213	City of Houston - Water	Water bills	3.80
09/19/2017	500226	City of Houston - Water	Water bills	5.42
09/19/2017	500230	City of Houston - Water	Water bills	48.62
09/19/2017	500231	City of Houston - Water	Water bills	2.87
09/19/2017	500235	City of Houston - Water	Water bills	79.98
09/19/2017	500242	City of Houston - Water	Water bills	16.22
09/19/2017	500253	City of Houston - Water	Water bills	42.58
09/19/2017	500247	City of Houston - Water	Water bills	2.68
09/19/2017	DEBIT	City of Houston - Water	Water bills	2.42
09/19/2017	502487	City of Houston - Water	Water bills	2.26
09/19/2017	500255	City of Houston - Water	Water bills	21.42
09/20/2017	502490	City of Houston - Water	Water bills	1.49
09/20/2017	502506	City of Houston - Water	Water bills	1.15
09/20/2017	502530	City of Houston - Water	Water bills	69.63
09/20/2017	502509	City of Houston - Water	Water bills	4.49
09/20/2017	502512	City of Houston - Water	Water bills	3.17
09/20/2017	502514	City of Houston - Water	Water bills	2.46
09/20/2017	502516	City of Houston - Water	Water bills	101.44
09/20/2017	502520	City of Houston - Water	Water bills	0.39
09/20/2017	502522	City of Houston - Water	Water bills	18.14
09/20/2017	502524	City of Houston - Water	Water bills	21.09
09/20/2017	502533	City of Houston - Water	Water bills	18.23
09/21/2017	3153	VOID	Water bills	0.00
09/21/2017	3154	City of Houston - Water	Water bills	199.10
09/21/2017	3155	City of Houston - Water	Water bills	20.21
09/28/2017	3156	CORTEZ LANDSCAPING, LLC	Affordable Housing Landscaping services	99,351.09
09/28/2017	3157	Harris County	AFF HOUS TY2009 19 % Due to Harris County	1,413,249.45
09/28/2017	3158	POWER, LLC	Cutting and removal of 35 dead trees	17,100.00
09/28/2017	3159	TransTeQ	September 2017 Lawn Service	25,041.54
				<u>1,556,435.91</u>

3,112,770.30



Midtown Redevelopment Authority

Date	Num	Name	Memo	Debit
<b>AUGUST 2017</b>				
104000 · Affordable Housing Accounts				
08/07/2017	3134	Star Tex Title Agency LLC	0 Emancipation Avenue (also known as 2819 Emanici	1,000.00
08/07/2017	3135	Estate Wealth Partners LLC	0 Emancipation Avenue (also known as 2819 Emanici	100.00
08/11/2017	3136	City of Houston - Water	Water bills	320.90
08/11/2017	3140	City of Houston - Water	Water bills	198.83
08/11/2017	3138	City of Houston - Water	Water bills	166.34
08/11/2017	3139	City of Houston - Water	Water bills	310.30
08/15/2017	3141	Star Tex Title Agency LLC	3900 Dowling 77004 (Lots 12 & 13, Blk 4 Washingtc	3,000.00
08/15/2017	3142	Gagai Afshan	3900 Dowling 77004 (Lots 12 & 13, Blk 4 Washingtc	300.00
08/18/2017	468603	City of Houston - Water	Water bills	34.62
08/31/2017	3144	CCPPI	Mldtown Afford Hous Plan 07-01-2017 to 07-31-2017	89,088.64
08/31/2017	3145	CORTEZ LANDSCAPING, LLC	Affordable Housing Landscaping services	98,832.11
08/31/2017	3146	KCK Demolition and Landscaping	Demolition and Clean Out	26,600.00
08/31/2017	3147	POWER, LLC	Cutting and removal of 40 dead trees	19,300.00
08/31/2017	3148	TransTeQ	August 2017 Lawn Service	26,461.54
08/31/2017	3149	Burney & Foreman	Legal Services	4,020.00
08/31/2017	3150	Hou Homes	4th Reimbursement on \$460,000.00	82,222.12
				351,955.40
				702,910.80

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**FordMomentum!**  
Keep It Movin' ...

Midtown Redevelopment Authority  
Phase II + III Updates

August 2017



# DR ORGANIZATION COMMUNICATIONS E



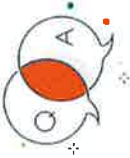

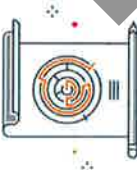

The goal of the **organization communications** process is to **align** effective and efficient cross-flow of information within and between internal Midtown staff, and across multiple stakeholders, including board members and community members, within the scope of work. FordMomentum! identified significant processes in order to **assess effectiveness** and to **improve efficiency**.

Areas of investigation included process management, information management, communication design, communication implementation, communication measurement, and the communications process for improvement. **Each of these key areas affect the efficacy of community outreach and engagement.**



# Deliverables

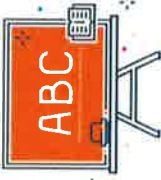

## PHASE II

RECOMMENDATION	STATUS	OUTCOME
<b>ALL DISTRICT SURVEY</b> 	<b>COMPLETE</b>	Analyzed all district survey results for statistical and actionable insights for Midtown Houston communications development.
<b>BRAND ALIGNMENT</b> 	<b>COMPLETE</b>	Aligned departments, projects, and audience engagement with recognizable brand identifiers for community engagement.
<b>INFORMATION HIGHWAY</b> 	<b>COMPLETE</b>	Redeveloped communications piece for constituents with frequently asked questions, roles and responsibilities, contact information, and expectations of Midtown Houston.
<b>ENHANCE FEEDBACK</b> 	<b>COMPLETE</b>	Developed standardized and process to manage stakeholders feedback.



# Deliverables

## PHASE III

RECOMMENDATION	STATUS	OUTCOME
<b>OUTREACH + ENGAGEMENT STRATEGY</b> 	<b>IN PROGRESS</b> <b>SESSIONS BEGIN FALL 2017</b>	Validated outreach and engagement strategy across all platforms based on district-wide survey for Community Engagement Curriculum. <i>Host a series of internal strategy sessions to determine information management, implementation and measurement tools. Devise internal matrix for process management.</i>
<b>ENGAGEMENT TRAINING</b> 	<b>IN PROGRESS</b> <b>SESSIONS BEGIN FALL 2017</b>	Identified structure for most effective training. Supporting continuous improvement sessions for internal stakeholders to support aligned messaging to constituents.

# DRIVE

**RESULTS**







# Brand Alignment

CONSISTENT LOOK AND FEEL ACROSS COMMUNICATIONS  
(PHASE II)

## 4 KEY PUBLIC SEGMENTS

- ARTS
- EAT
- PARKS
- PLAY

## ICON



## BENEFITS

- Immediate influence
- Easy identification
- Builds trust

## WHEN TO USE

- Events with primary related focus
- SWAG/collateral
- Print materials
- Digital materials (ex eNews, web etc.)
- External way finding signage



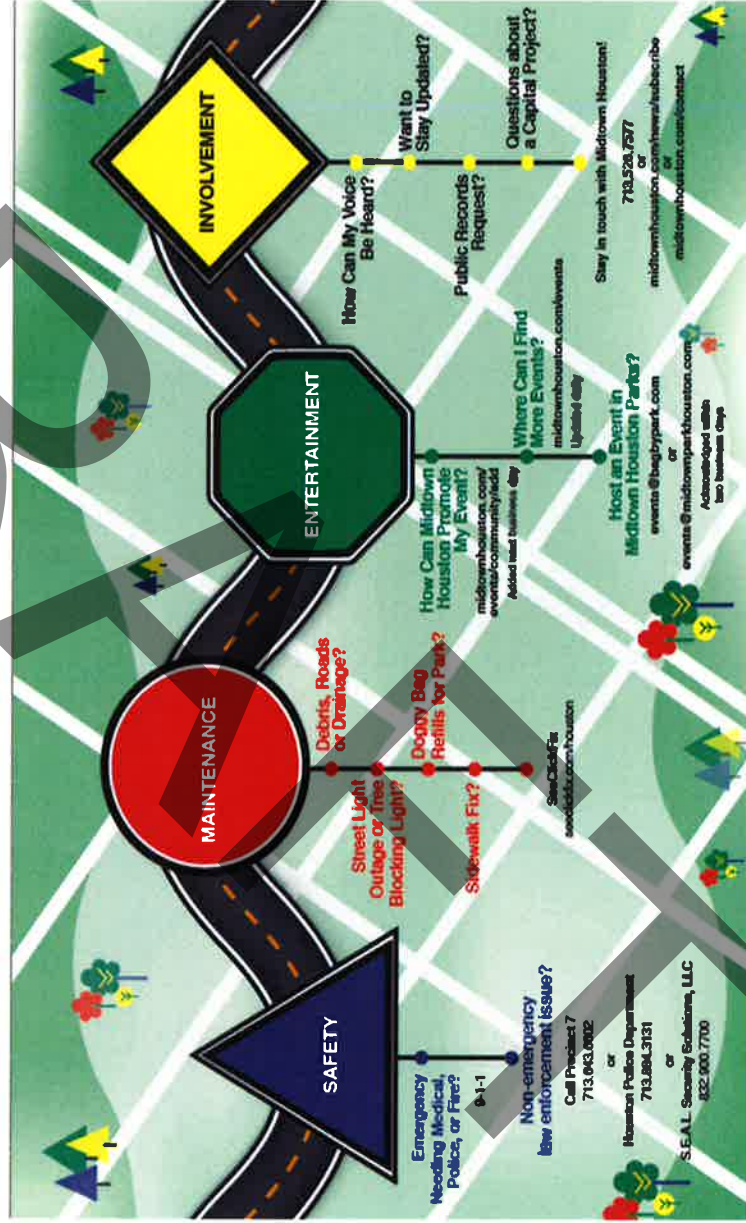
# Information Highway

CONSISTENT FOR PRINT AND WEB  
(PHASE II)

Clear communications piece for constituents with frequently asked questions, roles and responsibilities, contact information, and expectations of Midtown Houston vs. partners (ie. HPD or SeeClickFix).



## What to Know + Where to Go!





# Enhanced Feedback

## CONSISTENT CUSTOMER SERVICE (PHASE II)

- Clear instructions for SeeClickFix. Via web through [midtownhouston.com](http://midtownhouston.com) or 311 app.
- Clarified options with direct (back-end) connections from Direct Supervisor to appropriate responsible party.



CONTACT



### Contact

For more information please contact us:

P: (713) 526-7577  
F: (713) 526-7519

**Midtown District**  
410 Pierce Street, Suite 355  
Houston, TX 77002

Contact Us

Your Name \*

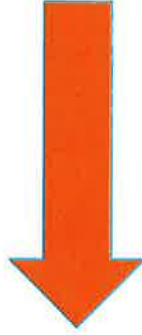
Your E-mail \*

Subject

- General Inquiry
- Maintenance Issue
- Safety Issue
- Event Inquiry
- Park Inquiry
- Public Information Request
- Message

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[Subscribe](#)





# Training and Development

## COMMUNITY ENGAGEMENT CURRICULUM (CEC) (PHASE III)

- Based on survey results and community feedback, CEC was developed for further education and inclusion.
- Beginning this fall, classes will be hosted during lunch hour @ Midtown Houston Office.
- Pre-register - 3 sessions/ 1 hour each.
  - Class 1 - History of Special Districts + Responsibilities
  - Class 2 - Community Engagement + Resources for Sustainability
  - Class 3 - Advocacy, Community Ownership + Leading the Charge
- Feedback from CEC classes will be collected and infused with future planning.

## Prepare, present, interpret



### Before the meeting

You create the questions. Customize how the chart looks and how your audience can respond.



### At the meeting

It's go time. Ask your question. Invite the audience to respond by visiting a webpage or texting. The chart changes as you watch.



### After the meeting

Download the reports. Analyze the results and share them with your team. Celebrate.



# Training and Development

## COMMUNITY ENGAGEMENT CURRICULUM (CEC) (PHASE III)

- While engaging the public, internal alignment is critical for Midtown Houston's seamless service delivery.
- Internal engagement training for staff to begin Fall 2017.



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713.966.6937, ext. 901



[www.TheFordMomentum.com](http://www.TheFordMomentum.com)



[Maya@MayaFord.me](mailto:Maya@MayaFord.me)



405 Main Street, Ste. 701  
Houston, Texas 77002

DRAFT

**Midtown Redevelopment Authority**

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SINGLE AUDIT REPORTS**

June 30, 2017

DRAFT



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)



**Midtown Redevelopment Authority**  
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**June 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Midtown Redevelopment Authority  
Houston, Texas

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Midtown Redevelopment Authority (the Authority), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Midtown Redevelopment Authority, as of June 30, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of operating expenses and capital expenditures for the year ended June 30, 2017, the schedule of estimated project costs to actual costs for the period from December 29, 1995 (date of inception) through June 30, 2017, the schedule of properties held – land held for resale, and the schedule of capital assets, on pages 39 through 54, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2017 on our consideration of Midtown Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midtown Redevelopment Authority's internal control over financial reporting and compliance.

September XX, 2017  
Houston, Texas

DRAFT

## Midtown Redevelopment Authority Management's Discussion and Analysis

This discussion and analysis of Midtown Redevelopment Authority's (the Authority) financial statements provides an overview of the Authority's financial performance during the years ended June 30, 2017 and 2016. This discussion and analysis includes comparative data for the year ended June 30, 2017 with the year ended June 30, 2016 and a brief explanation for significant changes between fiscal years. Since the 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 notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- Upon creation of the Tax Increment Reinvestment Zone Number Two (Midtown TIRZ or Zone) in 1995, and the first annexation of land in 1999, the appraised value for real property located within the Zone was \$211,775,890. The preliminary appraised value for tax year 2017 (collectible fiscal year 2018) is \$2,197,733,211 with a preliminary taxable value of \$2,149,593,844 (net of exemptions).
- Section 42.25116(b)(3) of the Texas Education Code provides for the Texas Education Agency to pay additional funds to school districts participating in tax increment reinvestment zones in an amount equal to the difference between (1) the tax levies collected on the district's maintenance and operations tax rate for 2006 and each year thereafter and (2) the levies that would have been collected at the district's 2005 maintenance and operations rate for each subsequent year (Pass Through Funds). In fiscal year 2017, the City of Houston (the City) received the Pass-Through Funds for tax year 2015, which totaled \$3,338,118. After the educational set aside component was satisfied the balance of the funds were placed in the Authority's Affordable Housing Increment Account in the amount of \$1,112,706, of which 19% went to fund affordable housing for Harris County.
- The Authority issued \$39,310,000 of Tax Increment Contract Revenue and Refunding Bonds (the Series 2017 Bonds) on January 11, 2017 (fiscal year 2017). The proceeds of Series 2017 Bonds will be used in accordance with the Authority's Project Plan for (1) defeasing and refunding outstanding bonds; (2) financing certain project costs related to streets, infrastructure and streetscapes, and greenspace and park improvements, including a public parking structure; (3) funding affordable housing; (4) funding the Reserve Requirement of the Debt Service Reserve Fund; and (5) paying costs of issuance. This is the eighth bond sale for the Authority. The bonds are rated "A" (Stable Outlook) by Standard & Poor's Rating Services and "A2" by Moody's Investors Service.
- On July 1, 2015, the Authority entered into an Operating Agreement (the Operating Agreement) with Midtown Improvement and Development Corporation (MIDCorp) as a third party contractor to operate, manage, maintain and preserve certain park facilities pursuant to the terms of an Operating Agreement. The park facilities include Bagby Park, Midtown Park and the parking facilities constructed under Midtown Park. Under the Operating Agreement and in performance of MIDCorp's obligations, the Authority has agreed to pay an "Annual Management Fee" of \$250,000 per year in each of the first two years, then in each year thereafter, an amount not to exceed \$500,000 based on MIDCorp's annual operating budget. If in any fiscal year MIDCorp collects revenues in excess of the amount required for operations, as further described in the Operating Agreement, and less the Annual Management Fee such excess amounts shall be credited towards the Annual Management Fee for the following fiscal year. Additionally, the Authority has agreed to pay to MIDCorp an amount equal to \$50,000 to be applied to a Renewal and Replacement Fund. The Authority budgeted in Fiscal Year 2017 approximately \$1,017,819 for the operations of the Zone.

