

OFFICIAL STATEMENT DATED FEBRUARY 26, 2020

IN THE OPINION OF CO-BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF CO-BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE — BOOK ENTRY ONLY

Rating:
S&P: "A" (Stable)
See "MUNICIPAL BOND RATING" herein.

\$11,085,000

MIDTOWN REDEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)

**TAX INCREMENT CONTRACT REVENUE REFUNDING BONDS
SERIES 2020**

Interest Accrual Date: Delivery Date

CUSIP Prefix: 598076

Due: January 1, as shown on the inside
cover

Midtown Redevelopment Authority, a public not-for-profit local government corporation (the "Authority"), was established by the City of Houston, Texas (the "City") to aid, assist, and act on behalf of the City in the performance of the City's governmental functions and to promote the common good and general welfare of Reinvestment Zone Number Two, City of Houston, Texas (the "Zone") and neighboring areas. The Zone was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act") to facilitate development of the land within the boundaries of the Zone, an approximately 772 acre area known as Midtown, located between the central business district of the City and the Texas Medical Center, and nearby corridors within the museum district containing many museums and other cultural facilities.

Interest on the Midtown Redevelopment Authority Tax Increment Contract Revenue Refunding Bonds, Series 2020 (the "Bonds") accrues from the Delivery Date and is payable each January 1 and July 1, commencing July 1, 2020, until the earlier of maturity or redemption. The definitive Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, The Bank of New York Mellon Trust Company, National Association, to Cede & Co., which will make distribution of the amounts so paid to its participants, which will make distributions of such amounts to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are being issued as Additional Parity Bonds pursuant to the terms and conditions of a Bond Resolution approved by the Board of Directors of the Authority on January 30, 2020, a Pricing Certificate authorized by such Bond Resolution, and an Amended and Restated Trust Indenture dated as of September 1, 2003, as supplemented by a First Supplement to Amended and Restated Trust Indenture dated July 1, 2005 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, National Association, successor in interest to JPMorgan Chase Bank, N.A., as trustee (the "Trustee"). The Authority plans to amend the Indenture upon receiving certain written consents and satisfying certain other requirements of the Indenture. See "THE TRUST INDENTURE – Proposed Amendment to the Trust Indenture" herein. All bonds issued and outstanding under the terms of the Indenture (collectively, the "Contract Revenue Bonds") are equally and ratably secured under the Indenture.

Pursuant to the Indenture, the Authority has pledged the Contract Tax Increments (as defined herein) to payment of the Contract Revenue Bonds and has covenanted to transfer all Contract Tax Increments to the Trustee. Once the Trustee has set aside debt service on the Contract Revenue Bonds for the succeeding twelve-month period, the Debt Service Reserve Fund has been fully funded, and the Trustee's and Paying Agent/Registrar's fees have been paid, the Trustee will remit any surplus Contract Tax Increments to the Authority to be used for any lawful purpose under the TIF Act. The Contract Revenue Bonds are payable solely from the Contract Tax Increments, certain other funds on deposit with the Trustee or which may be deposited with the Trustee in the future, and earnings and investments thereon (the "Pledged Revenues").

The Bonds are limited obligations of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the City of Houston, Texas, Harris County, Texas, Houston Independent School District, Houston Community College System, the State of Texas, or any other municipality, county, or other municipal or political corporation or subdivision of the State of Texas. None of the City of Houston, Texas, Harris County, Texas, Houston Independent School District, Houston Community College System, nor the State of Texas is obligated to make payments on the Bonds.

See MATURITY SCHEDULE on the inside cover

The Bonds are offered by the Underwriters subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bracewell LLP, Houston, Texas, and Burney & Foreman, Houston, Texas, Co-Bond Counsel. Certain other matters will be passed upon on behalf of the Authority by Norton Rose Fulbright US LLP, Houston, Texas, and Washington Law Firm, P.C., Dallas, Texas, Co-Disclosure Counsel. Certain matters will be passed upon on behalf of the Underwriters by Bates & Coleman, P.C., Houston, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about March 18, 2020 ("Delivery Date").

MESIROW FINANCIAL, INC.

UBS

MIDTOWN REDEVELOPMENT AUTHORITY
(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)
TAX INCREMENT CONTRACT REVENUE REFUNDING BONDS
SERIES 2020

MATURITY SCHEDULE
CUSIP Prefix: 598076

Maturity Date (Jan. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2022	\$1,870,000	5.00%	1.02%	GK7
2023	650,000	5.00	1.04	GL5
2024	685,000	5.00	1.07	GM3
2025	715,000	5.00	1.10	GN1
2026	755,000	5.00	1.13	GP6
2027	790,000	5.00	1.19	GQ4
2028	830,000	5.00	1.25	GR2
2029	870,000	5.00	1.35	GS0
2030	915,000	5.00	1.43	GT8
2031(a)	965,000	4.00	1.54	GU5
2032(a)	1,000,000	4.00	1.65	GV3
2033(a)	1,040,000	3.00	1.91	GW1

- (a) Bonds maturing on or after January 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the Authority, on January 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriters for offers to the public and which may be subsequently changed by the Underwriters and is the sole responsibility of the Underwriters. The initial yields indicated here represent the lower of the yield resulting when priced to maturity or to the first optional call date.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of purchasers of the Bonds. None of the Authority, the Co-Financial Advisors nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

BOARD OF DIRECTORS
REINVESTMENT ZONE NUMBER TWO,
CITY OF HOUSTON, TEXAS
and
MIDTOWN REDEVELOPMENT AUTHORITY^(a)

Position	Name	Appointed to Zone By:^(a)	Title/Office
1	Camille Foster	State Senator	Director
2	Open	State Representative	Director
3	Gayle Fortson	City	Director, Secretary
4	Open	City	Director
5	Harold A. "Al" Odom, III	City	Director, Chairman
6	Abe S. Goren	City	Director, Vice Chairman
7	Caton M. Fenz	City	Director, Assistant Secretary
8	John Thomas	Houston Independent School District	Director
9	Zoe Middleton	Harris County	Director

(a) The members of the Board of Directors of Reinvestment Zone Number Two, City of Houston, Texas, have been appointed by the person or entity stated above, as provided in the TIF Act. The members of the Board of Directors of the Midtown Redevelopment Authority are appointed by the City and are the same as the members of the Board of the Zone, except that the City has not appointed the County appointee to the Zone Board to the Authority Board. The list of the Board of Directors does not include certain non-voting ex officio members of the Zone Board appointed by the Houston Community College System.

Executive Staff

Mathias Thibodeaux	<i>Executive Director</i>
Vernon E. Williams	<i>Chief Administrative Officer</i>
Marlon Marshall	<i>Director of Engineering & Construction</i>
Todd Edwards	<i>Real Estate Asset Manager</i>
Kandi Schramm	<i>Administrative Manager</i>

Professional Consultants

Masterson Advisors LLC and TKG & Associates LLC	<i>Co-Financial Advisors</i>
Bracewell LLP and Burney & Foreman	<i>Co-General Counsel and Co-Bond Counsel</i>
McConnell & Jones, L.L.P.	<i>Accountant</i>
Carr, Riggs & Ingram, LLC	<i>Auditor</i>
Equi-Tax, Inc.	<i>Tax Consultant</i>

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USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority.

All of the summaries of the statutes, financing documents, resolutions, contracts, engineering and other related reports referenced or described in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Authority, 410 Pierce, Suite 355, Houston, Texas 77002.

Neither the Authority nor the Underwriters, as defined herein, make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Zone, or other matters described herein since the date hereof.

The Underwriters, as defined herein, have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriters

The Bonds are being purchased, subject to certain conditions, by Mesirow Financial, Inc., as representative (the “Representative”) of the underwriters named on the cover page (collectively, the “Underwriters”) pursuant to a bond purchase agreement with the Authority (the “Bond Purchase Agreement”) at a price of \$13,118,765.72 (which represents the principal amount of the Bonds, plus original issue premium of \$2,106,837.20, and less an Underwriter’s discount of \$73,071.48). The Representative, on behalf of the Underwriters, will be obligated to purchase all of the Bonds, if any are purchased. The Bonds may be offered and sold to certain dealers and others at a price lower than public offering prices, and such public prices may be changed from time to time by the Underwriters. See “—Prices and Marketability” below.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the Authority of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities, registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this summary statement from this Official Statement or to otherwise use it without the entire Official Statement.

The Authority and the Zone

The Authority

Midtown Redevelopment Authority (the “*Authority*”), a public not-for-profit local government corporation, was authorized to be established by the City of Houston, Texas (the “*City*”) in 1995 to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions and to promote the common good and general welfare of Reinvestment Zone Number Two, City of Houston, Texas (the “*Zone*”) and neighboring areas. The Authority is governed by a Board of Directors (the “*Board*”), whose members are appointed by the City. The Authority is the administrator of the Zone. The duration of the Authority is perpetual.

Reinvestment Zone Number Two, City of Houston, Texas

The Zone was created in December 1994 by the City Council of the City, pursuant to landowner petitions and the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the “TIF Act”), to facilitate development of the land within the boundaries of the Zone. The Zone currently consists of an approximately 772 acre area known as Midtown, located between the central business district of the City and the Texas Medical Center, and nearby corridors in the museum district containing many museums and other cultural facilities.

Prior to January 1, 1996, the Zone consisted of 617 acres (the “*Original Zone*”). In 1999 the City approved the annexation of six parcels containing 153 acres (the “*1999 Annexed Area*”) into the Zone. An additional 1.5 acres of land (the “*2009 Annexed Area*”) were annexed into the Zone in 2009, and an additional 60 city blocks were added to the Zone in 2015 (the “*2015 Annexed Area*” and collectively with the 1999 Annexed Area and the 2009 Annexed Area, the “*Annexed Areas*”). See “APPENDIX A—Boundary Map.”

Pursuant to the TIF Act, the ordinance of the City establishing the Zone also established a Board of Directors of the Zone (the “*Zone Board*”). The members of the Zone Board are appointed by the City and certain of the other taxing entities participating in the Zone, except that one Board position is held by the state senator in whose district the Zone is located or such person’s designee and one Board position is held by the state representative in whose district the Zone is located or such person’s designee. The members of the Board of the Authority are the same as the members of the Zone Board, as is required by the by-laws of the Authority. See “MIDTOWN REDEVELOPMENT – The Zone.”

The Zone is currently scheduled to terminate on December 31, 2040.

Project and Financing Plan

As required under the TIF Act, the Zone Board adopted, and the City Council of the City approved, a Project Plan and Reinvestment Zone Financing Plan, which has been amended five times (as amended, the “*Plan*”). The Plan sets out the public improvements, real estate acquisitions and other projects that are needed to induce development within the Zone (the “*Public Improvements*”). The cost of the Public Improvements, the cost of creation of the Zone, and related organizational costs (the “*Project Costs*”) constitute eligible project costs under the TIF Act. The Plan states that the Project Costs will be financed through the issuance of notes and bonds, as well as collaboration with developers and other entities for grant funding and partnerships.

Status of Development Since inception in January of 1995, the taxable value in the Original Zone and the 1999 Annexed Area has increased to over \$2.2 billion from a base tax value of approximately \$212 million. (The incremental value added by the 2009 Annexed Area and 2015 Annexed Area is not material and is not included in these calculations.) For the taxable value from tax year 2014 through 2019, see “Current Year Value” in “FINANCIAL INFORMATION—Schedule 4: Tax Increment Collections.” The Authority’s purpose is to guide the development of Midtown to cause a pedestrian-friendly urban community with nodes of activity in various corridors, including Main Street. See “MIDTOWN REDEVELOPMENT—Projects.”

The Bonds

Description The Midtown Redevelopment Authority Tax Increment Contract Revenue Refunding Bonds, Series 2020 (the “*Bonds*”) are issued in the aggregate principal amount of \$11,085,000. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. Interest on the Bonds accrues from initial delivery of the Bonds and is payable on each January 1 and July 1, commencing July 1, 2020, until the earlier of maturity or redemption. See “THE BONDS – Description.”

Authority for Issuance The Bonds are authorized pursuant to a Bond Resolution approved by the Board on January 30, 2020 (the “*Bond Resolution*”), a Pricing Certificate authorized by such Bond Resolution, and an Amended and Restated Trust Indenture dated as of September 1, 2003, as supplemented by a First Supplement to Amended and Restated Trust Indenture dated July 1, 2005 (the “*Indenture*”), between the Authority and The Bank of New York Mellon Trust Company, National Association, successor in interest to JPMorgan Chase Bank, N.A., as trustee (the “*Trustee*”). The Authority plans to amend the Indenture upon receiving certain written consents and satisfying certain other requirements of the Indenture. See “THE TRUST INDENTURE – Proposed Amendment to the Trust Indenture” herein.

Redemption Bonds maturing on or after January 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the Authority prior to their maturity dates on January 1, 2030 or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

Use of Proceeds Proceeds of the Bonds will be used for the purpose of (1) defeasing and refunding certain outstanding bonds in order to provide savings in debt service payments; and (2) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law.

Municipal Bond Rating The Bonds are rated “A” (stable) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“*S&P*”). The rating fee of S&P will be paid by the Authority; payment of any other rating fee will be the responsibility of the Underwriters. See “MUNICIPAL BOND RATING.”

Security and Source of Payment

Tax Increments The City has agreed to deposit to the Tax Increment Fund for the Zone in the City’s Treasury (the “*Tax Increment Fund*”) certain of its tax collections resulting from its taxation of the increase, if any, in the appraised taxable value of real property located in the Zone since a designated base year. Houston Independent School District (“*HISD*”) and Houston Community College System (“*HCC*”) have agreed pursuant to separate agreements with the City and the Zone (collectively, the “*Interlocal Agreements*”) and subject to certain limitations, to transfer to the City for deposit to the Tax Increment Fund a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised taxable value of certain real property located in the Zone since a designated base year. Harris County, Texas and Harris County Flood Control District (collectively, the “*County*”) also entered into an agreement with the City and Zone to deposit a portion of its tax collections into the City’s Tax Increment Fund for the Zone, but the County satisfied its contractual commitment and is no longer making deposits into the Tax Increment Fund.

The base year for the Original Zone is 1995 and the base year for the annexations are 1999, 2009 and 2015 respectively. The City, the Authority and the Zone have entered into an agreement (the “*Tri-Party Agreement*”) which sets forth, among other things, the agreement of the City, on behalf of itself and the Zone, to pay to the Authority the tax collections deposited to the Tax Increment Fund less certain amounts to be used for educational facilities project costs pursuant to the Interlocal Agreement with HISD and the administrative fees and deductions specified in the Tri-Party Agreement (the “*Contract Tax Increments*”). See “SOURCE AND SECURITY FOR PAYMENT—Tax Increments from the Zone.”

Pledged Revenues

The Bonds are being issued as Additional Parity Bonds under the Indenture, secured on an equal and ratable basis with all bonds previously issued or subsequently issued as parity bonds under the Indenture (collectively, the “*Contract Revenue Bonds*”). See “THE TRUST INDENTURE.”

The Authority has pledged the Contract Tax Increments to payment of the Contract Revenue Bonds. The Indenture provides that the Authority will transfer to the Trustee all Contract Tax Increments once they are received from the City. After the Trustee has set aside debt service on the Contract Revenue Bonds for the succeeding twelve-month period, the Debt Service Reserve Fund has been fully funded, and the Trustee’s and Paying Agent/Registrar’s fees have been paid, the Trustee will remit any surplus Contract Tax Increments to the Authority to be used for any lawful purpose under the TIF Act. The Contract Revenue Bonds are payable solely from the Contract Tax Increments, certain other funds on deposit with the Trustee or which may be deposited with the Trustee in the future, and earnings and investments thereon (the “*Pledged Revenues*”).

Additional Parity Bonds

The Authority has reserved the right to issue Additional Parity Bonds, payable from the Pledged Revenues on a parity basis with the outstanding Contract Revenue Bonds, but only on the terms and conditions set out in the Indenture, including a debt service coverage test for Additional Parity Bonds other than those, such as the Bonds, issued for refunding purposes that have the result of reducing or not increasing the annual debt service requirements on the remaining Contract Revenue Bonds. See “SOURCE OF AND SECURITY FOR PAYMENT – Additional Parity Bonds.”

Limited Obligations

The Bonds are limited obligations of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the City, the County, HISD, HCC, the State of Texas, or any other municipality, county, or other municipal or political corporation or subdivision of the State of Texas. None of the City, the County, HISD, HCC nor the State of Texas is obligated to make payments on the Bonds.

Investment Considerations

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

Schedule 1: Selected Financial Information (unaudited)

	<u>City</u>	<u>HISD (d)</u>	<u>HCC (j)</u>
Tax Increment Base (a)			
Original Zone	\$ 157,081,540	\$ 156,591,480	\$ 157,081,540
Annexed Area	54,694,350	53,013,840	54,694,350
Total	<u>\$ 211,775,890</u>	<u>\$ 209,605,320</u>	<u>\$ 211,775,890</u>
2019 Certified Taxable Value (b)			
Original Zone	\$ 1,932,193,773	\$ 1,923,260,488	\$ 1,928,032,703
Annexed Area	306,971,480	307,505,282	314,577,018
Total	<u>\$ 2,239,165,253</u>	<u>\$ 2,230,765,770</u>	<u>\$ 2,242,609,721</u>
2019 Certified Incremental Appraised Value			
Original Zone	\$ 1,775,112,233	\$ 1,766,669,008	\$ 1,770,951,163
Annexed Area	252,277,130	254,491,442	259,882,668
Total	<u>\$ 2,027,389,363</u>	<u>\$ 2,021,160,450</u>	<u>\$ 2,030,833,831</u>
2019 Certified Captured Appraised Value			
Original Zone	\$ 1,775,112,233	\$ 1,044,117,000 (d)	\$ 1,770,951,163
Annexed Area	252,277,130	131,688,000 (d)	259,882,668
Total	<u>\$ 2,027,389,363</u>	<u>\$ 1,175,805,000</u>	<u>\$ 2,030,833,831</u>
2019 Total Tax Rate Contribution (e)			
Original Zone	0.56792	1.13670	0.07665
Annexed Area	0.56792	0.96000	0.07665
2019 Tax Rate Contribution to be Used to Produce Contract Tax Increments (e)			
Original Zone	0.56792	(i)	0.07665
Annexed Area	0.56792	0.64000	0.07665
Collection Rate (f)			
Original Zone	98.02%	98.94%	98.40%
Annexed Area	97.88%	98.75%	98.57%
City Administrative Fee (g)	5%	\$ 25,000	\$ 25,000
Contract Tax Increments Constituting Pledged Revenues FYE 6/30/21 (h)	\$ 10,719,579	\$ 12,990,699	\$ 1,507,164
Total Contract Tax Increments for FY 2021			\$ 25,217,442
Outstanding Debt			\$ 81,920,000
Average Annual Debt Service (2021-2038)			6,860,964
Maximum Annual Debt Service (2021)			7,422,135
Coverage of 2021 Contract Tax Increments from City, HISD, and HCC to:			
Average Annual Debt Service			367.55%
Maximum Annual Debt Service			339.76%
Coverage of 2021 Contract Tax Increments from City, and HCC to:			
Average Annual Debt Service			178.21%
Maximum Annual Debt Service			164.73%
Ratio of 2019 Incremental Value to 2019 Taxable Value in Zone	90.54%	90.60%	90.56%
Debt Service Reserve Fund Requirement			\$ 7,422,135

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- (a) Base year for the Original Zone is 1995, the base year for the 1999 Annexed Area is 1999, the base year for the 2009 Annexed Area is 2009, and the base year for the 2015 Annexed Area is 2015. The 2009 Annexed Area and the 2015 Annexed Area contain virtually no taxable property and therefore will produce no significant Captured Appraised Value. They are not included in this Schedule 1.
- (b) Certified appraised values are established annually by the Harris County Appraisal District (the “Appraisal District”) for the current tax year, but are subject to change for a number of years thereafter. The City of Houston, Texas (the “City”), Houston Independent School District (“HISD”), and Houston Community College System “HCC”) (each a “Participant,” and collectively the “Participants”) have different exemptions from taxation, which also affect the taxable value. The 2019 certified taxable value shown is based on data provided by the Appraisal District and includes uncertified value. The uncertified accounts are generally being protested by the taxpayers and certified values for these accounts may be lower than the Appraisal District’s estimate. Only values that are certified by the Appraisal District are used to calculate tax due. See “FINANCIAL INFORMATION--Schedule 4: Tax Increment Collections” for the certified values for 2014 through 2019.
- (c) 2019 Certified Incremental Appraised Value is the difference between the 2019 Certified Taxable Value and the Tax Increment Base.
- (d) HISD has agreed to pay a tax increment based on its current tax rate for the Original Zone and based on a tax rate of \$0.96 per \$100 of Captured Appraised Value for the 1999 Annexed Area. One-third of the HISD tax increment is paid to the Authority for use in the provision of affordable housing within the City. Of the remaining portion attributable to the Original Zone, the Authority may retain for non-educational facilities project costs the tax increments in excess of \$1,200,000 derived from a tax rate of \$0.64 per \$100 of Captured Appraised Value. The remainder of the tax increments generated in the Original Zone must be paid by the City to HISD for educational facilities project costs. Of the remaining portion attributable to the 1999 Annexed Area, the Authority may retain for non-educational facilities project costs the tax increments derived from a tax rate of \$0.32 per \$100 of Captured Appraised Value, and the remainder will be paid to HISD for educational facilities project costs. The maximum amount of each annual HISD tax increment payment is capped according to the estimated Captured Appraised Value set forth in the Plan as adopted on September 1, 1999. The 2019 Captured Appraised Value is capped as shown above.
- (e) The Participants have set their 2019 tax rates as shown above; however, a Participant may increase or decrease its tax rate on an annual basis, pursuant to the constraints of the Texas Property Tax Code and in the case of the City, the City Charter. See “INVESTMENT CONSIDERATIONS—Tax and Collection Rates May Decline.”
- (f) Collection rates shown are based on a five-year average. See “FINANCIAL INFORMATION—Schedule 4: Tax Increment Collections” for collection rates per tax year.
- (g) The City’s administrative fee is 5% for the City, the lesser of \$25,000 or 5% for HISD, and \$25,000 for HCC.
- (h) The 2019 tax rates were set in the fall of 2019 with payment due by January 31, 2020. Tax increments arising from these taxes are expected to be transferred to the Authority during 2020 for payment of debt service in 2021.
- (i) The tax rate used to produce Contract Tax Increments is \$1.0189 (one-third of the actual HISD tax rate plus \$0.64 per \$100 Captured Appraised Value); however, the first \$1,200,000 derived from a tax rate of \$0.64 per \$100 of Captured Appraised Value must be returned to HISD.
- (j) HCC has agreed to contribute to the Tax Increment Fund 100% of its Tax Increment attributed to Captured Appraised Value in the Zone; however, HCC is not obligated to pay its Tax Increment from any source other than taxes collected on the Captured Appraised Value from the portion of taxes levied by HCC for maintenance and operations. One-third of the HCC Tax Increment is paid to the Authority for use in the provision of affordable housing in or out of the Zone. The HCC Agreement provides that initially two-thirds of the HCC Tax Increment up to \$5,000,000 will be used for Project Costs associated with streetscape improvements to the block faces that are contiguous to the HCC Central Campus, with the timing, financing, detailed project scope and implementation to be further agreed between the Authority’s Executive Director and an HCC designee. According to the Authority’s records, the Authority has expended approximately \$4,320,000 on qualifying Project Costs and will use the remaining approximately \$680,000 on the future Alabama Street improvement project. Upon completion of the \$5,000,000 funding commitment, one-third of the HCC Tax Increment is required to be applied to Project Costs in the general vicinity of the campus and one-third may be applied to other Project Costs.

OFFICIAL STATEMENT

\$11,085,000

MIDTOWN REDEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)

TAX INCREMENT CONTRACT REVENUE REFUNDING BONDS SERIES 2020

This Official Statement provides certain information in connection with the issuance by Midtown Redevelopment Authority (the “*Authority*”) of its \$11,085,000 Tax Increment Contract Revenue Refunding Bonds, Series 2020 (the “*Bonds*”). The Bonds are issued under pursuant to a bond resolution (the “*Bond Resolution*”) adopted by the Board of Directors of the Authority (the “*Board*”) on January 30, 2020, a Pricing Certificate authorized by such Bond Resolution, and the Amended and Restated Trust Indenture dated as of September 1, 2003, as supplemented by a First Supplement to Amended and Restated Trust Indenture, dated July 1, 2005, (collectively, the “*Indenture*”) between the Authority and The Bank of New York Mellon Trust Company, National Association, as successor in interest to JPMorgan Chase Bank, N.A., as trustee (the “*Trustee*”). The Authority plans to amend the Indenture upon receiving certain written consents and satisfying certain other requirements of the Indenture. See “THE TRUST INDENTURE – Proposed Amendment to the Trust Indenture” herein.

