



Downtown
Redevelopment
Authority

Board of Directors Meeting
November 12, 2024

Tax Increment Reinvestment Zone, Number Three
City of Houston

Board of Directors Meeting November 12, 2024

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**MINUTES OF THE REGULAR MEETING
OF THE
DOWNTOWN REDEVELOPMENT AUTHORITY**

September 24, 2024

The Board of Directors (the "Board") of the Downtown Redevelopment Authority (the "Authority") convened in regular session, in person and open to the public, inside the H-Town Conference Room at the Authority's office, located at 1221 McKinney Street, Suite 4250, Houston, TX 77010, on September 24, 2024, and the roll was called of the duly constituted officers and members of the Board, to wit:

Curtis Flowers	Chair
Michele Sabino	Vice Chair
Barry Mandel	Secretary
Keith Hamm	Treasurer
Regina Garcia	Director
James Harrison	Director
Kirby Liu	Director
Tiko Reynolds-Hausman	Director
William Taylor	Director

and all of said persons were present except for Secretary Mandel. Also attending were Allen Douglas, Executive Director ("ED"); Kris Larson, President; Jana Gunter, Director of Finance, all with the Authority; and staff members Brett DeBord, David Fields, Jacque Gonzalez, Cassie Hoeprich, Jamie Perkins, Albert Sanchez, Ann Taylor, and Candace Williams, all with the Authority; Algenita Davis, consultant to the Authority; and Clark Lord with Bracewell, outside counsel to the Authority. Lt. Jennifer Kennedy with HPD as well as Dr. Loren Blanchard, Dr. Deborah Bordelon, and Kim Lambert-Thomas, all with the University of Houston Downtown; were invited to share updates and presentations. There were no attendees from the public.

DETERMINE QUORUM; CALL TO ORDER

Chair Flowers conducted a roll call, and a quorum was established. The meeting was called to order at 12:06 PM.

INTRODUCTIONS AND PUBLIC COMMENTS

Chair Flowers asked if anyone wished to make a public comment. No public comments were presented.

MINUTES OF PREVIOUS MEETING

The Board considered approving the minutes of the June 11, 2024 and August 13, 2024 regular joint board meetings. Chair Flowers asked the Board for questions or revisions.

A revision to the June 11th minutes was requested. On page 10 of the board packet, the name "David Cisneros" should read "David Fields". This change was notated and will be reflected in the final June 11th minutes.

Chair Flowers called for a motion, moved by Vice Chair Sabino; seconded by Treasurer Hamm; and the minutes of the June 11, 2024 regular joint board meeting were approved as revised; and the minutes of the August 13, 2024 regular joint board meeting were approved as presented.

FINANCE MATTERS

Check Registers - June, July & August 2024

Chair Flowers asked Jana Gunter to provide updates from finance and administration. Ms. Gunter shared highlights from the check registers for the months ending June 30, July 31 and August 31, 2024. She then asked if there were any questions or comments. There were no questions or comments.

A motion to accept the June, July and August check registers was entertained by Chair Flowers; moved by Director Harrison, seconded by Director Garcia, and check registers for the months June, July and August were accepted as presented.

Financial Statements – 4Q / FY24

Ms. Gunter was invited to continue and presented a summary of the 4Q / FY24 Financial Statements. She shared statement highlights, then called for questions or comments. Questions were asked and answered.

A motion to accept the 4Q / FY24 Financial Statements was called by Chair Flowers; moved by Director Harrison, and seconded by Treasurer Hamm, and 4Q / FY24 Financial Statements were accepted as presented.

Investment Report – 4Q / FY24

Ms. Gunter concluded by providing a review of the 4Q / FY24 Investment Report. No questions were asked, and discussion did not take place.

Chair Flowers called for a motion to accept the 4Q / FY24 Investment Report; moved by Director Harrison, and seconded by Treasurer Hamm, and the 4Q / FY24 Investment Report was accepted as presented.

MUNICIPAL SERVICE INITIATIVES UPDATE

ED Douglas opened discussion and invited Lt. Kennedy to share a presentation containing updates to recent municipal service initiatives. Details were shared in the following HPD focus areas, which demonstrate improvements in the overall safety and reduction of criminal activity in downtown: (i) civility enforcement efforts; (ii) BMV auto thefts; and (iii) the efforts to increase education and safe use of electric scooters and patrols to reduce street racing. Discussion ensued, and questions were asked and answered. Action from the Board was not required.

DOWNTOWN LAUNCHPAD 2.0 – UPDATES & PRESENTATION

ED Douglas was invited to open this topic. He offered a brief overview of the Downtown Launch Pad's history, then introduced guests attending from the University of Houston Downtown ("UHD"). Dr. Loren Blanchard and his team presented information highlighting the opportunities ahead for both UHD and for downtown, which included plans to utilize and occupy the building's 10th floor space. Discussion ensued and questions were asked and answered. No further action was required.

PEDESTRIAN LIGHTING PROJECT & ACTION ITEM (POLK & TEXAS)

Next, Chair Flowers called on Cassie Hoeprich to share a presentation about a potential pedestrian lighting project, along with its related action item.

Ms. Hoeprich shared a slide deck, then presented a request to advance the curation and installation of permanent overpass light art beneath the overpasses at Polk & Texas Streets, in an amount not to exceed \$600,000. Questions were raised and answered, and discussion ensued.

Chair Flowers called for a motion, moved by Director Harrison and seconded by Treasurer Hamm, and the Board approved the request to advance the permanent overpass light art project, as presented.

MURAL LIGHTING GRANT PROGRAM & ACTION ITEM

Chair Flowers called on Jacque Gonzalez to introduce this item. She shared a presentation in support of establishing and implementing a mural lighting grant program, which would provide illumination to the building art murals located throughout downtown.

Ms. Gonzalez concluded with an ask to advance the proposed grant program and its related expenditure in an amount not to exceed \$250,000. Questions were asked and answered, then discussion ensued.

A motion was called, moved by Director Taylor; seconded by Director Harrison; and the Board approved the establishment and implementation of a mural lighting grant program and its related expenditure, as presented.

STRATEGIC ALIGNMENT UPDATES

President Larson was invited to share the latest updates regarding the cross-organizational Strategic Alignment goals. Questions were not asked, and discussion did not occur. Action from the Board was not required.

OTHER BUSINESS

Chair Flowers asked if there was any further business to be discussed. No additional business was brought forth for discussion.

NEXT MEETINGS

Chair Flowers announced the next Board meeting will take place on Tuesday, October 8, 2024 at 12:00 PM.

He then reminded the Board of the upcoming Central Houston State of Downtown/Annual Meeting scheduled for Wednesday, October 16th beginning at Noon at the Hilton Americas Hotel.

ADJOURN BOARD MEETING

Lastly, Chair Flowers concluded and called for a motion to adjourn the regular Board meeting; moved by Director Harrison; seconded by Treasurer Hamm; and the September Board meeting was adjourned at 1:29 PM.