## Midtown Redevelopment Authority Management's Discussion and Analysis

- In January 2017, the Authority approved an Amended 2017 Municipal Service Cost Agreement with the City. Pursuant to that Agreement, the Authority remitted \$781,263 to the City in June 2017 for the purposes of reimbursing the City for increased public safety services within the Zone. This agreement is anticipated to automatically renew annually at amounts to be determined pursuant to the adopted budget. In addition to the amount of Municipal Service Costs line item shown in the fiscal year 2017 budget, the Zone and the Authority may pay to the Midtown Management District (the District), pursuant to an Interlocal Agreement, all or a portion of the Public Safety line item portion of the Incremental Service Costs. These costs are for certain services within the District, such as homeless initiatives, private security services, clean-up and trash/debris removal, public safety education and coordination services and Public Intoxications Transport services. The Authority spent \$159,000 in fiscal year 2017 on these services.
- In fiscal year 2010, the Authority and Houston Community College System (HCCS) entered into an Interlocal Agreement relating to, among other things, HCCS's participation in the Zone and the Authority's agreement to allocate certain of these funds for public improvements, including the Authority's contribution of up to \$5 million toward the design and construction of sidewalk and streetscape improvements for certain blocks near the HCCS central campus within the District. The three HCCS projects are Holman Street (Academic Walk), Caroline Street from Elgin to Holman and Alabama Street (not yet scheduled), each of which are major pedestrian corridors with connections to the light rail transit system and HCCS's main campus. The Holman Project is expected to be completed in 2017 and cost approximately \$5.4 million. The Caroline Street Project is projected to cost approximately \$13 million, of which the Authority has to date invested approximately \$8.5 million, and \$4 million of which will be funded by a Texas Department of Transportation grant. The balance of the costs will be funded by funds on hand. Construction is expected to begin in late 2017.
- The Authority was awarded Federal Transit Administration (FTA) grant funds for the Holman Street Project in the amount of \$1.6 million and \$2.7 million for its Main Street Project. In fiscal year 2017, the Authority incurred and requested reimbursement from FTA totaling \$982,264 for the balance of the Holman Street construction project. Construction began on the Main Street Project in July 2016 for approximately \$8.4 million, of which the Authority requested reimbursement in the amount of \$1,309,542 in fiscal year 2017.
- The Authority continued to fulfill its obligation to provide affordable housing by adopting an affordable housing strategy to assemble land within a targeted area of the City and to develop affordable housing units on such land. In fiscal year 2017, pursuant to its affordable housing land banking program, the Authority acquired approximately 21 acres of land for approximately \$8.9 million in an area adjacent to Midtown and the central business district called "Third Ward". The Authority has, to date, purchased approximately 137.7 acres of property in Third Ward at a cost of approximately \$48.6 million. The Authority partners with not-for-profit and for-profit developers to stimulate affordable housing in the area, based on current market demands. As of June 2017, the Authority has acquired a number of land parcels that are ideal for Transit Oriented Development (TOD). On March 25, 2016, the Board of the Authority approved a Grant Agreement with The Center for Civic and Public Policy Improvement (CCPPI) to create a comprehensive plan for affordable housing in the targeted area, including the expansion of affordable housing and related community services and infrastructure enhancements and the sustainable funding mechanisms to support them. During fiscal year 2017, HBDI constructed and sold 5 single family affordable homes and the Authority continued granting lots to EPIC Homes and Mayberry Homes for the construction of single family affordable homes. In March 2016, the Authority agreed to sell to HOU Homes a 62,500 square foot tract of land located at 2002 Live Oak, Houston, TX 77004 for a pilot project of 31 single family townhomes priced from \$170,000 to \$200,000. In connection with the project, the

## Midtown Redevelopment Authority Management's Discussion and Analysis

Authority agreed to reimburse HOU Homes for certain site preparation and infrastructure costs and a certain amount for each townhouse unit sold to qualified buyers. Construction on the pilot project began in April 2017. In October 2016 the Authority's Board approved a Grant Agreement with Habitat for Humanity to grant them property at 0 Schroeder Street for construction of no fewer than 6 affordable homes for a project called "Super Build 51."

- Midtown Park (formerly known as SuperBlock), an approximately 3 acre space that includes a mixed-use development highlighted by a signature urban park including restaurant/retail space and an underground parking garage, has become the focal point for the Midtown area and is expected to be the catalyst for additional development along the Main Street Corridor. To accomplish the development of the park, the Authority entered into agreements with Camden Property Trust to construct a 400 space underground parking garage at an approximate cost of \$20 million and Millis Construction to complete construction of Midtown Park itself. Construction was substantially completed by January 2017, allowing the staff to program the park for Super Bowl 2017 activities with DJs, bands, games, food trucks, video gaming zone and NFL sanctioned events.
- In August 2016, the Authority entered into a contract for the construction of 3 Entry Portals located at Elgin at Brazos, Webster at West Gray and Brazos at Hwy 45 exit ramp for an approximate amount of \$1.5 million. The Entry Portal located at Elgin and Brazos Streets will consist of new plantings, irrigation and decorative lighting. The Entry Portal at Brazos Street and Highway 45 will include creating large berms, decorative lighting, plantings and irrigation. The final Entry Portal at Webster and W. Gray will include landscaping and a lighted steel accent wall.
- On December 30, 2015, the Authority sold its property located at 3300 Main Street to PM Realty in the amount of approximately \$6.3 million. The old building was demolished by the purchaser in October 2016 as part of the purchase contract. The 3300 Main Street property was collateral for financing of 2805 Travis, which became part of Midtown Park. With the sale of the Main Street property, the loan to Camden Property Trust for 2805 Travis in the amount of \$3,395,000 was paid in full.
- The Authority entered into a contract in August 2016 with FordMomentum for a Community Outreach and Engagement Assessment. FordMomentum conducted interviews with key informants from the community, which helped to draft questions for a district-wide survey. The results from the survey, which ran for approximately three months, included respondents' communication preferences, priorities, organizational literacy, demographics and satisfaction. Currently the Authority is addressing these findings by creating an information highway, standardizing the contact form on the website, and increasing internal staff training.
- The Authority's Board approved participation in and funded \$50,000 of improvements to a Spark School Program Park; located at the corner of Elgin and Chenevert. The Spark Park improvements include playground equipment, fitness equipment and a basketball court that will be accessible to residents in the area.
- On November 1, 2016, the Authority's Board authorized a \$50,000 Grant Agreement with Crime Stoppers towards the construction of the first ever Crime Stoppers facility in the nation. The grant funds will be used for the development, acquisition, construction and operation of the Crime Stopper's cultural facility and rotating art exhibit located at 3001 Main Street in the Midtown District.

## Midtown Redevelopment Authority Management's Discussion and Analysis

- At the June 25, 2015 Board of Directors meeting the Authority approved the First Amendment of the Cultural Facilities Grant to the Midtown Arts & Theater Center Houston (MATCH). The amendment grants MATCH an additional \$300,000 in grant funding for a total aggregate amount not to exceed \$1,000,000, which will be payable in seven increments, a portion of which is contingent on the closing of the sale of property located at 3300 Main, Houston, Texas. The Authority is current with its commitment to MATCH of the initial \$400,000 payment and \$100,000 payments in 2015, 2016 and 2017.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. According to the definition in the Governmental Accounting Standards Board, the Authority qualifies as a special purpose government with one program - redevelopment of Midtown.

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities, with the difference between assets and liabilities 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. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, 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. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

#### 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:

	2017	2016
<b>Assets</b>		
Cash, cash equivalents and investments	\$ 50,716,000	\$ 41,527,000
Tax increment receivables	15,793,000	1,116,000
Other receivables	2,134,000	1,292,000
Property held for resale	48,422,000	46,013,000
Capital assets, net	56,741,000	41,075,000
<b>Total assets</b>	<b>173,806,000</b>	<b>131,023,000</b>



Midtown Redevelopment Authority  
Management's Discussion and Analysis

	2017	2016
<b>Liabilities</b>		
Accounts, interest and retainage payable	\$ 8,025,000	\$ 5,723,000
Loans and bonds payable – current	23,669,000	8,133,000
Loans and bonds payable – long-term	101,813,000	81,033,000
<b>Total liabilities</b>	<b>133,507,000</b>	<b>94,889,000</b>
<b>Net position</b>		
Invested in capital assets, net of related debt	30,143,000	12,765,000
Restricted	103,658,000	61,452,000
Unrestricted (deficit)	(93,502,000)	(38,083,000)
<b>Total net position</b>	<b>\$ 40,299,000</b>	<b>\$ 36,134,000</b>

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 increments are based on calendar year taxes which are then received the next fiscal year. Tax increments or receivables at June 30 were due to the Authority from the following:

	2017	2016
Houston Community College System (HCCS)	\$ 1,323,000	\$ 1,116,000
Houston Independent School District (HISD)	8,312,000	-
Harris County, Texas (the County)	6,158,000	-
<b>Total tax increment receivables</b>	<b>\$ 15,793,000</b>	<b>\$ 1,116,000</b>

The Authority received tax increments outstanding at June 30, 2016 in September 2016. The Authority received tax increments outstanding at June 30, 2017, in July and August 2017. All tax increments have been collected.

Other receivables include amounts due from other entities under memos of understanding for reimbursement of shared services, federal grantors, and the Houston Technology Center. The increase from 2016 of approximately \$843,000 is related to amounts due from the Federal Transit Administration for reimbursement of costs related to the Main Street project.

The net increase in property held for resale relates to the Authority's affordable housing land banking program in the Third Ward. During fiscal year 2017, the Authority purchased approximately \$9 million in land which is restricted for affordable housing and sold/granted several properties with a cost of approximately \$1.2 million. In addition, during 2017 the Authority sold 3300 Main with a cost of approximately \$5.1 million. The net impact of these transactions was an increase to land held for resale of approximately \$2.6 million.

## Midtown Redevelopment Authority Management's Discussion and Analysis

The increase in capital assets net, relates to the Authority's continued construction on Midtown Park and Garage which had additions of approximately \$16.1 million in fiscal year 2017. The Authority's total long-term debt also had a net increase in fiscal year 2017 of approximately \$36 million as a result of the issuance of \$39.3 million in bonds and repayments of loans totaling \$3.5 million. See Capital Assets and Debt Administration for more information related to the Authority's capital asset and long-term debt activities.

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants, enabling legislation, or other legal requirements. At June 30, 2017 and 2016, the Authority has an unrestricted deficit of \$93.4 million and \$38 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 \$21.1 million and \$15.7 million at June 30, 2017 and 2016, respectively; net position restricted for affordable housing in the amount of \$62.3 million and \$45.6 million at June 30, 2017 and 2016, respectively; and net position restricted for capital projects in the amount of \$20.2 million and \$167,000 at June 30, 2017 and 2016, respectively. The majority of the Authority's net position restricted for affordable housing is invested in land held for resale totaling \$48.4 million and \$40.8 million at June 30, 2017 and 2016, 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:

	2017	2016
<b>Revenues</b>		
Tax increments	\$ 26,803,000	\$ 23,892,000
Investment and other income	2,885,000	1,300,000
<b>Total revenues</b>	<b>29,688,000</b>	25,192,000
<b>Expenses</b>		
Current	3,008,000	2,976,000
Debt service	5,132,000	3,295,000
Capital outlay	17,383,000	8,358,000
<b>Total expenses</b>	<b>25,523,000</b>	14,629,000
Change in net position	4,165,000	10,563,000
Net position - beginning of year	36,134,000	25,571,000
<b>Net position - end of year</b>	<b>\$ 40,299,000</b>	\$ 36,134,000

The City, Harris County and Harris County Flood Control District (collectively the County) 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

## Midtown Redevelopment Authority Management's Discussion and Analysis

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, County, HISD and HCCS on an annual basis. Tax increments continue to increase each year as the overall appraised value of properties within the Zone increase.

Other income includes amounts received from Federal grantors as well as amounts received from other entities as reimbursement under management agreements, lease agreements and interlocal agreements. The amounts will fluctuate annually based on current Federal grants awarded and other agreements entered into by the Authority.

Capital projects, including property purchased and held for resale, funded from bond proceeds and tax increments totaled 66% and 67% of total expenses in fiscal year 2017 and 2016, respectively. More detailed information about the Authority's capital projects is presented in the other information – Schedule of Operating Expenses and Capital Expenditures.

### **GOVERNMENTAL FUNDS**

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$113.3 million, which is approximately \$28.4 million more than the prior fiscal year primarily due to the issuance of the Series 2017 bonds. Approximately 43% of the fund balance, or \$48 million, is invested in property held and developed by the Authority or which is being held for resale and is considered non-spendable. Approximately 22% of the fund balances, or \$24.5 million, is committed or restricted by bonds to various capital projects and development agreements entered into by the Authority. Approximately 4% of the fund balances, or \$4.9 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 remainder of the fund balance is restricted to indicate that it is committed to pay debt service (approximately \$21.2 million), and to affordable housing (approximately \$13.9 million).

## Midtown Redevelopment Authority Management's Discussion and Analysis

### **CAPITAL ASSETS**

As of June 30, 2017, the Authority had approximately \$56.7 million, net of accumulated depreciation, invested in a broad range of capital assets including land, land improvements, buildings and furniture and equipment.

During 2017, the Authority neared completion of the construction of SuperBlock park (now Midtown Park) and the parking garage at Midtown Park. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

### **DEBT ADMINISTRATION**

In January 2017, the Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2017 (Series 2017) in the aggregate principal amount of \$39,310,000. Proceeds from the Series 2017 Bonds were used for the purposes of partially defeasing and refunding Series 2011 bonds in order to restructure and align debt service; funding the reserve requirement of debt service reserve fund; paying costs of issuance; financing certain project costs; and funding affordable housing.

As of June 30, 2017 and 2016, the Authority has four series of Tax Increment Contract Revenue Bonds totaling \$99,750,000 and \$66,275,000, respectively. A debt service reserve fund in the amount of \$7,943,687 has been established based on an amount equivalent to the estimated annual debt service with the inclusion of Series 2011, 2013, 2015 and 2017 bonds.

During 2017 the Authority was advanced \$2,310,274 under a loan agreement with a Developer for the construction of the parking garage at Midtown Park. Total loans outstanding at June 30, 2017 were \$19,241,704.

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.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The fiscal year 2017 budget was approved by the City for the Authority. The Authority's annual budget was not amended during the year. Actual tax increments recorded by the Authority will be less than budgeted revenues each year because the Authority's adopted budget is based on gross tax increments to be remitted to the Zone. Included in the approved fiscal year 2017 budget was approximately \$5 million of tax increments for educational facilities, \$1 million for affordable housing transfer to the County and \$808,000 for administrative fees which are budgeted as other interfund transfers. These funds are withheld by the City and paid directly to the City or paid back to HISD and to the County.