This Official Statement speaks only as to its date and includes descriptions, among others, of the Bonds, the Bond Resolution, the Indenture, certain other information about the Authority, Reinvestment Zone Number Two, City of Houston, Texas (the “*Zone*”), the Project Plan and Reinvestment Zone Financing Plan (as amended, the “*Plan*”), and existing development within the boundaries of the Zone, generally located between the central business district of the City and the Texas Medical Center and nearby corridors in the museum district. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the Authority, 410 Pierce Street, Suite 355, Houston, Texas 77002.

SOURCE OF AND SECURITY FOR PAYMENT

General

The Bonds are limited obligations of the Authority payable solely from the sources described herein and are not obligations of the City, Harris County, Texas and Harris County Flood Control District (collectively, the “*County*”), Houston Independent School District (“*HISD*”), Houston Community College System (“*HCC*”), the State of Texas, or any entity other than the Authority. The Authority is not obligated to pay principal of and interest on the Bonds from monies of the Authority other than the Pledged Revenues as defined herein under “—Pledge of Revenues.”

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code (the “*TIF Act*”) may be created by a city or a county, which also approves a project plan and a financing plan for the zone. In the case of a city, the ordinance creating the zone and the plans may provide that the city will deposit its Tax Increments (as defined below) into a tax increment fund established by the city for the zone. Other taxing units which tax property in the zone may agree with the city that they will also deposit a portion of their Tax Increments (as defined below) into the tax increment fund established for the zone.

The amount of a taxing unit’s tax increment for a year (the “*Tax Increment*”) is the amount of property taxes levied and assessed by the taxing unit for that year on the captured appraised value in the zone (as defined below, the “*Captured Appraised Value*”). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the reinvestment zone for the year in which the zone was designated as such under the TIF Act (the “*Tax Increment Base*”). If the boundaries of a zone are enlarged, the Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added.

The TIF Act provides that each taxing unit is required to pay into the tax increment fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city or county that created the Zone and in accordance with the project plan. The TIF Act provides that the payment is to be made by the 90th day after the later of either the delinquency date for the taxing unit's property taxes, or the date the city that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

The TIF Act provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or an earlier or later date designated by a subsequent ordinance and (2) the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full. In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases all of the zone's tax increment bonds. See "THE BONDS—Defeasance."

Establishment of the Zone; Participants

Pursuant to City Ordinance No. 94-1345, approved on December 14, 1994 (the "*City Creation Ordinance*"), the City created the Zone and established the Tax Increment Fund for the Zone as a separate fund in the City treasury. The City Creation Ordinance provided that the Zone would take effect on January 1, 1995 and would terminate on December 31, 2025, or at an earlier time designated by subsequent ordinance of the City, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds have been paid in full. By City Ordinance No. 2011-533, approved on June 22, 2011, the City Council of the City extended the termination date of the Zone from December 31, 2025 to December 31, 2033. By City Ordinance No. 2015-1001, approved on October 14, 2015, the City Council of the City extended the termination date of the Zone from December 31, 2033 to December 31, 2040.

A total of 617 acres were designated as the Zone in 1995 (the "*Original Zone*"). Six parcels containing 153 acres were annexed into the Zone in 1999 (the "*1999 Annexed Area*"). The base tax year for the Original Zone is 1995. The base tax year for the 1999 Annexed Area is 1999. The Original Zone and the 1999 Annexed Area consist of 770 acres. In 2009, the Zone was enlarged to encompass approximately 1.5 acres in close proximity to the Zone on which various cultural facilities are located (the "*2009 Annexed Area*"), bringing the total acreage of the Zone to approximately 772 acres. In 2015, the Zone was enlarged to encompass approximately 60 city blocks on which various additional cultural facilities are located (the "*2015 Annexed Area*" and collectively with the 1999 Annexed Area and the 2009 Annexed Area, the "*Annexed Areas*"). The 2009 Annexed Area and the 2015 Annexed Area contain little taxable property and therefore will produce little Captured Appraised Value.

Under the Plan for the Zone, the City contributes 100% of its collected Tax Increments arising from the Zone to the Tax Increment Fund during the term of the Zone. Further terms concerning the City's contribution of Tax Increments to the Zone are found in an Amended Agreement among the City, the Zone and the Authority, approved by the City on June 7, 2000, pursuant to Ordinance No. 2000-494 (the "*Tri-Party Agreement*"). The City and the Zone have entered into separate Interlocal Agreements with taxing units that tax property within the Zone (collectively, the "*Interlocal Agreements*"). These taxing units have agreed to contribute a certain amount of their Tax Increments arising from the Zone to the Tax Increment Fund, subject to the limitations set forth in each Interlocal Agreement. The participating taxing units (collectively with the City, the "*Participants*" and each a "*Participant*") are HISD and HCC.

The County participated in the Zone pursuant to an interlocal agreement with the City and the Zone (the "*County Interlocal Agreement*") which required it to contribute a maximum of \$58,896,340 in Tax Increments to the Zone. The County fulfilled its obligation to contribute \$58,896,340 in Tax Increments with tax year 2017 Tax Increments received in fiscal year 2019 and ceased making contributions. The Authority and the County are considering whether to enter into a new interlocal agreement which would require the County to transfer to the Tax Increment Fund a portion of its Tax Increments to finance certain Project Costs of the Authority. The Authority can give no assurances that the County will enter into a new interlocal agreement or further contribute Tax Increments to the Zone but expects any new interlocal agreement entered into by the County to contribute significantly less to the Tax Increment Fund than the prior interlocal agreement.

HISD's Interlocal Agreement

HISD has agreed, pursuant to an Interlocal Agreement with the City and Zone approved by the City on December 14, 1994, as amended by a First Amendment approved by the City on August 18, 1999 (the "*HISD Agreement*"), to pay into the Tax Increment Fund all Tax Increments produced at HISD's then current tax rate on Captured Appraised Value in the Original Zone and all Tax Increments produced at a tax rate of \$0.96 on Captured Appraised Value in the 1999 Annexed Area. 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 Plan, as in effect prior to September 1, 1999, will be retained by HISD. The obligation to pay will accrue as taxes are collected by HISD, and payment is due on the 90th day after the delinquency date. No interest or penalty may be charged for delinquent payments under the HISD Agreement.

Pursuant to the HISD Agreement, the first payment of Tax Increments by HISD was for taxes levied for the year 1997 in the Original Zone and in 2000 in the 1999 Annexed Area, and the last payment is for taxes levied in the year 2025. HISD's participation will not extend to the Captured Appraised Value on any property added to the Zone by the City unless HISD approves the participation. Due to the state laws applicable to HISD's state and local funding, it is unlikely that HISD would agree to participate in any further property annexed into the Zone.

HISD may reduce its Tax Increment under two circumstances: **first**, in the event that the laws applicable to HISD or tax increment reinvestment zones change subsequent to August 31, 1999, or there is any interpretation, ruling, order, decree or court decision interpreting existing or subsequently enacted law applicable to HISD or tax increment reinvestment zones, with the result that the participation of HISD in the Zone decreases the aggregate amount of the state and local funds available to or received in any school year by HISD during the term of the HISD Agreement that would otherwise be available to or received by HISD in such school year if HISD was not participating in the Zone during that year, as determined by HISD subject to the review by the City as to the accuracy of the calculations, HISD's Tax Increment participation will, at the option of HISD, be reduced in an amount equal to the amount of the decrease in the aggregate state and local funding available to or received in that school year by HISD during the term of the HISD Agreement as a result of HISD's participation in the Zone; and **second**, at its option, HISD may reduce the HISD Tax Increment from year to year and for any tax year beginning in January of the year after the notice is given and continuing through subsequent years to a rate not less than \$0.64 per \$100 valuation.

One-third of the HISD Tax Increments received by the City and earnings thereon will be applied to the provision of affordable housing, as required by the TIF Act. Of the remaining portion attributable to the Original Zone, the Authority may retain for Project Costs for non-educational facilities the HISD Tax Increments in excess of \$1,200,000 derived from a tax rate of \$0.64 per \$100 on Captured Appraised Value. The remainder of the HISD Tax Increments must be paid by the City to HISD for Project Costs for educational facilities. Of the remaining portion attributable to the 1999 Annexed Area, the amount of taxes collected by HISD by levying a tax at a tax rate of \$0.32 per \$100 of Captured Appraised Value may be applied to payment of Project Costs for non-educational facilities, and the remainder will be paid to HISD for payment of Project Costs for educational facilities.

If HISD's participation is reduced due to a change in law, the Project Costs for educational facilities paid to HISD will be reduced in the same percentage; however, the total amount of any reduction in Project Costs for non-educational facilities will not exceed two-thirds of the total amount of any reduction that would have resulted if HISD's participation was at a tax rate of \$0.96 per \$100 valuation. In the event HISD elects to reduce its participation in the Zone, the reduction will reduce the amount paid to HISD for Project Costs for educational facilities by the total aggregate amount of the reduction of Tax Increments paid to the City as a result of such reduction.

Neither the City nor the Zone is obligated to set aside for or pay to HISD any funds other than HISD's Tax Increments derived from the Zone; nor is the City or Zone obligated to expend any funds other than funds made available by HISD after payment pursuant to the HISD Agreement to finance, acquire, construct or reconstruct any educational facilities.

The HISD Agreement provides that all decisions regarding location, acquisition, construction, reconstruction and educational content of HISD educational facilities will be in the control of HISD. To the extent requested by HISD, the City and Zone agree that monies from the Tax Increment Fund will be used, at no cost to HISD, to pay to the City the following costs that would otherwise be incurred by HISD with respect to construction and operation of

any educational facilities constructed by HISD in the Zone pursuant to the Plan: (1) the cost of abandonment of any street right of way, and (2) the cost of water and sewer utility connections and construction outside the boundaries of the HISD property for HISD educational facilities in the Zone. The City is required to use the proceeds obtained from these payments to provide infrastructure improvements or other projects identified in the Plan. An amendment to the Plan will not apply to HISD unless approved by HISD if the Plan (1) has the effect of directly or indirectly increasing the percentage of Tax Increments to be contributed by HISD, (2) requires or authorizes the City to issue additional tax increment bonds or notes or (3) eliminates or reduces educational facilities project costs.

HISD may terminate the HISD Agreement if the City and Zone use any portion of the Tax Increment for costs of elementary or secondary school facilities of any entity other than HISD without the prior consent of HISD. The City and Zone may not use any portion of HISD's Tax Increment for postsecondary educational facilities without the approval of HISD, but may use Tax Increments contributed by other taxing units for postsecondary educational facilities if a taxing unit providing services to postsecondary students in such educational facilities contributes 100% of its Tax Increment in the Zone to the Tax Increment Fund from the date of its participation until the termination of the Zone.

HCC's Interlocal Agreement

HCC entered into an Interlocal Agreement with the City, the Authority and the Zone (the "*HCC Agreement*") on December 28, 2008. Pursuant to the HCC Agreement, HCC agreed to participate in the Zone by contributing to the Tax Increment Fund during the term of the HCC Agreement 100% of its Tax Increment attributed to Captured Appraised Value in the Zone; however, HCC is not obligated to pay its Tax Increment from any source other than taxes collected on the Captured Appraised Value from the portion of taxes levied by HCC for maintenance and operations. HCC has no obligation to pay any Tax Increment from any other taxes or revenues or until the HCC Tax Increment is actually collected.

HCC is required to pay collected Tax Increments into the Tax Increment Fund by the 90th day after the delinquency date for taxes. No interest or penalty will be charged to HCC for any late payment; however, HCC will forward penalty and interest it receives on delinquent taxes to the Tax Increment Fund.

The obligation of HCC to participate in the Zone is limited to the Original Zone and 1999 Annexed Area. HCC's participation in the Zone does not extend to any additional property or any additional amendment to the Plan that would increase the total amount of Project Costs unless HCC specifically agrees to participate in the additional area or amendment to the Plan.

One-third of the HCC Tax Increment and interest earned thereon is required to be applied to the provision of affordable housing in or out of the Zone. The HCC Agreement provides that initially two-thirds of the HCC Tax Increment up to \$5,000,000 will be used for Project Costs associated with streetscape improvements to the block faces that are contiguous to the HCC Central Campus, with the timing, financing, detailed project scope and implementation to be further agreed between the Authority's Executive Director and an HCC designee. According to the Authority's records, the Authority has expended approximately \$4,320,000 on qualifying Project Costs and will use the remaining approximately \$680,000 on the future Alabama Street improvement project. Following completion of the \$5,000,000 funding commitment, one-third of the HCC Tax Increment is required to be applied to Project Costs in the general vicinity of the campus and one-third may be applied to other Project Costs.

The term of the HCC Agreement commences with the tax year beginning January 1, 2008 and the first payment by HCC under the HCC Agreement is for those taxes levied by HCC in 2008. The Agreement terminates on December 31, 2026, unless earlier terminated by the parties, and the final payment by HCC under the HCC Agreement is for those taxes levied by HCC in the year 2025. The Zone may also be terminated pursuant to the provisions of the TIF Act. See "—General Statutory Requirements for Tax Increment Zones."

HCC may appoint and maintain as many non-voting ex officio members to the Zone Board as it desires; currently, HCC has not appointed any ex officio members.

Calculation of Tax Increments

The Harris County Appraisal District (the “*Appraisal District*”) appraises the property in the Zone for the Participants. The certified appraised value in the Zone is supplied to the Participants by the Appraisal District based on the Appraisal District’s identification of all real property accounts within the Zone’s boundaries. Each Participant uses the certified appraised taxable value in the Zone obtained from the Appraisal District, but then modifies it based on the various exemptions from taxation granted by that particular Participant. It then determines Captured Appraised Value by subtracting the Tax Increment Base of the Zone from the current year’s taxable value in the Zone.

The Appraisal District may issue a “correction roll” which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant’s determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its own exemptions. The Participants’ individual determinations resulted in the Captured Appraised Values shown under “FINANCIAL INFORMATION—Schedule 4: Tax Increment Collections.” For an explanation of the different exemptions of the Participants, see “TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants.”

Calculation of Tax Increments is subject to administrative interpretation by the Participants, which may change from time to time, at the option of each such Participant.

Collection of Tax Increments

Each taxing unit participating in a zone is to pay into the Tax Increment Fund Tax Increments equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit’s contributed tax rate per \$100 of valuation for the tax year and then multiplying that product by the taxing unit’s collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit’s collection percentage is shown in “FINANCIAL INFORMATION—Schedule 4: Tax Increment Collections.” The TIF Act provides that payment of Tax Increments by a Participant is to be made by the 90th day after the later of either the delinquency date for the Participant’s property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

Pursuant to the Tri-Party Agreement, the City and the Zone agree to continuously collect the Tax Increments during the term of the Tri-Party Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the City, HISD, or HCC, except to the extent provided in the Tri-Party Agreement, HISD Agreement, or HCC Agreement, respectively.

Pursuant to the Tri-Party Agreement, the City, on behalf of itself and the Zone, has agreed to pay to the Authority all monies then available in the Tax Increment Fund without counterclaim or offset, less (i) any expenses incurred by the City in connection with the collection of the Tax Increments, (ii) certain Tax Increments reserved for educational facilities project costs to be paid to HISD, and (iii) a reserve of up to five percent of the monies then available in the Tax Increment Fund. The City has the right to offset from these payments any amount paid by the Authority to a developer, builder, consultant or vendor pursuant to a contract that is not authorized by and consistent with the Tri-Party Agreement or the terms of the contract pursuant to which it was incurred. Nonetheless, this offset does not affect the obligation of the City and the Zone to pay from Tax Increments an amount that will permit the Authority to pay its bonds and other obligations issued or incurred pursuant to and consistent with the Tri-Party Agreement.

The Tri-Party Agreement states that the City will pay available monies in the Tax Increment Fund to the Authority while a current approved budget is in effect for the Authority. If a budget has not been approved by the thirtieth day before the date of a principal or interest payment on the Authority’s bonds, and upon request by the Authority, the City will pay to the Authority the amount of available monies in the Tax Increment Fund otherwise

payable to the Authority under the Tri-Party Agreement in at least the amount necessary for the payment of principal and interest due to the holders of the bonds next due, and the obligation to make the payment survives a termination of the Tri-Party Agreement.

The obligations of the City and the Zone to pay Contract Tax Increments to the Authority are subject to the Tri-Party Agreement and the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the City, HISD, HCC, or any other taxing unit that may hereafter participate in the Zone that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City, HISD, HCC, or other taxing unit, as applicable.

Contract Tax Increments Defined

The TIF Act requires that all Tax Increments arising from taxation in the Zone be deposited to the Tax Increment Fund for the Zone in the City's treasury. Pursuant to the Tri-Party Agreement, not later than the first business day of each calendar quarter in which a current, approved budget is in effect for the Authority, the City will pay to the Authority all monies then available in the Tax Increment Fund not subject to retention by the City, as described above under "—Collection of Tax Increments."

The Authority has pledged all Contract Tax Increments to payment of the Contract Revenue Bonds. Contract Tax Increments are defined as Tax Increments derived from the Original Zone and the Annexed Areas after deduction of (i) any expenses incurred by the City in connection with the collection of Tax Increments, (ii) certain Tax Increments reserved for educational facilities project costs to be paid to HISD, and (iii) a reserve of up to five percent of the monies then available in the Tax Increment Fund.

Pledge of Revenues

Pursuant to the Bond Resolution and the Indenture, the Authority has agreed to transfer to the Trustee all Contract Tax Increments. The Trustee will deposit such amounts into an Indenture fund which constitutes the Authority's "Pledged Revenue Fund." Once debt service on the Contract Revenue Bonds for the succeeding twelve-month period has been deposited, the debt service reserve fund has been fully funded, and the Trustee's fees have been paid, any surplus Contract Tax Increments will be transferred to the Surplus Fund for use by the Authority for any lawful purpose under the TIF Act. See "THE TRUST INDENTURE – The Funds."

The Authority has pledged to the payment of principal of and interest on the Contract Revenue Bonds the "Pledged Revenues," which are defined in the Indenture and the Bond Resolution as all of the Authority's right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired:

- (a) the Contract Tax Increments;
- (b) all of the Authority's right, title and interest thereto under the Tri-Party Agreement, HISD Agreement and HCC Agreement (collectively, the "*Participation Agreements*");
- (c) all monies deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund (as hereinafter defined), the Debt Service Reserve Fund (as hereinafter defined) and the Project Fund (as hereinafter defined) held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom; and
- (d) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security under the Indenture by the Authority, or anyone on behalf of the Authority, or which pursuant to any of the provisions may come into the possession or control of the Trustee as security thereunder, or of a receiver lawfully appointed thereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms thereof.

As required by the Tri-Party Agreement, the Chief Development Officer of the City and the Zone Board will approve, consent and acknowledge the assignment and pledge of the Pledged Revenues and the terms of the Bond Resolution and the Indenture.

Debt Service Reserve Fund

The Debt Service Reserve Fund is created by the Indenture and held by the Trustee. The Debt Service Reserve Fund is required to be funded in the amount of the “Reserve Requirement,” which is equal to the Maximum Annual Debt Service on the Contract Revenue Bonds, provided that the Reserve Requirement shall not exceed 10% of the stated principal amount of the Contract Revenue Bonds or any Series of Contract Revenue Bonds or 10% of the issue price of the Contract Revenue Bonds or any Series of Contract Revenue Bonds if such bonds are issued with more than a de minimus amount of original issue discount. See “THE TRUST INDENTURE—The Funds.” The refunding of the Refunded Bonds is expected to reduce the Reserve Requirement for the Contract Revenue Bonds. The Authority expects to satisfy the Reserve Requirement with cash on deposit with the Trustee.

The Authority expressly reserves the right at any time to satisfy all or part of the Reserve Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies. A “Reserve Fund Surety Policy” is defined as an insurance policy or other credit agreement in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating for its long term unsecured debt or claims paying ability in the highest letter category by two major municipal securities evaluation sources. Upon the effective date of the proposed amendment to the Indenture, the definition of “Reserve Fund Surety Policy” will be replaced in its entirety. See “THE TRUST INDENTURE – Proposed Amendment to the Trust Indenture.”

In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used. The premium for any Reserve Fund Surety Policy may be paid from bond proceeds or other funds of the Authority lawfully available for such purpose. All amounts deposited in or required to be deposited in the Debt Service Reserve Fund may be used to pay obligations incurred to providers of Reserve Fund Surety Policies, including amounts advanced thereunder, interest on such advances and related costs and expenses.

Additional Parity Bonds

The Authority has reserved the right to issue additional parity tax increment contract revenue bonds (the “*Additional Parity Bonds*”) on the terms set out in the Indenture and the Bond Resolution for the purposes set forth in the Plan as it may be amended from time to time. Prior to issuing Additional Parity Bonds, the following conditions must be met:

- (a) the Additional Parity Bonds shall mature on, and interest shall be payable on, the same days of the year as the Contract Revenue Bonds;
- (b) the City has approved issuance of the Additional Parity Bonds on the terms set forth in the Tri-Party Agreement, as the same may be modified from time to time;
- (c) one-third of Additional Bond proceeds will be devoted to providing affordable housing if and as required by the TIF Act, except to the extent the Authority has otherwise dedicated one-third of the Contract Tax Increments received by the Authority to providing affordable housing if and as required by the TIF Act;
- (d) there shall be on deposit in the Debt Service Reserve Fund, after the issuance of the Additional Parity Bonds, an amount equal to the Reserve Requirement on all Contract Revenue Bonds that will be outstanding after the issuance of the Additional Parity Bonds;

- (e) the Authority is not in material default with the terms of the Indenture, the Tri-Party Agreement and any other agreements to which it is a party and has so certified; and
- (f) the Authority's financial advisor has certified, based on a projection of Captured Appraised Value meeting the requirements set forth below (the "*Projection*") and after taking into account the Participants' tax rates then in existence, that Contract Tax Increments available for debt service are equal to and at least 140% of projected debt service in every year, taking into account the Contract Revenue Bonds outstanding and the Additional Parity Bonds sought to be issued; provided, however, that such certification shall not include that portion of Contract Tax Increments attributable to HISD. This requirement does not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that have the result of reducing or not increasing the annual debt service requirements on the remaining Contract Revenue Bonds.

The projection of Captured Appraised Value is required to be prepared by an independent real estate appraiser using either (1) certified values provided by the Appraisal District, adjusted for exemptions, or (2) estimated or preliminary values provided by the Appraisal District and adjusted for exemptions and losses due to protests, based on historical data. An independent real estate appraiser is defined as the Chief Appraiser of the Appraisal District or a real estate appraiser licensed in the State of Texas who is independent of the Authority.

In the Indenture, the Authority represents that the Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Authority other than the Contract Revenue Bonds, and the Authority covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge granted under the Indenture to secure the Contract Revenue Bonds. The Indenture requires that subordinate lien obligations provide that they are payable from Pledged Revenues only if and to the extent of moneys that could otherwise be deposited to the Surplus Fund. See "THE TRUST INDENTURE—The Funds."

INVESTMENT CONSIDERATIONS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE BONDS ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY. THE CITY IS NOT OBLIGATED TO MAKE ANY PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS. FURTHERMORE, THE BONDS ARE NOT OBLIGATIONS OF THE COUNTY, HISD, HCC, THE STATE OF TEXAS, OR ANY ENTITY OTHER THAN THE AUTHORITY. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES OR ASSESS FEES TO PAY THE BONDS.

For a variety of reasons, as described below, a decrease or reduction in Tax Increments causing a decrease or reduction in Pledged Revenues may occur. These Bonds are subject to special investment considerations as set forth below.

Impact of Economic Conditions

Each year the then current market value of all real property and improvements in the Zone will determine Captured Appraised Value. The market value of the commercial and residential development within the Zone is affected by the demand for such commercial establishments and housing. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. and the specific economic conditions and demographic characteristics of the Houston metropolitan area.

Situated between the central business district of the City and the Texas Medical Center, the Zone is particularly dependent upon the prosperity of these areas. Because of the location of many energy businesses in the central business district and the region's economic ties to the energy market, the Zone's economic growth may be adversely affected by lower or volatile oil and gas prices.

Portions of the Zone contain deteriorated commercial and multifamily structures and public service agencies. The proximity to deteriorated areas or public service agencies may have a negative impact on the marketability of new or redeveloped commercial or residential establishments in certain portions of the Zone. The Authority plans to pay the City \$492,737 in fiscal year 2020 that will be used at the Authority's recommendation for quality of life, homelessness and safety issues within the Zone.