Barry Mandel, Secretary
Downtown Redevelopment Authority ("Authority")

**MINUTES OF THE REGULAR MEETING
OF THE
TAX INCREMENT REINVESTMENT ZONE NUMBER THREE**

September 24, 2024

The Board of Directors (the "Board") of the Tax Increment Reinvestment Zone Number Three (the "Zone") convened in regular session, in person and open to the public, inside the H-Town Conference Room at the Zone's office, located at 1221 McKinney Street, Suite 4250, Houston, TX 77010, on September 24, 2024, and the roll was called of the duly constituted officers and members of the Board, to wit:

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Barry Mandel, Secretary
Tax Increment Reinvestment Zone Number
Three ("Zone")

Check register for Sept 2024



- Total checks issued in Sept 2024 were \$1.9M
 - HM Market Square, LLC
 - DLI Y23 Tax Rebate - \$416,720
 - SPUS HSTN South Tower, LP
 - DLI Y23 Tax Rebate - \$311,954
 - SPUS HSTN North Tower, LP
 - DLI Y23 Tax Rebate - \$310,977
 - JW Marriott Houston Downtown
 - DLI Y23 Tax Rebate - \$264,770
 - Central Houston Civic Improvement
 - NHHIP - \$250,000
 - Houston Downtown Management District
 - Maintenance Agreement - \$148,708
 - Walter P Moore
 - More Space Main Street 2.0 - \$143,930

Check register for Oct 2024



- Total checks issued in Oct 2024 were \$2.8M
 - City of Houston, reissued check
 - Shared Sacrifice - \$980,000
 - HPD Supplemental - \$933,825
 - Walter P. Moore
 - More Space Main Street 2.0 Design - \$906,986



Statement of Net Position, Sept 30, 2024

Assets

- Cash and Investments are \$33.8M
- Other Receivables – \$6.6M
 - Y24 Tax Increment Due
- Accounts Payable & Accrued Expense are \$4.3M.
 - DLI and Economic Development Grants outstanding \$3.2M
 - Accounts Payable - \$911K – includes \$907K to Walter P. Moore
 - Due to/Due From Affiliates - \$207K – Admin Contractor \$206K
- Bonds Payable due Aug 2025 – \$2.64 million



Statement of Activities, Sept 30, 2024

- Total Revenues of \$8.3M is \$222K less than budget due to earning more interest income than forecasted.
- Project Costs are \$1.6M, \$2.4M under budget due to funds not yet expended in FY2025.
 - Downtown Living Initiative 2.0 of \$761K
 - Targeted Blight Remediation of \$486K
 - Pedestrian Lighting Improvements of \$365K
 - Undesignated Project of \$250K
 - Montrose Bridge at Allen Parkway of \$236K
 - Trebly Park of \$235K
 - NHHIP of \$46K



Cash & Investments, Sept 30, 2024

- Cash balance - \$635,896
- Investment Funds
 - Logic Increment - \$18.9 million
 - Texas Class - \$8.8 million
- Debt Service
 - Morgan Stanley Investment Fund
 - Debt Service - \$949,800
 - Bond Reserve - \$4.4 million
 - Bank of New York Mellon
 - Pledged Funds - \$5,541

Check register
 SEPTEMBER 2024

DRA--Main Street Market Sq Redevelopment Auth

Date	Vendor	Amount
Account no: 515270879		
9/4/2024	VEN-00609--JW Marriott Houston Downtown	264,770.00
9/4/2024	VEN-00608--Summit Hospitality 173, LLC	25,983.00
9/6/2024	VEN-00028--Carr Riggs & Ingram	18,500.00
9/16/2024	VEN-00618--HM Market Square, LLC	416,720.00
9/18/2024	VEN-00021--Bracewell	1,250.00
9/18/2024	VEN-00539--Walter P Moore	143,930.45
9/20/2024	VEN-00031--Central Houston Civic Improvement	250,000.00
9/20/2024	VEN-00092--Houston Downtown Management District	148,708.13
9/20/2024	VEN-00622--SPUS9 HSTN North Tower, LP	310,977.00
9/20/2024	VEN-00620--SPUS9 HSTN South Tower, LP	311,954.00
		1,892,792.58

Check register

October 2024

DRA--Main Street Market Sq Redevelopment Auth

Date	Vendor	Document no.	Amount
Account no: 515270879			
10/1/2024	VEN-00539--Walter P Moore		463,559.08
10/7/2024	VEN-00036--City of Houston	1013	1,913,825.00
10/15/2024	VEN-00017--Bee-line Delivery Service		31.40
10/15/2024	VEN-00619--Bracewell LLP		2,525.00
10/15/2024	VEN-00032--Central Houston, Inc		3,500.00
10/15/2024	VEN-00539--Walter P Moore		443,426.53
			2,826,867.01

Downtown Redevelopment Authority
Statement of Net Position
September 30, 2024 and September 30, 2023

	<u>09/30/24</u>	<u>09/30/23</u>
Assets		
Cash	\$ 635,896	\$ 260,448
Investments - Debt Service	5,378,337	6,122,189
Investments - General	27,773,809	19,400,643
Tax Increments Receivable	6,556,063	6,280,919
Other Receivables & Prepaid Expenses	138,666	415,142
Capital Assets, Net	9,854,475	10,442,632
Cost of Issuance	319,766	349,980
Total Assets	<u>\$ 50,657,012</u>	<u>\$ 43,271,953</u>
Liabilities		
Accounts Payable & Accrued Expenses	\$ 4,282,166	\$ 3,002,252
Accrued Interest Payable	149,096	158,847
Lease Liabilities Due in One Year	332,770	309,168
Lease Liabilities Due After One Year	10,116,722	10,559,425
Bonds Payable Due in One Year	2,635,000	2,340,000
Bonds Payable Due After One Year	37,306,567	40,164,708
Total Liabilities	<u>54,822,321</u>	<u>56,534,401</u>
Net Position		
Net Position	(4,165,309)	(13,262,448)
Total Liabilities & Net Position	<u>\$ 50,657,012</u>	<u>\$ 43,271,953</u>

Downtown Redevelopment Authority
Statement of Activities
For the First Quarter ended September 30, 2024

	2025 1Q Actual	2025 YTD Actual	2025 1Q Budget	Fav (Unfav) Variance
Revenues				
Tax Increments	\$ 7,828,162	\$ 7,828,162	\$ 7,828,162	-
Other Revenues	146	146	-	146
Interest Income	472,091	472,091	250,000	222,091
Total Revenues	\$ 8,300,399	\$ 8,300,399	\$ 8,078,162	\$ 222,237
Transfers				
Administrative Fees	301,849	301,849	301,849	-
HISD Adjustment	1,159,994	1,159,994	1,159,994	(0)
	1,461,843	1,461,843	1,461,843	(0)
Net Revenues	\$ 6,838,555	\$ 6,838,555	\$ 6,616,319	\$ 222,236
Expenses				
Project Costs	1,644,266	1,644,266	4,039,976	2,395,711
Municipal Services	-	-	-	-
Professional Fees	26,696	26,696	25,000	(1,696)
Administrative Contractor	88,027	88,027	191,271	103,244
Insurance	825	825	-	(825)
Office Expense	8,236	8,236	5,000	(3,236)
Interest Expense - Bonds	412,503	412,503	397,878	(14,625)
Cost of Issuance	63,924	63,924	7,554	-
Total Expenses	\$ 2,244,476	\$ 2,244,476	\$ 4,666,679	\$ 2,478,573
Change in Net Position	4,594,080	4,594,080	1,949,640	2,644,440
Net Position Beginning of Year		(8,759,389)	(8,759,389)	-
Net Position End of Period		\$ (4,165,309)	\$ (6,809,749)	\$ 2,644,440