## Midtown Redevelopment Authority Management's Discussion and Analysis

### FUTURE PROJECTS

At its June 2016 meeting, the Authority approved Development Agreements with Morgan Group Brazos/Rosalie, LLC for its Pearl Residences and Pearl Rosemont projects, in the respective amounts of \$3,800,000 and \$1,400,000, for reimbursable public right of way improvements. The Pearl Residences will consist of approximately 263 residential units above a 40,000 square foot Whole Foods Market grocery store with 2 levels of underground parking. The Pearl Rosemont will consist of a 153 unit residential apartment. These expenses are anticipated to be budgeted in fiscal year 2020 and 2021.

The Authority continues to plan future capital improvement projects throughout the Zone consisting of street reconstruction and overlays, public right of way improvements, parkland acquisitions, and utility upgrades. The Authority's Board authorized design contracts with Walter P. Moore, Design Workshop and IDS Engineering for Parks and Open Spaces, Mobility and Pedestrian Improvements and Brazos Street Reconstruction.

Efforts continue to solicit grants from the Federal Transit Administration, The Texas Commission on the Arts, Houston Galveston Area Council and Texas Department of Transportation to allow the implementation of the capital improvements for large scale public right of way infrastructure, green space improvements, transit oriented development and works of art.

At the May 2017 meeting, a Grant Agreement was approved for the Museum of Fine Arts, Houston for an interactive fountain and reflecting pool along with related waterline replacement for an amount not to exceed \$1,600,000. It is expected this Grant will be budgeted in the amounts \$750,000 and \$850,000, respectfully, in fiscal years 2020 and 2021.

Affordable housing land banking acquisitions will continue as the Authority works to execute its affordable housing strategy to stabilize the historic urban neighborhood of Third Ward. The Authority, with assistance from CCPPI, continues to advance different programs and plans to stimulate and preserve the development of affordable housing in the area.

The Board has authorized its attorneys to draft a Development Agreement with Mid-Main Lofts for public right of way improvements for a reimbursement amount not to exceed \$215,026 for their project along Travis and Winbern Streets. Mid-Main Loft is a mixed use project with residential apartments, retail space and parking garage. The project's public improvements include landscaping, benches, trash receptacles, bike racks and irrigation.

The Authority's budget for fiscal year 2018 has not been approved by the City's City Council; therefore the Authority will continue to operate under its approved budget for fiscal year 2017 pursuant to Section VI of the Tri-Party Agreement between the City, the Authority and the Zone, which states "In the event that the Zone Board or the City Council fails or refuses to approve the proposed Budget of the Authority for the ensuing year by July 1 of that year, the Authority may continue to operate on the Budget for the previous fiscal year for a period not to exceed twelve (12) months." When approved, the fiscal year 2018 budget will include the design and implementation of capital improvement projects, affordable housing projects and land banking, administration costs and the Municipal Service Fee. For fiscal year 2018 the City has requested, and the Authority budgeted, a Municipal Service Fee for incremental service to the City of Houston in the amount of \$781,263 with an additional \$492,737 of funds that will be used at the Authority's recommendation for quality of life, homelessness and safety issues within the Zone.

Midtown Redevelopment Authority  
Management's Discussion and Analysis

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This financial report is designed to provide a general overview of the Midtown Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mathias Thibodeaux, Executive Director, 410 Pierce Street, Suite 355, Houston, Texas 77002.

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**Midtown Redevelopment Authority  
Governmental Funds Balance Sheet and  
Statement of Net Position**

June 30, 2017

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>								
Cash and cash equivalents	\$ 1,491,316	\$ 123,926	\$ -	\$ 37,873	\$ 10,864,953	\$ 12,518,068	\$ -	\$ 12,518,068
Investments	1,381,269	-	20,787,640	1,949,584	8,079,944	38,198,217	-	38,198,217
Tax increment receivables	15,793,450	-	-	-	-	15,793,450	-	15,793,450
Other receivables	2,134,215	-	-	-	-	2,134,215	-	2,134,215
Due to/from other funds	(16,611,753)	6,936,475	-	7,437,975	2,237,303	-	-	-
Property held for resale	-	-	-	48,422,087	-	48,422,087	-	48,422,087
Capital assets, net	-	-	-	-	-	-	56,740,664	56,740,664
<b>Total assets</b>	<b>\$ 4,188,497</b>	<b>\$ 7,060,401</b>	<b>\$ 20,787,640</b>	<b>\$ 63,847,299</b>	<b>\$ 21,182,200</b>	<b>\$ 117,066,037</b>	<b>\$ 56,740,664</b>	<b>\$ 173,806,701</b>
<b>Liabilities</b>								
Accounts payable	\$ 192,818	\$ 1,036,727	\$ 591,825	\$ 1,567,426	\$ -	\$ 3,388,796	\$ -	3,388,796
Interest payable	-	-	-	-	-	-	2,258,533	2,258,533
Retainage payable	-	-	-	-	-	-	2,378,100	2,378,100
Unearned revenue	384,443	-	-	-	-	384,443	(384,443)	-
Loans payable	-	-	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-	17,863,544	17,863,544
Due after one year	-	-	-	-	-	-	1,378,160	1,378,160
Bonds payable	-	-	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-	5,805,000	5,805,000
Due after one year	-	-	-	-	-	-	100,435,085	100,435,085
<b>Total liabilities</b>	<b>577,261</b>	<b>1,036,727</b>	<b>591,825</b>	<b>1,567,426</b>	<b>-</b>	<b>3,773,239</b>	<b>129,733,979</b>	<b>133,507,218</b>

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

**Midtown Redevelopment Authority  
Governmental Funds Balance Sheet and  
Statement of Net Position (Continued)**

June 30, 2017

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Fund balances</b>								
Nonspendable	\$ -	\$ -	\$ -	\$ 48,422,087	\$ -	\$ 48,422,087	\$ (48,422,087)	
Restricted	-	-	19,292,089	63,857,789	21,182,200	54,332,075	(54,332,075)	
Committed	162,000	4,117,830	903,726	-	-	5,183,556	(5,183,556)	
Assigned	2,987,425	1,905,844	-	-	-	4,893,269	(4,893,269)	
Unassigned	461,811	-	-	-	-	461,811	(461,811)	
<b>Total fund balances</b>	<b>3,611,236</b>	<b>6,023,674</b>	<b>20,195,815</b>	<b>62,279,873</b>	<b>21,182,200</b>	<b>113,292,798</b>	<b>(113,292,798)</b>	
Total liabilities, deferred inflows of resources and fund balances	\$ 4,188,497	\$ 7,060,409	\$ 20,787,640	\$ 63,847,299	\$ 21,182,200	\$ 117,066,037	\$ -	
<b>Net position</b>								
Invested in capital assets, net of related debt							\$ 30,143,213	\$ 30,143,213
Restricted								
Debt service							21,182,200	21,182,200
Affordable housing							62,279,873	62,279,873
Capital expenditures							20,195,815	20,195,815
Unrestricted (accumulated deficit)							(93,501,618)	(93,501,618)
<b>Total net position</b>							<b>\$ 40,299,483</b>	<b>\$ 40,299,483</b>

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



**Midtown Redevelopment Authority  
Governmental Funds Balance Sheet and  
Statement of Net Position (Continued)**

*June 30, 2017*

Total fund balance of governmental funds	\$ 113,292,798
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	56,740,664
Other revenues are not available for current period expenditures therefore are deferred in the funds	384,443
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(2,378,100)
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds	(19,241,704)
Tax increment revenue bonds and related interest are not due and payable in the current period and therefore are not reported in the funds	(108,498,618)
Net position of governmental activities	\$ 40,299,483

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

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

*For the year ended June 30, 2017*

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>								
Tax increments	\$ 7,296,907	\$ -	\$ -	\$ 7,438,155	\$ -	\$ 14,735,062	\$ (1,116,262)	\$ 26,803,101
Investment income	58,549	1,545	130,329	27,056	43,408	260,887	-	260,887
<b>Other revenue</b>	<b>1,662,201</b>	<b>2,291,806</b>	<b>-</b>	<b>(1,208,313)</b>	<b>-</b>	<b>2,657,694</b>	<b>(33,650)</b>	<b>2,624,044</b>
<b>Total revenues</b>	<b>9,017,657</b>	<b>2,293,351</b>	<b>130,329</b>	<b>6,168,898</b>	<b>13,227,709</b>	<b>30,837,944</b>	<b>(1,149,912)</b>	<b>29,688,032</b>
<b>Expenditures/expenses</b>								
<b>Current</b>								
Administration and support	1,763,448	-	-	139,005	-	1,902,453	-	1,902,453
Municipal service costs agreement	940,953	-	-	-	-	940,953	-	940,953
Depreciation	-	-	-	-	-	-	483,656	483,656
Amortization of bond premium	-	-	-	-	-	-	(318,488)	(318,488)
Capital outlay	-	10,014,977	7,547,280	3,375,353	-	30,937,610	(13,555,043)	17,382,567
<b>Debt service</b>								
Principal payments	3,497,728	-	-	-	4,635,000	8,132,728	(8,132,728)	-
Interest charges	847,941	-	-	-	3,127,295	3,975,198	(80,820)	3,894,378
<b>Cost of bond issuance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,237,667</b>	<b>1,237,667</b>	<b>-</b>	<b>1,237,667</b>
<b>Total expenditures/expenses</b>	<b>6,050,032</b>	<b>20,014,977</b>	<b>7,547,280</b>	<b>3,514,358</b>	<b>8,999,962</b>	<b>47,126,609</b>	<b>(21,603,423)</b>	<b>25,523,186</b>
Excess (deficiency) of revenues over expenditures	1,967,625	(17,721,626)	(7,416,951)	2,654,540	4,227,747	(16,288,665)	16,288,665	
<b>Other financing sources (uses)</b>								
Issuance of refunding bonds	-	-	27,445,790	13,722,895	2,587,787	43,756,472	(43,756,472)	-
Premium on issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(1,336,257)	(1,336,257)	1,336,257	-
Issuance of note payable	-	2,310,826	-	-	-	2,310,826	(2,310,826)	-
Internal transfers	(9,148,913)	8,829,028	-	319,885	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(9,148,913)</b>	<b>11,139,854</b>	<b>27,445,790</b>	<b>14,042,780</b>	<b>1,251,530</b>	<b>44,731,041</b>	<b>(44,731,041)</b>	
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(7,181,288)	(6,581,772)	20,028,839	16,697,320	5,479,277	28,442,376	(28,442,376)	
Change in net position							4,164,846	4,164,846
<b>Fund balances/net position</b>								
<b>Beginning of year</b>	<b>10,792,524</b>	<b>12,605,446</b>	<b>166,976</b>	<b>45,582,553</b>	<b>15,702,923</b>	<b>84,850,422</b>	<b>(48,715,785)</b>	<b>36,134,637</b>
<b>End of year</b>	<b>\$ 3,611,236</b>	<b>\$ 6,023,674</b>	<b>\$ 20,195,815</b>	<b>\$ 62,279,873</b>	<b>\$ 21,182,200</b>	<b>\$ 113,292,798</b>	<b>\$ (72,993,315)</b>	<b>\$ 40,299,483</b>

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

**Midtown Redevelopment Authority  
Governmental Funds Revenues, Expenditures and  
Changes in Fund Balances and Statement of Activities  
(Continued)**

*For the year ended June 30, 2017*

Change in total fund balance of governmental funds	\$ 28,442,376
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	13,555,043
Depreciation expense	(483,656)
The issuance of long-term debt provides current financial resources in the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Issuance of note payable	(2,310,826)
Issuance of refunding bonds including bond premium, net of payments to escrow agent	(42,420,215)
Repayment of bond and loan principal	8,132,728
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	
Other revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	318,488
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,149,912)
	80,820
Change in net position of governmental activities	\$ 4,164,846

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

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 1: DESCRIPTION OF ORGANIZATION

Midtown Redevelopment Authority (the Authority) is a public not-for-profit local government corporation, incorporated 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 the 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.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

As required by accounting principles generally accepted in the United States of America, these basic financial statements represent all the funds of the Midtown Redevelopment 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.

#### ***Measurement Focus and Basis of Accounting***

##### *Government-Wide Financial Statement*

The statement of net position and the statement of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Under the government-wide financial statements, net position is classified into three components as follows:

Invested in Capital Assets, Net of Related Debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings.

Restricted - This component of net position consists of that on which constraints have been placed through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.

Unrestricted - This component of net position consists of that which does not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt".

#### *Fund Financial Statements*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due.

#### *Fund Accounting*

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The funds the Authority uses are described below:

General Fund - The general fund is the general operating fund of the Authority. It accounts for all activities except those accounted for in other funds.

Infrastructure and Project Fund - The infrastructure and project fund accounts for the construction of Authority capital projects from tax increments.

Capital Projects Fund - The capital projects fund accounts for the construction of Authority projects funded with bond proceeds.

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Debt Service Fund - 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.

#### *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority has classified properties held for resale as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted** – amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the tax increment contract revenue bonds and are restricted through debt covenants. Capital Projects resources are also restricted through debt covenants and affordable housing resources are restricted both through debt covenants and enabling legislation.

**Committed** – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority's Executive Director or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned** – This classification includes the residual fund balance for the General Fund.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Tax Increments and Participation Agreements*

The City, Harris County and Harris County Flood Control District (collectively the County), 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 County has agreed to pay 100% of the collected Tax increment to the Increment Fund, but participates in the original area of the Zone only. The City retains an administrative fee from the tax increments deposited in the Tax Increment Fund.

The County does not include in its Tax Increments taxes collected by the County for the Port of Houston Authority of Harris County, Texas, the Harris County Hospital District, or the Harris County Department of Education, but does include Harris County Flood Control District. 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 educational 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.

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Authority is dependent upon the Tax Increments. Default by any of the governmental entities involved in the Zone would impact the Authority's ability to repay its outstanding bonds, note and other obligations.

#### ***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.

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. Under the amended agreement between the Authority and the County, the County is entitled to 19% of the annual affordable housing reserve, which is due and payable immediately upon the Authority's receipt of the necessary funds.

#### ***Cash, Cash Equivalents and Investments***

Cash and cash equivalents and investments consist of demand and time deposits, money market investments in U.S. Government Securities, and funds maintained in public funds investment pools.

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. The fair value of TexSTAR and LOGIC is based on quoted market values of the underlying investments of the pool and/or fund. TexSTAR and LOGIC use amortized cost to value portfolio assets and follow the criteria for GASB Statement No. 79 for use of amortized cost.



## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Due to and Due from Other Funds*

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are eliminated in the Statement of Net Position.

#### *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*

In the government-wide financial statements, capital assets are valued at cost, except for donated assets that are recorded at their estimated fair value at the date of donation. Interest during construction is capitalized, if material. Total interest incurred for the year ended June 30, 2017 was \$4,643,814. Of this amount \$749,436 was capitalized as a component of capital assets constructed during the year and \$3,894,378 was charged to expense.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: building and improvements, 20 to 35 years; equipment, 3 to 5 years.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition.

#### *Debt and Related Premiums, Discounts, and Issuance Costs*

Debt consists of tax increment contract revenue bonds, loans with a financial institution, and loans with a developer.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

**Midtown Redevelopment Authority  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred tax increment revenue is only reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Internal Transfers***

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.

***Federal Income Tax***

The Authority is exempt from Federal income taxes under section 501(a) as an organization described in Section 501(c) 3 of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a publicly-supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, the Authority is not required to file public information returns on Form 990.

***Use of Estimates***

The preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The Authority's management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**NOTE 3: AUTHORIZED INVESTMENTS**

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.