Future Taxable Values in the Zone May Decline

The Appraisal District determines the taxable value in the Zone annually based on the then current market value of all taxable real property and improvements in the Zone. **Captured Appraised Value is derived from the taxable value of real property and improvements within the Zone, not from any increase in the appraised value of personal property (such as equipment and inventory).**

All of the top taxpayers in the Zone consist of Class A apartments which are mid-rise or high rise projects. See "FINANCIAL INFORMATION – Schedule 6: Principal Taxpayers in the Zone." The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by an apartment project or office building to determine its taxable value. Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in the Zone may affect the Tax Increments received by the Authority.

The appraisal method or combination of methods that the Appraisal District uses within the Zone is within the discretion of its Chief Appraiser and may change from time to time. The use of a particular method or combination of methods of appraisal with respect to property in the Zone may, over time, cause a decrease in the Captured Appraised Value in the Zone and, therefore, result in a reduction in the Contract Tax Increments.

Property owners have the right to protest the appraised value of their property in the Zone annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the Authority. Owners in the Zone may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in the Zone. See "—Weather Events; Hurricane Harvey" below. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in "TAXING PROCEDURES OF THE PARTICIPANTS" and may be at a value lower than projected.

Weather Events

The Houston area, including the Zone, is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms and other tropical disturbances.

The City participates in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. FEMA periodically updates and revises its maps designating the areas of the City that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

The greater Houston area, including the Zone, has experienced four storms exceeding a 0.2% probability (i.e., “500-year flood” events) since 2015. Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, brought historic levels of rainfall during the successive four days.

The Authority is aware of some structural flooding from Hurricane Harvey in a nine block area in the Zone south of Baldwin Park. The Authority commissioned a drainage study of that area which was completed in February 2018. The study found that the area is very flat and lies in a low spot. In addition, the area receives sheet flow runoff from more than two square miles of drainage area. The study recommended the replacement of all inlets with new inlets to allow water to flow more quickly into the storm sewers, but other recommendations require regional participation in major projects.

If a future weather event significantly damaged all or part of the improvements within the Zone, the assessed value of property within the Zone could be substantially reduced, which could result in a decrease in Pledged Revenues. Further, there can be no assurance that a casualty loss to taxable property within the Zone will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the Zone. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Zone could be adversely affected. There are special taxing procedures for areas declared to be a disaster area by the governor of the State that which could affect the amount of taxes due and when they are collected. See “TAXING PROCEDURES OF THE PARTICIPANTS—Reappraisal of Property after Disaster” and “—Tax Payment Installments after Disaster.”

The frequency and intensity of weather events in the Houston area could have a material impact on the long-term development of the area’s economy.

Recent Flood Plain and Development Regulations Might Impede New Development

Both the City and the County have adopted stricter flood plain and development regulations to mitigate damage from storm events and flooding. These regulations are expected to increase the costs of new developments in the City and the County and could deter the development of new improvements in the Zone.

A Decrease in Taxable Value Produces a Greater Decrease in Captured Appraised Value and Can Reduce Tax Increments Significantly

A percentage decrease in taxable values results in a larger percentage decrease in the Captured Appraised Value (which subtracts the base year value). For instance, if a zone had a taxable value of \$100 and a Captured Appraised Value of \$50, then a reduction in taxable value to \$95 would be a 5% decrease in taxable values and a 10% decrease in Captured Appraised Value. See the “Ratio of 2019 Captured Appraised Value to Total Appraised Value in Zone” in “OFFICIAL STATEMENT SUMMARY--Schedule 1: Selected Financial Information (unaudited).” Tax Increments are derived from Captured Appraised Value and so will show the same percentage reduction as the Captured Appraised Value (10% in the example). See “FINANCIAL INFORMATION—Schedule 5: Historical Debt Service Coverage” to see Net Tax Increments Receivable by the Authority for each fiscal year through 2019.

Tax and Collection Rates May Decline

The amount of Contract Tax Increments available to pay principal of and interest on the Bonds is determined by the appraised value of taxable real property and improvements in the Zone, the tax rate of each Participant, and the percentage of taxes actually collected from taxpayers in the Zone and paid into the Tax Increment Fund.

The Participants are not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Contract Tax Increments; rather, Texas law, the Tri-Party Agreement, and the Interlocal Agreements only require the Participants to contribute the Tax Increments actually collected by them and only to the extent provided in the Tri-Party Agreement, the Plan and each Interlocal Agreement. Each Participant will set its tax rate in accordance with the State Property Tax Code, which allows voters to limit an increase in the tax rate to the rollback tax rate calculated for such unit. See “TAXING PROCEDURES OF THE PARTICIPANTS--State Law Limitations on Setting the Annual Tax Rate.”

The City's tax rate may be further limited by provisions added to its City Charter. In 2014, the City tax rate was limited for the first time by a revenue cap added to the City Charter in 2004. See "TAXING PROCEDURES OF THE PARTICIPANTS—City Charter Limitations." The cap has required the City to lower its tax rate in 2014, 2015, 2016, 2017, and 2019. The 2017 tax rate was more than 5 cents lower than the 2013 rate and the lowest since 1987. Under the revenue cap formula, the tax rate for 2018 rose slightly from 2017.

The City's tax rate for the 2019 tax year is \$0.567920 per \$100 valuation (a 2-cent reduction from the 2018 tax rate); HISD's tax rate for the 2019 tax year is \$1.136700 (a reduction of seven cents from the 2018 rate), and HCC's tax rate for the 2019 tax year is \$0.1002630, which is the same as the 2018 tax rate. See "FINANCIAL INFORMATION—Schedule 4: Tax Increment Collections" for tax rates from 2014 through 2019. If the tax rate of any Participant declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease. See "SECURITY FOR AND SOURCE OF PAYMENT—HISD's Agreement With Respect to Tax Increments."

If the percentage of taxes collected by one or more Participants in the Zone declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease. Historical tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Tax Increments involve extensive administration and are subject to error. Moreover, detailed procedures for calculation and collection of Tax Increments are not set forth in the TIF Act and are implemented at the discretion of each taxing unit participating in a tax increment reinvestment zone.

Elimination or Reduction of HISD Tax Increments

As stated under the caption "INVESTMENT CONSIDERATIONS—Tax and Collection Rates May Decline," HISD is not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Tax Increments. HISD's tax rate may change as required by state law or due to its own financial situation.

In response to certain litigation and a court order, the Texas Legislature enacted legislation in 2005 that made substantive changes in the way the public school finance system was funded. These changes were intended to reduce local school district tax rates for operations and maintenance. In the Texas legislative session that ended in May 2019, the Texas Legislature made more changes to the public school finance system. The Legislature committed \$5 billion toward buying down school property taxes. According to the Texas Education Agency, the "compression" of the maintenance and operations tax rate was expected to reduce school district tax rates for the 2019 tax year by an average amount of 8 cents. Any subsequent annual increase in school property taxes is effectively limited to 2.5% over the "no new revenue" tax rate. See "TAXING PROCEDURES OF THE PARTICIPANTS—State Law Limitations on Setting the Annual Tax Rate." The 2018 tax rate of HISD was \$1.206700 (of which \$1.040000 was the maintenance and operations tax rate), and the 2019 tax rate of HISD is \$1.136700 (of which \$0.970000 is the maintenance and operations tax rate).

Legislation enacted in 2009 and 2011 provided that the Texas Education Agency would pay additional funds to school districts participating in tax increment reinvestment zones in an amount equal to the difference between the tax levies collected on the district's maintenance and operations tax rate for 2006 (and each year thereafter) and the levies that would have been collected at the district's 2005 maintenance and operations rate for each subsequent year. The amount received from the Texas Education Agency and attributable to the Zone has been deposited to the Zone's Tax Increment Fund in the City Treasury and one-third has been transferred to the Authority for affordable housing. The Authority has treated these moneys as Contract Tax Increments which are pledged under the Indenture. There can be no assurance that these payments will continue in the future.

Additional litigation and/or legislative action may make further changes to the public school finance system. The Authority can make no representation or prediction regarding the outcome of that litigation or future legislation or court decisions that may be enacted or their effect on the Contract Tax Increments.

In addition to a general change in financing public education in Texas which would result in a reduction in HISD's tax rate, Tax Increments dedicated to the Zone by HISD are subject to elimination or reduction as set forth below.

In the event that the laws applicable to HISD or tax increment reinvestment zones change or there is any interpretation, ruling, order, decree or court decision interpreting existing or subsequently enacted law applicable to HISD or tax increment reinvestment zones, with the result that the participation of HISD in the Zone decreases the aggregate amount of the state and local funds available to or received in any school year by HISD during the term of the HISD Agreement that would otherwise be available to or received by HISD in such school year if HISD was not participating in the Zone during that year, participation shall, at the option of HISD, be reduced in an amount equal to the amount of the decrease in the aggregate state and local funding available to or received in that school year by HISD during the term of the HISD Agreement as a result of HISD's participation in the Zone. If HISD's participation is reduced due to a change in law, the Tax Increments paid to HISD for Project Costs for educational facilities will be reduced by the same percentage; however, the total amount of any reduction in Tax Increments which may be expended on Project Costs for non-educational facilities will not exceed two-thirds of the total amount of any reduction that would have resulted if HISD's participation was at a tax rate of \$0.96 per \$100 valuation. The Authority cannot predict the likelihood of changes in state law that would affect HISD's participation in the Zone.

At its option, HISD may reduce its HISD Tax Increment from year to year and for any tax year beginning in January of the year after the notice is given and subsequent years to a rate not less than \$0.64 per \$100 valuation; however, this reduction would primarily reduce the aggregate amount paid to HISD from Tax Increments for Project Costs for educational facilities, which are not pledged to payment of the Contract Revenue Bonds.

Concentration of Risk

Approximately 27.52% of the current estimate of appraised value in the Zone was derived from property owned by the top ten taxpayers. As shown on "FINANCIAL INFORMATION – Schedule 6: Principal Taxpayers in the Zone," these taxpayers are all multifamily housing developments. A significant reduction in the value of these properties could adversely affect the amount of Contract Tax Increments available for payment of debt service on the Bonds.

Limitations on Tax Collections and Foreclosure Remedies

The Authority's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within the Zone and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Zone available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Zone pursuant to the Federal Bankruptcy Code could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. The Authority has no control over the collection of property taxes by the Participants.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (1) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) notwithstanding failure of a person to challenge an appraisal in accordance

with state law, such value shall be determined as of the period for which such tax is imposed. These provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes.

Limited Remedies After Default

Remedies in the event of a default by the Authority in one or more of its obligations under the Bonds, the Bond Resolution or the Indenture are limited. Although the Indenture provides that the Trustee may obtain a writ of mandamus requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. Neither the Bond Resolution nor the Indenture provides for acceleration of maturity of the Bonds, or provides for the foreclosure of any property or assets other than applying the Pledged Revenues to payment of the Bonds in the manner provided in the Indenture. See “—Risk of Bankruptcy” below.

Risk of Bankruptcy

The Authority is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The Bankruptcy Code includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under the Bankruptcy Code. Therefore, should the Authority avail itself of bankruptcy protection from creditors, the ability to enforce a remedy against the Authority would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts) and the Bankruptcy Code provides for discretionary power of a Bankruptcy Court in administering any proceeding before it. While the relevant law on this point is not clear, it may not be possible for one or more creditors to force the Authority into bankruptcy involuntarily. The opinion of Co-Bond Counsel will note that all opinions relative to enforceability of the Bond Resolution, the Indenture and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to debtors under the Bankruptcy Code.

Dependence on Contract Payments

In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. HISD and HCC must perform under their Interlocal Agreements, and the City must perform its obligations under the Tri-Party Agreement. Additionally, the Zone and the Authority must perform their obligations under the Tri-Party Agreement. Any of these parties could default in its obligations.

In the case of a default by any of the governmental entities involved in the Zone, enforcement of its contractual obligations would be dependent upon judicial redress, which is subject to discretion and delay. Enforcement of these agreements would be limited or prohibited if the defaulting party filed for bankruptcy under the United States Bankruptcy Code or similar state laws. Moreover, each of the Participants involved in the Zone may be very reluctant to pursue judicial redress against another Participant, with which it may be engaged in many transactions.

Risk of Higher Priority Debt

The obligations of the Participants to pay Tax Increments into the Tax Increment Fund are subject to the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the Participants that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participants. If taxable values in any Participant decline so that it cannot pay its outstanding tax-supported indebtedness without use of Tax Increments, there may be insufficient remaining Tax Increments to pay the Bonds. The City Charter provides that, in preparing the City’s budget, provision shall first be made for the payment of debt service on the City’s outstanding tax obligations, with the remaining revenues to be apportioned among the City’s respective departments. In future fiscal years, the amount of the tax levy allocated to debt service on the City’s tax bonds may need to be increased, reducing the amount allocable for transfer to the Tax Increment Fund and the delivery of essential governmental services if there is no corresponding increase in the overall tax levy or other revenues.

Failure to Generate Sufficient Tax Increments Prior to Termination of Zone

The Zone was created by the City Council of the City in December, 1995, and currently is set to terminate on December 31, 2040. If Tax Increments collected prior to termination of the Zone have been insufficient to pay principal of and interest on the Bonds when due, no additional Tax Increments are required to be collected, and no remedies are available to the Bondholders to recover amounts remaining unpaid but with respect to which Tax Increments have been insufficient.

Only the City has agreed to contribute Tax Increments to the Zone until termination of the Zone on December 31, 2040. The HISD Interlocal Agreement states that the first payment of Tax Increments by HISD will be for taxes levied in the year 1997 for the Original Zone and 2000 for the 1999 Annexed Area, and the last payment by HISD pursuant to the Interlocal Agreement will be for taxes levied in the year 2025. The HCC Interlocal Agreement states that the first payment by HCC will be from taxes levied in the year 2008 and the last payment by HCC will be from taxes levied in the year 2025. The HCC Interlocal Agreement terminates on December 31, 2026.

While the Authority has attempted to structure its debt service schedule so as to take into account the termination of each Interlocal Agreement, there can be no assurance that sufficient Tax Increments will be collected from each Participant prior to the termination of its Interlocal Agreement to pay all debt service on the Contract Revenue Bonds.

The TIF Act permits the City Council of the City to shorten or lengthen the term of the Zone; however if the City extends the term of the Zone, other Participants need not participate in the Zone during the extension period. HISD must agree to any reduction of the term of the Zone to a date earlier than December 31, 2025. In the Tri-Party Agreement, the City has agreed not to terminate the Zone unless it makes satisfactory arrangements to provide for payment of the Authority's outstanding bonds, notes and obligations to developers and builders in the Zone.

Growth Limited by Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act Amendments of 1990, the eight county Houston-Galveston Area ("HGB Area") has been designated by the EPA as a non-attainment area under the EPA's ozone standards, and the EPA and the TCEQ have imposed limitations on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB Area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, and may impose severe emissions offset requirements on new major sources of hydrocarbon emissions for which construction has not already commenced. The development of a successful air quality compliance plan may impact a wide cross-section of the business and residential community. Stringent controls on sources of air emissions in the HGB Area, could make the Houston area a less attractive location to businesses in comparison to other areas of the country that do not impose similarly stringent air emissions controls.

Risk of Increased Debt

The Authority has reserved the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on an equal basis with the then-outstanding Contract Revenue Bonds. The issuance of Additional Parity Bonds may adversely affect the investment security of the outstanding Contract Revenue Bonds. For a description of the circumstances under which Additional Parity Bonds may be issued and the Authority's issuance plans, see "SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds" and "FINANCIAL INFORMATION—Authority and Plans to Issue Bonds and Notes." Additionally, the Authority may incur debt subordinate to the payment of Additional Parity Bonds or may incur certain obligations through development agreements and related agreements. See "FINANCIAL INFORMATION—Additional Obligations of the Authority."

Risk of Failure to Comply with Certain Covenants

Failure of the Authority to comply with certain covenants contained in the Bond Resolution and the Indenture on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “LEGAL MATTERS.”

Changes in Law

Current law may change so as to directly or indirectly reduce Tax Increments available to the Authority or eliminate the benefit to local governments of participating in tax increment reinvestment zones. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act and the Texas Property Tax Code. Changes to the Texas Property Tax Code can also affect the valuation of property in the Zone. The Authority has no control over these changes.

Current law may change so as to directly or indirectly reduce or eliminate the exclusion of interest on the Bonds from gross income for federal income tax purposes. See “TAX MATTERS—Tax Legislative Changes.”

Limited Marketability of the Bonds

The Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from initial delivery of the Bonds. Interest on the Bonds is payable on each January 1 and July 1, commencing July 1, 2020, until the earlier of maturity or redemption. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

Authority for Issuance

The Bonds are issued by the Authority under the terms and conditions of the Bond Resolution and the Indenture. On October 14, 2015, by Ordinance No. 2015-1002, the City Council of the City authorized the Authority to issue bonds in the principal amount of \$104,000,000 (inclusive of \$6,000,000 in notes) outstanding at any one time. The Bonds are included within the principal amount authorized by the City. See “SCHEDULE 3: Authorized and Unissued Bonds and Notes.”

Book-Entry Only System

The information in this section concerning DTC, Cede & Co. and the book-entry system has been furnished by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriters believe such information to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such stated maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and the Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or paying agent of the Bonds, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not DTC nor its nominee, the paying agent or the issuer of the Bonds, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or paying agent of the Bonds, disbursement of such payments to Direct Participants will be the responsibility to DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the issuer or the paying agent of the Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC participants under DTC's operational arrangements. In the event of such discontinuance, certificates will be printed and delivered.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, National Association, as the initial Paying Agent/Registrar for the Bonds (together with any successors, the "*Paying Agent/Registrar*"). The principal of the Bonds will be payable to the registered owners of the Bonds (the "*Registered Owners*"), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of the Bonds as they respectively become due and payable, at the designated corporate trust office of the Paying Agent/Registrar. In the event the book-entry-only system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the June 15 or December 15 immediately preceding each Interest Payment Date (each a "*Record Date*"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "*Register*") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of principal of or interest on any Bond is not a business day, then the date for such paying will be the next succeeding business day, as defined in the Bond Resolution. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty days thereafter, the Paying Agent/Registrar is required to establish a new record date for the payment of such interest (a "*Special Record Date*") when funds to make such payment are received from or on behalf of the Authority. Such Special Record Date is required to be fifteen days prior to the date fixed for payment of such past due interest.

Redemption Provisions

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after January 1, 2031, prior to their scheduled maturities, in whole or from time to time, in part, in integral multiples of \$5,000 on January 1, 2030, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the Authority.

During any period in which ownership of the Bonds is in book-entry-only form, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds of such maturity to be redeemed will be selected in accordance with the arrangements between the Authority and DTC; provided, that if any Bond is selected for redemption in part, it shall not be redeemed in an amount that would result, upon exchange, in a Bond in a denomination less than \$5,000.

Notice of Redemption

Notice of redemption will be given by the Paying Agent/Registrar not less than 30 days prior to the date of redemption by United States mail, first class, postage prepaid, to the Registered Owners of Bonds called for redemption at the address on the Register maintained by the Paying Agent/Registrar. Notice having been given in the manner and under the conditions provided in the Bond Resolution and monies for the payment of the redemption price being held by the Paying Agent/Registrar, the Bonds designated for redemption described above will be due and payable at the redemption price specified above and interest thereon will cease to accrue on such Bonds, and such Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution and shall not be deemed to be outstanding thereunder. The owners of such Bonds will have no right in respect thereof except to receive payment of the redemption price thereof.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its designated corporate trust office, and subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the book-entry-only system is discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the designated corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the Authority to authenticate and deliver in exchange therefor, within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity, aggregate principal amount, and Dated Date, and bearing interest at the same rate as the Bond or Bonds so presented.

In the event the book-entry-only system is discontinued, all Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds in accordance with the provisions of the Bond Resolution. Each Bond delivered will be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the Authority nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending on the next succeeding Interest Payment Date (including any Special Record Date) or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption and ending on the date fixed for redemption; provided, however, that such limitation will not apply to the exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

The Authority or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the Authority.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Authority, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the Authority will be a national or state banking institution, doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and which will be subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar will authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the Authority's cost to replace such Bonds. In addition, the Authority or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees and for the sinking funds of cities, town, villages, school districts and other political subdivisions or public agencies of the State of Texas. The Bonds are not an authorized investment for political subdivisions that are required to comply with the Public Funds Investment Act, Chapter 2256, Texas Government Code. Most political subdivisions in the State of Texas are required to adopt investment guidelines consistent with the Public Funds Investment Act. However, political subdivisions otherwise subject to the Public Funds Investment Act may have statutory authority to invest in the Bonds independent from the Public Funds Investment Act. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas, or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

The Authority has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The Authority has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Defeasance

The Authority may defease any or all of the Bonds pursuant to the provisions of the Bond Resolution and discharge its obligations to the Registered Owners in any manner permitted by law.

Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas, with the Paying Agent/Registrar or with any other escrow agent so authorized by law either (i) cash in an amount equal to the principal amount and redemption amount, if any, of the Bonds plus interest thereon to the date of maturity or redemption or (ii) pursuant to an escrow or trust agreement, cash and (x) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (y) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that,

on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (z) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

PLAN OF FINANCING

Purpose

Proceeds of the Bonds will be used for the purpose of (1) defeasing and refunding certain outstanding bonds in order to provide savings in debt service payments; and (2) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Refunded Bonds

The bonds to be refunded and defeased with proceeds of the Bonds are certain maturities of the Authority’s Tax Increment and Contract Revenue and Refunding Bonds, Series 2011 in the principal amounts and on the maturity dates set forth below (the “*Refunded Bonds*”).

Maturity Date	Principal	Interest Rate
1/1/2022	\$ 2,010,000	4.250%
1/1/2023	785,000	4.375%
1/1/2024	820,000	4.500%
1/1/2025	855,000	4.625%
1/1/2026	895,000	4.750%
1/1/2027	935,000	4.875%
1/1/2028	980,000	5.000%
1/1/2029	1,030,000	5.000%
1/1/2030	1,085,000	5.125%
1/1/2031	1,140,000	5.250%
1/1/2032	1,200,000	5.250%
1/1/2033	1,260,000	5.375%
	\$12,995,000	

Redemption Date:

April 1, 2020

Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, National Association, as paying agent for the Refunded Bonds (the “*Refunded Bonds Paying Agent*”).

The Bond Resolution provides that the Authority and the Refunded Bonds Paying Agent will enter into a deposit letter (the “*Deposit Letter*”). The Bond Resolution further provides that from the proceeds of the sale of the Bonds, along with other monies lawfully available to the Authority, the Authority will deposit with the Refunded Bonds Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Refunded Bonds Paying Agent in a segregated account and used to pay the principal of and interest on the Refunded Bonds at their maturity and will not be available to pay principal of and interest on the Bonds. By the deposit of the cash with the Refunded Bonds Paying Agent pursuant to the Deposit Letter, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the Authority securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment of the amounts so deposited, and the amounts so deposited will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

USE AND DISTRIBUTION OF BOND PROCEEDS

The following table sets forth the expected use and distribution of Bond proceeds and is subject to change.

Sources of Funds:

Principal	\$11,085,000.00
Net Premium	\$2,106,837.20
Release from the Debt Service Reserve Fund	\$609,833.73
Total Sources:	<u>\$13,801,670.93</u>

Uses of Funds:

Deposit with Refunded Bonds Paying Agent	\$13,152,746.88
Cost of Issuance ⁽¹⁾	\$648,924.05
Total Uses:	<u>\$13,801,670.93</u>

⁽¹⁾ Represents fees, expenses, and underwriting discount related to the issuance and sale of the Bonds.

THE TRUST INDENTURE

Pursuant to the Indenture, the Authority has assigned all of the Authority’s right, title and interest in and to the Pledged Revenues, including the Pledged Tax Increments, to the Trustee for the benefit, on an equal and ratable basis, of the holders of the Contract Revenue Bonds.

Pursuant to the Indenture, the Trustee is to maintain the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Project Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Contract Revenue Bonds. The Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Project Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Debt Service Reserve Fund shall be used to pay interest on and principal of the Contract Revenue Bonds when insufficient funds are available for such purpose in the Pledged Revenue Fund or are to be applied toward the payment of principal of or interest on the Contract Revenue Bonds in connection with the refunding or redemption of such Bonds.