Downtown Redevelopment Authority
Statement of Activities
For the First Quarter ended September 30, 2024 and September 30, 2023

	2025	2024	Fav (Unfav)
	YTD Actual	YTD Actual	Variance
Revenues			
Tax Increments	\$ 7,828,162	\$ 7,724,396	103,766
Other Revenues	146	-	146
Interest Income	472,091	373,721	98,370
Total Revenues	\$ 8,300,399	\$ 8,098,117	\$ 202,282
Transfers			
Administrative Fees	301,849	298,476	(3,373)
HISD Adjustment	1,159,994	1,145,001	(14,993)
	<u>1,461,843</u>	<u>1,443,477</u>	<u>(18,366)</u>
Net Revenues	\$ 6,838,555	\$ 6,654,640	\$ 183,915
Expenses			
Project Costs	1,644,266	1,005,463	(638,803)
Municipal Services	-	-	-
Professional Fees	26,696	29,810	3,114
Administrative Contractor	88,027	303,476	(215,449)
Insurance	825	1,504	(679)
Office Expense	8,236	6,240	1,996
Interest Expense - Bonds	412,503	426,148	(13,645)
Cost of Issuance	63,924	7,554	56,370
Total Expenses	\$ 2,244,476	\$ 1,780,195	\$ (807,097)
Change in Net Position	4,594,080	4,874,445	(623,181)
Net Position Beginning of Year	(8,759,389)	(18,136,893)	9,377,504
Net Position End of Period	\$ (4,165,309)	\$ (13,262,447)	\$ 8,754,323

Downtown Redevelopment Authority
Project Cost Detail
For the First Quarter ended September 30, 2024

	2025 YTD Actual	2025 YTD Budget	Fav (Unfav) Variance
Project Costs			
Capital Improvement Projects			
More Space Main Street 2.0	\$ 1,079,548	\$ 1,018,792	\$ (60,756)
Downtown Living Initiative 2.0	-	760,625	760,625
Allen Parkway	-	-	-
Trebly Park	189,634	424,180	234,546
Market Square Park	-	37,665	37,665
NHHIP Civic Opportunities	63,319	109,500	46,181
Montrose Bridge at Allen Parkway	23,389	259,501	236,111
Targeted Blight Remediation	13,790	500,000	486,210
Pedestrian Lighting Improvements	27,287	392,214	364,927
Undesignated	-	250,000	250,000
Total Capital Improvement Projects	\$ 1,396,968	\$ 3,752,476	\$ 2,355,508
Future Project Costs	-	-	-
Buffalo Bayou Park	-	-	-
806 Main/JW Marriott	93,480	-	(93,480)
Hotel Alessandra	-	-	-
Holiday Inn/Savoy Hotel	-	-	-
723 Main/AC Hotel	(4,521)	-	4,521
Downtown Living Initiative	-	25,000	25,000
Economic Development/Retail Program	28,091	125,000	96,910
Texaco Building/The Star	-	-	-
SkyHouse Houston	-	-	-
Fairfield Block 334	-	-	-
Hines Market Square	-	-	-
Market Square Tower	-	-	-
SkyHouse Main	-	-	-
Fairfield Residential	-	-	-
Post HTX	-	-	-
Hike & Bike Trails East of Allens Landing	-	-	-
Downtown Launchpad	130,248	137,500	7,252
Total Developer/Project Reimbursements	\$ 247,298	\$ 287,500	\$ 40,203
Total Project Costs	\$ 1,644,266	\$ 4,039,976	\$ 2,395,711

**DOWNTOWN REDEVELOPMENT AUTHORITY
INVESTMENT REPORT, FIRST QUARTER FYE 2025
FOR THE PERIOD JULY 1, 2024 THROUGH SEPTEMBER 30, 2024**

FUND	BEGINNING BAL. BOOK VALUE	BEGINNING BAL. MARKET VALUE	GAIN (LOSS) TO MARKET FILE	INTEREST EARNED / ACCRUED THIS PERIOD	NET DEPOSITS OR (WITHDRAWALS)	ENDING BALANCE BOOK VALUE	ENDING BALANCE MARKET VALUE	ENDING BALANCE % OF PORTFOLIO	SIMPLE INTEREST YIELD	WT AVG MAT. DAYS
<u>OPERATING</u>										
JP MORGAN CHASE OPERATING	238,107.00	238,107.00	0.00	0.00	397,788.62	635,895.62	635,895.62	1.88%	N/A	1
JP MORGAN CHASE BOND OPERATING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	N/A	1
TOTAL JPM	238,107.00	238,107.00	0.00	0.00	397,788.62	635,895.62	635,895.62	1.88%		
<u>POOLED INVESTMENT FUNDS</u>										
LOGIC INCREMENT	22,068,286.09	22,068,286.09	0.00	242,672.77	(3,424,154.00)	18,886,804.86	18,886,804.86	55.90%	5.3382%	46
TEXAS CLASS	8,767,397.67	8,767,397.67	0.00	119,606.73	0.00	8,887,004.40	8,887,004.40	26.30%	5.3913%	34
TOTAL POOLED	30,835,683.76	30,835,683.76	0.00	362,279.50	(3,424,154.00)	27,773,809.26	27,773,809.26	82.20%		
<u>REPURCHASE AGREEMENTS</u>										
BAYERISCHE LANDESBANK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%		
TOTAL BLB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%		
<u>DEBT SERVICE</u>										
MORGAN STANLEY INVESTMENT FUND	5,669,506.00	5,669,506.00	0.00	52,215.12	(4,771,921.00)	949,800.12	949,800.12	2.81%	3.9582%	1
<u>BOND RESERVE</u>										
MORGAN STANLEY INVESTMENT FUND	4,365,400.00	4,365,400.00	0.00	57,596.62		4,422,996.62	4,422,996.62	13.09%	3.9582%	1
<u>PLEGGED FUNDS</u>										
BANK OF NEW YORK MELLON	8,800.00	8,800.00	0.00	0.00	(3,259.50)	5,540.50	5,540.50	0.02%	N/A	1
<u>PROJECT FUNDS</u>										
BANK OF NEW YORK MELLON	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	N/A	1
TOTAL BNY	10,043,706.00	10,043,706.00	0.00	109,811.74	(4,775,180.50)	5,378,337.24	5,378,337.24	15.92%		
GRAND TOTAL	41,117,496.76	41,117,496.76	0.00	472,091.24	(7,801,545.88)	33,788,042.12	33,788,042.12	100%		

AGENDA ITEM	FY24 Audit Report
FIRM	Carr, Riggs & Ingram, LLC
REQUEST	Review and discuss the current draft of the FY24 Audit Report for year ending June 30, 2024.
ITEM HISTORY	6/11/2024 – Board granted full approval of Carr, Riggs & Ingram as auditors for FY24.
ACTION ITEM	Authorize approval of the drafted FY24 audit report as presented.
CONTACTS	Carr, Riggs & Ingram, LLC: Alyssa Hill, Partner DRA: Jana Gunter, Director of Finance DRA: Allen Douglas, Executive Director

**Main Street Market Square
Redevelopment Authority
d/b/a Downtown Redevelopment Authority**

REQUIRED COMMUNICATIONS

June 30, 2024

DRAFT



October XX, 2024

The Board of Directors and Management
Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority

We are pleased to present the results of our audit of the 2024 financial statements of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority).