## Midtown Redevelopment Authority Notes to Financial Statements

### NOTE 4: DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2017, the carrying amount of the Authority's deposits was \$12,518,068 and the bank balances totaled \$14,931,754. The Authority's deposits in excess of FDIC insurance totaling \$3,801,359 were adequately collateralized. Cash deposits totaling \$10,880,417, which approximate fair value, represent money market investments in U.S. Government Securities. In addition, the Authority held \$38,198,217 in investment pools at June 30, 2017, which mature in less than one year.

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 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.

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 fund is rated AAA by Standard and Poor's and maintains 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 the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

### NOTE 5: RESTRICTED ASSETS

Certain amounts of cash, cash equivalents and investments are restricted by revenue bond ordinances or enabling legislation. A summary of these restricted assets at June 30, 2017 are as follows:

	Cash and Cash Equivalents	Investments	Total
<b>Trustee funds</b>			
Debt service	\$ 10,864,953	\$ -	\$ 10,864,953
Debt service reserve fund	-	8,079,944	8,079,944
Project fund	-	20,787,640	20,787,640
Affordable housing	369	7,945,072	7,945,441
<b>Total trustee funds</b>	<b>10,865,322</b>	<b>36,812,656</b>	<b>47,677,978</b>
<b>Enabling legislation</b>			
Affordable housing	37,504	4,292	41,796
<b>Total restricted assets</b>	<b>\$ 10,902,826</b>	<b>\$ 36,816,948</b>	<b>\$ 47,719,774</b>

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Reclassifications	Balance at June 30, 2017
<b>Non-depreciable assets</b>				
Land and improvements	\$ 12,945,898	\$ -	-	\$ 12,945,898
Construction in process	23,427,186	16,149,036	-	39,576,222
<b>Depreciable assets</b>				
Buildings and improvements	8,855,381	-	-	8,855,381
Equipment	58,378	-	-	58,378
Total capital assets	45,286,843	16,149,036	-	61,435,879
Less: accumulated depreciation	(4,211,559)	(483,656)	-	(4,695,215)
<b>Government activities - capital assets, net</b>	<b>\$ 41,075,284</b>	<b>\$ 15,665,380</b>	<b>\$ -</b>	<b>\$ 56,740,664</b>

All property and equipment purchased by 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 7: LOANS PAYABLE**

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

Balance at July 1, 2016	\$ 20,428,606
Additions	2,310,826
Retirements	(3,497,728)
<b>Balance at June 30, 2017</b>	<b>\$ 19,241,704</b>
<b>Current Portion, long-term Debt</b>	<b>\$ 17,863,544</b>

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 7: LOANS PAYABLE (Continued)**

In November 2013, and amended in March 2017, the Authority entered into a Development Agreement with 2800 Main, L.L.C. (the Developer) for reimbursement of up to \$19 million of eligible project costs related to the Garage Structure for Midtown Park. Commencement of construction began in April 2015 and completion of the project is anticipated to occur by early 2018. During the period from the commencement of construction through completion, interest on each developer advance shall accrue at an interest rate of 4% per annum from the date of the advance and is payable on January 1 and July 1 in accordance with the terms of the agreement. Upon completion of the Garage Structure, reimbursement to the Developer will begin on October 1 of the year following completion and is payable over a period of 13 years. The interest rate increases to 7% per annum after the date of completion until full repayment is made on the advance. Reimbursement to the Developer will be made from available tax increments as defined in the agreement. As of June 30, 2017, advances totaled \$17,760,642 and have been included as a loan payable in the Statement of Net Assets. Advances made during the year ended June 30, 2017 of \$2,310,826 have been included as other financing sources in the Infrastructure and Project Fund.

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. The refinanced loan bears interest at 4.0%, requires monthly principal and interest payments totaling \$13,690 and matures September 30, 2020. A balloon payment of \$1,127,681 is payable at maturity. The loan is secured by 4807 Caroline Street property. At June 30, 2017, the outstanding balance on the loan totaled \$1,480,062.

In September 2012, the Authority purchased property for the development of a park for \$3,395,000. The Authority financed the acquisition with a promissory note with a Developer. This note was paid off in December 2016.

Future minimum payments as of June 30 are as follows:

Fiscal Year Ending	
2017	\$ 17,863,544
2018	111,458
2019	115,999
2020	1,150,703
<b>Total</b>	<b>\$ 19,241,704</b>

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS**

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

Balance at July 1, 2016	\$ 66,275,000
Additions	39,310,000
Retirements	(5,835,000)
<hr/>	
Balance at June 30, 2017	\$ 99,750,000
<hr/>	
Current portion, long-term debt	\$ 5,805,000
<hr/>	

Tax Increment Revenue Bonds at June 30, 2017 consist of the following:

Date Series Issued	Outstanding Balance
2011	\$ 20,465,000
2013	27,470,000
2015	12,505,000
2017	39,310,000
<hr/>	
Total principal payable	99,750,000
Unamortized premium and discount, net	6,490,085
<hr/>	
Total bonds payable	\$ 106,240,085
<hr/>	

In August, 2011, the Authority issued Tax Increment Contract Revenue and Refunding Bonds Series 2011 (the 2011 Bonds) in the aggregate principal amount of \$33,130,000. The refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,329,304 and resulted in an economic gain of \$1,046,155. The 2011 Bonds mature serially January 1, in each year 2012 through 2033. The 2011 Bonds are callable in whole or in part any date beginning January 1, 2021 at par. The 2011 Bonds bear interest between 2.0% and 5.375% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)**

Fiscal Year	Principal	Interest	Total
2018	\$ 1,995,000	\$ 1,005,325	\$ 3,000,325
2019	2,110,000	893,888	3,003,888
2020	1,840,000	784,438	2,624,438
2021	1,525,000	687,838	2,212,838
2022	2,010,000	630,988	2,640,988
2023-2027	4,290,000	2,358,139	6,648,139
2028-2032	5,435,000	1,211,843	6,646,843
2033	1,260,000	67,725	1,327,725
<b>Total</b>	<b>\$ 20,465,000</b>	<b>\$ 7,640,184</b>	<b>\$ 28,105,184</b>

In November 2013, the Authority issued Tax Increment Contract Revenue and Refunding Bonds Series 2013 (the 2013 Bonds) in the aggregate principal amount of \$32,280,000. The 2013 Bonds mature serially January 1, in each year 2015 through 2033. The 2013 Bonds are callable in whole or in part any date beginning January 1, 2032 at par. The 2013 Bonds bear interest between 2.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 2,020,000	\$ 1,383,869	\$ 3,403,869
2019	2,125,000	1,282,869	3,407,869
2020	1,335,000	1,176,619	2,511,619
2021	15,000	1,109,869	1,124,869
2022	50,000	1,109,419	1,159,419
2023-2027	4,785,000	5,431,300	10,216,300
2028-2032	13,910,000	3,033,976	16,943,976
2033	3,230,000	161,500	3,391,500
<b>Total</b>	<b>\$ 27,470,000</b>	<b>\$ 14,689,421</b>	<b>\$ 42,159,421</b>

In January 2015, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2015 (the 2015 Bonds) in the aggregate principal amount of \$13,705,000. The refunding was undertaken to refund the Tax Increment Contract Revenue Bonds Series 2005 (Series 2005) that was partially refunded with Series 2013 bonds as of June 30, 2014. Debt service on the refunded bonds of Series 2005 was paid in full on January 2, 2015. The Authority achieved a cash flow savings and an economic gain of \$1,332,618 as a result of the refunding.

The 2015 Bonds mature serially January 1, in each year 2016 through 2025. The 2015 Bonds are callable in whole or in part any date beginning January 1, 2025 at par. The 2015 Bonds bear interest between 2.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)**

Fiscal Year	Principal	Interest	Total
2018	\$ 605,000	\$ 491,488	\$ 1,096,488
2019	620,000	473,338	1,093,338
2020	1,435,000	448,538	1,883,538
2021	1,090,000	391,138	1,481,138
2022	1,120,000	336,638	1,456,638
2023-2025	7,635,000	705,488	8,340,488
<b>Total</b>	<b>\$ 12,505,000</b>	<b>\$ 2,846,628</b>	<b>\$ 15,351,628</b>

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.

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
2018	\$ 1,185,000	\$ 1,744,899	\$ 2,929,899
2019	1,065,000	1,862,225	2,927,225
2020	-	1,819,625	1,819,625
2021	575,000	1,819,625	2,394,625
2022	600,000	1,790,875	2,390,875
2023-2027	3,690,000	8,445,805	12,135,805
2028-2032	2,450,000	7,678,425	10,128,425
2033-2037	23,320,000	5,680,075	29,000,075
2038	6,425,000	321,250	6,746,250
<b>Total</b>	<b>\$ 39,310,000</b>	<b>\$ 31,162,804</b>	<b>\$ 70,472,804</b>



**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 9: FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2017, 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
<b>Nonspendable</b>						
Property held for resale	\$ -	\$ -	\$ -	\$ 48,422,087	\$ -	\$ 48,422,087
<b>Restricted for</b>						
Capital projects	-	-	19,292,089	-	-	19,292,089
Affordable housing	-	-	-	13,857,786	-	13,857,786
Debt service	-	-	-	-	21,182,200	21,182,200
<b>Committed to</b>						
Loan payments	162,000	-	-	-	-	162,000
Streetscapes and gateways	-	4,117,830	524,296	-	-	4,642,126
Parks	-	-	379,430	-	-	379,430
<b>Assigned to</b>						
FY2018 CIP plan and budget	2,987,425	1,905,844	-	-	-	4,893,269
<b>Unassigned</b>	461,811	-	-	-	-	461,811
<b>Total fund balances</b>	<b>\$ 3,611,236</b>	<b>\$ 8,023,674</b>	<b>\$ 20,195,815</b>	<b>\$ 62,279,873</b>	<b>\$ 21,182,200</b>	<b>\$ 113,292,798</b>

**NOTE 10: TAX INCREMENT SUMMARY**

The Authority's tax increment revenue, as reflected in the Statement of Activities, was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston	\$ 10,417,836	\$ (520,892)	\$ 9,896,944
Houston Independent School District (Tax Year 2016 Set Aside)	3,338,118	(2,225,412)	1,112,706
Houston Independent School District	11,326,662	(3,014,624)	8,312,038
Harris County	6,482,848	(324,141)	6,158,707
Houston Community College System	1,347,706	(25,000)	1,322,706
<b>Total tax increments</b>	<b>\$ 32,913,170</b>	<b>\$ (6,110,069)</b>	<b>\$ 26,803,101</b>

**Midtown Redevelopment Authority**  
**Notes to Financial Statements**

**NOTE 10: TAX INCREMENT SUMMARY (Continued)**

The Authority's tax increment revenue, as reflected in the governmental funds, was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston	\$ 10,417,836	\$ (520,892)	\$ 9,896,944
Houston Independent School District (Tax Year 2016 Set Aside)	3,338,118	(2,225,412)	1,112,706
Houston Independent School District	11,326,662	(3,014,624)	8,312,038
Houston Community College System	2,488,968	(50,000)	2,438,968
Harris County	6,482,848	(324,141)	6,158,707
<b>Total tax increments</b>	<b>\$ 34,054,432</b>	<b>\$ (6,135,069)</b>	<b>\$ 27,919,363</b>

**NOTE 11: 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 risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

**NOTE 12: RELATED PARTIES**

The Authority has an administrative contract with the District whereby the Authority, provides administrative and management services to the District (see Note 13). The District and the Authority share the same Executive Director. The Authority provided services to the District amounting to approximately \$354,000 for the year ended June 30, 2017. At June 30, 2017, approximately \$182,000 was due to the Authority under this contract and is included in other receivables in the accompanying basic financial statements.

The District is the recipient for the Federal Transit Administration grant and passes all funds through to the Authority to manage the development and construction of the FTA funded project. At December 31, 2016, eligible costs totaling \$329,030 had been incurred by the Authority of which reimbursement and not yet been received from FTA. The amount due to the Authority is included in accounts payable in the accompanying basic financial statements (See Note 13).

The Authority's Executive Director and Board Chairman are also members of the Midtown Improvement and Development Corporation ("MIDCorp") Board of Directors. The Authority provides administrative and management services to MIDCorp under an administrative contract similar to that of the District.

**Midtown Redevelopment Authority  
Notes to Financial Statements**

**NOTE 12: RELATED PARTIES (Continued)**

The Authority provided services to MIDCorp amounting to approximately \$431,000 for the year ended June 30, 2017. At June 30, 2017, approximately \$234,000 was due to the Authority under this contract and is included in other receivables in the accompanying basic financial statements. In addition, the Authority provides funding to MIDCorp annually based on executed operating agreements. (See Note 13).

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

***Houston Technology Center Lease Agreement***

The Authority and Technology & Entrepreneurship Center of Houston, Inc., a Texas non-profit corporation, d/b/a Houston Technology Center (HTC) entered into a lease agreement in June 2006 related to the 402 and 410 Pierce Street Buildings. The lease agreement was an extension and entire restatement of the original lease agreement entered into in July 2001 between these same parties. The lease commencement date for the 410 Pierce Street building was June 1, 2002 and the lease commencement date for the 402 Pierce Street building was August 16, 2006. The lease agreement expires in August 2026.

Under the lease agreement, HTC will pay a base rent of \$1 per year to the Authority. In addition, HTC is required to pay annual performance rent, subject to certain limitations and considerations as defined in the lease agreement. If HTC does not have sufficient positive cash flow for the completed lease year, then the performance rent due will be accrued. Performance rent that accrues will not bear interest. The following maximum performance rent is payable under the lease agreement.

Lease Year	Maximum Annual Performance Rent
1	\$74,250
2 – 10	\$ 100,000 / year
11 – 20	\$ 150,000 / year

When the lease expires or if HTC ceases to operate as the "Houston Technology Center", any accrued, but unpaid, performance rent due to the Authority shall be forgiven. Due to these stipulations, no performance rent has been accrued as of June 30, 2017. HTC remitted \$0 in performance rent to the Authority during fiscal year 2017.

The Authority and HTC entered into an agreement in June 2006 for the lease of the 402 Pierce Street building (lease agreement). The lease agreement provides for HTC to reimburse the Authority \$592,000 for a portion of the build out costs incurred by the Authority on behalf of HTC. HTC will reimburse the Authority in 14 equal annual installments of \$42,285 beginning in 2012. The amount due from HTC has been recorded in the accompanying basic financial statements.

During fiscal year 2010, the Authority renewed the sub-lease agreement with HTC to lease additional office space under an operating lease arrangement which expired on November 2016 and renewed monthly. For the fiscal year ended June 30, 2017, rent expense for the office totaled \$33,560.

## Midtown Redevelopment Authority Notes to Financial Statements

### **NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)**

#### ***Municipal Service Costs Agreement***

The Authority, the Zone, and the City entered into an agreement whereby the Authority will pay to the City incremental costs of providing increased municipal services incurred as a result of the creation of the Zone or the development or redevelopment of the land in the Zone. Payment of the incremental service costs is from the City's Tax Increment and is limited to the available Tax Increment received by the Authority as defined in the agreement and the amount included in the Authority's annual approved budget. If the City's available Tax Increment is not sufficient in any year to pay the amount included in the approved budget, the amount due will accrue without interest. The agreement renews annually each June 30.

#### ***Houston Museum of African American Culture***

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 amended agreement; however no rental payments have been received by the Authority.

#### ***Central Bank Plaza Development Agreement***

In October 2013, the Authority entered into a Development Agreement with Midtown Central Square, L.L.C. (the Developer) for reimbursement of up to \$1.8 million of eligible project costs related to the Central Bank Plaza. Reimbursement to the Developer will occur over 10 years from available tax increments, as defined in the agreement. Reimbursement commences after completion of the project by the Developer.