The Funds

The Indenture creates the following funds, each of which (except the Surplus Fund) shall be maintained by the Trustee:

- (a) the Pledged Revenue Fund, into which all Pledged Tax Increments shall be deposited;
- (b) the Debt Service Fund, into which deposits shall be made from the Pledged Revenue Fund as described below, and from which deposits shall be applied to the payment of interest and principal installments on the Contract Revenue Bonds as the same becomes due;
- (c) the Debt Service Reserve Fund, which shall be initially funded from proceeds of each series of Contract Revenue Bonds, and into which deposits from the Pledged Revenue Fund shall be made to attain the Reserve Requirement, and from which monies shall be applied to the Debt Service Fund if amounts in the Pledged Revenue Fund and Debt Service Fund are insufficient to pay the amounts of principal and interest due on the Contract Revenue Bonds;
- (d) the Project Fund, which consists of sub-accounts designated the “Cost of Issuance Account” and the “Affordable Housing Account,” and which shall be funded from the proceeds of each series of Contract Revenue Bonds and applied as provided in the applicable Bond Resolution;
- (e) the Surplus Fund, into which shall be deposited any amounts remaining in the Pledged Revenue Fund; and
- (f) the Rebate Fund, which shall be free and clear of any lien created by the Indenture, and into which certain amounts earned by the Authority on the investment of the “gross proceeds” of the Contract Revenue Bonds (within the meaning of section 148(f)(6)(B) of the Internal Revenue Code of 1986, as amended (the “Code”) shall be deposited for rebate to the United States federal government, all as provided in the Bond Resolution with respect to each series of Contract Revenue Bonds.

Money deposited in the Pledged Revenue Fund shall be applied by the Trustee as follows: (i) to the Debt Service Fund amounts necessary to make the amounts on deposit therein equal to the interest and principal installments due in the next twelve month period; (ii) to the Debt Service Reserve Fund amounts required to attain the Reserve Requirement; (iii) to the payment of fees and expenses of the Trustee and Paying Agent/Registrar; and (iv) to the Surplus Fund of the Authority established in accordance with the Tri-Party Agreement, for use by the Authority for any lawful purpose. Monies can be transferred from the Pledged Revenue Fund to the Surplus Fund at any time provided that immediately prior to any such transfer the deposits required by clauses (i), (ii) and (iii) above have been made or provided for.

Events of Default

The Indenture provides that an Event of Default shall be either of the following occurrences:

- (a) Failure to pay when due the interest and principal installment on any Contract Revenue Bond; or
- (b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Contract Revenue Bond by no later than the date when such becomes due and payable.

Remedies

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Authority and, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners of the Contract Revenue Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Contract Revenue Bonds, or the resolutions authorizing the Contract Revenue Bonds, or in aid of the execution of any power granted in the Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or Registered Owners,

including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Authority or any Participant to make payment of the Pledged Tax Increment (but only from and to the extent of the sources provided in the Indenture and the Participant Contracts) or to observe and perform its other covenants, obligations and agreements in the Indenture or Tri-Party Agreement. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Contract Revenue Bonds, may act as attorney in fact for the Registered Owners of the Contract Revenue Bonds, no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Indenture does not provide for any acceleration of maturity of the Contract Revenue Bonds or provide for the foreclosure upon any property or assets of the Authority or the Participants, other than applying the Pledged Revenues in the manner provided in the Indenture.

Limitation on Action by Owners

The Indenture imposes certain limitations on Registered Owners of Contract Revenue Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of the aggregate principal amount of all Contract Revenue Bonds then outstanding and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Contract Revenue Bonds shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture.

Proposed Amendment to the Trust Indenture

Under the proposed amendment to the Indenture, the definition of “Reserve Fund Surety Policy” will be amended to read as follows: “Reserve Fund Surety Policy” shall mean an insurance policy or other credit agreement, as such term is defined by Section 1371.001, Texas Government Code, in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating (at the time of purchase thereof) for its long term unsecured debt or claims paying ability of at least “A” or its equivalent (without regard to any modifier) by a nationally recognized statistical rating organization.

The proposed amendment set forth above will only become effective at such time as the written consents of the Registered Owners of a majority in aggregate principal amount of the Contract Revenue Bonds then Outstanding and of each insurer of the Contract Revenue Bonds have been filed with the Trustee, and certain other requirements contained in the Indenture have been satisfied. By purchasing the Bonds, the purchasers of the Bonds consent to the proposed amendment to the Indenture. Until such time as the proposed amendment becomes effective, the applicable provisions of the Indenture remain unaltered and in full force and effect, except as the Indenture may be otherwise amended in accordance with its terms or discharged in accordance with its terms.

Amendments to the Trust Indenture

Without the consent of the Registered Owners, the Authority and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, which shall form a part of the Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Indenture additional revenues, properties or collateral;

- (d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain bond insurance for the Contract Revenue Bonds, if any;
- (f) to permit any Contract Revenue Bonds to be issued in book-entry-only form; and
- (g) to permit the assumption of the Authority's obligations thereunder by any entity that may become the legal successor to the Authority;

provided, however, that no provision in such supplemental indenture will be inconsistent with the Indenture or will impair in any manner the rights of the Registered Owners of the Contract Revenue Bonds.

Except as provided in the preceding paragraph, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Authority and the Trustee with the consent of the Registered Owners of not less than a majority of the aggregate principal amount of the Contract Revenue Bonds then Outstanding. However, without the consent of the Registered Owner of each Outstanding Contract Revenue Bond, no modification, change or amendment to the Indenture shall:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that of the United States, or deprive such Registered Owner of the lien of the Indenture on the revenues pledged thereunder; or
- (2) change or amend the Indenture to permit the creation of any lien on the revenues pledged under the Indenture equal or prior to the lien thereof, or reduce the aggregate principal amount of Contract Revenue Bonds.

Removal or Resignation of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Registered Owners of a majority in principal amount of the Contract Revenue Bonds then Outstanding and delivered to the Trustee, with notice thereof given to the Authority.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Authority and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first class mail, postage prepaid to each Registered Owner of Contract Revenue Bonds. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Appointment of Successor Trustee

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Contract Revenue Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Authority; provided, however, that in any of the events above mentioned, the Authority may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Authority shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the

Registered Owners. The Authority shall provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided for providing notice of the resignation of the Trustee as described above under “—Removal or Resignation of Trustee.” Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Registered Owners or by the Authority pursuant to the foregoing provisions of this Section at the time a vacancy in the office of the Trustee shall have occurred, the Registered Owner of any Contract Revenue Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

MIDTOWN REDEVELOPMENT

The Zone

The area known as Midtown is generally located between the central business district of the City and the Texas Medical Center, the two largest employment centers in the City. The area is generally bounded by U.S. Highway 59 on the south, U.S. Highway 59 and State Highway 288 on the east, Interstate 45 on the north, and Bagby Street and Texas Spur 527 on the west. Annexed areas include related neighboring corridors collectively known as the museum district containing many museums and other cultural facilities.

From 1992 to 1994, a private group of property owners worked to have the Zone created and secured petitions seeking creation from over 700 different property owners. Pursuant to such petition and in accordance with the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “*TIF Act*”), the City created the Zone on December 14, 1994 by Ordinance No. 94-1345 (the “*City Creation Ordinance*”). The City Creation Ordinance provided that the Zone would take effect on January 1, 1995 and would terminate on December 31, 2025, or at an earlier time designated by subsequent ordinance of the City, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds have been paid in full. By City Ordinance No. 2011-533, approved on June 22, 2011, the City Council of the City changed the termination date of the Zone from December 31, 2025 to December 31, 2033, and by City Ordinance No. 2015-1001, approved on October 14, 2015, the City Council of the City changed the termination date of the Zone from December 31, 2033 to December 31, 2040.

The purpose of the Zone is to promote the redevelopment of Midtown by providing redevelopment management and new capital through the use of Tax Increments for infrastructure and public spaces in Midtown. As required by the TIF Act, a detailed project and financing plan has been prepared for the Zone.

The ordinance creating the Zone also formed the Zone Board and established the Tax Increment Fund for the Zone. The TIF Act requires the Zone Board to be composed of nine persons, consisting of a representative of the County, if it participates in the Zone, a representative of each school district that participates in the Zone, the state representative in whose district the Zone is located or his designee, and the state senator in whose district the Zone is located or his designee, with the remaining members being appointed by the City.

The Zone was designated as a total of 617 acres in 1995 by City Ordinance No. 95-1322. This area is known as the “Original Zone.” Six parcels containing 153 acres were annexed to the Zone in 1999 by City Ordinance No. 1999-849. This area is referred to herein as the “1999 Annexed Area.” A parcel containing approximately 1.5 acres was annexed to the Zone in 2009 by City Ordinance No. 2009-1396. This area is referred to herein as the “2009 Annexed Area.” Approximately 60 city blocks were annexed to the Zone in 2015 by City Ordinance No. 2015-1000. This area is referred to as the “2015 Annexed Area.”

The City, HISD and HCC participate in the Zone. The County has completed its obligation to participate in the Zone and no longer does so.

The Authority

The Authority's creation was authorized by City Resolution No. 95-96, passed June 28, 1995, as a local government corporation pursuant to the provisions of Article 1528(1) Tex. Rev. Civ. Stat. Ann., which is now codified as Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. According to its Amended and Restated Certificate of Formation, approved by the Secretary of State of Texas on August 19, 2013, the Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the Zone and neighboring areas, to promote, develop, encourage, and maintain housing, employment, commerce and economic development in the City, and to expand and develop the educational facilities and opportunities in Midtown. The Authority is further organized to assist the City and the Zone Board in the preparation and implementation of project plans, in the development of a policy to finance development and redevelopment of residential and commercial properties in the Zone, in the development of a policy for the acquisition of land and land use controls, and in the development of a policy for the disposition of abandoned street rights of way, street setbacks and code revisions which will encourage redevelopment in the Midtown area.

The Amended and Restated Certificate of Formation provides that the Authority will be managed by a board of directors consisting of nine persons. Any director may be removed from office at any time, with or without cause, by the City Council. According to the by-laws of the Authority, directors will be appointed by the Mayor of the City with the approval of the City Council; provided, however, recommendations for persons to serve in four positions to the Board may be made by the persons or entities appointing comparable board members to the Zone (County, HISD, state representative, and state senator), and the Mayor will appoint these persons, subject to confirmation by the City Council.

The Authority commenced operations in June 1995. Currently, it has a staff of 16 persons. It contracts with consultants for specialized services.

The Authority's operations are governed by an Agreement between the City, the Zone, and the Authority, dated as of April 1, 1996, approved pursuant to Ordinance No. 96-389 and amended by Ordinance No. 97-1540 and by Ordinance No. 98-301 and amended and restated by Ordinance No. 2000-494 (collectively, the "*Tri-Party Agreement*"). Its operations are currently funded by proceeds of the Contract Tax Increments paid to the Authority by the City pursuant to the Tri-Party Agreement and as described herein.

The Management District

The Midtown Management District (the "*MMD*") is a municipal management district created by the Texas Legislature in 1999, which has boundaries generally coterminous with the Zone, except for the 2009 Annexed Area and the 2013 Annexed Area. The MMD has the power to provide services and construct improvements to address the needs of property owners within the MMD. The MMD is governed by a Board of Directors consisting of 17 people, the majority of whom are owners of property in the Zone. The Management District funds its operations through annual assessments on property owners within the MMD. The assessment is currently \$0.118100 per \$100 assessed value. The MMD has entered into a contract with the Authority pursuant to which the Authority provides administrative and operating services to the MMD.

Following a public hearing, the Board of Directors of the MMD adopted a 10-year Service and Improvement Plan and Assessment Plan for fiscal years 2015-2024 (the "*2015-2024 Service Plan*"). Pursuant to the 2015-2024 Service Plan the MMD is focusing its activities in six areas of service, specifically, (i) Public Safety, (ii) Urban Planning, (iii) Services and Maintenance, (iv) Cultural Arts and Entertainment, (v) Marketing and Economic Development, and (vi) Administration. Current activities of the MMD include publication of the Midtown Cultural Arts and Entertainment Guide, Midtown Map and E-Newsletter, upgrading and maintenance of Midtown websites, administering the SeeClickFix program, provision of contract law enforcement personnel and certain public safety

equipment, provision of a field services crew to maintain landscaping in the public right-of-way and other public improvements in the Zone, coordination of tree planting, neighborhood clean-up and beautification programs. The MMD also plays a key role in attracting, organizing, and supporting events held in the Zone designed to create a strong sense of community among property owners, residents and businesses. The MMD also pays for a portion of the electricity used by the decorative street lights installed by the Authority and for the costs of maintaining various parks and numerous landscape improvements on major streets throughout the Zone.

Midtown Parks Conservancy

Midtown Improvement and Development Corporation (MIDCorp) dba Midtown Parks Conservancy (the “*Conservancy*”) was created as a nonprofit corporation to assist the Authority and the MMD with certain infrastructure projects located in the Zone. The Authority and the MMD have entered into Operating Agreements with the Conservancy to operate, manage, maintain, and preserve the parks developed by Midtown, including the parking facilities under Midtown Park. Under the Authority’s Operating Agreement, the Authority pays an annual management fee to the Conservancy based on the Conservancy’s annual operating budget. Additionally the Authority pays the Conservancy an amount for a renewal and replacement fund.

The Authority provides office space, certain equipment and certain staff services to the Conservancy. Its executive director and one Board member serve on the board of directors of the Conservancy. The Conservancy expects to expand its board once Midtown Park and Parking Garage is open for operation.

Tri-Party Agreement

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative services for the Zone, as requested by the Zone Board, services with respect to the Plan, including implementation and updating, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program, planning and design and construction of infrastructure improvements, land acquisition, and establishing a plan to develop a public school to serve students in Midtown.

The Tri-Party Agreement provides that the Authority has the authority to issue its bonds and notes, to enter into obligations with developers or builders, and to enter into contracts with consultants, to be repaid from Contract Tax Increments; provided that the Authority may issue its bonds only upon the approval of the City Council. All development agreements with developers or builders must be approved by the Director of Planning and Development of the City. Those entered into after the Tri-Party Agreement was amended effective June 7, 2000 will provide that the Authority will not reimburse any developer or builder for any Zone Project that is determined to be ineligible for financing under the TIF Act, and the developer or builder will repay the Authority for any payment made by the Authority to the developer or builder that is determined to be ineligible. All consultant contracts are subject to approval of the Director of Planning and Development of the City, who is required to approve such contracts if they conform to the terms and conditions of City contracts of substantially the same or similar scope for similar services.

The Tri-Party Agreement states that no obligation of the Authority will be issued or incurred by the Authority that cannot be paid from funds budgeted for expenditures in the Authority’s current budget unless the obligation is approved by the Zone Board and the Chief Development Officer. The Tri-Party Agreement approves issuance by the Authority of notes in an amount not to exceed \$6,000,000 outstanding at any time. The Zone Board and the Chief Development Officer must consent to the assignment and pledge of the Authority’s Revenue Fund.

During the term of the Tri-Party Agreement, the Authority will prepare and submit its annual budget to the City and the Zone Board on or about January 1 of each year. Budget amendments that involve an increase, decrease or adjustment of \$400,000 or more must be approved by the Zone Board and the City Council. In the event that the Zone Board or the City Council fails or refuses to approve the proposed budget for the ensuing year, the Authority may continue to operate on the budget for the previous fiscal year for a period not to exceed twelve months. If, at the end of that period no budget has been approved, either the City or the Authority may terminate the Tri-Party Agreement, subject to payment of the Authority’s bonds, notes and other obligations. The Authority’s Fiscal Year 2020 budget has been approved by the Zone Board and the City Council.

The Authority is required to maintain books of records and accounts, obtain an audit at the end of each fiscal year by an independent certified public accountant, and obtain an audit of construction activities at the end of each fiscal year prepared by an independent consultant approved by the Planning Director of the City. The Authority will submit a quarterly accounting of its expenditures and revenues to the Director of Planning and Development of the City. The City's review of such accounting is limited to determining whether the expenditures are authorized by the budget and consistent with the terms of the contract pursuant to which they were incurred, and not a review to determine whether the Board properly exercised its discretion in making the expenditure.

In performing its obligations under the Tri-Party Agreement, the Authority is an independent contractor. The Authority is required to indemnify the City, the Zone, and their officers and employees for all claims for injury, death, damage or loss injuries sustained in connection with or incidental to any performance under the Tri-Party Agreement. The obligations of the Authority to indemnify the City and the Zone are subordinate to the Authority's obligation to pay principal and interest on its bonds and notes.

The City and the Zone agree that their obligation to make the payments of Contract Tax Increments as set forth in the Tri-Party Agreement from the Tax Increment Fund is absolute and unconditional, and until such time as the bonds or notes, and the contractual obligations of the Authority have been fully paid or legally defeased or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments of Contract Tax Increments as provided in the Tri-Party Agreement and will not terminate the Tri-Party Agreement for any cause.

If the City or Authority fails to perform its obligations under the Tri-Party Agreement, the nondefaulting party may terminate the Tri-Party Agreement. No termination of the Tri-Party Agreement will affect the obligation of the City and the Zone to pay from Tax Increments an amount of Contract Tax Increments which will permit the Authority to pay its bonds, notes or obligations issued or incurred pursuant to the Tri-Party Agreement prior to termination. In the Tri-Party Agreement, the City agrees not to dissolve the Authority or the Zone unless it makes satisfactory arrangements to provide for the payment of the Authority's bonds, notes or other obligations incurred prior to the Authority's dissolution.

Project and Financing Plan

The original Project and Financing Plan for the Zone was approved by the City on May 28, 1997 by City Ordinance No. 97-600. An amendment was approved by the City on October 22, 1997 by City Ordinance No. 97-1338. A second amendment to the plan pertaining to the 1999 Annexed Area was approved by the City on August 11, 1999 by City Ordinance No. 1999-850. A third amendment to the plan pertaining to the 2009 Annexed Area and designating the entire Zone as a Cultural and Tourism District was approved by the City on December 29, 2009 by City Ordinance No. 2009-1395. A fourth amendment to the plan, which (i) updated the revenue schedules to reflect an extension of the duration of the Zone for an additional eight years to December 31, 2033, (ii) updated the revenue schedules to reflect the participation of HCC in the Zone, and (iii) increased project costs consistent with the estimate of additional Tax Increments based on the eight-year extension, was approved by the City on June 15, 2011 by City Ordinance No. 2011-534. A fifth amendment to the plan, which (i) summarized the redevelopment efforts of the Zone, (ii) restated the redevelopment goals for the Zone, (iii) redesignated the Zone's project cost categories and allocations to align with current goals, and (iv) provided the anticipated use of expenditures for the cost of operating the Zone and project facilities, was approved by the City on July 10, 2013 by City Ordinance No. 2013-638. A sixth amendment to the plan, which (i) summarized the redevelopment efforts of the Zone, (ii) restated the redevelopment goals for the Zone, (iii) redesignated the Zone's project cost categories and allocations to align with the current goals and objectives of the Zone, (iv) provided the anticipated use of expenditures for the renewal, replacement, maintenance, and operation of capital projects of the Zone, (v) provided for the annexation of approximately 60 city blocks into the Zone and increased the Zone's project costs, and (vi) extended the duration of the Zone, was approved by the City on October 14, 2015 by City Ordinance No. 2015-1001. The Plan as amended is referred to as the "*Plan*." The Plan details the proposed public improvements to be financed by the Zone (the "*Public Improvements*") along with certain amounts for real estate acquisition and historic restoration. The costs of the Public Improvements, acquisition of real estate, creation of the Zone, and related organizational costs (the "*Project Costs*") constitute eligible project costs under the TIF Act.

The primary goals of the Plan have been: to induce and promote mid-density residential uses with other compatible uses and activities, to utilize the present street grid as a framework, to establish a community of small urban neighborhoods, to create a cohesive and unifying streetscape, to use modern techniques and technology to increase security, to increase residential densities, to add parks and open space to balance increased residential densities, to convert unnecessary streets to pedestrian and bike paths, to build streetscape and buildings that will promote pedestrian life, to encourage the use of public transit, and to make Main Street the focus of area activities.

The redevelopment concepts which were adopted in the latest amendment to the Plan are: (i) targeted real estate acquisitions of blighted properties in certain areas of the Zone, including Main Street Corridor, in order to catalyze development throughout the Zone and utilize the benefits of mass transit; (ii) development of open green space, parks, plazas, public squares, and other similar improvements within the Zone; (iii) enhancement of public infrastructure within the Zone to proactively facilitate redevelopment; (iv) implementation of development guidelines relating to public infrastructure and amenities to promote diverse mixed use neighborhoods and communities within the Zone; (v) creation and inducement of expanded parking facilities within the Zone and the acquisition of real estate therefor; (vi) acquisition and development of mass transit-accessible and sustainable affordable housing; and (vii) award of selective cultural facility grants to support cultural facilities in the Zone.

The Public Improvements detailed in the Plan include the following types of capital projects: school and educational facilities, affordable housing, cultural and places of public assembly facilities, historic preservation, parks and paths, public infrastructure, including parking facilities, streets and utilities, streetscape and gateways, security equipment, and demolition and cleanup. Other Project Costs include financing costs, real property assembly, professional services, maintenance and Zone operation. Project Costs are estimated at \$584,387,137, with \$405,897,712 expended through June 30, 2019.

The Plan calls for the Public Improvements to be financed through Contract Tax Increments and the issuance of bonds and notes by the Authority, as well as through collaboration with developers and other entities for grant funding and partnerships. Other major capital projects which are integral to the Plan have been constructed by Metropolitan Transit Authority of Harris County, Texas (“METRO”) and the City.

Economic Development Plan

In 2009 the Zone Board adopted an Economic Development Program which was approved by the City Council of the City by City Ordinance No. 2009-1397. The Authority administers the Economic Development Program for the Zone. Pursuant to the Economic Development Program, the Zone has designated a Cultural and Tourism District consisting of the entire Zone. The Zone was designated by the Texas Commission on the Arts as a Cultural District and contains numerous cultural education facilities. The most recent annexations increased the cultural facilities in the Zone. The 2009 Annexed Area contains the Asia Society of Texas Center and the Houston Museum of African American Culture, and the 2015 Annexed Area added major cultural facilities, such as Houston Museum of Fine Arts, Houston Museum of Natural Science, Children’s Museum, Holocaust Museum, The Menil Collection, Rothko Chapel and the Health Museum. Other cultural facilities in the Zone include the Buffalo Soldiers National Museum and Heritage Center, Midtown Arts and Theater Center Houston (MATCH), and Lawndale Art Center.

The Economic Development Program includes making grants from the Tax Increment Fund for public infrastructure improvements and parking facilities to cause the establishment of public or private facilities that demonstrate public benefit and enhance the economic development of the Zone through increased business, commerce and tourism. Owners or tenants of cultural facilities may apply for grants and loans under the Economic Development Program. Under its Economic Development Plan, the Authority has made grants to Asia Society Texas Center, the Buffalo Soldiers National Museum and Heritage Center, and MATCH.

In May, 2017, the Authority entered into a grant agreement with The Museum of Fine Arts for reimbursement of up to \$1.6 million of eligible project costs for improvements, consisting of an interactive fountain and reflecting pool, along with related waterline improvements. Reimbursement is payable in installments of \$850,000 and \$750,000 at the completion of the project, which is expected to be in fiscal year 2020 and 2021, respectively.

The Authority has also purchased a building which it is leasing to the Houston Museum of African American Culture with an option to purchase. See “FINANCIAL INFORMATION—Additional Obligations of the Authority- - Loan in connection with Purchase of Building.”

Land Use Regulations

The TIF Act permits the Zone Board to adopt land use regulations pursuant to the Plan. Before adoption, the regulations must be approved by the Zone Board and the City Council. No regulations currently exist and none are expected.

Affordable Housing

The TIF Act requires that one-third of the Tax Increments be used to provide affordable housing within the limits of the City. At least one-third of the proceeds of the Contract Revenue Bonds issued to finance Project Costs (after deduction of issuance and financing costs) and one-third of the Contract Tax Increments have been used or set aside for affordable housing.

The Authority will covenant in the Bond Resolution and has covenanted in the Indenture that it will continually comply with the requirements in the TIF Act, if any, relating to the provision of affordable housing during the term of the Zone.

The Authority has adopted an affordable housing strategy consisting of two phases: assembly of land within a specific target area to create a diversified inventory of property, and development of affordable housing units (single family, duplex/triplex and low to mid density multi-family developments) on such land, which is primarily located in the historic Third Ward area of Houston, adjacent to the Zone. Each property is restricted to the development of affordable housing.

Since 2016, the Board of the Authority has engaged The Center for Civic and Public Policy Improvement (“CCPPI”) to create and implement a comprehensive plan for affordable housing in areas where Midtown owns a significant amount of property dedicated to the provision of affordable housing. Initially, CCPPI performed research relating to community stabilization, utilizing community input and coordinating with affordable housing professionals to develop strategies to direct the development of the Authority’s properties. This effort resulted in the Midtown Affordable Housing Plan (the “*Affordable Housing Plan*”), which was approved by the Authority with authorization for CCPPI to implement certain recommendations in the Affordable Housing Plan. In July 2018, the Authority entered into an Initiative Services Agreement with CCPPI for the coordination, implementation and administration of the Affordable Housing Plan. The Authority pays CCPPI \$1,100,000 per year for such services. The contract expires in 2020 unless extended.