This report to the Board of Directors and management summarizes our audit, the reports issued and various analyses and observations related to the Authority's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express opinions on the Authority's 2024 basic financial statements. We considered the Authority's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Authority's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 832-333-7403 or ahill@cricpa.com.

Very truly yours,

Alyssa Hill
Partner

Required Communications



As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors, in accordance with auditing standards generally accepted in the United States of America and the standards in order to express opinions on the Authority’s financial statements for the year ended June 30, 2024;
- Communicate directly with the Board of Directors and management regarding the results of our audit procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management, and
- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority) as of and for the year ended June 30, 2024, and have issued our report thereon dated **October XX**, 2024. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
<p>Auditor’s responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated August 14, 2024, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client’s responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position and changes in financial position in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>

Required Communications



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>See section titled "Accounting Policies, Judgment, and Sensitive Estimates & CRI Comments on Quality".</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Authority and how they are disclosed.</i></p>	<p>No such risks or exposures were noted other than those disclosed in the notes to the financial statements.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p>	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.</p> <p>No new accounting policies were adopted, and the application of existing policies was not changed in fiscal year 2024.</p> <p>We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were related to tax increment contract revenue bonds and leases included in note 2 to financial statements and note 5 - contracts and developer agreements.</p> <p>The Authority's financial statement disclosures are neutral, consistent, and clear.</p>
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>

Required Communications



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>None noted.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board of Directors about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>See section titled "Summary of Audit Adjustments".</p>

Required Communications



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	<p>See "Internal Control Findings" section.</p>
<p>Fraud and illegal acts <i>Fraud involving the Authority's management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Significant unusual accounting transactions <i>Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>

Required Communications



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p>Supplementary information</p> <p><i>The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> <p>Other supplementary information which accompanies the basic financial statements but is not RSI, was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures. The supplementary information includes an in relation opinion to the basic financial statements as a whole.</p>

Accounting Policies, Judgement, and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Leases	The Authority determines its estimated incremental borrowing rate to calculate the present value of the lease payments and the lease term at inception of the lease.	X	Judgment in this area relates to the determination of the incremental borrowing rate and likelihood of options to extend or terminate the lease at commencement of leases under GASB Statement No. 87.	The Authority's policies are in accordance with all applicable accounting guidelines.

Summary of Audit Adjustments



During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

There were no unrecorded misstatements.

Recorded adjustments:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
PBC Entry: to make adjustments to various accounts for YE adjustments			
2105	Accrued Expenses	76,241	
5432-00	Professional fees-Legal	27,498	
5550-00	Project Expense	72,680	
2200-01	Due to/Due from HDMD		148,708
5430-00	Professional Fees		27,498
5490	Miscellaneous Expense		213
Total		<u>176,419</u>	<u>176,419</u>
Adjusting Journal Entries JE # 2			
PBC Entry: To record Tax Increment within the County			
1221	Tax Increment Receivable	180,257	
4901-00	Transfers-Revenue Adjustments (Contra)	9,487	
4351-00	Tax Increment Revenue - County		189,744
Total		<u>189,744</u>	<u>189,744</u>
Adjusting Journal Entries JE # 3			
Reclass Interest and Amortization Expense from Project Costs			
505.400	CRI - Interest Expense - Leases	216,518	
999.100	CRI - Depreciation Expense - Leases	588,157	
5550-00	Project Expense		804,675
Total		<u>804,675</u>	<u>804,675</u>
Adjusting Journal Entries JE # 4			
To reclass project cost			
5550-00	Project Expense	707,662	
8100-02	Contract Expense - Admin DRA		707,662
Total		<u>707,662</u>	<u>707,662</u>



QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

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To be inserted upon signature

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The Board of Directors and Management
Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority

In planning and performing our audit of the financial statements of the governmental activities and major funds of Main Street Market Square Redevelopment Authority, dba Downtown Redevelopment Authority (the Authority) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Houston, Texas
October XX, 2024

**Main Street Market Square
Redevelopment Authority
d/b/a Downtown Redevelopment Authority**

FINANCIAL STATEMENTS

June 30, 2024

DRAFT



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Houston, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), a component of the City of Houston, Texas, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedule – all funds, schedule of operating expenses and capital expenditures for the year ended June 30, 2024 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2024 (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Houston, Texas
October XX, 2024

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

This Management's Discussion and Analysis of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), provides an overview of the Authority's financial performance including comparative data for the year ended June 30, 2024 with the year ended June 30, **2023** 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

- The Authority paid \$2,768,771 to the Buffalo Bayou Partnership in accordance with the economic development agreement for the continued operation of project facilities at Buffalo Bayou Park.
- The Authority completed the Allen Parkway reconstruction project in 2017 and turned operation and maintenance of the improvements over to the City of Houston. During fiscal year 2019, the Authority board determined that the area needed special attention as a major gateway into downtown and agreed to take over maintenance responsibility for an initial three-year period which has now been extended to 2027. A total of \$148,708 was spent during the fiscal year 2024.
- The Authority substantially completed its fourth major capital project provided for in the 2015 bond offering: to develop Trebly Park (Southern Downtown Pocket Park) in January 2023. The Authority paid \$1,004,392 in current year expenditures related to the project. Funds went to Structura, Inc. as the general contractor for construction at the park, Central Houston for project consultancy and \$29,966 per month in rent to the landlord for the long-term ground lease. The Authority also paid \$118,360 in property taxes on the site.
- The Authority paid \$13,318 for maintenance of Bagby Street on the west side of downtown. \$12,096 was paid to Main Lane Industries and \$1,222 was paid to Quiddity Engineering. The Authority also paid \$470,176 of retainage to Main Lane Industries.
- The Authority paid \$1,913,625 in fiscal year 2024 to the City of Houston for Municipal Services in the Zone that were allocated to support the City budget, including \$933,825 dedicated to the City's Police Department Overtime Program.
- The Authority entered into an agreement in 2012 with Rusk at San Jacinto Partners, LP for the historic preservation and redevelopment of the Texas Company Building into a luxury residential tower with 286 units named The Star. The Authority accrued \$321,772 in 2024 for reimbursements related to the 2023 tax year.
- The Authority entered into an agreement in 2013 with 806 Main Hotel, LLC for the historic preservation and redevelopment of the Carter Building into the J. W. Marriott Hotel. The Authority accrued \$171,290 in fiscal year 2024 for reimbursements related to the 2023 tax year.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

