

NOTICE OF PUBLIC HEARING OF THE MIDTOWN MANAGEMENT DISTRICT TO CONSIDER: 1) THE ADVISABILITY OF IMPROVEMENT PROJECTS AND SERVICES; AND 2) APPROVING THE ASSESSMENT PLAN, ASSESSMENT ROLL, AND THE LEVY OF ASSESSMENTS ON PROPERTY WITHIN THE DISTRICT

DATE: Wednesday, October 28, 2015
TIME: 6:30 p.m.
PLACE: Houston Community College
Central Hub Building
300 Holman Street
Houston, Texas 77004

GENERAL NATURE OF THE PROPOSED IMPROVEMENTS AND SERVICES:

The Midtown Management District was created to provide services and improvements in the Midtown area of the City of Houston, Texas, as authorized by House Bill 2894, 76th Legislature, Regular Session, 1999, and is governed by Chapter 375, Texas Local Government Code, and 3809 Texas Special Districts Local Laws Code. The District proposes that assessments for services and improvements be levied over a ten-year period for the Service and Improvement Plan and Assessment Plan (the "Plan") as allowed in the Plan. The first assessment would be levied in 2015 for services to commence in 2016. Funds received from this assessment will be used to provide services and improvements for the following:

1. **Public Safety** - To maintain and improve community safety for our residents, businesses and visitors.
2. **Urban Planning** – To enhance the urban, mixed-use, vibrant character of Midtown’s built environment.
3. **Services and Maintenance** – To enhance the District’s pedestrian nature, viability, and image by providing well-maintained public spaces and public right-of-ways.
4. **Cultural Arts and Entertainment** – To develop, encourage, coordinate, produce and promote cultural arts and entertainment in Midtown.
5. **Marketing and Economic Development** – To provide residents and business owners the opportunity to foster community spirit with events and marketing strategies which bring the public and private sectors together in a partnership that communicates the positive aspects of living and working in Midtown. To implement programs to (i) enhance the development and diversity of the economy within the District, (ii) eliminate unemployment or underemployment in the District, and (iii) enhance commerce, tourism and transportation in the District and surrounding areas.
6. **Capital Reserve for Infrastructure Replacement** – To appropriately plan for the replacement of various infrastructure enhancements, parks and open space improvements and other assets that are maintained by the District and which promote the health, safety, welfare and enjoyment of the District’s property owners, residents and businesses. Some of the items may require replacement as their useful life expires or in the event of damage or destruction resulting from unforeseen extraordinary circumstances.

7. **District Administration** – To effectively and efficiently administer the activities of the District and implement the Plan under the direction of the Board of Directors (the “Board”).

ESTIMATED COST OF THE PROPOSED SERVICES AND IMPROVEMENTS:

The cost of the services to be provided is estimated to average \$3,008,300 annually and be \$30,083,000 over the ten-year period of the Plan.

PROPOSED METHOD OF ASSESSMENT:

Under the Plan, the District will assess the land and improvements of property owners within the District’s boundaries to provide funding for the projects within the major areas of service outlined. The assessment for each year of the Plan may not exceed \$0.15 for each \$100 of value based on the taxable property value as certified by the Harris County Appraisal District ("HCAD") with respect to that calendar year. Services and improvements are intended to be provided on a pay-as-you-go basis with assessments made to fund projects. If the Board determines that projects are needed which cannot be financed on this basis, the Board may authorize bonds or other debt financing after calling a public hearing regarding the financing options.

MORE DETAILED INFORMATION ON THE SERVICE AND IMPROVEMENT PLAN:

Property Subject to Assessment. The property subject to assessment will be taxable non-excluded properties within the boundaries of the District. The following property will be exempt from assessment: property of municipalities, counties, other political subdivisions, property owned by entities exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, property owned by a church or strictly religious society which yields no revenue and which is used as a place of religious worship or a dwelling for the ministry of the entity, property owned by an association engaged in promoting the religious, educational, and physical development of children or young people operating under a state or national organization of like character and used exclusively for such purpose, property owned by public utilities, recreational property or scenic use property that meets the requirements of Section 375.163, Texas Local Government Code and other property exempt from assessment by the Act creating the District, as the Act may be amended. The Board has granted homestead, age 65 or older and disabled exemptions for properties subject to assessment in the past and expects to continue to grant such exemptions during the term of the Plan.