#### ***Construction Contracts and Consultant Agreements***

Engineering and construction contracts relating to construction-in-progress and other capital projects aggregated approximately \$13 million. These contracts will be paid in future period as work is performed. Payment will be made with proceeds from past bond issues, operating reserves, and Federal grants to be received. In addition, the Authority enters into agreements with various consultants to provide professional services each year.

#### ***Federal Grants***

As of June 30, 2017, the District had outstanding Federal grant awards of approximately \$1 million for capital improvements by the Federal Transit Administration (FTA). The Federal grant funds are not available for pass-through from the District to the Authority until expenses are incurred and therefore, are not recorded as receivables. The grant expenses are subject to audit by the FTA, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement that may arise as a result of these audits is not believed to be material by management.

## Midtown Redevelopment Authority Notes to Financial Statements

### **NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)**

At June 30, 2017, eligible costs towards FTA funded projects totaling \$1,309,542 had been incurred by the Authority of which reimbursement had not yet been received from FTA. The amount due to the Authority is included in other receivable in the accompanying basic financial statements.

#### ***Administrative Agreement***

The Authority has a memorandum of understanding with Fourth Ward Redevelopment Authority (Fourth Ward), Midtown Management District (the District), and Midtown Improvement and Development Corporation (MIDCorp) whereby the Authority provides office space, certain equipment and certain staff services to Fourth Ward, MIDCorp and the District. The District and the Authority share the same executive director. The Authority provided services totaling \$869,771 in fiscal year 2017 to these entities. Such amounts are included as other income in the accompanying basic financial statements.

#### ***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. 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. In addition, the Authority will pay \$50,000 per year for 10 years to be applied to the Renewal and Replacement Fund.

#### ***The Museum of Fine Arts Grant Agreement***

In May 2017, the Authority entered into a Grant Agreement with The Museum of Fine Arts (the Grantee) for reimbursement of up to \$1.6 million of eligible project costs for improvements to this cultural facility. Reimbursement shall be payable in two equal installments of \$800,000 at the completion of the project which is expected to be in fiscal year 2020 and 2021.

**DRAFT**

**Required Supplementary Information  
and  
Other Information**

**Midtown Redevelopment Authority**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget to Actual – All Funds**

*For the year ended June 30, 2017*

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 36,073,317	\$ 84,850,422	\$ 48,777,105
<b>Resources</b>			
Incremental property tax revenue	30,498,649	34,054,433	3,555,784
Grant proceeds	5,229,600	2,291,806	(2,937,794)
Proceeds from loans	2,210,000	2,310,826	100,826
Proceeds from land sale	1,266,786	2,198,244	931,458
Miscellaneous revenue	5,835,285	365,888	(5,469,397)
Other interest income	63,000	260,887	197,887
<b>Total available resources</b>	<b>81,176,637</b>	<b>168,752,721</b>	<b>87,576,084</b>
<b>Expenses</b>			
Maintenance and operations	1,517,500	1,763,448	(245,948)
Project costs and capital expenditures	41,280,219	41,303,171	(22,952)
Special projects as determined by the COH	1,274,787	-	1,274,787
Debt service	12,956,251	12,107,926	848,325
Other interfund transfers:			
Affordable housing	1,037,799	1,413,249	(375,450)
HISD educational facilities	4,959,988	5,215,036	(255,048)
Municipal services - public safety	781,263	781,263	-
Municipal services - quality of life	492,737	159,690	333,047
Administrative fees	807,818	920,034	(112,216)
<b>Total expenses</b>	<b>65,108,362</b>	<b>63,663,817</b>	<b>1,444,545</b>
Budgetary fund balance - end of year	\$ 16,068,275	\$ 105,088,904	\$ 89,020,629

*See independent auditor's report*

**Midtown Redevelopment Authority**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget to Actual – All Funds (Continued)**

*For the year ended June 30, 2017*

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 168,752,721
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	(84,850,422)
Issuance of loans are reported as other financing sources	(2,310,826)
Issuance of tax increment revenue and refunding bonds, net of refunding, are reported as other financing sources (uses)	(42,420,215)
Sales proceeds from land held for sale are not reported in the funds, only the net gain on disposal is recorded which is included in miscellaneous revenue	(2,198,244)
Budgeted revenues include HISD educational facilities transfers and city administrative charges, while the Authority's funds report revenues net of these transfers	(6,135,070)
<hr/>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	<u>\$ 30,837,944</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 63,663,817
differences - budget to GAAP:	
Purchases of land held for sale are capitalized in the governmental funds balance sheet but are included as capital expenditures for budgetary purposes	(9,058,536)
Capitalized interest and retainage payable are not reflected as capital expenditures in the fund financial statements	(2,581,269)
Costs of issuance paid upon issuance of refunding of bonds is netted against bond proceeds for budget purposes	1,237,667
Budgeted expenditures include HISD educational facilities transfers and city administrative charges, while the authority's funds report revenues net of these transfers	(6,135,070)
<hr/>	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	<u>\$ 47,126,609</u>

*See independent auditor's report*



## Midtown Redevelopment Authority Schedule Operating Expenses and Capital Expenditures

*For the year ended June 30, 2017*

Management Consulting Services	Vendor	Budget	Actual Expenditures	Variance
<b>Administration and Overhead:</b>				
Administration (Salaries, Benefits and Taxes)	n/a	\$ 283,000	\$ 289,890	\$ (6,890)
Office Expenses (2)	n/a	180,000	165,233	14,767
Midtown Management District	n/a	371,000	354,001	16,999
Fourth Ward Redevelopment Authority	n/a	48,000	54,693	(6,693)
Midtown Improvement and Development Corporation	n/a	374,000	431,485	(57,485)
Insurance	Anco-Wessendorf	33,000	151,468	(118,468)
Accounting	Bookkeepers	70,000	56,800	13,200
Accounting (2)	McConnell & Jones LLP	-	12,320	(12,320)
Auditor - Financial	Carr, Riggs & Ingram, LLC	21,500	24,980	(3,480)
Bond Services/Trustee	First Southwest	35,000	4,435	30,565
<b>Total Administration and Overhead</b>		<b>1,415,500</b>	<b>1,545,305</b>	<b>(129,805)</b>
<b>Program and Project Consultants:</b>				
Legal - General Matters	Bracewell LLP	63,000	81,540	(18,540)
Legal - General Matters	Burney & Foreman	-	29,310	(29,310)
Engineering consultants	IDS/Walter P. Moore	30,000	34,237	(4,237)
MidCorp	MIDCorp	-	65,556	(65,556)
Construction Audits	Carr, Riggs & Ingram, LLC	9,000	7,500	1,500
<b>Total Program and Project Consultants</b>		<b>102,000</b>	<b>218,143</b>	<b>(116,143)</b>
<b>Total Management Consulting Services</b>		<b>\$ 1,517,500</b>	<b>\$ 1,763,448</b>	<b>\$ (245,948)</b>
<b>Capital Expenditures</b>				
	Vendor	Budget	Actual Expenditures	Variance
<b>T-0207 Operating of Zone and Project Facilities</b>				
Construction/maintenance	MIDCorp	\$ 1,097,019	\$ 1,099,369	\$ (2,350)
<b>Total Operating of Zone and Project Facilities</b>		<b>1,097,019</b>	<b>1,099,369</b>	<b>(2,350)</b>
<b>T-0210 Main Street Enhancements (FTA):</b>				
Design	Walter P. Moore	-	171,406	(171,406)
Construction and management	SER	7,000,000	3,320,889	3,679,111
Other	Various	25,900	420,699	(394,799)
<b>Total Main Street Enhancements</b>		<b>7,025,900</b>	<b>3,912,994</b>	<b>3,112,906</b>
<b>T-0211 HCC Academic Walk Holman (FTA):</b>				
Construction and management	IDS, TLC and SER	2,700,000	3,180,422	(480,422)
Design	IDS	-	9,329	(9,329)
Other	Various	10,100	143,839	(133,739)
<b>Total HCC Academic Walk Holman (FTA)</b>		<b>2,710,100</b>	<b>3,333,590</b>	<b>(623,490)</b>

*See independent auditor's report*

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

*For the year ended June 30, 2017*

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0214 Caroline Streets @ HCCS (Elgin to Holman)				
	Texas Department of			
Construction	Transportation	\$ 4,639,900	\$ 3,152,426	\$ 1,487,474
Design	KCI	50,000	-	50,000
Other	Bracewell	160,100	57,775	102,325
Total Caroline Streets @ HCCS		4,850,000	3,210,201	1,639,799
T-0225 Mobility and Pedestrian Improvements				
Planning	The Goodman	85,000	-	85,000
Construction	Centerpoint	50,000	73,610	(23,610)
Design	Walter P. Moore	-	34,188	(34,188)
Other	Various	20,300	218,785	(198,485)
Total Mobility and Pedestrian Improvements		155,300	326,583	(171,283)
T-0220 Affordable Housing:				
Acquisition	Various	-	9,058,536	(9,058,536)
Design		500,000	-	500,000
Construction		1,500,000	-	1,500,000
Other Professional Services	Various	580,000	2,101,109	(1,521,109)
Total Affordable Housing (1)		2,580,000	11,159,645	(8,579,645)
T-0221 Midtown Superblock Park (now Midtown Park):				
Design	Walter P. Moore	-	402,556	(402,556)
Construction and management	Various	14,970,000	10,776,590	4,193,410
Other	Various	40,900	78,604	(37,704)
Total Midtown Park (Superblock)		15,010,900	11,257,750	3,753,150
T-0224 HTC Building Maintenance	Various	50,300	69,791	(19,491)
T-0235 Public Art				
Design		50,000	-	50,000
Construction		200,000	-	200,000
Other		5,300	-	5,300
Total Public Art		255,300	-	255,300

*See independent auditor's report*

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

*For the year ended June 30, 2017*

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0232 Public and Cultural Facilities	Grant: MATCH	\$ 200,000	\$ 150,000	\$ 50,000
T-0233 Parking Garage - Midtown Park (Super Block)				
Design	Walter P. Moore	-	95,704	(95,704)
Construction and management	Camden/TLC Engineering, Inc.	3,500,000	4,910,279	(1,410,279)
Other	Bracewell, City of Houston	270,100	53,530	216,570
Total Parking Garage - Midtown Park (Super Block)		3,770,100	5,059,513	(1,289,413)
T-0234 Parks and Open Spaces				
Planning		50,000	19,849	30,151
Design	Walter P. Moore	-	258,025	(258,025)
Construction	B&D Contractors, Inc.	2,000,000	1,068,003	931,997
Other	Various	5,300	79,119	(73,819)
Total Parks and Open Spaces		2,055,300	1,424,996	630,304
T-0236 Midtown Park (now Bagby Park):				
Construction and management		150,000	-	150,000
Other	Various	25,000	3,005	21,995
Total Midtown Park (now Bagby Park)		175,000	3,005	171,995
T-0238 3300 Main	Various	150,000	4,010	145,990
T-0239 Brazos Street Reconstruction				
Design	Walter P. Moore	710,000	20,954	689,046
Other		-	-	-
Total Brazos Street Reconstruction		710,000	20,954	689,046
T-0240 Real Estate Development		50,000	-	50,000
T-0243 Central Bank Plaza		100,000	-	100,000
Museum District		300,000	-	300,000
Morgan Group Developer Agreement	Morgan Group	-	26,769	(26,769)
T-0299 Concrete Panel Replacement Program		35,000	-	35,000
General CIP:				
Other Consultants	Walter P. Moore	-	46,529	(46,529)
Other Consultants	IDS Engineering Group	-	22,335	(22,335)
Other Consultants	One World Strategy Group, LLC	-	101,331	(101,331)
Other Consultants	Various	-	61,612	(61,612)
Other Professional Services	Various	-	12,194	(12,194)
Total General CIP		-	244,001	(244,001)
<b>Total Capital Expenditures</b>		<b>\$ 41,280,219</b>	<b>\$ 41,303,171</b>	<b>\$ (22,952)</b>

*See independent auditor's report*

**Midtown Redevelopment Authority**  
**Schedule of Estimated Project Costs to Actual Costs**  
**For the Period December 29, 1995 (Date of Inception) through June 30, 2017**

Budget Line Item	Budgeted Expenditures (a)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2016	Actual Expenditures for the Year Ended June 30, 2017 (c)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2017	Variance to Budget
<b>Non-Educational Project Costs</b>					
<b>Infrastructure Improvements:</b>					
<b>Roadway and utility system improvements:</b>					
Streets and utilities	\$ 84,063,856	\$ 26,950,040	\$ 3,627,529	\$ 30,577,569	\$ 53,486,287
Streetscape and gateways	40,773,654	16,297,611	7,246,584	33,544,195	7,229,459
Public Infrastructure	42,000,000	21,096,285	9,433,641	30,529,926	11,470,074
<b>Total infrastructure improvements</b>	<b>166,837,510</b>	<b>74,343,936</b>	<b>20,307,754</b>	<b>94,651,690</b>	<b>72,185,820</b>
<b>Other project costs:</b>					
Real property assembly	25,533,106	20,367,620	(7,156,476)	13,211,144	12,321,962
Professional services	6,966,225	5,849,018	218,143	6,067,161	899,064
Historic preservation	139,992	139,992	-	139,992	-
Parks and recreational facilities	28,903,004	18,284,629	10,082,344	28,366,973	536,031
Safety and security infrastructure	1,576,262	-	-	-	1,576,262
Remediation	4,393,956	-	-	-	4,393,956
Cultural and public facilities	11,633,276	3,387,189	482,582	3,869,771	7,763,505
<b>Total other project costs</b>	<b>79,145,821</b>	<b>48,028,448</b>	<b>3,626,593</b>	<b>51,655,041</b>	<b>27,490,780</b>
Affordable housing	164,840,659	71,915,933	12,572,894	84,488,827	80,351,832
Financing costs (b)	69,507,011	46,882,436	5,059,848	51,942,284	17,564,727
Zone administration	20,286,136	13,677,883	717,850	14,395,733	5,890,403
<b>Educational Project Costs</b>					
Education project costs	83,770,000	43,948,968	5,215,036	49,164,004	34,605,996
<b>Total project plan</b>	<b>\$ 584,387,137</b>	<b>\$ 298,797,604</b>	<b>\$ 47,499,975</b>	<b>\$ 346,297,579</b>	<b>\$ 238,089,558</b>

(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 \$584,387,137. The Budgeted Expenditures are reported based on the Authority's 6th Amendment to the Project and Financing Plan that was approved by City Council in October 2015.

(b) Amount expended for the year ended June 30, 2017, does not include the repayment of bond and note principal payments in the amount of \$8,132,728.

(c) Expenditures are reported on the accrual basis.