In June 2019, the Authority’s Board granted certain vacant land from its affordable housing land inventory to 2222 CLEBURNE LP. The property, located at 2222 Cleburne Street, consists of approximately 2.9 acres of land that will be used for the construction of a 112-unit senior housing facility. In July 2019, the Authority granted property for Phase I of a 100-Homes Initiative to Houston Business Development, Inc. (HBDI), a Texas non-profit corporation. It is anticipated that HBDI will begin construction of 43 homes in fiscal year 2020.

To date, local for-profit and non-profit developers have constructed 436 Affordable Housing units on land conveyed by the Authority, consisting of 112 single-family detached for-sale homes, 224 single room occupancy rental units, 70 units of multi-family senior rental housing, and 30 units of rental housing in duplexes. The Authority is in the planning stage with local and national developers of adding approximately 634 Affordable Housing units, consisting of 254 multi-family rental units, 246 single-family rental units, and 143 single-family detached for-sale homes. Authority staff continues to engage with other non-profit and for-profit developers in connection with its Affordable Housing efforts.

In collaboration with CCPPI and other entities providing affordable housing, the Authority is constructing a mixed use campus consisting of (i) a 5-story building containing approximately 64,500 square feet to house office, supportive services (commercial and not for profit), community and public entities (the “*Operations Center*”); (ii) an approximately 17,050 square foot, 20-unit multi-family affordable housing development; and (iii) an approximately 83,000 square foot public parking garage containing approximately 224 parking spaces on property owned by the Authority located at the intersection of Emancipation Avenue and Elgin Street. See “—Projects” below.

The Tri-Party Agreement requires that any portion of the affordable housing component of Tax Increments, including interest thereon, paid to the Authority or the proceeds of any bonds attributable to the affordable housing component that remain unexpended or uncommitted at the end of twelve months after being received by the Authority will, upon the request of the Housing Director, be paid to the City for use in the City's affordable housing program.

Educational Facilities Project Costs

The Plan calls for the use of Tax Increments to provide educational facilities, which may be located in the Zone or the City. The Tax Increments to be used for educational facilities are derived from contributions to the Tax Increment Fund made by HISD. See "SOURCE OF AND SECURITY FOR PAYMENT – HISD's Agreement with Respect to Tax Increments." Once received, these Tax Increments are paid to HISD and are within its sole control. They are not available to the Authority.

Agreements with Developers

The Authority has entered into numerous development agreements with private parties who commit to make improvements to property within the Zone which are subject to ad valorem taxation. Generally, a developer agreement provides that the Authority will pay the developer for the cost of Public Improvements constructed by the developer in connection with the improvements; provided that if the Authority does not have the funds to pay such costs as due, then the developer will advance the funds, and the Authority will reimburse the developer on the terms set forth in the development agreement. Under a development agreement, the developer agrees to make improvements to property within the Zone; however, the Authority's only recourse if the developer fails to commence or complete construction is to obtain reimbursement of any monies the Authority advanced to the developer pursuant to the development agreement and to terminate any obligations of the Authority thereunder.

The Authority used a portion of the proceeds of the Contract Revenue Bonds which have been issued to reimburse various developers in the Zone for the cost of Public Improvements associated with their developments, primarily consisting of water and wastewater capacity fees, streetscape infrastructure, offsite utility infrastructure, sidewalks, landscaping, lighting, and development of a park.

The Pearl with Whole Foods Development. The Authority has approved a Development Agreement with Pearl Residences at Midtown Owner, LLC for reimbursement of eligible project costs related to a mixed use project with approximately 263 residential units above a 40,000 square foot Whole Foods Market grocery store with two levels of underground parking for Whole Foods Market on Smith Street. The project is being developed by Morgan, Inc., which specializes in high end multifamily development, construction and property management. Reimbursement to the developer will occur from tax increments derived from the redeveloped tract, on a subordinate basis to the Contract Revenue Bonds. Total reimbursements for the project will not exceed \$3.8 million. Reimbursement is contingent upon the developer meeting completion dates for the project and maintaining a grocery store business on the premises.

Caydon Property Group Development. The Authority has approved a Development Agreement with Caydon Houston Property LP for reimbursement of up to \$5.2 million of eligible project costs related to a mixed use project consisting of a 27-story high rise with approximately 357 residential units, approximately 13,000 square feet of ground floor retail, and a substantial residential amenity and pool deck on Fannin Street. The high rise surrounds an interior eight level parking structure. Reimbursement to the developer will occur over 8 years from tax increments derived from the redeveloped tract, on a subordinate basis to the Contract Revenue Bonds. Reimbursement is contingent upon the developer meeting completion dates for the project and maintaining the premises.

Pearl Rosemont Development. The Authority has approved a Development Agreement with Helena - Drew Holdings, LLC for reimbursement of eligible project costs related to a residential project with approximately 153 residential units on Dennis Street. Reimbursement to the developer will occur over 8 years from tax increments derived from the redeveloped tract, on a subordinate basis to the Contract Revenue Bonds. Reimbursement is contingent upon the developer meeting completion dates for the project and occupancy.

Central Bank Plaza Development. In October 2013, the Authority entered into a Development Agreement with Midtown Central Square L.L.C. for reimbursement of up to \$1.8 million of eligible project costs related to rehabilitation of Central Bank Plaza. Reimbursement to the developer will occur over 9 years from tax increments derived from the redeveloped tract, on a subordinate basis to the Contract Revenue Bonds. Reimbursement is contingent upon office and retail space occupancy and has not commenced.

As of January 20, 2020, the Authority had not reimbursed any funds to the developers of these projects. According to the Authority, The Pearl with Whole Foods development and the Caydon Property Group development are complete and eligible for reimbursements. The Pearl Rosemont and Central Bank Plaza developments have not met eligibility requirements for reimbursement to date. The Authority has the right to terminate the Pearl Rosemont Development Agreement because construction did not commence by July 1, 2018; however, it has not done so.

Projects

The Authority has developed a five year capital improvements program, which it plans to fund with proceeds of the Contract Revenue Bonds and Contract Tax Increments, as well as through collaboration with developers and other entities for grant funding and partnerships. The following projects are included in the Authority's five-year capital improvements program or are part of the Authority's affordable housing plan. Completion of the projects is subject to availability of funds, market conditions and other considerations which may necessitate changes to the program.

Affordable Housing Mixed Use Campus, including Operations Center and Public Parking Garage. As part of its Affordable Housing Plan, the Authority is developing a mixed use campus consisting of (i) a 5-story building containing approximately 64,500 square feet to house office, supportive services (commercial and not for profit), community and public entities (the "Operations Center"); (ii) an approximately 17,050 square foot, 20-unit multi-family affordable housing development; and (iii) an approximately 83,000 square foot public parking garage containing approximately 224 parking spaces to be constructed on property owned by the Authority located at the intersection of Emancipation Avenue and Elgin Street. The Authority advertised for construction bids in late 2018 and in January 2019, approved a construction contract with Arch-Con Corporation in the amount of \$25,104,315. Thereafter, the Boards of the Authority and the OST/Alameda Corridors Redevelopment Authority approved an Interlocal Agreement relating to the construction of the parking garage. Pursuant to this Interlocal Agreement, the OST/Alameda Authority will pre-lease a designated number of parking spaces and pay the cost of certain public infrastructure improvements in an amount not to exceed \$6 million. Upon completion of the project, it is anticipated that the Authority will enter into a lease agreement with CCPPI for the Operations Center, will convey the housing development to CCPPI, and will convey the parking garage to the OST/Alameda Authority. This project is not located within Midtown, but within the former Third Ward of Houston near Midtown. See "FINANCIAL INFORMATION—Additional Obligations of the Authority."

Midtown Park and Parking Garage. The Authority has developed an urban public park with amenities and supporting retail ("Midtown Park") and a parking garage with approximately 400 spaces of public daily fee parking ("Public Parking"). Midtown Park is located adjacent to the McGowen Street METRORail Station at the Main and McGowen intersection. The park contains a large lawn, a water feature, playground, dog run and public art. The Authority has purchased a mosaic art installation for the fountain in the park, and the Authority staff is working to design a food hall to be constructed in the park. Camden Property Trust ("Camden"), through 2800 Main L.L.C., an affiliate, partnered with the Authority to complete the parking garage, which also provides parking for an urban residential apartment complex developed by Camden. See "FINANCIAL INFORMATION—Additional Obligations of the Authority."

Street Reconstruction Projects. The Authority will continue to invest in mobility, infrastructure, and streetscape improvement projects to create comfortable and safe corridors that accommodate growing mobility needs while improving pedestrian accessibility in the Zone. The projects also include upgrades to stormwater utilities to improve drainage in the Zone. Caroline Street is currently under construction, and upcoming projects include Brazos Street, Alabama Street, Wheeler Street, Alameda/Crawford, Webster, and Tuam Streets. The Authority has recently completed streetscape enhancements on Main Street and streetscape and bicycle route enhancements on Holman Street in partnership with HCC and partially funded through a Federal Transit Administration grant.

Parks. In addition to improvements to existing parks, the Authority’s capital improvement plan includes funds for development of a CAP park at street level above Interstate 69, as envisioned in a North Houston Highway Improvement Project for downtown Houston and the surrounding area. This new park is envisioned as a catalyst to create new development and attract new businesses and residents to the Zone. The continued development of new parks and the redevelopment of existing parks will increase community gathering opportunities and enhance quality of life in the Zone.

Plazas /Public Squares. The Authority continues to develop plazas, public squares and landscaping in the public right-of-way to create community open spaces and provide connectivity and mixed uses along its corridors. The development of these plazas and public squares will complement cultural arts facilities and offer unique identity branding within the Zone.

Museum District Projects. The Authority is planning streetscape enhancements along Main Street in annexed areas of the Museum District, including sidewalk improvements, landscaping, and lighting. It is also planning mobility improvements in the annexed area of the Museum District.

STATUS OF DEVELOPMENT

Conditions at Creation of the Zone

At the time of creation of the Zone, Midtown included small office buildings, multi-family residences, churches, one museum, several governmental agencies, a large grocery store, a Sears department store, the main campus of HCC, several fine-dining restaurants, fast-food restaurants, a small number of single-family residences and many other businesses. Estimates made by Houston Planning and Development Department based upon 1993 Appraisal District data indicated that the land in the Original Zone was being utilized in the following manner: residential- 6%, office/retail - 31%, industrial - 1%, institutional - 17%, park, schools and churches - 2%, parking - 11%, vacant - 32%. Portions of the 1999 Annexed Area are more residential in nature. The 2009 Annexed Area and the 2015 Annexed Area consist of cultural facilities.

Development from Inception to Present

Since inception in January of 1995, the zone’s taxable value has increased to almost \$2 billion from a base tax year value of approximately \$212,000,000. New development includes apartment units, townhouses, office space, commercial and retail space, cultural facilities and parks.

According to the Authority, much of the population in the Zone consists of either young professionals or “empty nesters” who are employed in the central business district, the Texas Medical Center or are self-employed. Principal reasons given by new residents for living in Midtown are close proximity to place of employment, close proximity to entertainment centers (professional sports, performing arts, city parks, museums) and access to the freeway systems from Midtown. The red line of METRORail, the light rail system constructed by METRO, runs on Main Street from the north end of downtown to the Texas Medical Center and Loop 610. There are 39 blocks of Main Street within the Zone with light rail service and three METRORail stations.

HCC’s Central Campus, with approximately 18,000 students, is located in the Zone, and it is the largest employer in the Zone with approximately 800 employees. Property used by HCC is not subject to ad valorem taxation.

Midtown is the site of Houston’s Innovation District called Ion. Rice Management Co., which manages Rice University’s endowment, is leading and financing the project, a \$100 million renovation converting a 80-year-old, 270,000-square-foot former Sears department store to a high-end office and collaboration center. The redevelopment could ultimately cover some 16 acres in Midtown and include more commercial development, housing and public spaces. Currently the area is underdeveloped. The renovation is scheduled for completion in 2020.

Schedule 2: Breakdown of 2019 Taxable Values in the Zone by Type

Land	\$ 59,304,157	2.56%
Residential	619,844,090	26.81%
Multi-Family	961,623,033	41.59%
Commercial / Industrial	659,971,186	28.54%
Utilities	11,524,519	0.50%
	<u>\$ 2,312,266,985</u>	100.00%

(a) Based on City 2019 certified taxable value as of the date calculated.

FINANCIAL INFORMATION

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds plus the annual debt service on the Bonds, based upon a fiscal year end of June 30.

Fiscal Year Ended June 30	Total Outstanding Debt Service	Total Refunded Bonds Debt Service	The Bonds			Total Debt Service
			Principal	Interest	Debt Service	
2020	\$ 7,596,969					\$ 7,596,969
2021	7,649,219	\$ 630,988		\$ 403,904	\$ 403,904	7,422,135
2022	7,647,919	2,640,988	\$ 1,870,000	513,800	2,383,800	7,390,731
2023	7,648,469	1,330,563	650,000	420,300	1,070,300	7,388,206
2024	7,650,638	1,331,219	685,000	387,800	1,072,800	7,392,219
2025	7,647,800	1,329,319	715,000	353,550	1,068,550	7,387,031
2026	7,649,456	1,329,775	755,000	317,800	1,072,800	7,392,481
2027	6,744,188	1,327,263	790,000	280,050	1,070,050	6,486,975
2028	6,742,156	1,326,681	830,000	240,550	1,070,550	6,486,025
2029	6,744,144	1,327,681	870,000	199,050	1,069,050	6,485,512
2030	6,745,244	1,331,181	915,000	155,550	1,070,550	6,484,612
2031	6,744,350	1,330,575	965,000	109,800	1,074,800	6,488,575
2032	6,743,350	1,330,725	1,000,000	71,200	1,071,200	6,483,825
2033	6,743,300	1,327,725	1,040,000	31,200	1,071,200	6,486,775
2034	6,745,000					6,745,000
2035	6,745,750					6,745,750
2036	6,743,250					6,743,250
2037	6,742,000					6,742,000
2038	6,746,250					6,746,250
Total	\$ 134,419,450	\$ 17,894,681	\$ 11,085,000	\$ 3,484,554	\$ 14,569,554	\$ 131,094,323

Average Annual Debt Service (2021-2038)	\$ 6,860,964
Maximum Annual Debt Service (2021)	\$ 7,422,135

Additional Obligations of the Authority

The Authority has several obligations in addition to the Contract Revenue Bonds. Such obligations are secured by property owned by the Authority or by a lien on the Pledged Revenues which is junior and subordinate to the lien on the Pledged Revenues granted to the Contract Revenue Bonds. The Indenture requires that any subordinate obligation secured by the Pledged Revenues be payable from Pledged Revenues only if and to the extent of moneys that could otherwise be deposited to the Surplus Fund.

The following constitute the principal existing obligations of the Authority other than the Contract Revenue Bonds:

Loan in connection with Affordable Housing Mixed Use Campus, including Operations Center and Public Parking Garage. The Authority entered into a \$14 million tax-exempt and taxable loan agreement with BBVA, USA to partially fund the Authority's commitment to construct an Affordable Housing Mixed Use Campus, including an Operations Center and Public Parking Garage on July 15, 2019. The loans require interest only payments commencing October 1, 2019 and continuing to July 1, 2022. Thereafter, principal payments are also required. The loans are payable in full on July 15, 2024. The loans are secured by a subordinate lien on the portion of the Surplus Fund that is required to be applied to the provision of affordable housing, pursuant to the TIF Act and the Interlocal Agreements. The Surplus Fund is defined as the special fund of the Authority funded with a portion of Tax Increment, but funded only after debt service on the Contract Revenue Bonds for the succeeding twelve-months has been deposited, the Debt Service Reserve Fund has been fully funded, and the Trustee's fees have been paid.

Loan in connection with Midtown Park and Parking Garage. The Authority entered into a Development Agreement with 2800 Main, L.L.C., an affiliate of Camden, under which 2800 Main, L.L.C. agreed to advance up to \$19 million for construction of the Public Parking and the Authority committed to reimburse it for eligible project costs. Reimbursement began on October 1, 2018 and is payable over 13 years. However, a principal payment of \$9.4 million was made in fiscal year 2019, and the loan is now expected to be paid off in seven years. As of June 30, 2019, the outstanding balance totaled \$9,315,706. The loan is payable from Tax Increments generated from development of the Midtown Park and Parking Garage and adjoining multifamily development, subordinate to all debt service payments on the Authority's obligations secured by Contract Tax Increments, including the Contract Revenue Bonds.

Loan in connection with Purchase of Building. The Authority has a loan from Liberty Bank and Trust Company with an outstanding principal balance of \$1,263,506 as of June 30, 2019, payable in monthly installments with a final payment of \$1,127,681 due on September 30, 2020. Proceeds of the loan were used to refinance a loan to purchase a building at 4807 Caroline which is being rented to the Houston Museum of African American Culture with an option to purchase. See "MIDTOWN REDEVELOPMENT—Economic Development Program." The bank has a first mortgage on the property at 4807 Caroline to secure payment of the loan. The Authority has not pledged Contract Tax Increments to payment of the loan.

Municipal Services Agreements. The Authority, the Zone and the City enter into annual agreements whereby the Authority pays to the City the incremental costs of providing increased municipal services incurred as a result of the development 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 on June 30 upon a vote of the Board of Directors of the Authority. For fiscal year 2020, the City has requested, and the Authority has budgeted for a Municipal Service Fee for incremental service in the amount of \$781,263 with an additional \$492,737 of supplemental funds that will be used at the Authority's recommendation for quality of life, homelessness and safety issues within the Zone.

Other obligations of the Authority have been described previously. As stated under "MIDTOWN REDEVELOPMENT—Economic Development Program," the Authority has committed to grant up to \$1.6 million to the Museum of Fine Arts for eligible project costs, payable in installments of \$850,000 and \$750,000 at the completion of the project, which is expected to be in fiscal year 2020 and 2021, respectively. The Authority has obligations to four developers, contingent upon their performance under their respective development agreements. See "MIDTOWN REDEVELOPMENT—Agreements with Developers."

Authority and Plans to Issue Bonds and Notes

Pursuant to Ordinance No. 2015-1002, the City Council authorized the Authority to issue an additional aggregate principal amount of \$18,500,000 in debt secured by Contract Tax Increments without further approval from the City, thereby increasing the total aggregate principal amount of debt secured by Contract Tax Increments which the Authority is authorized to have outstanding at any one time from \$85,500,000 to \$104,000,000 (inclusive of the \$6,000,000 in notes authorized by the Tri-Party Agreement). As Bond principal is paid, the Authority's unused authorization will increase in an amount equal to the amount of principal paid. The Authority plans to issue Additional Parity Bonds in the future; however, its loans from BBVA, USA prohibit it from issuing Contract Revenue Bonds (other than refunding bonds such as the Bonds) until the loans are paid in full. See "—Additional Obligations of the Authority" above.

Schedule 3: Authorized and Unissued Bonds and Notes

Bonds and Notes the City Council Has Authorized the Authority to have	
Outstanding at Any One Time	\$ 104,000,000
Less: Currently Outstanding Bonds	(83,830,000) (a)
Plus: the Refunded Bonds	12,995,000
Less: The Bonds	(11,085,000)
Less: Notes that are Issued and Outstanding	-
Unused Authorization	<u>\$ 22,080,000</u>

(a) Excludes the Authority's January 1, 2020 principal payment.

Investment Policy

Under Texas law, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following objectives: understanding the suitability of the investment to the Authority's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The Authority's investments must be made "judgment and care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest Authority funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools, and (14) a qualified securities lending program.

The Authority maintains an investment strategy that emphasizes, in order of priority, safety, liquidity and return on investment, as embodied in its investment policy (the "Investment Policy"). The Authority does not invest in, among other things, inverse floater, interest-only or principal-only mortgage-backed securities. The Investment Policy provides, among other things, that (i) an investment officer must submit quarterly investment reports to the Board and (ii) the Investment Policy must be reviewed annually by the Board.

Schedule 4: Tax Increment Collections

CITY (a)

	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Total Tax Levy	Total Collections	Current Increment	Increment Tax Rate	Increment Collections	Collection Rate (c)
Original	2014	\$ 157,081,540	\$ 1,271,478,807	\$ 0.63108	\$ 8,024,048	\$ 8,017,859	\$ 1,114,397,267	\$ 0.63108	\$ 7,027,313	99.92%
	2015	157,081,540	1,402,266,136	0.60112	8,429,302	8,424,150	1,245,184,596	0.60112	7,480,479	99.94%
	2016	157,081,540	1,617,860,058	0.58642	9,733,225	9,643,596	1,502,688,685	0.58642	8,554,642	97.08%
	2017	157,081,540	1,714,695,437	0.58421	10,017,422	9,998,103	1,557,613,897	0.58421	9,082,187	99.81%
	2018	157,081,540	1,791,612,869	0.58831	10,540,238	9,838,886	1,634,531,329	0.58831	8,976,251	93.35%
Projected (d)	2019	157,081,540	1,932,193,773	0.56792	10,973,315	10,755,902	1,775,112,233	0.56792	9,881,480	98.02%
Annexed	2014	\$ 54,694,350	\$ 240,951,548	\$ 0.63108	\$ 1,520,597	\$ 1,517,556	\$ 186,257,198	\$ 0.63108	\$ 1,173,081	99.80%
	2015	54,694,350	264,694,194	0.60112	1,591,130	1,589,220	209,999,844	0.60112	1,260,836	99.88%
	2016	54,694,350	288,373,028	0.58642	1,758,240	1,739,578	245,131,751	0.58642	1,368,009	95.17%
	2017	54,694,350	291,343,795	0.58421	1,702,060	1,690,656	236,649,445	0.58421	1,373,267	99.33%
	2018	54,694,350	300,599,988	0.58831	1,768,460	1,683,568	245,905,638	0.58831	1,377,242	95.20%
Projected (d)	2019	54,694,350	306,971,480	0.56792	1,743,352	1,706,308	252,277,130	0.56792	1,402,288	97.88%

COUNTY (e)(f)

	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Total Tax Levy	Total Collections	Current Increment	Increment Tax Rate	Increment Collections	Collection Rate (c)
Original	2014	\$ 157,131,420	\$ 1,285,200,921	\$ 0.44467	\$ 5,714,903	\$ 5,700,595	\$ 1,128,069,501	\$ 0.44467	\$ 5,003,628	99.75%
	2015	157,131,420	1,423,163,298	0.44656	6,355,278	6,336,115	1,266,031,878	0.44656	5,636,545	99.70%
	2016	157,131,420	1,586,010,609	0.44485	7,385,016	7,303,461	1,502,982,412	0.44485	6,277,288	93.89%
	2017	157,131,420	1,704,585,705	0.44632	7,607,907	7,379,670	1,547,454,285	0.44632	4,335,144	(l)

HCC (g)

	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Total Tax Levy	Total Collections	Current Increment	Increment Tax Rate	Increment Collections	Collection Rate (c)
Original	2014	\$ 157,081,540	\$ 1,275,756,320	\$ 0.07706	\$ 983,034	\$ 982,239	\$ 1,118,674,780	\$ 0.07706	\$ 861,298	99.92%
	2015	157,081,540	1,412,991,454	0.07563	1,068,660	1,067,947	1,255,909,914	0.07563	949,224	99.93%
	2016	157,081,540	1,330,691,876	0.07528	1,258,347	1,249,479	1,514,540,419	0.07528	1,107,624	97.15%
	2017	157,081,540	1,728,074,303	0.07665	1,324,604	1,321,915	1,570,992,763	0.07665	1,201,754	99.80%
	2018	157,081,540	1,804,981,223	0.07675	1,385,341	1,319,163	1,647,899,683	0.07675	1,204,360	95.22%
Projected (d)	2019	157,081,540	1,928,032,703	0.07665	1,477,876	1,454,300	1,770,951,163	0.07665	1,335,815	98.40%
Annexed	2014	\$ 54,694,350	\$ 248,243,608	\$ 0.07706	\$ 191,284	\$ 190,919	\$ 193,549,258	\$ 0.07706	\$ 148,854	99.81%
	2015	54,694,350	275,445,841	0.07563	208,322	207,116	220,751,491	0.07563	165,990	99.42%
	2016	54,694,350	300,298,047	0.07528	226,055	225,210	245,603,697	0.07528	184,192	99.63%
	2017	54,694,350	303,982,951	0.07665	233,009	229,543	249,288,601	0.07665	188,242	98.51%
	2018	54,694,350	313,451,942	0.07675	240,578	229,663	258,757,592	0.07675	189,589	95.46%
Projected (d)	2019	54,694,350	314,577,018	0.07665	241,130	237,673	259,882,668	0.07665	196,349	98.57%

HISD (h)