- The Authority entered into an agreement in 2014 with HDT Hotels, LLC to provide an economic development grant for the redevelopment of the Savoy Hotel into a full-service Holiday Inn at 1616 Main Street. The Authority accrued \$19,807 in fiscal year 2024 for reimbursements related to the 2023 tax year.
- The Authority entered into an agreement in 2014 with HA Hotel Partners to provide an economic development grant for the construction of the Hotel Alessandra in the GreenStreet development. The 223-room luxury hotel was completed and opened in October of 2017. The hotel suspended operations in January 2021 due to the impacts of the COVID pandemic. The hotel has re-opened as The Laura and was eligible for payments to resume in 2023 for the 2022 tax year. The Authority accrued \$69,818 in fiscal year 2024 for reimbursements related to the 2023 tax year.
- In 2012, the Authority created a program called the Downtown Living Initiative (DLI) which was designed to incentivize residential development in the Zone. Developers were eligible to receive a rebate equal to 75% of the incremental City of Houston ad valorem taxes generated by the project upon completion for a fifteen-year period up to a maximum of \$15,000 per residential unit. As of the end of the year, five residential projects were open and submitted requests for reimbursement. The Authority accrued for the fiscal year 2024 installments to: Market Square Tower in the amount of \$473,332, Fairfield Block 334 in the amount of \$152,258 and Fairfield Block 337 in the amount of \$278,416.
- The Authority pledged a total of \$10 million to the renovation of Jones Plaza and submitted the last payment of \$7,485,490 in 2023. The project achieved significant fundraising goals, including a \$10 million donation from Lynn Wyatt and \$1.4 million in support from local philanthropic foundations. The plaza has been re-named The Lynn Wyatt Square for the Performing Arts and opened in 2024.
- In November of 2018, the Authority board approved an economic development agreement with 401 Franklin St, LTD for restoration and redevelopment of the Barbara Jordan Post Office building to develop a mixed-use project called Post HTX. The site, on the northwest side of downtown is now a hub of visual and immersive art, entertainment, cultural exhibition, shopping, dining, commercial office space and a rooftop farm/garden. The agreement provides a 75% rebate of the annual incremental City of Houston ad valorem taxes up to a cap of \$23 million for the project. The site was completed in fiscal year 2022 and became eligible for funding in fiscal year 2023. The Authority accrued \$459,928 in fiscal year 2024 for reimbursements related to the 2023 tax year.
- In September of 2019, the Authority board approved an economic development agreement with Gener8tor in the amount of \$1.25 million over five years. Gener8tor is a nationally recognized pre-accelerator, specializing in translating ideas into start-up businesses. The Authority issued the final payment of \$250,000 in fiscal year 2024 for this project.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

- In November of 2019, the Authority board entered into a lease agreement with Amegy Bank to establish the 10th floor of 1801 Main as an innovation hub, named The Downtown Launchpad, intended as a component of the City's push for an Innovation Corridor along the METRO red-line. The goal of the Downtown Launchpad is to bring together in one space all the life-cycle components necessary to create companies and generate local jobs in the innovation sector. This project brings licensees into the space to scale local small business start-ups and has found its highest and best use as an assembly area and workspace for small-business education, student learning through community engagement, and classroom practicums. The Launchpad opened in July of 2020. The Authority paid \$446,632 in fiscal year 2024 for this project.
- In November of 2019, the Authority board approved capital project support to the Buffalo Bayou Partnership for construction of hike & bike trails east of Allen's landing on the southern bank of Buffalo Bayou in the amount of \$2 million. Part of the target area for the project remains paused while Harris County Flood Control addresses embankment subsidence and soil reclamation. The Authority paid \$58,346 in fiscal year 2024 for this project.
- The Authority continued its funding for the North Houston Highway Improvement Project with a contribution of \$250,000 to Central Houston Civic Improvement. The purpose of these funds is to further develop the civic opportunities that may be achieved through parks, hike and bike trails, enhanced landscaping, and understory uses that are adjacent to TxDOT's new freeway alignment.
- During fiscal year 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. \$810,000 in principal payments were required in fiscal year 2024, as well as the Authority recorded \$1,692,905 in interest expense, and amortized \$30,214 in issuance costs.
- During fiscal year 2023, the Authority recorded \$1,440,000 and \$8,964 in principal and interest, respectively related to the Series 2012 Bonds. Series 2012 Bonds were fully repaid during fiscal year 2024.
- In December of 2022 Houston's City Council approved the DRA/TIRZ#3 Board's Resolution of November 8, 2022 adopting the Eighth Amended Project Plan and Reinvestment Zone Financing Plan (Plan). This Plan expanded the boundaries of the DRA/TIRZ#3 by approximately 10 acres and is framed by Allen Parkway, Taft, and McKinney Streets. The plan provides for the opportunity to engage in the public enhancement and public improvement of a proposed mixed-used development poised to engage with the Buffalo Bayou Park, one of Houston's premier public assets whose operation and maintenance costs are substantially covered through annual installments from the DRA/TIRZ#3. The public improvements proposed for the mixed-use development will further redound to the benefit of the surrounding residential neighborhood and the Downtown core.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

- Since creation of Reinvestment Zone Number Three (Main Street Market Square TIRZ) in 1995, and the expansion of the Zone in 1998, 2005, 2007, 2011 and 2019 the appraised value for real property located within the Zone has increased to approximately \$675 million, \$3.2 billion, \$132 million, \$135 million, \$2.0 billion and \$33 million for the original (Part A), and expanded zones (Part B, Part D, Part F, Part G and Part I) areas, respectively. This total increase of approximately \$4.4 billion, over the base years has been generated due to multiple developments of housing and commercial projects in addition to increased land values throughout the Zone.

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 Governmental Accounting Standards Board, the Authority qualifies as a special purpose government with one program – redevelopment of certain areas located in the Central Business District of the City of Houston, Texas.

Government-wide statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business. The Statement of Net Position includes all of the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. 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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two governmental funds.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 on the Authority's net deficit at June 30:

	2024	2023
Assets		
Capital assets, net	\$ 10,001,514	\$ 10,589,671
Other assets:		
Cash and investments	41,117,497	30,472,033
Tax increment and other receivables	714,108	1,198,602
Other assets	330,070	360,672
Total assets	52,163,189	42,620,978
Liabilities		
Accounts payable, interest and retainage payable	8,035,287	4,979,581
Lease liabilities - due in one year	442,703	408,374
Lease liabilities - due after one year	10,116,722	10,559,425
Bonds payable - due in one year	2,340,000	2,250,000
Bonds payable - due after one year	39,997,353	42,560,493
Total liabilities	60,932,065	60,757,873
Net Deficit		
Restricted for debt service	8,567,850	8,585,226
Unrestricted (accumulated deficit)	(17,336,726)	(26,722,121)
Total net deficit	\$ (8,768,876)	\$ (18,136,895)

Tax increment funds not needed for immediate operations are invested in Texas public funds investment pools (LOGIC and Texas CLASS) or money market funds. All investments of the Authority are allowable under the Authority's investment policy and the Public Funds Investment Act. Total operating cash was \$238,107, debt service investments were \$10,043,706 and general fund investments were \$30,835,684 at June 30, 2024. Total operating cash was \$616,131, debt service investments were \$8,585,226 and general fund investments were \$21,270,676 at June 30, 2023.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$180,257 at June 30, 2024, represent payments due from Harris County. Other accounts receivable of \$533,851 at June 30, 2024, are due from the Houston Downtown Management District for its share of the Downtown Living Initiative grants.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

Capital assets of the Authority include \$11,765,985 of leased assets upon adoption of GASB Statement No. 87, \$1,764,471 of accumulated amortization expense, for a net capital asset balance of \$10,001,514.

Other assets include costs of premiums paid for credit enhancement insurance for the Series 2015 Bonds which are amortized over the life of the bonds (through fiscal year 2035). The net unamortized balance at June 30, 2024, and 2023 was \$327,320 and \$357,533, respectively. Other assets also include prepaid expenses totaling \$2,750 and \$3,139 at June 30, 2024, and 2023, respectively for insurance premiums in 2024 and 2023.