*See independent auditor's report*

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

*June 30, 2017*

Total Value

Purchased properties - affordable housing:

MRA 001	\$ 109,855
MRA 002	500,569
MRA 003	587,183
MRA 004	52,051
MRA 005	-
MRA 006	30,750
MRA 007	34,161
MRA 008	36,702
MRA 009	40,483
MRA 010	92,021
MRA 011	-
MRA 012	2,384,432
MRA 013	39,880
MRA 014	51,446
MRA 015	22,846
MRA 016	73,528
MRA 017	49,169
MRA 018	79,183
MRA 019	552,914
MRA 020	40,955
MRA 021	175,742
MRA 022	46,974
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	54,015
MRA 035	54,351
MRA 036	61,128
MRA 037	69,942
MRA 038	28,402
MRA 039	149,920
MRA 040	59,338
MRA 041	51,960

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<i>Purchased Properties - Affordable Housing (Continued):</i>	
MRA 043	\$ 97,118
MRA 044	143,750
MRA 045	76,627
MRA 046	66,995
MRA 047	47,201
MRA 048	39,205
MRA 049	44,898
MRA 050	-
MRA 051	25,944
MRA 052	49,606
MRA 053	46,881
MRA 054	45,794
MRA 055	43,748
MRA 056	-
MRA 057	51,615
MRA 058	-
MRA 059	60,907
MRA 060	52,078
MRA 061	75,904
MRA 062	59,985
MRA 063	61,854
MRA 064	42,454
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	274,309
MRA 078	46,584
MRA 079	58,276
MRA 081	51,573
MRA 082	63,895
MRA 086	135,064
MRA 087	41,963
MRA 088	75,056
MRA 089	-
MRA 090	73,286
MRA 091	57,086

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 092	\$ 47,006
MRA 093	58,694
MRA 094	54,141
MRA 095	169,777
MRA 096	112,485
MRA 097	-
MRA 098	139,147
MRA 099	59,613
MRA 100	54,628
MRA 101	63,538
MRA 102	51,881
MRA 103	49,211
MRA 104	68,243
MRA 105	-
MRA 106	-
MRA 107	124,476
MRA 108	99,863
MRA 109	33,432
MRA 110	109,552
MRA 111	79,296
MRA 112	57,181
MRA 113	63,951
MRA 114	77,641
MRA 115	57,012
MRA 116	56,824
MRA 117	62,204
MRA 118	62,404
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

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 135	\$ 55,705
MRA 136	-
MRA 137	-
MRA 138	109,315
MRA 139	50,731
MRA 140	54,715
MRA 141	61,890
MRA 142	41,441
MRA 143	45,890
MRA 144	-
MRA 145	83,741
MRA 146	84,466
MRA 148	45,923
MRA 149	69,704
MRA 150	260,465
MRA 151	319,465
MRA 152	531,508
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	31,213
MRA 161	-
MRA 162	314,592
MRA 163	47,430
MRA 164	49,580
MRA 165	42,545
MRA 166	53,570
MRA 167	58,518
MRA 168	128,835
MRA 169	214,131
MRA 170	104,375
MRA 171	62,375
MRA 172	111,029
MRA 173	75,435
MRA 174	388,751
MRA 175	72,853
MRA 176	140,837

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*See independent auditor's report*



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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 177	\$ 57,032
MRA 178	53,003
MRA 179	63,258
MRA 180	98,491
MRA 181	36,610
MRA182	61,375
MRA 183	77,763
MRA 184	48,407
MRA 185	37,907
MRA 186	103,657
MRA 187	43,125
MRA 188	61,635
MRA 189	66,772
MRA 190	42,203
MRA 191	52,203
MRA 192	43,203
MRA 193	53,203
MRA 194	890,682
MRA 195	142,927
MRA 196	-
MRA 197	40,882
MRA 198	52,832
MRA 199	61,481
MRA 200	71,680
MRA 211	58,150
MRA 212	43,105
MRA 213	53,137
MRA 214	91,453
MRA 215	431,972
MRA 216	48,322
MRA 217	237,163
MRA 218	49,322
MRA 219	52,312
MRA 220	48,322
MRA 221	48,297
MRA 222	110,019
MRA 223	35,988
MRA 224	41,072
MRA 225	51,721
MRA 226	61,725
MRA 227	58,150
MRA 228	49,619

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 229	\$ 114,072
MRA 230	34,177
MRA 231	48,553
MRA 232	58,532
MRA 233	179,307
MRA 234	48,532
MRA 235	55,807
MRA 236	156,107
MRA 237	113,557
MRA 238	57,450
MRA 239	58,150
MRA 240	-
MRA 241	58,557
MRA 242	53,567
MRA 243	43,251
MRA 244	53,572
MRA 245	58,028
MRA 246	102,856
MRA 247	47,030
MRA 248	53,572
MRA 249	58,572
MRA 250	51,072
MRA 251	409,461
MRA 252	51,072
MRA 253	61,887
MRA 254	58,572
MRA 255	100,282
MRA 256	47,045
MRA 257	44,602
MRA 258	-
MRA 259	64,572
MRA 260	35,072
MRA 261	53,572
MRA 262	164,771
MRA 263	298,007
MRA 264	53,572
MRA 265	53,572
MRA 266	38,447
MRA 267	48,142
MRA 268	56,052
MRA 269	63,897

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

<i>June 30, 2017</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 270	\$ 50,472
MRA 271	311,464
MRA 272	59,022
MRA 273	231,350
MRA 274	52,146
MRA 275	41,572
MRA 276	105,072
MRA 277	58,572
MRA 278	55,922
MRA 279	141,072
MRA 280	82,298
MRA 281	71,322
MRA 282	19,572
MRA 283	88,722
MRA 284	88,722
MRA 285	58,547
MRA 286	50,622
MRA 287	63,854
MRA 288	59,035
MRA 289	36,902
MRA 290	56,938
MRA 291	92,664
MRA 292	112,688
MRA 293	51,935
MRA 294	52,880
MRA 295	55,625
MRA 296	63,424
MRA 297	56,872
MRA 298	27,547
MRA 299	-
MRA 300	42,940
MRA 301	40,863
MRA 302	53,125
MRA 303	49,247
MRA 304	52,589
MRA 305	52,956
MRA 306	90,922
MRA 307	75,643
MRA 308	129,598
MRA 309	63,668
MRA 310	139,793

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<i>Purchased Properties - Affordable Housing (Continued):</i>	
MRA 311	\$ 59,018
MRA 312	72,868
MRA 313	44,418
MRA 314	60,918
MRA 315	58,142
MRA 316	55,116
MRA 317	59,518
MRA 318	58,918
MRA 319	69,414
MRA 320	57,010
MRA 321	45,810
MRA 322	58,338
MRA 323	115,618
MRA 324	58,211
MRA 325	81,038
MRA 326	58,868
MRA 327	87,418
MRA 328	153,862
MRA 329	34,343
MRA 330	61,418
MRA 331	57,382
MRA 332	47,618
MRA 333	182,963
MRA 334	48,038
MRA 335	56,959
MRA336	275,762
MRA 337	-
MRA 338	56,518
MRA 339	53,334
MRA 340	50,713
MRA 341	57,563
MRA 342	58,213
MRA 343	58,163
MRA 344	57,543
MRA 345	53,118
MRA 346	41,764
MRA 347	41,253
MRA 348	41,253
MRA 349	508,500
MRA 350	57,444
MRA 351	63,043

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 352	\$ 63,168
MRA 353	63,113
MRA 354	45,738
MRA 355	51,163
MRA 356	67,363
MRA 366	51,113
MRA 367	142,138
MRA 368	65,314
MRA 369	65,172
MRA 370	57,053
MRA 371	268,053
MRA 372	69,681
MRA 373	59,426
MRA 374	59,426
MRA 375	50,452
MRA 376	59,963
MRA 377	-
MRA 378	69,418
MRA 379	66,822
MRA 380	287,349
MRA 381	283,031
MRA 382	-
MRA 383	59,010
MRA 384	94,038
MRA 385	55,662
MRA 386	48,537
MRA 387	69,651
MRA 388	65,663
MRA 389	222,174
MRA 390	42,913
MRA 391	67,838
MRA 392	64,663
MRA 393	65,963
MRA 394	70,001
MRA 395	66,926
MRA 396	65,938
MRA 397	22,901
MRA 398	671,700
MRA 399	74,538
MRA 400	74,713
MRA 401	228,478

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*See independent auditor's report*

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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 402	\$ 260,253
MRA 403	1,122,556
MRA 404	113,257
MRA 405	102,038
MRA 406	52,351
MRA 407	32,091
MRA 408	75,463
MRA 409	91,888
MRA 410	186,257
MRA 411	361,502
MRA 412	66,963
MRA 413	1,451,103
MRA 414	823,813
MRA 415	139,578
MRA 416	325,728
MRA 417	77,068
MRA 418	89,071
MRA 419	79,393
MRA 420	156,838
MRA 421	78,679
MRA 422	67,878
MRA 423	68,219
MRA 424	1,004,453
MRA 425	91,801
MRA 426	78,476
MRA 427	78,476
MRA 428	78,476
MRA 429	78,476
MRA 430	62,613
MRA 431	24,993
MRA 432	698,733
MRA 433	1,084,214
MRA 434	67,401
MRA 435	98,463
MRA 436	76,789
MRA 437	473,819
MRA 438	1,807,152

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

<i>June 30, 2017</i>	Total Value
<b>Purchased Properties - Affordable Housing (Continued):</b>	
MRA 439	\$ 2,035,977
MRA 440	76,163
MRA 441	154,038
MRA 442	77,725
MRA 443	92,013
MRA 444	77,726
MRA 445	99,354
<b>Total Purchased Properties - Affordable Housing</b>	<b>47,972,991</b>
Costs associated with pending properties and other general costs not allocated to specific properties	449,096
<b>Total land held for resale - affordable housing</b>	<b>\$ 48,422,087</b>

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**Midtown Redevelopment Authority  
Schedule of Capital Assets**

*June 30, 2017*

<u>Property</u>	<u>Net Book Value</u>
Houston Technology Center	\$ 3,551,678
JPI Park Land	736,911
Bagby Park	2,868,410
Walgreens/Lui Park Land	141,000
Houston Muesum of African American Culture	1,818,716
Midtown Park Land and Improvements	47,623,949
<u>Total capital assets</u>	<u>\$56,740,664</u>

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**Single Audit**

**Midtown Redevelopment Authority  
Schedule of Expenditures of Federal Awards and  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017**

Federal or State Grantor/ Pass-Through Grantor/ Program title	CFDA Number	Pass-through Grantor/Contract Number	2017 Expenditures
<b>U.S. Department of Transportation</b>			
Passed-thru Midtown Management District			
Federal Transit Formula Grant	20.507	TX-95-X072-00	\$ 982,264
Federal Transit Formula Grant	20.507	TX-2017-029-00	1,309,542
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,291,806</b>

**NOTE 1: BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the Federal program fund expenditures of all Federal award programs of Midtown Redevelopment Authority (the Authority) for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the Authority's basic financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or in 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE 3: RELATIONSHIP TO FINANCIAL REPORTS SUBMITTED TO GRANTOR AGENCIES**

Amounts reflected in the financial reports filed with grantor agencies for the programs may not agree because of accruals included in the next report filed with the agencies, matching requirements not included in the Schedule of Expenditures of Federal Awards and different program year ends.

*See independent auditors' report.*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Midtown Redevelopment Authority  
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Midtown Redevelopment Authority (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September XX, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Midtown Redevelopment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Texas  
September XX, 2017

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Midtown Redevelopment Authority  
Houston, Texas

**Report on Compliance for the Major Federal Program**

We have audited Midtown Redevelopment Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Midtown Redevelopment Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Midtown Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houston, Texas  
September XX, 2017

**Midtown Redevelopment Authority  
Schedule of Findings and Questioned Costs**

**SECTION I: SUMMARY OF AUDITORS' RESULTS**

**2017 Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no
- Significant deficiencies identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

**2017 Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no
- Significant deficiencies identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Formula Grant

Dollar threshold used to distinguish between Type A and type B programs:

Federal \$750,000

**Midtown Redevelopment Authority  
Schedule of Findings and Questioned Costs (Continued)**

**SECTION I: SUMMARY OF AUDITORS' RESULTS (Continued)**

Auditee qualified as low-risk auditee?

Federal

       yes

  X   no

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None

**SECTION III: PRIOR AUDIT FINDINGS**

None

DRAFT





RESOLUTION REGARDING ANNUAL REVIEW OF AMENDED INVESTMENT POLICY AND LIST OF QUALIFIED BROKERS OF MIDTOWN REDEVELOPMENT AUTHORITY

WHEREAS, the Midtown Redevelopment Authority (the "Authority") was authorized by the City of Houston (the "City") on June 28, 1995 by Resolution No. 95-96 of the City Council of the City, and the Authority operates pursuant to Articles of Incorporation filed with the Secretary of State and Bylaws approved by the City and under the provisions of Chapter 431, Texas Transportation Code and the general laws of the State of Texas applicable to not-for-profit corporations.

WHEREAS, the Board of Directors (the "Board") of the Authority has convened on this date to conduct the Authority's annual review of its investment policy pursuant to Section 2256.005, et seq., Texas Government Code, as amended; and

WHEREAS, the Board has also convened on this date to conduct the Authority's annual review of its list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority, pursuant to Section 2256.025, Texas Government Code, as amended; and

WHEREAS, the Authority desires to adopt an amended investment policy (the "Amended Investment Policy");

WHEREAS, the Authority's investment policy contains a list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority; and

WHEREAS, the Authority also desires to amend that portion of its investment policy containing a current list of qualified broker/dealers; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY THAT:

Section 1: The Board hereby adopts the Amended Investment Policy and list of qualified brokers, dated September 28, 2017, attached hereto as **Exhibit A**.

Section 2: The provisions of this Resolution shall be effective as of the date of adoption of such Investment Policy and shall remain in effect until modified by action of the Board of Directors.

PASSED AND APPROVED this 28th day of September, 2017.

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Chairman, Board of Directors

ATTEST:

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Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS                   §  
   §  
COUNTY OF HARRIS                   §

I, the undersigned officer of the Board of Directors of the Midtown Redevelopment Authority hereby certify as follows:

1. The Board of Directors of the Midtown Redevelopment Authority convened in open session on the 28th day of September, 2017, at the regular meeting place thereof, within the boundaries of the Zone, and the roll was called of the duly constituted officers and members of the Board to-wit:

- |   |                       |            |
|---|-----------------------|------------|
| 1 | Vacant                | Director   |
| 2 | Douglas Erwing        | Director   |
| 3 | Robert D. Sellingsloh | Chair      |
| 4 | Pamela N. Castleman   | Secretary  |
| 5 | Al Odom               | Director   |
| 6 | Abe S. Goren          | Vice Chair |
| 7 | Caton M. Fenz         | Director   |

and all of said persons were present, except Director(s) \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

**RESOLUTION REGARDING ANNUAL REVIEW OF AMENDED INVESTMENT POLICY AND LIST OF QUALIFIED BROKERS OF MIDTOWN REDEVELOPMENT AUTHORITY**

was introduced for the consideration of the Board. It was then duly moved and seconded that the resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 28th day of September, 2017.

\_\_\_\_\_  
Secretary, Board of Directors

## AMENDED INVESTMENT POLICY

This Investment Policy (this “Policy”), as amended, is adopted by the Board of Directors of Midtown Redevelopment Authority (the “Authority”) pursuant to Chapter 2256 of the Texas Government Code, effective as of the date set forth on the signature page hereof.

### ARTICLE I PURPOSE

#### Section 1.01. Purpose.

This Policy with respect to Authority investments has been adopted to establish the principles and criteria by which the funds of the Authority should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of local government corporations (the “Investment Laws”). As of the date of the adoption of this Policy, the following laws are applicable to the investment of the Authority’s funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Chapter 404.101 et seq., Texas Government Code. The Investment Laws generally provide the minimum criteria for the authorized investment and security of the Authority’s funds and require the Authority to adopt rules to ensure the investment of Authority funds in accordance with such laws. This Policy will specify the scope of authority of Authority Officials who are responsible for the investment of Authority funds.