	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Total Tax Levy (i)	Total Collections (i)	Current Increment (i)	Increment Tax Rate (j)	Increment Collections	Collection Rate (c)
Original	2014	\$ 156,591,480	\$ 1,261,392,183	\$ 1.19670			\$ 740,166,000	\$ 1.19670	\$ 8,850,897	99.92%
	2015	156,591,480	1,388,416,757	1.19670			788,594,000	1.19670	9,431,301	99.94%
	2016	156,591,480	1,572,922,783	1.20670			865,213,000	1.20670	10,425,000	99.85%
	2017	156,591,480	1,670,480,434	1.20670			917,065,000	1.20670	11,044,279	99.80%
	2018	156,591,480	1,750,489,294	1.20670			988,824,000	1.20670	11,355,590	95.17%
Projected (d)	2019	156,591,480	1,923,260,488	1.13670			1,044,117,000	1.13670	11,742,299	98.94%
Annexed	2014	\$ 53,013,840	\$ 239,340,337	\$ 1.19670			\$ 98,866,000	\$ 0.96000	\$ 946,960	99.77%
	2015	53,013,840	266,568,699	1.19670			105,429,500	0.96000	1,009,389	99.73%
	2016	53,013,840	299,632,277	1.20670			111,993,000	0.96000	1,071,956	99.70%
	2017	53,013,840	307,505,282	1.20670			118,556,500	0.96000	1,129,395	99.23%
	2018	53,013,840	307,505,282	1.20670			125,116,500	0.96000	1,144,786	95.31%
Projected (d)	2019	53,013,840	307,505,282	1.13670			131,688,000	0.96000	1,248,399	98.75%

Allocation of HISD Tax Increments (j)					Limits on Current Increment for HISD Tax Increments (i)		
	Tax Year	Tax Increment Levy (k)	Amount Due to HISD	Remainder	Tax Year	Original Zone	Annexed Area
Original	2014	\$ 8,825,897	\$ 2,325,436	\$ 6,500,461	2019	\$ 1,044,117,000	\$ 131,688,000
	2015	9,406,301	2,426,969	6,979,331	2020	1,101,029,000	138,259,500
	2016	10,400,000	2,604,204	7,795,796	2021	1,141,091,000	144,831,000
	2017	11,019,279	2,688,609	8,330,670	2022	1,181,089,000	151,402,500
	2018	11,330,590	2,731,039	8,599,551	2023	1,222,106,000	157,963,750
	2019	11,717,299	2,400,227	9,317,073	2024	1,264,166,000	164,525,000
Annexed	2014	\$ 946,960	\$ 315,653	\$ 631,307			
	2015	1,009,389	336,463	672,926			
	2016	1,071,956	357,319	714,637			
	2017	1,129,395	376,465	752,930			
	2018	1,144,786	381,595	763,191			
	2019	1,248,399	416,133	832,266			

- (a) Information from City’s Department of Finance based on taxable values and collection data from Harris County Tax Office.
- (b) Base year for the Original Zone is 1995, base year for the 1999 Annexed Area is 1999, base year for the 2009 Annexed Area is 2009, and base year for the 2015 Annexed Area is 2015. The 2009 Annexed Area and the 2015 Annexed Area have little taxable value and are not included in this chart.
- (c) Collection rates are determined by comparing total collections to the total tax levy; however, both total collections and the total tax levy change over time, so a calculated collection rate may either increase or decrease. The City, the County, HISD and HCC have been updating the certified value for each tax year and the total collections for each tax year annually in order to calculate the tax increments to be transferred to the Authority. HISD has stated that it will finalize its numbers after five years and not make further adjustments.
- (d) The projected collection rate is a five-year average. As shown in Schedule 4, the collection rate for the most recent tax year is lower than the rate in previous years, which is above 99%. Historically, the collection rate for a tax year has increased in subsequent years as more of the taxes are collected and remitted to the Tax Increment Fund. Accordingly, while 2018 taxes may not be collected in fiscal year 2019 in the percentages shown, the Authority expects that it will receive delinquent taxes from prior years in fiscal year 2019 which will result in the receipt of approximately the same amount of revenues as if the collection percentage of 2018 taxes were received in fiscal year 2019.
- (e) Information from City’s Department of Finance based on taxable values and collection data from Harris County Tax Office.
- (f) The County no longer participates in the Zone.
- (g) Information from City’s Department of Finance based on taxable values from Harris County Tax Office. The tax rate is rounded to five decimals whereas it is actually carried out to six.
- (h) Information for Tax Years 2014 through 2018 from City’s Department of Finance and correspondence and documentation from HISD.
- (i) The Total Tax Levy and Total Collections for HISD are not shown. HISD tax increments are not based on the actual Captured Appraised Value for each tax year, but on the lesser of the actual Captured Appraised Value for each tax year and the projected Captured Appraised Value for such year, which was adopted in the Project and Financing Plan for the Zone in 1999. The projected Captured Appraisal Value for each year as adopted in the Plan is shown on the chart entitled “Limits on Current Increment for HISD Tax Increments.”
- (j) The Authority does not receive the full Increment Collections derived from the HISD Increment Tax Rate because a portion is rebated to HISD for educational facilities project costs. The amount due to HISD is estimated in the chart entitled “Allocation of HISD Tax Increments” based on the tax increment levy and does not take into account the collection rate or interest paid to HISD on funds held in the Tax Increment Fund that are returned to HISD.
- (k) City administrative fee deducted from Tax Increments shown on preceding page.
- (l) The County did not pay all of tax rate contribution on the Current Increment in tax year 2017 because it met the maximum it was required to contribute to the Tax Increment Fund under the County Interlocal Agreement during that year. This reduced increment collections from the County from \$6,277,288 in tax year 2016 to \$4,335,144 in tax year 2017.

Schedule 5: Historical Debt Service Coverage

FYE June 30	Tax Increments Received by the Authority (a)(b)	Debt Service Requirements	Debt Service Coverage
2014	\$ 18,812,088	5,686,150	3.31
2015	21,282,974	7,436,413	2.86x
2016	23,892,265	7,938,056	3.01x
2017	26,803,101	7,762,294	3.45x
2018	25,986,277	10,801,942	2.41x
2019	21,991,880	10,800,869	2.04x

- (a) Payments shown here are on an accrual basis. The formula for determining tax increments is described in “SELECTED FINANCIAL INFORMATION.” This table excludes tax increments which are returned to HISD for educational project costs.
- (b) City tax payments are deposited into the General Fund of the City. Once such funds are accounted for and allocated to the Zone, the tax increment portion of the City tax payments is deposited to the Tax Increment Fund for the Zone. Tax Increments from HISD and HCC are normally deposited to the Tax Increment Fund once a year. The City Council must appropriate the monies from the Tax Increment Fund to those entitled to them, including the Authority, before such monies are disbursed. City Council appropriation of tax increments to the Authority is normally made as each Participant deposits its tax increments into the Tax Increment Fund. Participants typically deposit Tax Increments from a tax year between June and October of the following year. The County paid Tax Increments to the Zone through fiscal year ended June 30, 2018. Amounts shown in this schedule include County payments and are not indicative of payments the Authority will receive pursuant to the Plan and the Interlocal Agreements in future years.

Schedule 6: Principal Taxpayers in the Zone

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s assessed value as a percentage of the Zone’s taxable value, using certified values for 2019, 2018 and 2017.

Top Ten Taxpayers for Year 2019

Rank	Value (a)	Owner	Property	Percent (%) (b)
1	\$111,225,000	POST MIDTOWN SQUARE LP	Multifamily	4.97%
2	71,907,322	2800 MAIN LLC	Multifamily	3.21%
3	63,936,108	CAYDON HOUSTON PROPERTY	Multifamily	2.86%
4	61,275,162	VR CALAIS HOLDINGS LIMITED	Multifamily	2.74%
5	57,750,649	PEARL RESIDENCES AT MIDTOWN	Multifamily	2.58%
6	54,155,308	3800 MAIN LLC	Multifamily	2.42%
7	52,983,000	AB MERION II METRO MIDTOWN LLC	Multifamily	2.37%
8	49,305,595	CAMDEN PROPERTY TRUST	Multifamily	2.20%
9	47,097,215	MID-MAIN PROPERTIES LP	Multifamily	2.10%
10	46,656,581	4001 FANNIN NO 1A LTD	Multifamily	2.08%
	<u>\$616,291,940</u>		Total:	<u>27.52%</u>

Top Ten Taxpayers for Year 2018

Rank	Value (a)	Owner	Property	Percent (%) (c)
1	\$108,412,300	POST MIDTOWN SQUARE LP	Multifamily	5.18%
2	60,053,884	VR CALAIS HOLDINGS LIMITED	Multifamily	2.87%
3	53,850,000	4001 FANNIN NO 1A LTD	Multifamily	2.57%
4	53,421,511	AB MERION II METRO MIDTOWN LLC	Multifamily	2.55%
5	49,783,141	3800 MAIN LLC	Multifamily	2.38%
6	49,781,659	CAMDEN PROPERTY TRUST	Multifamily	2.38%
7	43,971,069	CPT COMMUNITY OWNER LLC	Multifamily	2.10%
8	43,283,483	MID-MAIN PROPERTIES LP	Multifamily	2.07%
9	42,712,733	HADLEY MIDTOWN APARTMENTS	Multifamily	2.04%
10	42,000,000	SHERMAN WAY MIDTOWN LLC ET AL	Multifamily	2.01%
	<u>\$547,269,780</u>		Total:	<u>26.16%</u>

Top Ten Taxpayers for Year 2017

Rank	Value (a)	Owner	Property	Percent (%) (d)
1	\$83,597,343	POST MIDTOWN SQUARE LP	Multifamily	4.17%
2	59,050,565	VR CALAIS HOLDINGS LIMITED	Multifamily	2.94%
3	57,776,638	AB MERION II METRO MIDTOWN LLC	Multifamily	2.88%
4	52,500,000	CAMDEN PROPERTY TRUST	Multifamily	2.62%
5	50,440,350	4001 FANNIN NO 1A LTD	Multifamily	2.51%
6	43,063,992	2009 CPT COMMUNITY OWNER LLC	Multifamily	2.15%
7	43,042,513	CPT COMMUNITY OWNER LLC	Multifamily	2.15%
8	41,086,544	MID-MAIN PROPERTIES LP	Multifamily	2.05%
9	36,974,648	HADLEY MIDTOWN APARTMENTS	Multifamily	1.84%
10	35,361,912	2009 CPT COMMUNITY OWNER LLC	Multifamily	1.76%
	<u>\$502,894,505</u>		Total:	<u>25.07%</u>

- (a) Values provided by the Authority’s tax consultant. Even though sufficient properties within the Zone have been certified to allow the Chief Appraiser to certify the roll, the value of individual properties may still be under protest with a hearing or case in state district court pending contesting the value assigned to their properties.
- (b) Percentage of the City 2019 taxable value in the Zone of \$2,239,165,253.
- (c) Percentage of the City 2018 taxable value in the Zone of \$2,092,212,857.
- (d) Percentage of the City 2017 taxable value in the Zone of \$2,006,039,232.

TAXING PROCEDURES OF THE PARTICIPANTS

Authority to Levy Taxes

Under Texas law each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries.

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the “*Property Tax Code*”) specifies the taxing procedures of all political subdivisions of the State of Texas, including each Participant. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including each Participant. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “*Appraisal Review Board*”). The Property Tax Code requires each appraisal district to comply with the Uniform Standards of Professional Appraisal Practice.

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the political subdivision are subject to taxation by each Participant. However, the tax revenue generated by each Participant on any personal property is not included in the Tax Increments. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; and most individually owned automobiles.

Historic Tax Exemptions: The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation by the governing body of the taxing unit.

Exemptions for Community Housing Development Organizations: The Property Tax Code provides that a Community Housing Development Organization (a “*CHDO*”) is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004, is entitled to exemption from taxation of 50 per cent of the appraised value of improved or unimproved real property it owns if it has, for at least the three preceding years, (i) been exempt from federal taxation under Section 501(c)(3) of the Code, (ii) met certain requirements for a charitable organization as delineated in the Texas Tax Code; and (iii) had as one or more of its purposes to provide low-income housing. In addition, for property to be exempt, the CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to an individual or family who is below a specified income level, to be adjusted annually by cost of living.

Veteran/First Responder Exemptions: Each Participant must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse’s residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: A residential homestead exemption of \$25,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: An additional residential homestead exemption of \$10,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law for persons who are sixty-five (65) years of age or older or certain disabled persons. Each Participant may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the respective governing body of such Participant. Qualifying surviving spouses of persons aged 65 years or older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A Participant may be required to offer such an exemption if a majority of voters approve it at an election. A Participant would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax-supported debt incurred prior to adoption of the exemption by a Participant.

Tax Freeze: Texas law mandates a freeze on taxes paid for public school purposes on residence homesteads of persons 65 years of age or older which receive the \$10,000 exemption. Such residence homesteads are appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the \$10,000 exemption. Under Article VIII of the Texas Constitution and state law, the governing body of each Participant may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the Participant, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferrable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established, the tax rate limitation may not be repealed or rescinded.

For the 2019 tax year, the City has a 20% local option homestead exemption with a \$5,000 minimum and an exemption for persons 65 years of age or older and disabled persons of \$160,000. HISD has a 20% local option homestead exemption plus \$25,000 and an additional exemption for persons 65 years of age or older and disabled persons of \$15,000. Homeowners who are 65 years of age or older or disabled are also eligible for the "over-65" residential tax exemption, which provides that such residential homesteads shall be appraised and taxes calculated as on any other property, but taxes for general elementary and secondary public school purposes shall never exceed the amount imposed in the first year in which the property received the exemption. For the 2019 tax year, HCC has a 10% local option homestead exemption with a minimum of \$5,000 and an additional exemption for persons 65 years of age or older and disabled persons of \$120,000.

Abatements: The City and HCC are authorized to enter into a tax abatement agreement with an owner of real or personal property in the Zone, if the Zone Board approves the agreement and the governing body of the Participant approves the agreement. A tax abatement agreement may exempt from ad valorem taxation by the Participant for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property.

Valuation of Property for Taxation

Generally, property within the boundaries of each Participant must be appraised by its Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by its Appraisal Review Board, it is used by each Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are generally to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

In determining the market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal, and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate.

Eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

The Property Tax Code requires each Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years.

Reappraisal of Property after Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units may appeal the orders of the Appraisal Review Board by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants and provides for taxpayer referenda that could result in the repeal of certain tax increases. See “State Law Limitations on Setting the Annual Tax Rate” herein. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraised roll.

State Law Limitations on Setting the Annual Tax Rate

Cities: Article XI, Section 5 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation.

The Property Tax Code further limits the City’s ad valorem tax rate, which consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under the Property Tax Code, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

During the 2019 legislative session, the State Legislature made numerous changes to the requirements for the levy and collection of ad valorem taxes and the calculation of tax rates, including particularly those contained in Senate Bill 2 (“SB 2”). In some instances, the provisions of SB 2 will require further interpretation, and the information contained herein reflects only the Authority’s understanding based on information available to the Authority as of the date of this Official Statement, which is subject to change. Reference is made to SB 2 and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of tax rates.

Effective January 1, 2020, the terms “rollback tax rate” and “effective tax rate” will be replaced, respectively, with the terms “voter-approval tax rate” and “no-new-revenue tax rate.” The “voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (with certain adjustments) from the current year’s values (with certain adjustments) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate.” The “no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (with certain adjustments) from the current year’s total taxable values (with certain adjustments). The “unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the three prior tax years, which may be applied to a city’s tax rate in the succeeding tax year without impacting the “voter-approval tax rate.”

The City must annually calculate its “voter-approval tax rate” and “no-new revenue tax rate” in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the City and the county tax assessor-collector for each county in which all or part of the City is located. The City must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the “voter-approval tax rate” must be adopted not later than the 71st day before the next occurring November uniform election date. If the City fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the “no-new-revenue tax rate” for the current tax year or the tax rate adopted by the City for the preceding tax year.

As described below, the Property Tax Code provides that if the City adopts a tax rate that exceeds its “voter-approval tax rate” or, in certain cases, its “de minimis rate,” an election must be held to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.” The “de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax rate levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

The City may not adopt a tax rate that exceeds the lower of the “voter-approval tax rate” or the “no-new-revenue tax rate” until each appraisal district in which the City participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the City has held a public hearing on the proposed tax increase. Except for certain exceptions for cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the “voter-approval tax rate,” the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.”

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the “no-new-revenue tax rate” and “voter-approval tax rate” must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The City has not held such a local option election.

School Districts: A school district’s tax rate is set in accordance with the Property Tax Code and SB 2 as described above; however, a school district’s tax rate is also governed by the Texas Education Code and House Bill 3 (“HB 3”) adopted by the Texas Legislature in 2019.

Prior to the 2019 legislative session, a school district’s maximum M&O tax rate for a given tax year was determined by multiplying that school district’s 2005 M&O tax rate levy by a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education. This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value).

During the 2019 legislative session, several significant changes to the funding methodology for school districts were enacted, including the division of a school district’s M&O tax rate into two distinct parts: the Tier One Tax Rate and the Enrichment Tax Rate, with each rate providing certain levels of State funds. HB 3 also introduced formulas for the State Compression Percentage and Maximum Compressed Rate to compress M&O tax rates in response to increases in property values across the State and within a school district, respectively. According to the Texas Education Agency, the “compression” of the maintenance and operations tax rate will reduce school district taxes for the 2019 tax year by an average amount of 8 cents. Thereafter, any increase in school property taxes is effectively limited to 2.5% over the “no new revenue” tax rate.

Provisions of the Texas Education Code and HB 3 are beyond the scope of this summary. Reference is made to HB 3 and the Texas Education Code for additional information on the requirements for setting a school district’s tax rate in 2019 and subsequent years.

Community College Districts: After the assessor submits the appraisal roll, a designated officer or employee of the College System is required to calculate its “rollback tax rate” and “effective tax rate,” defined below. In setting the annual tax rate each year, if the College System adopts a tax rate exceeding the College System’s “rollback tax rate,” qualified voters of the College System, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the “rollback tax rate.” If the College System fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the effective tax rate for the current tax year or the tax rate adopted by the College System for the preceding tax year. “Effective Tax Rate” for any given year means the rate that will produce

the previous year's tax levy (adjusted) from the current year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of the previous year's taxes and new values are not included in the current year's taxes. "Rollback tax rate" means the rate that will produce the previous year's maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08 plus a rate that will produce the current year's debt service from the current year's values (unadjusted) divided by the anticipated tax collection rate.

City Charter Limitations

General: In addition to the statutory limits described above, the City may limit, increase or change the revenue resources available during a given fiscal year, either by voter authorization as provided by the City Charter or by amending the City Charter itself. The City Charter may not be amended more frequently than once every two years. Since 2004, voters of the City have limited increases in ad valorem tax revenues and other revenues in Proposition 1 (codified in Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) and Proposition 2 (codified in Article VI-a, Sec. 7 of the City Charter but not effective). Voters also have increased available revenue sources in Proposition G (codified in Article IX, Sec. 21 of the City Charter) and Proposition H, which did not amend the City Charter.

Proposition 1 and Proposition 2 (2004): In 2004, voters approved Proposition 1 (now codified as Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) in order to limit increases in (i) the City's ad valorem tax revenues by requiring voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding fiscal year, plus 4.5%, or a formula that is based upon the actual revenues received in fiscal year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth; and (ii) water and sewer rates (i.e., the City's Combined Utility System) by limiting rate increases to the combined increases in the rates of inflation and population growth, excluding rate increases required by certain bond covenants and rates established by contract, unless approved by the voters. At the same election, the voters also approved Proposition 2 (Article VI-a, Sec. 7, City Charter), which purported to limit increases in the City's "combined revenues," including revenues of the General Fund, Special Funds and Enterprise Funds. Based on the specific language of Proposition 1 and Proposition 2, the number of votes for each proposition, and the language of the City Charter, the City declared that Proposition 2 was not effective.

Proposition 2 Litigation: Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. After protracted litigation, on August 26, 2011, the Texas Supreme Court vacated the judgment of the trial court (for lack of ripeness) without reference to the merits and dismissed the case for want of jurisdiction. In April 2014, the suit was refiled. The City Defendants (Mayor Turner and the City) filed a plea to the jurisdiction, which was denied by the district court. The City Defendants appealed the denial. On August 17, 2017, the appeals court affirmed the trial court's denial of the plea. The City Defendants filed a petition for review with the Texas Supreme Court, which was denied and the case has been remanded to the trial court. The City Defendants' Supplemental Plea to the Jurisdiction/Motion for Summary Judgment and Motion for Reconsideration was heard on May 24, 2019; however, the judge allowed the plaintiffs to file a counter-motion for summary judgment. The court granted the City Defendants' Motion for Summary Judgment on September 16, 2019 and denied plaintiffs' Motion for Summary Judgment. On October 4, 2019, the trial court held a bench trial on the remaining issues. On October 29, 2019, the trial court held for the City Defendants, ordering that the plaintiffs take nothing.

Impact of Propositions G and H on Propositions 1 and 2: In response to Proposition 1 and Proposition 2, the City held an election on November 7, 2006, at which the voters approved Proposition G and Proposition H, both of which are currently effective. Proposition G amends City Charter to exclude revenues of the City's enterprise systems (i.e., Combined Utility System, Houston Airport System and the Convention and Entertainment Facilities Department) from the types of revenues limited under the City Charter. Voter approval of Proposition G removed the enterprise systems from the revenue limitations of Proposition 2, although the limitation on water and sewer rate increases included in Proposition 1 remains in effect. Proposition H allows the City to collect and spend up to \$90 million of revenue, over and above any Proposition 2 limitations, for increased police, fire and emergency medical services and related matters. The amount collected and spent in each year becomes part of the base revenue calculations for the following year. Propositions G and H are incorporated into the City's financial policies, and the City has collected revenues and made expenditures for public safety purposes in compliance with Proposition H.

See "INVESTMENT CONSIDERATIONS—Tax and Collection Rates May Decline" and "—Risk of Higher Priority Debt."

Collection of Taxes

The Participants are responsible for the collection of its taxes, unless they elect to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residential homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person 65 years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by each Participant are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each taxing unit having power to tax the property. Each Participant's tax lien is on a parity with tax liens of other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of another taxing entity is determined by applicable federal law.

At any time after taxes on property become delinquent, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations with respect to residential homesteads described in the preceding section. In filing a suit to foreclose a tax lien on real property, the Participant must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights and by bankruptcy proceedings that may restrict collection of taxpayer debts. A taxpayer has the right to redeem a mineral estate or property that was used at the time the suit was filed for residential homestead or agricultural purposes within two years after the purchaser's deed issued at the foreclosure sale is filed in the county's real property records. A taxpayer has the right to redeem property that was used for all other purposes within six months after the purchaser's deed is filed in the county records. See "INVESTMENT CONSIDERATIONS—Limitations on Tax Collections and Foreclosure Remedies."

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area which have been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the Participants if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Effect of FIRREA on Tax Collections

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

These provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority under the Constitution and laws of the State of Texas payable from the Pledged Revenues, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Co-Bond Counsel, to a like effect and to the effect that under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel.

Co-Bond Counsel also serve as co-general counsel to the Authority on matters other than the issuance of bonds.

The legal fees paid to Co-Bond Counsel and Co-Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The Authority will furnish the Underwriters a certificate dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to the knowledge of the officers executing the certificate, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the Zone, or the title of the officers thereof to their respective offices, and that no Additional Parity Bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP and Burney & Foreman, Co-Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Authority has covenanted in the Bond Resolution that it will comply with these requirements.

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Co-Financial Advisors and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Co-Financial Advisors and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. If the Authority fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Co-Bond Counsel. Co-Bond Counsel will express no opinion with respect to Co-Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption,” “– Collateral Tax Consequences” and “–Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Authority nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

MUNICIPAL BOND RATING

S&P has assigned its municipal bond rating of “A” (Stable) to the Bonds. This rating reflects only the views of such rating agency, and an explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that any such rating will be maintained for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely by such rating agency, if in its sole judgment, circumstances so warrant. Any downward revision, suspension or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Authority has made the following agreement for the benefit of holders of the Bonds, including the beneficial holders thereof. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The Authority will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement in: **Schedules 1-6 (top ten taxpayers for current year only)** and **APPENDIX B: FINANCIAL STATEMENTS OF THE AUTHORITY**. The Authority will update and provide this information within six months after the end of each fiscal year ending in or after 2020. The Authority may provide updated information in full text or may incorporate by reference certain other documents on the EMMA System, as permitted by Rule 15c2-12 (“Rule”) of the United States Securities and Exchange Commission (“SEC”).