Annual Budgets and Assessment Rates. The Board will annually evaluate the need for and advisability of the services authorized under the Plan to determine the specific projects within the Plan that will be undertaken the following year. The Board will then set and approve a budget for the following year consistent with the annual plan, taking into consideration the value of the property subject to assessment and the revenue that the assessment rate will produce.

As the Plan is ten years in length, it is probable that the service needs in each of the major categories will change, particularly as District objectives are met. Therefore, the Plan allows the Board the flexibility to apply the assessment revenue to the major categories of services in varying percentages.

The District proposes to set the rate of assessment at an amount not to exceed \$0.15 per \$100 valuation for each year of the Plan based on the taxable property value as certified by HCAD with respect to that calendar year. The assessment will be made after the District’s tax rolls are certified by HCAD each year to generate funds for implementation of the Plan in the following year. The assessment roll will be revised and amended as necessary to accommodate certified valuation changes or additions made by HCAD from time to time. This would mean that a property subject to assessment valued by HCAD at \$1

million in any given year would pay an assessment of \$1,500 to fund projects in the following year if the rate of assessment were \$0.15 per \$100 valuation.

Assessment Rate Increases. Pursuant to the Plan, the Board may vary the rate of assessment each year. The Board reserves the right to increase or decrease the rate of assessment to pay the costs of improvement projects; provided that the rate of assessment may not exceed \$0.15 per \$100 of valuation. The Board reserves the right, and intends at this time, to set the assessment rate at a rate lower than the maximum rate that can be set during the Plan.

Basis for Assessment. In each year of the Plan, the assessment will be based on the HCAD certified taxable value for each property in such year as established by HCAD. This means that an individual property owner's assessment may vary each year.

New Construction. New construction so designated by HCAD and any property annexed into the District, if any, will be added to the assessment roll at the value set by HCAD. The Board will prepare a supplemental assessment roll for such property and levy assessments on such property for the specific benefits to be received by the services and improvements to be provided by the District. Such new construction in the District and annexations, if any, will generate new revenue. Over the years, it will also be necessary for the Board of Directors to consider the effects of inflation and to factor it into the District's budgets. If inflation remains low or values increase, the Board anticipates the growth in assessment revenue from new construction will cover inflation during the ten-year period and allow the District to provide most, if not all, of the services contemplated hereunder. If revenues exceed projections, the Board may allocate those additional revenues to each program category.

Assessments would become due and payable and become delinquent and incur penalties and interest in accordance with the provisions relating to ad valorem taxation contained in the Texas Tax Code. Assessments will also be subject to the recapture provisions, which apply to change in use of agricultural land in accordance with the Texas Tax Code.

The delivery of the services and improvements is anticipated to add value to all properties within the District. The District property owners will be able to collectively leverage greater resources, resulting in increased levels of service and an enhanced public awareness and image for the District. An improved District benefits property owners directly and also the Houston metropolitan region at large. A boundary map of the District is attached to the Plan.

EXEMPT PROPERTY:

The following types of property will be exempt from assessment unless the owner consents to the assessment: (1) property of municipalities, counties or other political subdivisions; (2) property owned by organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; (3) property owned by a church or by a strictly religious society which yields no revenue to such church or religious society and which is used as a place of religious worship or as dwelling for the ministry of such church or religious society; (4) property owned by an association engaged in promoting the religious, educational and physical development of children or young men or young women operating under a state or national organization of like character and used exclusively and necessarily for any such purpose; (5) property of a public utility; (6) recreational or scenic use property that meets the requirements of Chapter 375.163, Texas Local Government Code, as amended; and (5) all other property exempt from assessment by virtue of the Special Act creating the District. If you are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code, please send a copy of such designation to Equi-Tax, Inc. at P.O. Box 73109, Houston, Texas 77273.

All residents and property owners within the District and all other interested persons are hereby invited to appear in person, or by their attorney, and contend for or contest the assessment plans of the District, the proposed improvement projects and services, the proposed assessment roll of the District, and each proposed assessment, and offer testimony pertinent to any issue presented on the amount of the assessments, purpose of the assessments, special benefits of the assessments, and the penalties and interest on delinquent assessments. Oral or written objections to the District's proposed improvement projects and services, assessment plans, assessment rolls and the levy of assessments as to any parcel in the District will be considered at the hearing.

For further information, please call Cynthia Alvarado for the District, at (713) 526-7577.