Accounts payable and accrued expenses on June 30, 2024, of \$7,398,403 represents grant payments due of \$3,439,480, City of Houston municipal services of \$1,913,625, Buffalo Bayou Park operational support of \$1,362,620, capital project expenditures of \$548,637 and payments due to the administrative contractor for staffing of \$134,041. Accounts payable and accrued expenses on June 30, 2023, of \$3,574,432 represent grant payments due of \$3,216,851, capital project expenditures of \$250,000 and payments due to the administrative contractor for staffing of \$107,581. Retainage payable at June 30, 2024 and 2023 totaled \$0 and \$738,032, respectively. Accrued interest at June 30, 2024, and June 30, 2023, totaled \$636,884 and \$667,117, respectively. Effective July 1, 2021, the Authority adopted GASB Statement No. 87. At June 30, 2024 and 2023 the lease liability outstanding was \$10,559,425 and \$10,967,799, respectively.

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants. The Authority has used bond and loan proceeds to pay various project costs during previous fiscal years and has increased its debt for new projects with the Series 2015 bond issue, causing the Authority to have an accumulated deficit. At June 30, 2024 and June 30, 2023, the Authority has an unrestricted accumulated deficit of \$17,336,726 and \$26,722,121, respectively. The Authority had net position restricted for debt service of \$8,567,850 and \$8,585,226 at June 30, 2024 and June 30, 2023, respectively.

Statement of Activities

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

	2024	2023
Revenues		
Tax increments	\$ 21,385,112	\$ 21,248,518
Interest on tax increments	-	549,675
Investment and other income	1,231,682	636,628
Total revenues	22,616,794	22,434,821

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

	2024	2023
Expenses		
Current	\$ 2,342,173	\$ 2,661,257
Capital outlay	8,966,965	16,941,911
Debt service	1,939,637	2,024,914
Total expenses	13,248,775	21,628,082
Change in net position	9,368,019	806,739
Net deficit - beginning of year	(18,136,895)	(18,943,634)
Net deficit - end of year	\$ (8,768,876)	\$ (18,136,895)

The City of Houston (the City), Harris County and Harris County Flood Control District, Harris County Hospital District, and Port of Houston (collectively, the County) and Houston Independent School District (HISD) have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Zone, 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. Tax increments deposited into the Tax Increment Fund are based on the current tax rates or the portion of a tax rate that an entity has agreed to pay to the Zone. The City remits tax increments collected by the City, the County and HISD on an annual basis.

Project costs include the following for the years ended June 30:

	2024	2023
Capital Improvement Projects		
Trebley Park (Southern Downtown Pocket Park)	\$ 923,125	\$ 1,336,688
Montrose Bridge at Allen Parkway	362,493	-
NHHIP Civic Opportunities	300,000	250,000
More Space Main Street 2.0	157,864	-
Allen Parkway Reconstruction	148,708	149,145
Pedestrian Lighting Improvements	98,214	-
Bagby Street Improvements	13,318	942,569
Lynn Wyatt Square	-	7,485,490
Total Capital Improvement Projects	2,003,722	10,163,892

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

	2024	2023
Historic Preservation		
The Star Residential	\$ 321,772	\$ 337,569
806 Main (JW Marriott)	171,290	142,723
723 Main (Marriot AC Collection Hotel)	30,504	27,334
Economic Development Agreements		
Buffalo Bayou Park	2,768,771	2,706,949
Downtown Launchpad	689,585	528,859
Market Square Tower Residential	473,332	613,712
Post HTX	459,928	344,032
Targeted Blight Remediation	356,465	38,612
Fairfield 1810 Residential	278,416	-
Gener8tor	250,000	250,000
SkyHouse Main Residential	248,758	243,726
SkyHouse Houston Residential	247,750	242,926
Aris Market Square Residential	201,451	427,508
Economic Development Retail	164,991	118,684
Block 334 Residential	152,258	153,552
Hotel Alessandra/Laura	69,818	56,032
Hike & Bike Trails East of Allen's Landing	58,346	448,719
1616 Main (Holiday Inn Hotel)	19,808	23,274
Downtown Living Initiative	-	19,379
Other	-	54,429
Total Project Costs	\$ 8,966,965	\$ 16,941,911

Other current operating costs include the following for the years ended June 30:

	2024	2023
Administrative services	\$ 340,892	\$ 690,945
Consulting	6,730	10,320
Accounting and auditing	20,500	19,228
Legal fees	31,748	15,369
Office expense	24,624	37,954
Insurance	4,055	5,280
Total other operating costs	\$ 428,549	\$ 779,096

In fiscal years 2024 and 2023, the Authority paid \$1,913,625 and \$1,882,161, respectively, to the City under the Authority's Municipal Service Costs Agreement.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$34.3 million which is approximately \$6.9 million higher than the prior fiscal year due to completed capital projects and a delay in funding new projects. Approximately 86% of the fund balances, or \$29.6 million is committed or assigned to various historic preservation, parks and recreation, theater district and economic development projects of the Authority. Fund balance of \$8.6 million is restricted to indicate that it is committed to pay debt service. As of June 30, 2024, the Authority has net deficit for unassigned fund balance amounting to \$3,898,518.

CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets

Effective July 1, 2021, the Authority adopted GASB Statement No. 87 resulting in leased capital assets of \$11,177,828, net of accumulated amortization of \$588,157. As of June 30, 2024, the Authority had \$10,001,514 in leased capital assets, net of accumulated amortization of \$1,764,471. Capital assets constructed by the Authority in the public domain are conveyed to the City of Houston upon completion. Leasehold improvements constructed by the Authority are conveyed to the landlord upon expiration or termination of the lease agreement.

Debt Administration

In May of 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. The Authority accrued and paid during fiscal years 2024 and 2023 \$1,917,550 and \$1,960,050 in interest expense and amortized \$30,214 in premiums for credit enhancement insurance for both 2024 and 2023. Bonds maturing on or after September 1, 2016, are subject to redemption at the option of the Authority at a price equal to par value plus accrued interest. Additional insurance premiums are required if these bonds are not redeemed beginning in 2026.

The Authority issued \$22,745,000 of Tax Increment Contract Revenue Refunding Bonds Series 2012 in June 2012 for the purposes of refunding the Series 2002A and the Series 2009 Bonds in the amounts of \$8,371,036 and \$16,734,546 respectively, which includes both principal and interest. During fiscal years 2024 and 2023 the Authority accrued and paid \$8,964 and \$44,602 of interest payments related to the Series 2012 Bonds, respectively. The Series 2012 bonds were fully repaid as of June 30, 2024.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The annual budget is developed to provide efficient, effective, and economic uses of the Authority's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the Authority's Board of Directors sets the direction of the Authority, allocates its resources, and establishes its priorities. The Authority's budget was not amended during fiscal year 2024.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

The Authority receives and records amounts available for the portion of the project plan that the Authority will implement in the future. The Authority does not record tax increments from the original Zone set aside for HISD educational facilities which equaled \$1,101,124 and \$1,922,208 for the years ended June 30, 2024, and June 30, 2023, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$1,000,798 and \$993,784 for the years ended June 30, 2024, and June 30, 2023, respectively. These deductions have been netted out of gross increment revenue in the financial statements.