The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority’s fiscal year end is currently June 30. Accordingly, it must provide updated information by December 31 in each year, beginning in 2020, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The Authority will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Authority will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material,

and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Authority if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority any of which reflect financial difficulties. Neither the Bonds nor the Bond Resolution makes any provision for liquidity enhancement. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The Authority has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the initial offering. If the Authority so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the records of the City, the Appraisal District, the Authority, and other sources. All of these sources are believed to be reliable, but no guarantee is made by the Authority as to the accuracy or completeness of the information derived from sources other than the Authority, and the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the Authority. Inclusion of such information herein is not to be construed as a representation on the part of the Authority, except that the Authority has represented to the Underwriters that it has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Co-Financial Advisors

Masterson Advisors LLC and TKG & Associates LLC are employed as Co-Financial Advisors to the Authority to render certain professional services, including advising the Authority on a plan of financing and the Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information. The fees paid to the Co-Financial Advisors for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement has been approved by the Board of Directors of Midtown Redevelopment Authority.

APPENDIX A
BOUNDARY MAP



Midtown Redevelopment Authority (TIRZ #2)

0 0.25 Miles
GIS Parcels obtained from the City of Houston, December 2015



WALTER P MOORE

APPENDIX B
FINANCIAL STATEMENTS OF THE AUTHORITY

Midtown Redevelopment Authority

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION

June 30, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



Midtown Redevelopment Authority
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June 30, 2019

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Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

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, 2019, 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. 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 respective financial position of the governmental activities and each major fund of Midtown Redevelopment Authority, as of June 30, 2019, 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 3 through 11 and 35 through 36 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 schedule of operating expenses and capital expenditures for the year ended June 30, 2019, the schedule of estimated project costs to actual expenditures for the period from December 29, 1995 (date of inception) through June 30, 2019, the schedule of properties held – land held for resale, and the schedule of capital assets, on pages 37 through 53, 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.

Carly Riggs & Ingram, L.L.C.

September 30, 2019
Houston, Texas

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, 2019 and 2018. This discussion and analysis includes comparative data for the year ended June 30, 2019 with the year ended June 30, 2018 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

- At the creation of the Tax Increment Reinvestment Zone Number Two (Midtown TIRZ or Zone) in 1995, the appraised base year value for real property located within the Zone was \$157,081,540. With the addition of four annexations of land in each of 1997, 1999, 2009 and 2015, the appraised base year value for real property located within the Zone has increased to \$286,543,928. The certified value for tax year 2019 (collectible Fiscal Year 2020) of real property located within the Zone is approximately \$2,477,641,135 with a certified taxable value of approximately \$2,313,267,000 (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 2019, the City of Houston (the City) received the tax year 2017 Pass-Through Funds for the Houston Independent School District, in an amount totaling \$3,759,967. Of the total amount, \$2,506,645 was dedicated to the educational set-aside component and the balance of the funds in the total amount of \$1,253,322 was placed in the Authority's Affordable Housing Increment Account, with 19% of that amount dedicated to funding affordable housing specifically in Harris County.
- Since 2015, the Authority has engaged Midtown Improvement and Development Corporation (MIDCorp) d/b/a Midtown Parks Conservancy to operate, manage, maintain and preserve certain park facilities, including Bagby Park, Midtown Park and the parking facilities constructed beneath Midtown Park. In consideration for those services, the Authority paid an "Annual Management Fee" of \$250,000 per year in each of the first two years, then in each year thereafter, has agreed to pay 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 will 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 for infrastructure capital maintenance.
- In January 2017, the Authority approved an Amended 2017 Municipal Service Cost Agreement with the City and remitted \$781,263 to the City in June 2019 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 the Municipal Service Costs line item shown in the Fiscal Year 2019 budget, the Zone and the Authority may pay all or a portion for certain supplemental services within the boundaries of the Zone, such as homeless initiatives, private security services, clean-up and trash/debris removal, and public safety education and coordination services. The Authority spent \$60,236 in fiscal year 2019 on these supplemental services.

Midtown Redevelopment Authority Management's Discussion and Analysis

- Pursuant to its Interlocal Agreement with Houston Community College System, the Authority began construction on its Caroline Street Project in late August 2018. The Caroline Street Project is projected to cost approximately \$18 million. As of June 30, 2019, the Caroline Street Project has incurred costs of approximately \$12.5 million. Of which, \$4 million will be funded by a Texas Department of Transportation grant. The Caroline Street construction is expected to be completed in August 2020.
- Bagby Park is undergoing a renovation at an estimated cost of \$970,000. The renovation contract, approved in April 2019, consists of lawn regrading and the installation of park lighting, an onsite storage facility, a new stage and a canopy. Additionally, Wulfe & Co. and Authority staff interviewed the qualifying applicants to lease the restaurant kiosk in Bagby Park. In April 2019, the Board approved a lease with La Calle, an authentic Mexican food restaurant. It is anticipated that La Calle will perform some renovations on the kiosk prior to opening for business in late fall of 2019.
- As part of the City's Art Initiative Grant Program, the Authority entered into an agreement with the Houston Arts Alliance and was awarded a grant in the amount of \$140,000 to support cultural arts and encourage cultural tourism in Midtown. Thereafter, the Authority's Board approved an Interlocal Agreement with the District to authorize the District to administer and manage the Art Initiative Grant.
- In June 2019, the Authority's Board granted certain vacant land from its affordable housing land inventory to 2222 CLEBURNE LP, (an affiliate of The Montrose Center). The property, located at 2222 Cleburne Street, consists of approximately 2.9 acres of land that will be used for the construction of a 112-unit senior housing facility. Additionally, as part of its Affordable Housing Pilot Program, the Authority has made land available from its affordable housing land inventory to non-profit organizations and for-profit developers for the construction of affordable single-family homes and townhomes which have subsequently been sold to qualified homebuyers whose household income does not exceed 110% of median income for the area as determined by the Department of Housing and Urban Development.
- Since 2016, the Board of the Authority has engaged The Center for Civic and Public Policy Improvement (CCPPI) to create and implement a comprehensive plan for affordable housing in areas where Midtown owns property. Initially, CCPPI performed significant research relating to community stabilization, utilizing significant community input and coordinating with affordable housing professionals to develop strategies to direct the development of the Authority's properties. This effort resulted in the Midtown Affordable Housing Plan (Plan), which was approved by the Authority with authorization for CCPPI to implement certain recommendations in the Plan. CCPPI continues to work on implementation of the Plan, recently announcing a 100-Homes Initiative. In July 2019, the Authority granted property for Phase I of this 100-Homes Initiative to Houston Business Development, Inc. (HBDI), a Texas non-profit corporation. It is anticipated that HBDI will begin construction of 43 homes in fiscal year 2020. Authority staff continues to engage with other non-profit and for-profit developers in connection with its Affordable Housing efforts.
- Authority's Affordable Housing Plan anticipates the development, in cooperation with CCPPI and the other entities that will aid in the implementation of affordable housing, of a mixed use campus consisting of (i) a 5-story building containing approximately 64,500 square feet to house office, supportive services (commercial and not for profit), community and public entities (the Operations Center); (ii) an approximately 17,050 square foot, 20-unit multi-family affordable housing development; and (iii) an approximately 83,000 square foot public parking garage containing approximately 224 parking spaces to be constructed on those certain tracts of land owned by Midtown located at the intersection of Emancipation Avenue and Elgin Street. The Authority advertised for construction bids in late 2018 and in January 2019, approved a construction contract with Arch-Con Corporation in the amount of \$25,104,315. Thereafter, the Boards of the Authority and the OST/Alameda Corridors Redevelopment



Midtown Redevelopment Authority Management's Discussion and Analysis

Authority approved an Interlocal Agreement relating to the construction of a parking garage that will be available for public use. Pursuant to this Interlocal Agreement, the OST/Alameda Authority will pre-lease a designated number of parking spaces and pay the cost of certain public infrastructure improvements in an amount not to exceed \$6 million. The Authority, in coordination with Masterson Advisors, LLC and other consultants, reviewed financing proposals from 4 financial institutions to finance a portion of the construction costs for the Operations Center. In April 2019, the Authority's Board approved a \$14 million loan with BBVA, USA to be used to pay a portion of the cost of construction of the Operations Center. The balance of the construction costs will be paid from tax increment on a pay-as-you-go basis.

- The Authority has entered into 4 developer reimbursement agreements with developers for Midtown projects which are located inside the boundaries of the Authority – two by The Morgan Group, one by Caydon Property Group and one by Central Bank – each of which is a multistory, mixed use facility. As of June 30, 2019, the Authority has not reimbursed any funds to the developers for these projects.

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 (GASB), 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.

Midtown Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Position

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

	2019	2018
Assets		
Cash, cash equivalents and investments	\$ 35,992,000	\$ 55,246,000
Tax increment receivables	11,001,000	5,868,000
Other receivables	902,000	635,000
Property held for development	1,999,000	-
Property held for resale	47,060,000	51,858,000
Capital assets, net	62,201,000	61,443,000
Total assets	\$ 159,155,000	\$ 175,050,000
Liabilities		
Accounts, interest and retainage payable	\$ 6,142,000	\$ 8,483,000
Loans and bonds payable – current	4,958,000	12,084,000
Loans and bonds payable – long-term	98,498,000	107,700,000
Total liabilities	109,598,000	128,267,000
Net position		
Net investment in capital assets	46,193,000	32,287,000
Restricted	80,314,000	98,063,000
Unrestricted (deficit)	(76,950,000)	(83,567,000)
Total net position	\$ 49,557,000	\$ 46,783,000

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

Tax 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:

	2019	2018
Houston Community College System (HCCS)	\$ 1,358,000	\$ 1,348,000
Houston Independent School District (HISD)	9,643,000	-
Harris County, Texas (the County)	-	4,520,000
Total tax increment receivables	\$ 11,001,000	\$ 5,868,000

Midtown Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Authority received tax increments outstanding at June 30, 2018 in August 2018. The Authority received HISD tax increments outstanding at June 30, 2019 in July 2019. The increment due from Houston Community College System (HCCS) is expected to be collected in fall 2019.

Other receivables include amounts due from other entities under memos of understanding for reimbursement of shared services, and the Houston Technology Center. The increase from 2018 of approximately \$268,000 is mainly related to amounts due at June 30, 2019 from reimbursement of shared services corresponding to the last two quarters of the year compared to one quarter in 2018.

Property held for resale relates to the Authority's affordable housing land assemblage program. During fiscal year 2019, the Authority purchased approximately \$153,000 in land which is restricted for affordable housing and sold/granted several properties with a cost of approximately \$2.9 million and reclassified several properties with a cost of approximately \$1.9 million to properties held for development. The net impact of these transactions was a decrease to land held for resale of approximately \$4.65 million.

The increase in capital assets net, relates to the Authority's continued construction on Midtown Park which had additions of approximately \$2.3 million in fiscal year 2019. The Authority's total long-term debt had a net decrease in fiscal year 2019 of approximately \$15.9 million as a result of repayments of loans and bonds. 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, 2019 and 2018, the Authority has an unrestricted deficit of \$76.9 million and \$83.5 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 \$15.5 million and \$18.6 million at June 30, 2019 and 2018, respectively; net position restricted for affordable housing in the amount of \$57.8 million and \$62.7 million at June 30, 2019 and 2018, respectively; and net position restricted for capital projects in the amount of \$7 million and \$16.7 million at June 30, 2019 and 2018, respectively. The majority of the Authority's net position restricted for affordable housing is invested in land held for resale and development totaling \$49 million and \$51.9 million at June 30, 2019 and 2018, respectively.

Midtown Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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:

	2019	2018
Revenues		
Tax increments	\$ 21,992,000	\$ 25,986,000
Investment and other (expense) income	(1,647,000)	2,755,000
Total revenues	20,345,000	28,741,000
Expenses		
Current	3,929,000	3,302,000
Debt service	4,989,000	5,116,000
Capital outlay	8,653,000	13,839,000
Total expenses	17,571,000	22,257,000
Change in net position	2,774,000	6,484,000
Net position - beginning of year	46,783,000	40,299,000
Net position - end of year	\$ 49,557,000	\$ 46,783,000

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 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; however, the Authority's tax increment decreased in total from the prior year as the Interlocal Agreement with the County expired and a new agreement is still under discussion. No tax increment was received from the County during 2019.

Fiscal year 2019 other revenue primarily includes amounts received from other entities as reimbursement under management agreements and interlocal agreements offset by losses recorded on affordable housing properties granted to third parties during the year. In 2018, other revenue included reimbursements under management agreements, Federal grants awarded, and donated capital assets offset by losses recorded on affordable housing properties granted to third parties during the year. The amounts will fluctuate annually based on agreements entered into by the Authority.

Midtown Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Capital projects funded from bond proceeds and tax increments totaled 35% and 55% of total expenses in fiscal year 2019 and 2018, 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 \$92.1 million, which is approximately \$17.9 million less than the prior fiscal year. Approximately 53% of the fund balance, or \$49 million, is invested in property held and developed by the Authority or which is being held for resale and is considered non-spendable. Approximately 7% of the fund balances, or \$6.8 million, is committed or restricted by bonds to various capital projects and development agreements entered into by the Authority. Approximately 9% of the fund balances, or \$7.9 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 \$15.6 million), and to affordable housing (approximately \$8.7 million).

CAPITAL ASSETS

As of June 30, 2019, the Authority had approximately \$62.2 million, net of accumulated depreciation, invested in a broad range of capital assets including land, land improvements, buildings and furniture, equipment and donated works of art.

During 2019, the Authority continued the construction of Phase II and Phase III of 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, 2019 and 2018, the Authority has four series of Tax Increment Contract Revenue Bonds totaling \$87,240,000 and \$93,555,000, respectively. A debt service reserve fund in the amount of \$7,999,109 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.

Total loans outstanding at June 30, 2019 were \$10,579,212.

Midtown Redevelopment Authority Management's Discussion and Analysis

DEBT ADMINISTRATION (Continued)

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 2019 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 2019 budget was approximately \$5.5 million of tax increments for educational facilities, \$1 million for affordable housing transfer to the County and \$916,000 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.


FUTURE PROJECTS

The Authority invests in planning and implementing capital improvement projects throughout the Zone on an ongoing basis, including street reconstruction and overlay projects, public right of way improvements, parkland acquisitions, and utility upgrades. The Authority's Board has active design contracts with Walter P. Moore, Design Workshop and IDS Engineering for parks and open spaces, mobility and pedestrian improvements and the reconstruction of Brazos Street. With respect to currently active and ongoing projects, it is expected that the mosaic tile art installation for the fountain in the Front 90 of Midtown Park will be completed in late October 2019, and the staff is working with Wulfe & Co. to design a food hall to be constructed in the Front 90 of Midtown Park.

The Authority is continuing its efforts to solicit grants from the Federal Transit Administration, The Texas Commission on the Arts, the City of Houston's Art Initiative Program, Houston Galveston Area Council and Texas Department of Transportation to facilitate the implementation of the capital improvements for large scale public right of way infrastructure, green space improvements, transit oriented development and works of art. The Goodman Corporation assists the Authority with its Houston Intercity Bus Site Selection project by establishing site needs, site selection analysis, economic development benefits and implementation strategy.

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

The Authority, with assistance from CCPPI, continues to advance programs and plans to stimulate and preserve the development of affordable housing in the southeast area of the City. The Authority will continue to execute its affordable housing strategy to stabilize the historic urban neighborhood.



Midtown Redevelopment Authority Management's Discussion and Analysis

FUTURE PROJECTS (Continued)

As of the date hereof, the Authority's fiscal year 2020 budget has not been approved by the City Council of the City; therefore, the Authority will continue to operate under its approved budget for fiscal year 2019 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 2020 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 2020 the City has requested, and the Authority has budgeted for, a Municipal Service Fee for incremental service to the City of Houston in the amount of \$781,263 with an additional \$492,737 of supplemental funds that will be used at the Authority's recommendation for quality of life, homelessness and safety issues within the Zone.

* * * * *

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.

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

June 30, 2019

	General Fund	Infrastrucure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash and cash equivalents	\$ 4,787,472	\$ 950	\$ -	\$ 19,266	\$ 7,518,105	\$ 12,325,793	\$ -	\$ 12,325,793
Investments	1,032,387	-	7,000,491	7,634,664	7,999,109	23,666,651	-	23,666,651
Tax increment receivables	11,000,801	-	-	-	-	11,000,801	-	11,000,801
Other receivables	902,157	-	-	-	-	902,157	-	902,157
Due to/from other funds	(11,040,229)	9,769,096	-	1,253,322	17,811	-	-	-
Property held for development	-	-	-	1,999,033	-	1,999,033	-	1,999,033
Property held for resale	-	-	-	47,060,424	-	47,060,424	-	47,060,424
Capital assets, net	-	-	-	-	-	-	62,200,682	62,200,682
Total assets	\$ 6,682,588	\$ 9,770,046	\$ 7,000,491	\$ 57,966,709	\$ 15,535,025	\$ 96,954,859	\$ 62,200,682	\$ 159,155,541
Liabilities								
Accounts payable	\$ 1,322,847	\$ 1,565,908	\$ -	\$ 188,667	\$ -	\$ 3,077,422	\$ -	\$ 3,077,422
Interest payable	-	-	-	-	-	-	2,124,985	2,124,985
Retainage payable	-	-	-	-	-	-	940,797	940,797
Unearned revenue	338,286	-	-	-	-	338,286	(338,286)	-
Loans payable								
Due within one year	-	-	-	-	-	-	1,548,306	1,548,306
Due after one year	-	-	-	-	-	-	9,030,906	9,030,906
Bonds payable								
Due within one year	-	-	-	-	-	-	3,410,000	3,410,000
Due after one year	-	-	-	-	-	-	89,466,990	89,466,990
Total liabilities	1,661,133	1,565,908	-	188,667	-	3,415,708	106,183,698	109,599,406
Deferred inflows of resources								
Deferred tax increment revenue	1,357,990	-	-	-	-	1,357,990	(1,357,990)	

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, 2019

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Fund balances								
Nonspendable	\$ -	\$ -	\$ -	\$ 49,059,457	\$ -	\$ 49,059,457	\$ (49,059,457)	
Restricted	-	-	6,829,909	8,718,585	15,535,025	31,083,519	(31,083,519)	
Committed	162,000	3,796,414	170,582	-	-	4,128,996	(4,128,996)	
Assigned	3,501,465	4,407,724	-	-	-	7,909,189	(7,909,189)	
Total fund balances	3,663,465	8,204,138	7,000,491	57,778,042	15,535,025	92,181,161	(92,181,161)	
Total liabilities, deferred inflows of resources and fund balances	\$ 6,682,588	\$ 9,770,046	\$ 7,000,491	\$ 57,966,709	\$ 15,535,025	\$ 96,954,859	\$ -	
Net position								
Net investment in capital assets							\$ 46,192,717	\$ 46,192,717
Restricted								
Debt service							15,535,025	15,535,025
Affordable housing							57,778,042	57,778,042
Capital expenditures							7,000,491	7,000,491
Unrestricted (accumulated deficit)							(76,950,140)	(76,950,140)
Total net position							\$ 49,556,135	\$ 49,556,135

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, 2019

Total fund balance of governmental funds	\$ 92,181,161
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	62,200,682
Other revenues are not available for current period expenditures therefore are deferred in the funds	1,696,276
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(940,797)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(10,579,212)
Tax increment revenue bonds and related interest are not due and payable in the current period and therefore are not reported in the funds	(95,001,975)
Net position of governmental activities	\$ 49,556,135

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, 2019

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues								
Tax increments	\$ 12,007,690	\$ -	\$ -	\$ 1,253,322	\$ 7,372,878	\$ 20,633,890	\$ 1,357,990	\$ 21,991,880
Investment income	101,946	-	201,788	217,261	178,789	699,784	-	699,784
Other revenue	571,450	-	-	-	-	571,450	(2,918,412)	(2,346,962)
Total revenues	12,681,086	-	201,788	1,470,583	7,551,667	21,905,124	(1,560,422)	20,344,702
Expenditures/expenses								
Current								
Administration and support	1,772,912	-	-	177,259	-	1,950,171	-	1,950,171
Municipal service costs agreement	841,499	-	-	-	-	841,499	-	841,499
Depreciation	-	-	-	-	-	-	1,564,873	1,564,873
Amortization of bond premium	-	-	-	-	-	-	(427,048)	(427,048)
Capital outlay	-	8,287,608	-	7,608,077	-	15,895,685	(7,242,772)	8,652,913
Debt service								
Principal payments	109,122	-	9,476,500	-	6,315,000	15,900,622	(15,900,622)	-
Interest charges	97,681	-	523,500	-	4,485,869	5,107,050	(117,949)	4,989,101
Total expenditures/expenses	2,821,214	8,287,608	10,000,000	7,785,336	10,800,869	39,695,027	(22,123,518)	17,571,509
Excess (deficiency) of revenues over expenditures	9,859,872	(8,287,608)	(9,798,212)	(6,314,753)	(3,249,202)	(17,789,903)	17,789,903	
Other financing sources (uses)								
Internal transfers	(9,303,826)	7,691,133	52,304	1,365,637	194,752	-	-	-
Total other financing sources (uses)	(9,303,826)	7,691,133	52,304	1,365,637	194,752	-	-	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	556,046	(596,475)	(9,745,908)	(4,949,116)	(3,054,450)	(17,789,903)	17,789,903	
Change in net position							2,773,193	2,773,193
Fund balances/net position								
Beginning of year	3,107,419	8,800,613	16,746,399	62,727,158	18,589,475	109,971,064	(63,188,122)	46,782,942
End of year	\$ 3,663,465	\$ 8,204,138	\$ 7,000,491	\$ 57,778,042	\$ 15,535,025	\$ 92,181,161	\$ (42,625,026)	\$ 49,556,135

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, 2019

Change in total fund balance of governmental funds	\$ (17,789,903)
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	2,322,245
Depreciation expense	(1,564,873)
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.	
Repayment of bond and loan principal	15,900,622
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	
	427,048
Other revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
	1,357,990
Some expenditures reported in the governmental funds are not reported as expenses in the Statement of Activities as they were reported when the liability was incurred, regardless of the timing of the related cash flow	
	2,120,064
Change in net position of governmental activities	\$ 2,773,193

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. The City appoints voting Board Members and approves the Authority's budget. There are no separate legal entities that are a part of the Authority's reporting entity.

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:

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

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

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

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.

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. TexSTAR and LOGIC use amortized cost to value portfolio assets and follow the criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for use of amortized cost and do not place any limitations or restrictions such as notice periods or maximum transaction amounts on withdrawals.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities and major funds include tax increment receivables and expense reimbursements under executed agreements. The Authority estimates and records an allowance for doubtful accounts based on prior experience. As of June 30, 2019, the Authority believes all receivables are fully collectible and accordingly no allowance has been recorded.

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 and Property Held for Development

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. Property held for development consists of properties to be used for the Affordable Housing Operations Campus (See Note 13).

Capital Assets

In the government-wide financial statements, capital assets are valued at cost, except for donated assets that are recorded at their acquisition value at the date of donation in accordance with GASB 72, *Fair Value Measurement and Application*.

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 39 years; equipment, 3 to 5 years and works of art, 25 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, loan with a financial institution, and loan 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.

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, 2019, the carrying amount of the Authority's deposits was \$12,325,793 and the bank balances totaled \$12,892,401. The Authority's deposits in excess of FDIC insurance totaling \$5,107,731 were adequately collateralized. Cash deposits totaling \$7,534,670, which approximate fair value, represent money market investments in U.S. Government Securities. In addition, the Authority held \$23,666,651 in investment pools at June 30, 2019, which mature in less than one year and are recorded at amortized cost.

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 AAAM 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, 2019 are as follows:

	Cash and Cash Equivalents	Investments	Total
Trustee funds			
Debt service	\$ 7,518,105	\$ -	\$ 7,518,105
Debt service reserve fund	-	7,999,109	7,999,109
Project fund	-	7,000,491	7,000,491
Affordable housing	-	4,588,655	4,588,655
Total trustee funds	7,518,105	19,588,255	27,106,360
Enabling legislation			
Affordable housing	19,266	3,046,009	3,065,275
Total restricted assets	\$ 7,537,371	\$ 22,634,264	\$ 30,171,635

Midtown Redevelopment Authority
Notes to Financial Statements

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Non-depreciable assets				
Land and improvements	\$ 12,945,898	\$ -	\$ -	\$ 12,945,898
Construction in process	2,492,673	2,312,576	-	4,805,249
Depreciable assets				
Works of art	725,778	-	-	725,778
Buildings and improvements	51,054,826	9,669	-	51,064,495
Equipment	58,378	-	-	58,378
Total capital assets	67,277,553	2,322,245	-	69,599,798
Less: accumulated depreciation	(5,834,243)	(1,564,873)	-	(7,399,116)
Government activities - capital assets, net	\$ 61,443,310	\$ 757,372	\$ -	\$ 62,200,682

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

NOTE 7: LOANS PAYABLE

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

Balance at July 1, 2018	\$ 20,164,834
Additions	-
Retirements	(9,585,622)
Balance at June 30, 2019	\$ 10,579,212
Current portion, long-term debt	\$ 1,548,306

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 was December 2017. During the period from the commencement of construction through completion, interest on each developer advance accrued at an interest rate of 4% per annum from the date of the advance and was payable on January 1 and July 1 in accordance with the terms of the agreement. Upon completion of the Garage Structure (December 2017), reimbursement to the Developer began on October 1 of the year following completion and is payable over a period of 13 years. However, as a significant principal payment of approximately \$9.4 million was made during fiscal year 2019, the loan is expected to be paid off in 7 years. The interest rate increased to 7% per annum after the date of completion until full repayment is made on the advance. As of June 30, 2019, the outstanding balance totaled \$9,315,706 and have been included as a loan payable in the Statement of Net Assets.