### ARTICLE II DEFINITIONS

#### Section 2.01. Definitions.

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- (a) “Authority Officials” means the Investment Officer, Authority Directors, officers, Employees, and persons and business entities engaged in handling the investment of Authority funds.
- (b) “Authorized Collateral” means any means or method of securing the deposit of Authority funds authorized by Chapter 2257, Texas Government Code.
- (c) “Authorized Investment” means any security in which the Authority is authorized to invest under Chapter 2256, Texas Government Code.
- (d) “Board” means the Board of Directors of the Authority.
- (e) “Collateral” means any means or method of securing the deposit of Authority funds under Article IV hereof.
- (f) “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- (g) “Director” means a person appointed to serve on the Board of Directors of the Authority.

(h) “Employee” means any person employed by the Authority, but does not include independent contractors or professionals hired by the Authority as outside consultants, such as the Authority’s accountant, financial advisor or general counsel.

(i) “FDIC” means the Federal Deposit Insurance Corporation or any successor entity.

(j) “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.

(k) “Investment Officer(s)” means the Director(s) or Employee(s) of the Authority (or the employee of an investing entity with whom the Authority has contracted to invest its funds) appointed from time to time by the Board to invest and reinvest the funds of the Authority held in its various accounts.

### ARTICLE III INVESTMENT OFFICER

#### Section 3.01. Investment Officer.

From time to time, the Authority shall appoint one or more of its Directors or Employees to serve as Investment Officer(s) to handle the investment of Authority funds. The Investment Officer(s) shall be responsible for investing Authority funds in accordance with this Policy. The Investment Officer(s) shall invest the Authority’s funds, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the objectives set forth in Section 7.01 hereof.

#### Section 3.02. Training.

The Investment Officer(s) shall attend training sessions and receive the number of hours of instruction as required by the Investment Act.

#### Section 3.03. Reporting by the Investment Officer and Authority Officials.

Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and Authority Officials shall prepare and submit to the Board a written report of the investment transactions for all funds of the Authority for the preceding reporting period. The report must (1) describe in detail the investment position of the Authority on the date of the report; (2) be prepared jointly by all the Investment Officers of the Authority, if the Authority appoints more than one; (3) be signed by all Investment Officers and Authority Officials who prepare the report; (4) contain a summary statement of each pooled fund group that states the beginning market value for the reporting period, ending market value for the period, and fully accrued interest for the reporting period; (5) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; (6) state the maturity date of each separately invested asset that has a maturity date; (7) state the Authority fund for which each individual investment was acquired; and (8) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer.

The Board hereby authorizes and directs the Authority's Accountant and any other Authority Officials requested by the Investment Officer to assist the Investment Officer(s) with any of his/her duties, including but not limited to the following:

1. Presenting a copy of this Policy to any person or business organization seeking to sell an investment to the Authority and obtaining the necessary written certification from such seller referred to in this section;
2. Handling investment transactions;
3. Preparing and submitting to the Board the written report of all investment transactions for the Authority as required by this section;
4. Researching investment options and opportunities;
5. Obtaining written depository pledge agreements as required herein;
6. Obtaining safe-keeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
7. Reviewing the market value of the Authority's investments and of the Collateral pledged to secure the Authority's funds.

ARTICLE IV  
PROCEDURES FOR INVESTMENT OF AUTHORITY MONIES

Section 4.01. Qualified Broker/Dealers.

The Board hereby adopts the list of broker/dealers attached hereto as **Exhibit A**, as the qualified broker/dealers with whom the Authority may engage in investment transactions. In addition to annual review and adoption of such list each year pursuant to the adoption of this Policy, the Board may, by written resolution, revise, amend or supplement such list of qualified broker/dealers.

As authorized in the Investment Act, the Board hereby designates the Executive Director of the Authority and one other member of the Board as the "designated investment committee" (the "Designated Investment Committee"). The Designated Investment Committee shall, at its discretion, approve any successors or assigns of those certain broker/dealers listed in **Exhibit A** hereto.

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Authority.

The Investment Officer(s) and the Authority Officials shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with the Authority and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the Authority, as required by the Investment Act. The existence of a "personal business relationship" shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments.

The Investment Officer(s) or the Authority Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the Authority and obtain a certificate stating that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Authority and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Authority that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Authority's entire portfolio or requires an interpretation of subjective investment standards. Neither the Investment Officer nor the Authority Officials shall purchase or make any investment from a potential seller that has not delivered to the Authority this required certification. A form of certificate acceptable to the Authority is attached hereto as **Exhibit B**.

Section 4.04. Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis.

All purchases of investments, except investment in investment pools or in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all Authority investments and for all Collateral pledged to secure Authority funds shall be one approved by the Investment Officer(s).

Section 4.06. Monitoring of the Market Value of Investments and Collateral.

The Investment Officer(s), with the help of such Authority Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of Authority funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- (a) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (b) Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- (c) Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
  - (1) the lower of two bids obtained from securities broker/dealers for such security;
  - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;

(3) the bid price published by any nationally recognized security pricing service; or

(4) the market value quoted by the seller of the security or the owner of such Collateral.

(d) Other investment securities with a remaining maturity greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such security, unless two bids are not available, in which case the securities may be valued in any manner provided in 4.06(c) hereof.

Section 4.07. Monitoring the Rating Changes in Investments.

Consistent with Section 2256.021 of the Investment Act, the Investment Officer shall monitor all investments that require a minimum rating under subchapter A of Chapter 2256, Texas Government Code, as amended, such that any such investment that does not have the minimum rating shall no longer constitute an authorized investment. Such investments that do not have the required minimum rating shall be liquidated within 30 days of the investment's failure to maintain its required minimum rating.

ARTICLE V  
PROVISIONS APPLICABLE TO ALL FUNDS

Section 5.01. Provisions Applicable to All Fund Groups.

A. All funds of the Authority shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by bond resolutions or trust indentures of the Authority and applicable state law or federal tax law, including the Investment Laws.

B. The Board, by separate resolution, may provide that the Authority's executive director or Investment Officer may withdraw or transfer funds from and to accounts of the Authority only in compliance with this Policy.

C. No fund groups shall be pooled for the purposes of investment, e.g. the funds in the Tax Increment Revenue Fund and in the Surplus Fund shall not be commingled or pooled for purposes of investment.

Section 5.02. Policy of Securing Deposits of Authority Funds -- Applicable to All Deposited Authority Funds.

A. The Authority recognizes that FDIC (or its successor) insurance is available for Authority funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of \$250,000<sup>1</sup> (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the Authority that all deposited funds in each of the Authority's accounts shall be insured by the FDIC, or its successor, and to the extent the deposit surpasses the FDIC Deposit Insurance Coverage limit at any given time, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.

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<sup>1</sup> The \$250,000 limit is temporary and may change from time to time under applicable law.



B. If it is necessary for the Authority's depositories to pledge Collateral to secure the Authority's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or Authority Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the Authority. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any Authority funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Authority Officials to proceed diligently to have such agreement approved and documented to assure protection of the Authority's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Authority's executive director shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

C. Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Authority's administrator or Investment Officer shall obtain safekeeping receipts from the Texas financial institution or the safe-keeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the Authority. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for the Authority's deposits. It shall be acceptable for the Authority's administrator or Investment Officer to periodically receive interest on deposits to be deposited to the credit of the Authority if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of the Board that there be no sharing, splitting or cotenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and Authority Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Authority's executive director or Investment officer shall monitor the pledged Collateral to assure that it is pledged only to the Authority, review the fair market value of the Collateral to ensure that the Authority's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.

D. The Authority's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured by the pledge of any of the following:

1. Surety bonds;
2. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
3. A general or special obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues **and** (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by Section 61.003, Texas Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital;

4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a “high-risk mortgage security” under the Collateral Act;

5. A floating-rate collateralized mortgage obligation that does not constitute a “high-risk mortgage security” under the Collateral Act;

6. A letter of credit issued by a federal home loan bank; or

7. A security in which a public entity may invest under the Investment Act. As of the date of this Policy, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:

a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;

b. Direct obligations of the State of Texas or its agencies and instrumentalities;

c. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

d. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States;

e. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

f. Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (i) guaranteed by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor, (ii) secured by the obligations in which the Authority may invest under the Investment Act, or (iii) secured in any other manner and amount provided by law for deposits of the Authority;

g. Certificates of deposit made in accordance with the following conditions: (i) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority; (ii) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (iii) the broker or the depository institution selected by the Authority under clause (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the depository institution selected by the Authority under clause (ii), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and

Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) acts as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;

- h. Repurchase agreements that comply with the Investment Act;
- i. Bankers' acceptances that comply with the Investment Act;
- j. Commercial paper that complies with the Investment Act;
- k. No-load money market mutual funds that comply with the Investment Act;
- l. No-load mutual funds that comply with the Investment Act; and
- m. Guaranteed investment contracts that comply with the Investment Act.

E. Notwithstanding anything to the contrary provided above, the following may not be used as Collateral and are not authorized as investments for the Authority under the Investment Act:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- c. Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years other than those listed in Section 5.02.D.4 and 5.02.D.5 above; or
- d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.03. Diversification.

The Investment Officer may invest up to 100% of the funds of the Authority in any investment instrument authorized in this Policy.

ARTICLE VI  
AUTHORIZED INVESTMENTS

Section 6.01. Authorized Investments.

Unless specifically prohibited by law or elsewhere by this Policy, Authority monies in any of its fund groups may be invested and reinvested only in investments under the Investment Act:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;

3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

4. 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 and instrumentalities;

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

6. Bonds issued, assumed, or guaranteed by the State of Israel;

7. Interest-bearing banking deposits that are guaranteed or insured by:

a. The Federal Deposit Insurance Corporation or its successor; or

b. The National Credit Union Share Insurance Fund or its successor;

8. Interest-bearing banking deposits other than those described by Subsection 7 if:

a. The funds invested in the banking deposits are invested through (i) a broker with a main office or branch in this state and is selected from a list adopted by the Authority, or (ii) a depository institution with a main office or branch office in this state that the authority selects;

b. The broker or depository institution selected as described by Subsection (a) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the Authority's account;

c. The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

d. The Authority appoints as the Authority's custodian of the banking deposits issued for the Authority's account: (i) the depository institution selected as described by Subsection (1); (ii) and entity described by Section 2257.041(d) of the Texas Government Code, as amended; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rue 15c3-03.

9. Certificates of deposit issued by a depository institution that has its main or a branch office in the State of Texas and that are (i) guaranteed by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor, (ii) secured by the obligations in which the Authority may invest under the Investment Act, or (iii) secured in any other manner and amount provided by law for deposits of the Authority;

10. Certificates of deposit made in accordance with the following conditions: (i) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority; (ii) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (iii)

the broker or the depository institution selected by the Authority under clause (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the depository institution selected by the Authority under clause (ii), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) acts as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;

11. Repurchase agreements that comply with the Investment Act;
12. Bankers' acceptances that comply with the Investment Act;
13. Commercial paper that complies with the Investment Act;
14. No-load money market mutual funds that comply with the Investment Act; and
15. No-load mutual funds that comply with the Investment Act;
16. Investment Pools which meet the requirements set forth in Section 2256.016 and Section 2256.019 of the Texas Government Code, as amended and which are specifically authorized by a resolution that is approved by the Board; and
17. With respect to bond proceeds, guaranteed investment contracts that comply with the Investment Act.

Section 6.02. Prohibited Investments.

Notwithstanding anything to the contrary stated herein, no funds of the Authority may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

Section 6.03. Investment of Funds Related to Authority.

Anything in this Policy to the contrary notwithstanding, to the extent that any funds are held by a trustee under a trust indenture relating to the Authority's debt, such funds may be invested as provided by the resolution authorizing the issuance of the bonds or the related trust indenture.

ARTICLE VII  
INVESTMENT STRATEGIES

Section 7.01. Strategy Applicable to All Funds.

The Authority's general investment strategy for all fund groups shall be to invest such monies from such fund groups so as to accomplish the following objectives, which are listed in the order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Authority;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

Section 7.02. Investment Strategy for the Tax Increment Revenue Fund.

Funds in the Tax Increment Revenue Fund shall be invested to meet the operating and cash flow requirements of the Authority as determined by the annual operating budget adopted by the Board. Operating funds shall not be invested for longer than three (3) years.

Section 7.03. Investment Strategy for the Surplus Fund.

Funds in the Surplus Fund shall be invested to meet the operating and cash flow requirements of the Authority as determined by the annual operating budget adopted by the Board. Surplus funds shall not be invested for longer than three (3) years.

ARTICLE VIII  
MISCELLANEOUS

Section 8.01. Annual Review.

The Authority shall review this Investment Policy at least annually and adopt a resolution confirming the continuance of the Investment Policy without amendment or adopt an Amended Investment Policy.

Section 8.02. Superseding Clause.

This Policy supersedes any prior policies adopted by the Board of Directors regarding investment or securitization of Authority Funds.

Section 8.03. Open Meeting.

The Board officially finds, determines and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the boundaries of the City of Houston Tax Increment Reinvestment Zone Number 2 and on a bulletin board located at a place convenient to the public at the City Hall of the City of Houston, Texas for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

*[Remainder of page intentionally left blank]*

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Adopted on the 22nd day of July, 1998.

Ratified on the 29th day of April, 1999, amended and ratified on the 27th day of February, 2003, amended and ratified on the 26th day of August, 2004, amended and ratified on the 25th day of August, 2005, amended and ratified on the 27th day of April, 2006, amended and ratified on the 28th day of June, 2007, amended and ratified on the 29th day of May, 2008, amended and ratified on the 27th day of August, 2009, amended and ratified on the 29th day of April, 2010, ratified on the 28th day of April, 2011 amended and ratified on the 8th day of December, 2011, reviewed and confirmed on the 26<sup>th</sup> day of July, 2013, reviewed and confirmed on the 26<sup>th</sup> day of June, 2014, reviewed and confirmed on the 28<sup>th</sup> day of May, 2015, reviewed and confirmed on the 25<sup>th</sup> day of August, 2016, and amended and ratified on the 28<sup>th</sup> day of September 2017.