FUTURE PROJECTS

The Authority anticipates a 3% increase in the costs attributed to the operation and implementation of the TIRZ Project and Financing Plans. The TIRZ/Authority has an agreement with Central Houston, Inc. for administrative and professional services support.

The Authority has been working with the City of Houston and TxDOT on the North Houston Highway Improvement Project (NHHIP). The NHHIP represents a unique opportunity to develop multiple civic enhancements beyond the freeway construction itself that will promote economic development and provide enjoyment for the community as a whole for years to come. As part of that effort, a new bond offering will be considered in the future.

The Authority will also continue to assist in economic development projects, historic facade restorations, capital improvement projects and residential development efforts.

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This financial report is designed to provide a general overview of the Main Street Market Square 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 Mr. Allen Douglas, Executive Director, 1221 McKinney, Suite 4250, Houston, Texas 77010.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Statement of Net Position**

<i>June 30, 2024</i>	<u>Primary Government</u> Governmental Activities
Assets	
Cash and cash equivalents	\$ 246,907
Investments	40,870,590
Tax increment receivables	180,257
Other receivables	533,851
Capital assets, net	10,001,514
Other assets	330,070
Total assets	52,163,189
Liabilities	
Accounts payable	7,398,403
Interest payable	636,884
Lease liabilities	
Due in one year	442,703
Due after one year	10,116,722
Bonds payable	
Due in one year	2,340,000
Due after one year	39,997,353
Total liabilities	60,932,065
Net Deficit	
Restricted for debt service	8,567,850
Unrestricted (accumulated deficit)	(17,336,726)
Total net deficit	\$ (8,768,876)

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Statement of Activities**

<i>For the year ended June 30, 2024</i>			Net (Expense) Revenue and Changes in Net Position
			Primary Government
Functions/Programs	Expenses	Program Revenues	Governmental Activities
Primary Government			
Governmental activities	\$ 13,248,775	\$ -	\$ (13,248,775)
Total governmental activities	13,248,775	-	(13,248,775)
General revenues and transfers			
Tax increments			21,385,112
Investment earnings			1,231,682
Total general revenues			22,616,794
Change in net position			9,368,019
Net deficit, beginning of year			(18,136,895)
Net deficit, end of year			\$ (8,768,876)

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Balance Sheet – Governmental Funds**

<i>June 30, 2024</i>	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 238,107	\$ 8,800	\$ 246,907
Investments	30,835,684	10,034,906	40,870,590
Tax increment receivables	180,257	-	180,257
Other receivables	533,851	-	533,851
Due to/from other funds	1,475,856	(1,475,856)	-
Other assets	2,750	-	2,750
Total assets	\$ 33,266,505	\$ 8,567,850	\$ 41,834,355
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 7,398,403	\$ -	\$ 7,398,403
Deferred inflow of resources			
Deferred tax increment revenue	180,257	-	180,257
Fund balances			
Restricted	-	8,567,850	8,567,850
Committed	21,943,363	-	21,943,363
Assigned	7,643,000	-	7,643,000
Unassigned	(3,898,518)	-	(3,898,518)
Total fund balances	25,687,845	8,567,850	34,255,695
Total liabilities, deferred inflows of resources and fund balances	\$ 33,266,505	\$ 8,567,850	\$ 41,834,355

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position**

June 30, 2024

Total fund balances - governmental funds	\$ 34,255,695
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	10,001,514
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds	(53,533,662)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements	327,320
Tax increment revenues are not available for current period expenditures and therefore are deferred in the funds	180,257
Net deficit of governmental activities	\$ (8,768,876)

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds**

<i>For the year ended June 30, 2024</i>	Capital Projects	Debt Service	Total Governmental Funds
Revenues			
Tax increments	\$ 17,148,261	\$ 4,193,560	\$ 21,341,821
Investment earnings	1,231,682	-	1,231,682
Interest on tax increments	549,675	-	549,675
Total revenues	18,929,618	4,193,560	23,123,178
Expenditures/expenses			
Current:			
Consultants	361,164	-	361,164
Administrative support/office expenses	63,330	-	63,330
Insurance	4,055	-	4,055
Municipal services	1,913,625	-	1,913,625
Capital outlay	9,510,556	-	9,510,556
Debt Service:			
Principal payments on bonds	-	2,250,000	2,250,000
Interest expense	216,518	1,960,936	2,177,454
Total expenditures	12,069,248	4,210,936	16,280,184
Excess (deficiency) of revenues over (under) expenditures	6,860,370	(17,376)	6,842,994
Fund balance, beginning of year	18,827,475	8,585,226	27,412,701
Fund balance, end of year	\$ 25,687,845	\$ 8,567,850	\$ 34,255,695

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities**

<i>For the year ended June 30,</i>	2024
Net change in fund balance - total governmental funds	\$ 6,842,994
Amounts reported for governmental activities in the statement of activities are different because:	
Tax increment revenues in the statement of activities that do not provide current financial resources are not reported in funds	43,291
Interest on tax increments were not collected within 60 days after the close of the Authority's fiscal year-end are were not considered as "available" revenue in the governmental funds. In the statement of net position, under accrual accounting, these revenues were recognized.	(549,675)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those financial expenditures over the life of the assets	(588,157)
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 principal	2,250,000
Repayment of lease liability	408,374
Amortization of bond premium	223,140
Cost of issuance - credit enhancement insurance	(30,214)
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	768,266
Change in net position of governmental activities	\$ 9,368,019

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), is a not-for-profit local government corporation, created June 30, 1999 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. The Authority was created by the City of Houston (the City) pursuant to Resolution No. 1999-39 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 Three, City of Houston, Texas (Main Street Market Square TIRZ or Zone).

City of Houston Reinvestment Zone Number Three

Reinvestment Zone Number Three, City of Houston, Texas, also known as the Main Street Market Square Tax Increment Reinvestment Zone (the Zone) was created by City Council on December 13, 1995 under Chapter 311, Texas Tax Code, as a tax increment reinvestment zone (TIRZ). The Zone originally consisted of nine city blocks around Market Square Park in Downtown Houston (Part A). In 1998, the City approved the expansion of the Zone by adding approximately 65 blocks primarily along Main Street (Part B), and in 1999, the City amended and restated the goals and objectives of the Part A and Part B Plans and incorporated changes regarding HISD's participation in the Zone (Part C). In 2005, the City approved the addition of two city blocks to facilitate and support the development of a mixed-use retail and office complex known as the GreenStreet project (Part D). In 2007, the Zone was expanded to include the city blocks encompassing City Hall, the Julia Ideson Building, the Central Library, City Hall Annex, Sam Houston Park, and certain Buffalo Bayou parkland east of Sabine Street (Part E). In 2011, the Zone was expanded to include approximately 300 acres of land, including the 158-acre existing City park extending west of Downtown from Sabine Street to Shepherd Drive and other areas to the northwest of Downtown (Part F). The fifth amendment in 2011 (Part F), also established an economic development program, as authorized by Chapter 380 of the Texas Local Government Code, to fund maintenance and operations for the project known as Buffalo Bayou Park. In 2019, the City approved expansion of the Zone to include five areas contiguous with the current boundaries of the Zone to facilitate civic opportunities that will arise as a result of the North Houston Highway Improvement Project (Part G). In 2020, Sam Houston Park was de-annexed from TIRZ #3 and incorporated into another zone. In 2022, the City approved the expansion of the Zone to include approximately 10 acres bounded by Allen Parkway, Stanford, Taft, and McKinney streets and appurtenant to the Zone via Allen Parkway as a northern terminus (Part I). The plan provides for the opportunity to engage in the public enhancement and public improvement of a proposed mixed-used development poised to engage with the Buffalo Bayou Park, one of Houston's premier public assets whose operation and maintenance costs are substantially covered through annual installments from the Zone.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority. The Authority is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable. The City appoints voting Board Members and approves the Authority's budget. There are no separate legal entities that are a part of the Authority's reporting entity. In evaluating the Authority as a reporting entity, management has considered all potential component units in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification.