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, 2019, the outstanding balance on the loan totaled \$1,263,506.

Future minimum payments as of June 30 are as follows:

Fiscal Year Ending	
2020	\$ 1,548,306
2021	2,606,008
2022	1,445,404
2023	1,445,404
2024	1,445,404
2025-2026	2,088,686
Total	\$ 10,579,212

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, 2018	\$ 93,555,000
Additions	-
Retirements	(6,315,000)
<hr/>	
Balance at June 30, 2019	\$ 87,240,000
<hr/>	
Current portion, long-term debt	\$ 3,410,000
<hr/>	

Tax Increment Revenue Bonds at June 30, 2019 consist of the following:

Date Series Issued	Outstanding Balance
2011	\$ 15,575,000
2013	23,325,000
2015	11,280,000
2017	37,060,000
<hr/>	
Total principal payable	87,240,000
Unamortized premium and discount, net	5,636,990
<hr/>	
Total bonds payable	\$ 92,876,990
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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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

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:

Fiscal Year	Principal	Interest	Total
2020	\$ 640,000	\$ 742,188	\$ 1,382,188
2021	1,940,000	708,588	2,648,588
2022	2,010,000	630,988	2,640,988
2023	785,000	545,563	1,330,563
2024	820,000	511,219	1,331,219
2025-2029	4,695,000	1,945,719	6,640,719
2030-2033	4,685,000	635,206	5,320,206
Total	\$ 15,575,000	\$ 5,719,471	\$ 21,294,471

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
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	50,000	1,107,794	1,157,794
2024	25,000	1,106,044	1,131,044
2025-2029	9,855,000	4,854,150	14,709,150
2030-2033	11,995,000	1,712,288	13,707,288
Total	\$ 23,325,000	\$ 12,176,183	\$ 35,501,183

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

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:

Fiscal Year	Principal	Interest	Total
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	2,455,000	314,238	2,769,238
2024	2,535,000	259,000	2,794,000
2025	2,645,000	132,250	2,777,250
Total	\$ 11,280,000	\$ 1,881,802	\$ 13,161,802

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
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	630,000	1,760,875	2,390,875
2024	665,000	1,729,375	2,394,375
2025-2029	3,805,000	8,085,625	11,890,625
2030-2034	1,585,000	7,487,250	9,072,250
2035-2038	29,200,000	4,174,000	33,374,000
Total	\$ 37,060,000	\$ 28,667,250	\$ 65,727,250

Defeased Debt

Certain outstanding revenue and refunding bonds of the Authority have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the Authority's government-wide financial statements. The defeased bonds outstanding at June 30, 2019 considered extinguished related to the Series 2011 bonds and totaled \$1,200,000.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 9: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total
Nonspendable						
Property held for resale or development	\$ -	\$ -	\$ -	\$ 49,059,457	\$ -	\$ 49,059,457
Restricted for						
Capital projects	-	-	6,829,909	-	-	6,829,909
Affordable housing	-	-	-	8,718,585	-	8,718,585
Debt service	-	-	-	-	15,535,025	15,535,025
Committed to						
Loan payments	162,000	-	-	-	-	162,000
Streetscapes and gateways	-	1,928,011	42,598	-	-	1,970,609
Parks	-	1,868,403	127,984	-	-	1,996,387
Assigned to						
FY2020 CIP plan and budget	3,501,465	4,407,724	-	-	-	7,909,189
Total fund balances	\$ 3,663,465	\$ 8,204,138	\$ 7,000,491	\$ 57,778,042	\$ 15,535,025	\$ 92,181,161

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	\$ 10,250,271	\$ (512,514)	\$ 9,737,757
Houston Independent School District (Tax Year 2018 Set Aside)	3,759,967	(2,506,645)	1,253,322
Houston Independent School District	12,894,094	(3,251,283)	9,642,811
Houston Community College System	1,382,990	(25,000)	1,357,990
Total tax increments	\$ 28,287,322	\$ (6,295,442)	\$ 21,991,880

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	\$ 10,250,271	\$ (512,514)	\$ 9,737,757
Houston Independent School District (Tax Year 2018 Set Aside)	3,759,967	(2,506,645)	1,253,322
Houston Independent School District	12,894,094	(3,251,283)	9,642,811
Total tax increments	\$ 26,904,332	\$ (6,270,442)	\$ 20,633,890

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 \$436,000 for the year ended June 30, 2019. At June 30, 2019, approximately \$230,000 was due to the Authority under this contract and is included in other receivables in the accompanying basic financial statements.

The Authority's Executive Director and Board 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.

The Authority provided services to MIDCorp amounting to approximately \$621,000 for the year ended June 30, 2019. At June 30, 2019, approximately \$326,000 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).

Midtown Redevelopment Authority Notes to Financial Statements

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, 2019. HTC remitted \$0 in performance rent to the Authority during fiscal year 2019.

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 2018, the Authority renewed the sub-lease agreement with HTC to lease additional office space under an operating lease arrangement which expires on April 2020. For the fiscal year ended June 30, 2019, rent expense for the office totaled \$72,790.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

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 \$3.9 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.

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 Authority invoices these entities on a quarterly basis for reimbursement of costs incurred under the agreements. The District and the Authority share the same executive director.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

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 installments of \$850,000 and \$750,000 at the completion of the project which is expected to be in fiscal year 2020 and 2021, respectively.

The Center for Civic and Public Policy Improvement Agreements

In April 2016, the Authority entered into a Grant Agreement with The Center for Civic and Public Policy Improvement (CCPPI or the Grantee) for reimbursement of up to \$500,000 for eligible project costs related to the development (Phase I) and implementation (Phase II) of a comprehensive plan to address the development of affordable housing in the target area, as defined in the Agreement (Affordable Housing Plan). In November 2017, the Authority entered into another grant agreement with CCPPI for reimbursement of additional \$500,000 for eligible costs related to the design, engineering and pre-construction work relating to the operations hub (Phase III), as defined in the agreement. In April 2018, the Board approved to increase the grant proceeds for Phase III to \$1,000,000. Reimbursement shall be requested by grantee and the Authority shall submit payment by the 30th of the month in which the reimbursement was requested. As of June 30, 2019, the Authority has paid in full grant proceeds for Phase I, II and III.

In August 2018, the Authority entered into a Construction and Operations Agreement with CCPPI whereas the Authority is responsible for the planning, engineering, development, construction and commissioning of the Affordable Housing Operations Campus (Campus) which consists of a 5-story building (Operations Campus), a 20-unit multi-family affordable housing development (Housing Development) and a parking garage to be located in certain tracts of land owned by the Authority (reported as property held for development in the accompanying basic financial statements). CCIPP shall coordinate, implement and administer the Affordable Housing Plan, as defined in the Initiative Services Agreement. The term of this agreement shall commence in August 2018 and terminate after completion of construction of the Campus which is anticipated to occur in January 2020. The estimated costs of this project is \$28,500,000 and the Authority's commitment is 80% of the estimated project costs, or \$22,700,000. In May 2019, the Authority entered into an interlocal agreement with Old Spanish Trail/Alameda Corridors Redevelopment Authority (OSTAC) to obtain funding for the remaining 20% of the estimated project costs. Subsequent to year-end, in July 2019, the Authority entered into a \$14 million tax-exempt and taxable loan agreement with a financial institution to partially fund the Authority's commitment for the construction of the Campus. Any remaining balance will be paid from future tax increments. Upon completion of the project, it is anticipated that the Authority will enter into a lease agreement with CCPPI for the Operations Campus, will convey the Housing Development to CCPPI and will convey the parking garage to OSTAC.

In July 2018, the Authority also entered into an Initiative Services Agreement with CCPPI for the coordination, implementation and administration of the Affordable Housing Plan. In consideration of the services to be performed by CCPPI, the Authority shall pay \$1,100,000 per year in equal monthly installments based on a mutually agreed upon annual budget reflecting the services to be rendered.



**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, 2019

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 40,836,681	\$ 109,971,064	\$ 69,134,383
Resources			
Incremental property tax revenue	34,859,472	27,169,525	(7,689,947)
Grant proceeds	1,500,000	-	(1,500,000)
Miscellaneous revenue	515,285	571,450	56,165
Other interest income	173,000	699,784	526,784
Total available resources	77,884,438	138,411,823	60,527,385
Expenses			
Maintenance and operations	1,565,725	1,655,562	(89,837)
Project costs and capital expenditures	36,028,619	13,157,223	22,871,396
Special projects as determined by the COH	-	267,350	(267,350)
Debt service	11,024,270	21,007,672	(9,983,402)
Other interfund transfers:			
Affordable housing	1,122,746	-	1,122,746
HISD educational facilities	5,541,746	5,732,927	(191,181)
Municipal services - public safety	781,263	781,263	-
Municipal services - quality of life	492,737	60,236	432,501
Administrative fees	916,474	802,708	113,766
Total expenses	57,473,580	43,464,941	14,008,639
Budgetary fund balance - end of year	\$ 20,410,858	\$ 94,946,882	\$ 74,536,024

See independent auditors' 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, 2019

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 138,411,823
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	(109,971,064)
Budgeted revenues include HISD educational facilities transfers and city administrative charges, while the Authority's funds report revenues net of these transfers	(6,535,635)
<hr/>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	\$ 21,905,124
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Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 43,464,941
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	(152,691)
Land held for sale granted is included as capital outlay expenditures in the funds but are included as capital expenditures for budgetary purposes when acquired	2,918,412
Budgeted expenditures include HISD educational facilities transfers and city administrative charges, while the authority's funds report revenues net of these transfers	(6,535,635)
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Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	\$ 39,695,027
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See independent auditors' report

Midtown Redevelopment Authority Schedule Operating Expenses and Capital Expenditures

For the year ended June 30, 2019

Management Consulting Services	Vendor	Budget	Actual Expenditures	Variance
Administration and Overhead:				
Administration (Salaries, Benefits and Taxes)		\$ 457,650	\$ 339,381	\$ 118,269
Office Expenses (2)	n/a	203,500	192,219	11,281
Midtown Management District	n/a	425,000	435,769	(10,769)
Fourth Ward Redevelopment Authority	n/a	48,000	39,583	8,417
Insurance	Anco-Wessendorff	150,000	155,053	(5,053)
Accounting	Bookkeepers	70,000	60,845	9,155
Accounting (2)	McConnell & Jones LLP	-	16,206	(16,206)
Auditor - Financial	Carr, Riggs & Ingram, LLC	31,875	31,875	-
Bond Services/Trustee	First Southwest	35,000	10,745	24,255
Total Administration and Overhead		1,421,025	1,281,676	139,349
Program and Project Consultants:				
Legal - General Matters	Bracewell LLP, Burney & Foreman	75,000	193,587	(118,587)
Engineering consultants	IDS/Walter P. Moore	60,000	288,149	(228,149)
Construction Audits	Carr, Riggs & Ingram, LLC	9,700	9,500	200
Total Program and Project Consultants		144,700	491,236	(346,536)
Total Management Consulting Services		\$ 1,565,725	\$ 1,772,912	\$ (207,187)
Capital Expenditures				
T-0207 Operating of Zone and Project Facilities				
Construction/maintenance	MIDCorp	\$ 1,017,819	\$ 1,017,819	\$ -
Total Operating of Zone and Project Facilities		1,017,819	1,017,819	-
T-0210 Main Street Enhancements (FTA):				
Design	Design Workshop	600,000	2,050	597,950
Construction and management	SER/IDS/WPM	3,500,000	1,467,598	2,032,402
Other	COH/Reliant	35,900	15,239	20,661
Total Main Street Enhancements		4,135,900	1,484,887	2,651,013
T-0211 HCC Academic Walk Holman (FTA):				
Construction and management	SER	500,000	124,044	375,956
Other	IDS/TLC	10,100	25,942	(15,842)
Total HCC Academic Walk Holman (FTA)		510,100	149,986	360,114

See independent auditors' report

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

For the year ended June 30, 2019

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0204 Enhanced Street Lights		\$ 155,300	\$ -	\$ 155,300
T-0206 South East Neighborhood Street Reconstruction		505,300	-	505,300
T-0214 Caroline Streets @ HCCS (Elgin to Holman)				
Construction		3,200,000	-	3,200,000
Design		250,000	-	250,000
Other	TLC/KCI/COH	160,100	456,300	(296,200)
Total Caroline Streets @ HCCS		3,610,100	456,300	3,153,800
T-0225 Mobility and Pedestrian Improvements				
Planning		30,000	-	30,000
Construction		1,750,000	-	1,750,000
Design	Design Workshop	300,000	155,966	144,034
Other	TGC/WPM/Bracewell	5,300	397,882	(392,582)
Total Mobility and Pedestrian Improvements		2,085,300	553,848	1,531,452
T-0220 Affordable Housing:				
Acquisition		2,000,000	152,691	1,847,309
Planning	CCPI/R. Burroughs/WPM	1,250,000	1,691,291	(441,291)
Design		500,000	-	500,000
Construction		3,000,000	-	3,000,000
Other professionals	Landscape	780,000	3,175,633	(2,395,633)
Total Affordable Housing (1)		7,530,000	5,019,615	2,510,385
T-0221 Midtown Park:				
Construction and management	IDS/Millis/TLC/WPM	6,000,000	3,404,764	2,595,236
Other	COH/McDonald Wessendorf	40,900	132,603	(91,703)
Total Midtown Park		6,040,900	3,537,367	2,503,533
T-0222 Street Overlay Program		550,000	-	550,000
T-0223 Safe Sidewalk Program		260,100	-	260,100
T-0224 HTC Building Maintenance	Various	250,300	35,177	215,123
T-0230 Wheeler SL Pedestrian Enhancements		525,600	-	525,600
T-0235 Public Art		255,300	-	255,300

See independent auditors' report

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

For the year ended June 30, 2019

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0232 Public and Cultural Facilities	MATCH	\$ 1,050,000	\$ 200,000	\$ 850,000
T-0233 Parking Garage - Midtown Park (Super Block)				
Construction and management		1,000,000	-	1,000,000
Design		200,000	-	200,000
Other	COH/Champion Energy/Firetron	270,100	27,886	242,214
Total Parking Garage - Midtown Park (Super Block)		1,470,100	27,886	1,442,214
T-0234 Parks and Open Spaces				
Planning	Design Workshop/TLC/WPM	100,000	20,933	79,067
Construction	B&D Contractors, Inc.	950,000	139,963	810,037
Other		5,300	-	5,300
Total Parks and Open Spaces		1,055,300	160,896	894,404
T-0236 Bagby Park:	Various	760,500	115,529	644,971
T-0239 Brazos Street Reconstruction				
Construction and management		1,010,000	-	1,010,000
Other		20,100	-	20,100
Total Brazos Street Reconstruction		1,030,100	-	1,030,100
T-0240 Real Estate Development		50,000	-	50,000
T-0241 Almeda/Crawford		1,040,100	-	1,040,100
T-0243 Central Bank Plaza		100,000	-	100,000
T-0244 Museum District - Main Street Enhancements		100,000	-	100,000
T-0245 Museum District - Pedestrian Enhancement		100,000	-	100,000
T-0247 I59/69 CAP Park		1,020,500	-	1,020,500
T-0248 Tuam Street		785,000	-	785,000
T-0299 Concrete Panel Replacement Program		35,000	-	35,000
General CIP:				
Design Services	Walter P. Moore	-	85,833	(85,833)
Design Services	IDS Engineering Group	-	148,166	(148,166)
Other Consultants	One World Strategy Group, LLC	-	141,180	(141,180)
Other Consultants	Design Workshop	-	4,087	(4,087)
Other Consultants	Ford Momentum	-	40,350	(40,350)
Other Consultants	A.O. Phillis & Associates	-	126,833	(126,833)
Total General CIP		-	546,449	(546,449)
Total Capital Expenditures		\$ 36,028,619	\$ 13,305,759	\$ 22,722,860

See independent auditors' report

Midtown Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
For the Period December 29, 1995 (Date of Inception) through June 30, 2019

Budget Line Item	Budgeted Expenditures (a)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2018	Actual Expenditures for the Year Ended June 30, 2019 (c)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2019	Variance to Budget
Non-Educational Project Costs					
Infrastructure improvements:					
Roadway and utility system improvements:					
Streets and utilities	\$ 84,063,856	\$ 33,898,072	\$ 1,856,803	\$ 35,754,875	\$ 48,308,981
Streetscape and gateways	40,773,654	40,300,244	310,882	40,611,126	162,528
Public infrastructure	42,000,000	33,815,796	6,067,959	39,883,755	2,116,245
Total infrastructure improvements	166,837,510	108,014,112	8,235,644	116,249,756	50,587,754
Other project costs:					
Real property assembly	25,533,106	13,228,900	603,155	13,832,055	11,701,051
Professional services	6,966,225	6,823,698	181,530	7,005,228	(39,003)
Historic preservation	139,992	139,992	-	139,992	-
Parks and recreational facilities	28,903,004	28,378,194	115,528	28,493,722	409,282
Safety and security infrastructure	1,576,262	-	-	-	1,576,262
Remediation	4,393,956	-	-	-	4,393,956
Cultural and public facilities	11,633,276	3,942,454	253,204	4,195,658	7,437,618
Total other project costs	79,145,821	52,513,238	1,153,417	53,666,655	25,479,166
Affordable housing	164,840,659	93,573,943	5,019,615	98,593,558	66,247,101
Financing costs (b)	69,507,011	56,628,127	4,367,919	60,996,046	8,510,965
Zone administration	20,286,136	15,099,322	815,824	15,915,146	4,370,990
Educational Project Costs					
Education project costs	83,770,000	54,743,623	5,732,928	60,476,551	23,293,449
Total project plan	\$ 584,387,137	\$ 380,572,365	\$ 25,325,347	\$ 405,897,712	\$ 178,489,425

(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, 2019, does not include the repayment of bond and note principal payments in the amount of \$6,315,000.

(c) Expenditures are reported on the accrual basis.

See independent auditors' report

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

June 30, 2019

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	-
MRA 013	39,880
MRA 014	51,445
MRA 015	22,845
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	-
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

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 043	\$ 97,118
MRA 044	143,750
MRA 045	76,627
MRA 046	66,995
MRA 047	47,201
MRA 048	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	-
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

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 092	\$ 47,006
MRA 093	58,694
MRA 094	54,141
MRA 095	169,777
MRA 096	112,485
MRA 097	-
MRA 098	-
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	-
MRA 118	-
MRA 119	43,900
MRA 120	466,009
MRA 121	93,114
MRA 122	67,347
MRA 123	52,019
MRA 124	45,015
MRA 125	46,632
MRA 126	46,937
MRA 127	52,803
MRA 128	52,147
MRA 129	52,745
MRA 130	52,560
MRA 131	53,970
MRA 132	55,800
MRA 133	55,800
MRA 134	55,705

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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	-

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

<i>June 30, 2019</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	-
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

See independent auditors' report

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

<i>June 30, 2019</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	-
MRA 278	55,922
MRA 279	141,072
MRA 280	82,298
MRA 281	-
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	-
MRA 294	-
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	-
MRA 305	-
MRA 306	90,922
MRA 307	75,643
MRA 308	129,598
MRA 309	63,668
MRA 310	139,793

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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	-
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	-
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

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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	-
MRA 412	66,963
MRA 413	-
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	-
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, 2019</i>	Total Value
Purchased Properties - Affordable Housing (Continued):	
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
MRA 446	47,500
MRA 447	-
MRA 448	62,700
MRA 449	105,000
MRA 450	60,000
MRA 451	67,710
MRA 452	75,000
MRA 453	32,055
MRA 454	105,000
MRA 455	105,000
MRA 456	297,399
MRA 457	390,048
MRA 458	344,324
MRA 459	69,679
MRA 460	54,407
MRA 461	54,907
MRA 462	106,157
MRA 463	54,403
MRA 464	105,653
MRA 465	260,417
MRA 466	213,157
MRA 467	79,782
MRA 468	54,157
MRA 469	79,677
MRA 470	54,157
MRA 471	100,077
MRA 472	54,407
MRA 473	54,407
MRA 474	64,657
MRA 475	74,289

See independent auditors' report

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

<i>June 30, 2019</i>	Total Value
<hr/>	
Purchased Properties - Affordable Housing (Continued):	
MRA 476	\$ 541,257
MRA 477	57,461
MRA 478	57,356
MRA 479	55,336
MRA 480	152,691
<hr/>	
Total Purchased Properties - Affordable Housing	46,846,377
Costs associated with pending properties and other general costs not allocated to specific properties	214,047
<hr/>	
Total land held for resale - affordable housing	\$ 47,060,424
<hr/> <hr/>	

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**Midtown Redevelopment Authority
Schedule of Capital Assets**

June 30, 2019

<u>Property</u>	<u>Net Book Value</u>
Houston Technology Center	\$ 3,013,016
JPI Park Land	736,911
Bagby Park	2,591,578
Walgreens/Lui Park Land	141,000
Houston Muesum of African American Culture	1,726,830
Midtown Park Land and Improvements	53,991,347
<u>Total capital assets</u>	<u>\$ 62,200,682</u>

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APPENDIX C

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

BRACEWELL LLP
711 LOUISIANA, SUITE 2300
HOUSTON, TEXAS 77002

BURNEY & FOREMAN
5445 ALMEDA, SUITE 400
HOUSTON, TEXAS 77004

[CLOSING DATE]

We have acted as co-bond counsel to the Midtown Redevelopment Authority, a local government corporation, (the “Issuer”) in connection with the issuance and sale of the bonds more fully described as follows:

MIDTOWN REDEVELOPMENT AUTHORITY TAX INCREMENT
CONTRACT REVENUE REFUNDING BONDS, SERIES 2020, (the “Bonds”)
dated as of March 1, 2020 in the aggregate principal amount of \$11,085,000.

The Bonds are being issued pursuant to the terms of an Amended and Restated Indenture of Trust, dated as of September 1, 2003, as supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of July 1, 2005 (collectively, the “Indenture”), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., successor in interest to JPMorgan Chase Bank, N.A. (the “Trustee”), and that certain bond resolution adopted on January 30, 2020 (the “Bond Resolution”) and the pricing certificate executed pursuant thereto (the “Pricing Certificate” and together with the Bond Resolution, the “Resolution”). Terms not otherwise defined herein shall have the meanings given to such terms in the Indenture or the Resolution.

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and the security therefor and with respect to the excludability of interest on the Bonds from gross income for federal tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority’s Preliminary Official Statement and Official Statement have been limited as described therein.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the outstanding bonds being refunded (the “Refunded Bonds”) by the proceeds of the Bonds, on which we have relied on giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; a Deposit Letter Agreement between the Issuer and The Bank of New York Mellon Trust Company, N.A., as the paying agent (the “Paying Agent”) and Trustee of the Refunded Bonds; the certificate of the Paying Agent and Trustee certifying as to the sufficiency of the deposits made under the Deposit Letter Agreement for the Refunded Bonds; customary certificates of officers, agents and representatives of the Issuer, the Reinvestment Zone Number Two, City of Houston, Texas, the City of Houston, Texas, the Issuer’s financial advisor, the Paying Agent and Trustee, and others; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We also

have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Indenture and the Resolution, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination, it is our opinion that:

1. The Indenture and Resolution have been duly authorized by the Issuer, have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer. By the terms of the Indenture, all of the Issuer's right, title, and interest in and to the amounts required from time to time to be deposited in or credited to the account of the Pledged Revenue Fund, the Debt Service Fund, the Reserve Fund, and the Project Fund, together with any investments and reinvestments thereof, have been assigned to the Trustee.

2. The Bonds have been duly authorized, executed, issued and delivered by the Issuer, are the legal and valid obligations of the Issuer and are entitled to the benefits and security of the Indenture. The Bonds are not general obligations of the City or of any other entity. The Bonds, together with any Outstanding Parity Bonds heretofore issued and any Additional Parity Bonds hereafter issued, are equally and ratably payable by the Issuer out of the Pledged Revenues as set forth in the Indenture and the Resolution.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Deposit Letter Agreement, and, therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Deposit Letter Agreement.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or

[CLOSING DATE]

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any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Indenture and the Resolution, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.