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EXHIBIT A  
LIST OF AUTHORIZED BROKER/DEALERS

Allegiance Bank Texas  
Amegy Bank of Texas (Amegy Bank, N.A.)  
American First National Bank  
Bank of America Corporation  
Bank of America, N.A.  
Bank of Ozarks  
Bank of Texas (BOKF, NA)  
BBVA Compass Bank  
Beal Bank  
BOKF, National Association  
Capital Bank, N.A.  
Capital One, N.A.  
Capital Markets Group, Inc.  
Cathay Bank  
Central Bank  
Chase Investments Services Corp.  
Chasewood Bank  
Citibank  
City Bank  
Comerica Bank  
Commercial State Bank  
CommunityBank of Texas, N.A.  
CUNA  
Edward Jones  
Encore Bank, N.A.  
Enterprise Bank and Trust Company  
FirstBank & Trust Company  
First Bank Texas  
First Citizens Bank  
First Community Bank, N.A.  
First Financial Bank  
First International Bank  
First National Bank of Bastrop  
First National Bank Texas  
First Texas Bank  
Fiserve, Inc.  
Frost Bank  
FTN Financial  
Green Bank, N.A.  
Golden Bank, National Association  
Hanmi Bank  
Herring Bank  
Hilltop Securities  
HomeTown Bank, N.A.  
Icon Bank of Texas, National Association  
Independence Bank  
Independent Bank  
Integrity Bank  
International Bank of Commerce

Invesco National Trust Company  
JPMorgan Chase & Co.  
JPMorgan Chase Bank, N.A.  
J.P. Morgan Securities LLC  
Legacy Texas Bank  
Legg Mason  
LOGIC (Local Government Investment Cooperative)  
Logic Investment  
Lone Star Bank  
Lone Star Investment Pool  
LPL Financial Services  
Mercantil Commerce Bank, National Association  
Merchants Bank  
Metro Bank, National Association  
Midkiff & Stone Capital Group, Inc.  
MidSouth Bancorp, Inc.  
Moody National Bank  
Morgan Stanley  
Morgan Stanley Wealth Management  
New First National Bank  
Northern Trust, National Association  
Omnibank National Association  
Patriot Bank  
Plains State Bank  
Post Oak Bank  
Preferred Bank  
Prime Way Credit Union  
Prosperity Bank  
Prudential Equity Group  
Raymond James & Associates, Inc.  
RBC Wealth Management USA  
Regions Bank  
Regions Financial Corporation  
Security State Bank  
Southwestern National Bank  
Southwest Securities  
Spirit of Texas Bank  
State Bank of Texas  
State Street Bank & Trust Co.  
Sterling Bancshares, Inc.  
TexSTAR  
Texas Capital Bank, National Association  
Texas Citizens Bank  
Texas CLASS  
Texas Community Bank  
Texas First Bank  
Texas Gulf Bank  
Texas State Bank  
TIB – The Independent BankersBank  
TexPool/TexPool Prime  
The Bank of River Oaks  
Tri Star Financial  
Trustmark National Bank

U.S. Bank National Association  
UBS Financial Services, Inc.  
Unity National Bank  
Vista Bank  
Wallis State Bank  
Wells Fargo Advisors, LLC  
Wells Fargo Bank, N.A.  
Westbound Bank  
Whitney National Bank  
Woodforest National Bank

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**Exhibit B**

**CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS  
AS REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT**

To: Midtown Redevelopment Authority (the "Authority")

From:

\_\_\_\_\_  
[Name of the person offering or the  
"qualified representative of the business  
organization" offering to engage in an  
investment transaction with the Authority]

\_\_\_\_\_  
[Office such person holds]

of:

\_\_\_\_\_ (the "Business Organization")  
[name of financial institution, business organization or investment pool]

Date:

\_\_\_\_\_, 20\_\_

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with the Authority or a "qualified representative" of the Business Organization offering to enter an investment transaction with the Authority, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Investment Act"), and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to the Authority investments (the "Investments") that comply with the Investment Act and the Authority's Investment Policy as amended and restated last on September 28, 2017 (collectively, the "Investment Policy").
3. I or a registered investment professional that services the Authority's account, as applicable, have received and reviewed the Investment Policy, which the Authority has represented is the complete Investment Policy of the Authority now in full force and effect. The Authority has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until the Authority provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.
4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions between the Authority and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of the Authority's entire portfolio or requires an interpretation of subjective investment standards.
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to the

Authority and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Authority monies to be invested in the Investments exceeds or in any way violates the Investment Policy.

6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to the Authority, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**ccppi**

center for civic & public policy improvement



# PLANNING GRANT AGREEMENT REPORT

Southeast Houston  
Affordable Housing Plan

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## EXECUTIVE SUMMARY

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### Background

By contract dated April 1, 2016, entitled the “Planning Grant Agreement”, the Reinvestment Zone Number Two and Midtown Redevelopment Authority collectively entered into the Grant Agreement with the Center for Civic and Public Policy Improvement “CCPPI”, to address the need for affordable housing and requisite supportive development in a targeted area of disinvestment within the southeast area of the City of Houston.

Under Chapter 311 of the Tax Code of the State of Texas, Tax Increment Reinvestment Zones that are created by petition are required to designate one third of their revenues for the purpose of creating affordable housing locations and opportunities in the City of Houston. TIRZ Number Two, the Midtown Redevelopment Authority, has consistently addressed this requirement through the creation of various programs over the past 20 years, including the purchase of properties in neighborhoods that are blighted and/or lack adequate affordable housing for residents. TIRZ Number Two has been successful in facilitating housing that can be afforded by low-to moderate income families. It has utilized its resources to partner with both non-profit entities and other businesses to convey properties for the construction of needed housing in areas of high property vacancy.

The Center for Civic and Public Policy Improvement (CCPPI) was established in 2012 to address the community needs by advancing policies and programs that promote housing, human, civic and social justice through advocacy, engagement and partnership. Its programs, seminars and ascertainment directed the CCPPI to focus on the immediate need for affordable housing and community development in the historic central areas of our City. CCPPI has worked to address the affordable housing needs of Houston’s historic Third Ward and adjacent areas. Utilizing its research of methods for community stabilization, it has retained professionals to develop strategies to direct the acquisition of properties in a targeted area with the goal of preserving opportunities for low and moderate-income persons to retain a presence in the area. In addition to its housing focus, CCPPI collaborated with other state agencies and nonprofits to encourage consumers to enroll in health plans and to provide information to remain safe and conserve energy in hot summer months. CCPPI also led voter registration drives in its community of service.

## Planning Grant Agreement Status

CCPPI was pleased to introduce the Updated Affordable Housing Plan (UAHP) as required by the Planning Grant Agreement (PGA) during the July 27, 2017 meeting of the Board. In addition to the presentation of the UAHP, CCPPI wishes to advise the Board of the compliance with the terms of the following:

- (a) Phase I (Plan Update, Coordination Effort and Mixed-Use Development), and
- (b) The initial parts of Phase II, Implementation, with the identity of key professionals of the CCPPI Team.

As presented in the TIRZ meeting of June 29, 2017, **Roberta Burroughs** of Burroughs and Associates discussed the preparation of the UAHP and its components. It has now completed in an almost 200 page extensive Plan. Burroughs and Associates met with many community groups, governmental representatives and organizations to assess the current state of the Target Area, including the properties, infrastructure, streets and existing plans of other groups. Burroughs utilized many additional consultants, bringing some from across the nation, to provide supportive designs and calculations that were necessary for demonstrate the capacities for affordable housing in the Area. Each of these professionals played a necessary part in creating the blueprint for the UAHP, as anticipated by the PGA.

## Planning Grant Agreement Report

CCPPI has worked diligently to prepare the following Planning Grant Agreement Report to document the “Coordination Effort,” as required by the PGA. This Report demonstrates compliance with the provisions of Section 3 of the Agreement that established the prerequisites for movement from Phase I and II. As listed in the attached PGA Delineated Phases and Responsibilities, CCPPI submitted timeline for the individuals and entities responsible for the various activities and projects required by Phase I and II of the PGA. Since development of this list, CCPPI has retained additional consultants to create the Agreement Report. The additional participants in the project are listed in the Capacity Capabilities Section, along with their resumes and backgrounds that qualify them to perform the tasks required. The Report serves as the CCPPI Business Plan for a transformational project referred to as the implementation of Phase III work on a combination of mixed-use building, a 20 unit housing project and a 200 unit housing complex. CCPPI is most excited about this first concrete step.

The PGA Report was developed utilizing the format provided by the Authority Board Liaison. It was designed to bring to life the beginning of the extensive Burroughs Midtown Affordable Housing Plan and follows the recommendations of the Plan with the development of the mixed-

use and housing project anticipated by the PGA. The Report submits the documentation requested by Phase I and II of the PGA. It begins with background Information about the MRA Affordable Housing Initiative and the CCPPI Mission and History, showing a chart that summarizes the roles of leadership of each entity. The Report contains the plans for the “Coordination Effort” of the PGA, proof of retention of consultants and several cash flow descriptions. Proof of retention of consultants is one of the specific requirements of completion of Phase I and the implemented “Coordination Effort.” CCPPI is proud of the organizational capacity demonstrated by this group.

The OPS Center, mixed-use services building, will operate as catalyst for development of affordable housing. It will change the neighborhood in ways that similar local governmental entities have done in other cities, such as the District of Columbia. The location is incomparable; there are no similarly situated structures. The “Coordinated Effort” initiates the combination of services that will allow the OPS Center to accommodate a THINK TANK and a housing development gathering of visionaries and facilities. The OPS Center is conceived as an institution, which will be the place to convene as they conceive methods to direct enhancement of the community.

In the OPS Center, a non-profit group will enjoy reduced rental rates based on its mission and commitment to curate affordable housing. The Center will house the policy staff for the Think Tank and teams/groups that can be assembled to promote development. There will be no other assembly in Houston to promote and innovate polities that address the requirements for complete communities. The policies that impact low to moderate income residents are housing, healthcare, education and criminal justice. For example, the requirement for 9% LIHTC award includes a commitment to improve the schools.

The plans and specifications of the catalytic development anticipate a timeline for operation beginning in 2019, but cannot be more specific because of the process for identifying the means for financing, including the submission of a Low Income Housing Tax Credit Application. The timeline for such LIHTC applications as set by the State of Texas regulations. Using industry standards, an optimistic loan and construction timeline would require a minimum of three years. As part of the Business Plan, the Report describes the leadership roles to accomplish the Initial Project, including the short term, sample year, pro forma for operations for each building and a long term, five year, compilation of same. The pro forma information is supported by drawings, renderings and elevations that, along with financials, show which scenario is sustainable for such a project. Rather than list the desired criteria for tenants, the Report contains letters from potential tenants that CCPPI would invite to negotiate leases in the mixed used building. The objective of CCPPI is that the tenants in the mixed-use building provide needed services to area residents and/or collaborate with CCPPI in the implementation of the affordable housing and economic development in the community.

## Conclusion

CCPPI requests approval from the Board of the Midtown Redevelopment Authority to proceed with the Implementation Phase of the Affordable Housing Initiative envisioned by the Agreement. This includes:

- (1) A commitment from MRA to allocate up to \$25 MM in affordable housing funds and bond proceeds over the next four years as follows:
  - (a) \$22 MM for the design and construction of the Affordable Housing Operations Center and St. Charles Housing Development as detailed in the Report; and
  - (b) \$3 MM for parking and infrastructure improvements relating to the Emancipation East and West Housing Developments.
- (2) Executing an amended and restated Agreement with CCPPI that:
  - (a) Authorizes an additional \$500,000 to CCPPI for professional services and staff to accelerate the implementation of the Plan;
  - (b) Authorizes CCPPI to take all necessary and appropriate actions to get the Operations Center and St. Charles Housing designed and constructed, including retention of consultants as detailed in the Report; and
  - (c) Authorizes CCPPI to take all necessary and appropriate actions to obtain funding from sources listed in the Report for the design and construction of the Emancipation East and West Housing Developments, including retention of consultants as detailed in the Report.

## DELINEATED PHASES AND RESPONSIBILITIES

---

The following listing of phases contained in the Planning Grant Agreement (Grant Agreement) by and between the Reinvestment Zone Number Two/Midtown Redevelopment Authority and The Center for Civic and Public Policy Improvement “CCPPI” delineated the Phases I, II and III for “The Project” in Article 2, Section 2.01 of the Grant Agreement. The responsible parties are contracted and/or solicited by CCPPI to perform the deliverables required by the Grant Agreement.

### Phase I

Development of Comprehensive Plan to address affordable housing and related community services and infrastructure enhancements in the Target Area

- (i) Analysis of current development market in Target Area and coordination with Authority to develop updated Affordable Housing Plan

Task 1 - Identify and Map Sectors

Task 2 - Mini Plans for Each sector with strategies required by (ii)

**Responsible party: Burroughs and Associates**

**Completion July 2017**

Additional party: CDS Research

Completed May 2017

Property Use Study of all parcels in each of mini Target Areas

Additional party: Water P. Moore

Completed May 2017

Ownership and Infrastructure Study in demonstration Target Area

Preparation of Maps indicating infrastructure capacities

Additional Party: Keith Rowan

Completion July 2017

Determination of area parcels needed for implementation of master plan

Additional Parties Contracted by Burroughs

Completion July 2017

**Responsible Party: Davis, Collins, Mercer**

**Completion July 2017**

Review of Burroughs and Associates project work for preparation of implementation of The Initial Project, including supporting information for rationale and feasibility

**Responsibility Party; Collins, Mercer**

**Completion July 2017**

Collaboration with Burroughs determining capacity of units on parcels in Initial Project Area Master Plan

- (ii) Development of “Coordination Effort” - PLAN for coordination and support of community development corporations, businesses, non-governmental organizations and other resources to assist Authority in implement Development Plan. Section 3.03

of Grant agreement establishes prerequisites for movement from Phase I and II, however, these phases contact requirements which must be done conterminously and should be reviewed and anticipated to be provided

**Responsible Party: Burroughs and Associates**

**Completion July 2017**

Scope of Task 3 - Identify implementing affordable housing strategies in subareas

Scope of Task 4 - Preparation and presentation of preliminary draft to CCPPI and Midtown with Plans for all parcels and Systematic approach for development of housing and selection of developers

**Responsible Party: Davis**

**Completion July 2017**

Preparation of rationale for development of Coordination Effort and specific roles of CCPPI and Midtown in addressing Initial Area needs and public policy issues, designating possible operation relationships with non-profits, businesses, agencies and foundations serving Area

**Responsible Party: Collins, Mercer, Davis**

**Completion July 2017**

Presentation of rationale to Midtown to support proposed Coordination Effort and Mixed-Use Development of Affordable Housing Plan as demonstrated by Burroughs initial presentation with ongoing collaboration with Burroughs

- (iii) Preparation of “Mixed Use Development” Plan projects outlining sustainable funding mechanism to induce construction and programming of mixed use facility, consisting of affordable housing units and office space

**Responsible Party: Davis**

**Completion July 2017**

Preparation of Concept and Operations Scenario for Affordable Housing Operations Center based on ascertainment of needs from housing resources entities and potential users for Initial Project Area. Presentation of above to Midtown

**Responsible Party: Collins, Mercer**

**Completion July 2017**

Using Burroughs information, preparation of Preliminary Concepts for Mixed Use Development based on Midtown ownership in initial project entitled “Revive Emancipation!” (near and along Emancipation Ave). Concepts will serve as basis for “sustainable funding mechanism” and include approximations of construction costs for up to three/four buildings that will house residents and affordable housing operations center. Presentation to Midtown

**Responsible Party: Burroughs**

**Completion July 2017**

Task 5 - From Input of CCPPI, Midtown and others, completion of Midtown (Southeast) Affordable Housing Plan with copies for review, amendment and revision



**Responsible Party; Collins, Mercer**

**Completion August 2017**

Based on Burroughs information and Midtown Guidance, preparation of operations estimates for Mixed Use Development, including initial project “Revive Emancipation!”, for approval by Midtown in preparation for Phase III of the Project.

APPROVAL of Phase I Deliverables by Midtown Board and of Phase II “Coordination Effort”

**Completion August 2017**

**Phase II**

**Responsible Party: Burroughs**

**Board Presentation  
Approval June 2017**

Task 5 - Evaluation of input related to Preliminary Plan for preparation and presentation of bound copies and digital updated Affordable Housing Plan

Implementation of coordination Effort Utilizing Development Plan with coordination and support of CDC’s, businesses, non-governmental organizations and other resources

**Responsible Party: Collins, Mercer, Fitzgerald, Bradford** **Completion August 2017**

Preparation of requisite components for complete design and development contract with CCPPI, pursuant to collective information and pending approval by Board

**Responsible Party: Davis**

**Completion September 2017**

Using consultant operations costs and projections for Initial Project, development of Project Business Plan for initial mixed-use building based on meetings, findings and tentative agreements with CDC’s, governmental entities and nonprofits supportive of operating in facility

**Responsible Party: Davis**

**Completion October 2017**

Secure form of new additional agreements to implement for complete design and development of Initial Project “Revive Emancipation!” Mixed Used Facilities as part of implementation of Coordination Effort. Funding will continue under Article 3 of Grant Agreement. Agreements will also be sought with local government entities, agencies and others where feasible for said development.

**Responsible Party: Davis**

**Completion October 2017**

Secure approval of CCPPI and Midtown for AWARD of contracts to complete Phase II and implement Phase III of the Initial Project including the development of Mixed Used Development.