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

Government-Wide and Fund Financial Statements

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

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

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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. City tax increments from the expanded area of the TIRZ are pledged for the payment of principal and interest on the Authority's bonds.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary Basis of Accounting

The Board adopted an unappropriated budget for the combined governmental funds of the Authority for the year ended June 30, 2024. The budget was submitted and approved by the City. The unappropriated budget is based on projected tax increment revenues and is prepared according to the Authority's Project Plan. The budget may be amended during the year, as determined necessary, by the Board of Directors. As the budget is not legally adopted, as defined by GASB, the budgetary comparison schedule is presented as supplementary information.

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

Cash and Cash Equivalents

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

Investments

Investments consist of various U.S. Government securities and investments pools. Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) and Local Government Investment Cooperative (LOGIC) are 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.

Investments in Texas CLASS and LOGIC for the Authority meet all the specified criteria in GASBSC Section 150: Investment to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the Authority's position in the pools is equal to the value of the pooled shares.

Restricted Assets

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

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

Receivables

Tax Increment receivables – Amounts due from the Authority are recorded for annual tax increments not collected before year-end. As of June 30, 2024, the Authority believes all tax increment receivables are fully collectible, and, accordingly, no allowance has been created.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables (Continued)

Other receivables – Amounts due from the other entities under grants or agreements not collected before year-end. As of June 30, 2024, the Authority believes all other receivables are fully collectible, and, accordingly, no allowance has been created.

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 the transaction occurred. These receivables and payable are eliminated in the Statement of Net Position.

Leases

Lease contracts that provide the Authority with control of a non-financial asset for a period of time in excess of twelve months are reported as a leased asset with a related lease liability in the government-wide financial statements. The lease liability is recorded at the present value of the future lease payments. The leased asset is recorded for the same amount as the related lease liability plus any prepayment and indirect cost to place the asset in service. Leased assets are amortized by the straight-line method over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment. In the fund financial statements, the leased asset used in the governmental fund operations is accounted for as a capital outlay expenditure of the appropriate governmental fund upon acquisition and the related lease liability is reported as other financing sources.

Deferred Outflows/Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority had no deferred outflows as of June 30, 2024.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflow of resources includes tax increment revenue which is only reported on the governmental funds balance sheet, and represents receivables which were not collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other Assets

Costs of issuance for the premiums on credit enhancement insurance related to the Tax Increment Contract Revenue Bonds, Series 2015, are being amortized using the straight-line method over the life of the bonds in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASBC Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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

Categories and Classification of Net Position and Fund Balance

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

Fund balance flow assumptions – Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Nonspendable fund balance – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Authority did not have any nonspendable resources as of June 30, 2024.

Restricted fund balance – 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.

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

Unassigned – includes the residual fund balance for the General Fund.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

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

Tax increments – Tax increments represent 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 Main Street Market Square TIRZ since January 1 of each respective year for the original area and each annexed area. The City, Houston Independent School District (HISD) and Harris County (County) have agreed to deposit to the established Tax Increment Fund no later than May 1st of each year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October XX, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Implemented Accounting Pronouncement

The Governmental Accounting Standards Board has issued statements that became effective in the current year. The recently implemented statement is as follows:

GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Implemented Accounting Pronouncement (Continued)

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature.

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

Recently Issued Accounting Pronouncement

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

In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosure. This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments, and is effective for fiscal years beginning after June 15, 2024.

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

Note 2: DETAIL NOTES ON ALL FUNDS

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, 2024, the carrying amount of the Authority's deposits totaled \$246,907 and the bank balances totaled \$238,107 at JP Morgan Chase and \$8,800 at Bank of New York Mellon, which approximates fair value. As of June 30, 2024, the Authority has no deposits in excess of Federal Deposit Insurance Corporation limits.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (the Act) (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) commercial paper that complies with the Act; and (6) repurchase agreements that complies with the Act.

At June 30, 2024, the Authority held \$30,385,684 in investment pools, comprising of LOGIC and Texas CLASS. The debt service reserves, totaling \$10,034,906, have been invested in the Morgan Stanley ILF Govt/Inst Money Market Fund.

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's money market funds are recorded at fair value and mature in less than one year. The Authority's investment in Texas CLASS and LOGIC are each rated AAAM by Standard & Poors. LOGIC maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. Texas CLASS maintains a weighted average maturity of 25 days or less, with a maximum weighted average maturity of 78 days for any individual security. The Authority considers the investments in Texas CLASS and LOGIC to have maturities of less than one year due to 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. As of June 30, 2024, the Authority held deposits of \$8,767,398 in Texas CLASS and \$22,068,286 in LOGIC.

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

Under GASBC Section 150: Investments, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Authority's access to 100 percent of their account value in its external investment pool.

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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

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

Restricted Deposits and Investments

Certain amounts of cash and investments are restricted by covenants set forth in the indenture for the Series 2015 Bond. A summary of these restricted assets held in cash and U.S. Government Securities on June 30, 2024 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Total
Debt service funds	\$ 8,800	\$ 10,034,906	\$ 10,043,706

Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance at July 1, 2023	Additions	Retirements	Balance at June 30, 2024
Right to use land	\$ 9,579,411	\$ -	\$ -	\$ 9,579,411
Right to use office space	2,186,574	-	-	2,186,574
Total capital assets	11,765,985	-	-	11,765,985
Less: accumulated amortization	(1,176,314)	(588,157)	-	(1,764,471)
	\$ 10,589,671	\$ (588,157)	\$ -	\$ 10,001,514

Amortization expense for the year ended June 30, 2024 totaled \$588,157 and is reported as capital outlay expenses in the accompanying statement of activities.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities

Tax Increment Contract Revenue Bonds

A summary of changes in Tax Increment Contract Revenue Bonds follows:

Balance at July 1, 2023	\$ 42,170,000
Additions	-
Retirements	(2,250,000)
<u>Balance at June 30, 2024</u>	<u>39,920,000</u>
<u>Current portion</u>	<u>\$ 2,340,000</u>

Tax Increment Contract Revenue Bonds at June 30, 2024 consist of the following:

	Outstanding Balance
2015 debt series total principal payable	\$ 39,920,000
Unamortized premium	2,417,353
<u>Total bonds payable</u>	<u>\$ 42,337,353</u>

In May of 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. For the year ended June 30, 2024, the Authority incurred \$810,000 and \$1,917,550 in principal and interest (net of insurance amortization), respectively, and amortized \$30,214 in issuance costs.

Bonds maturing on or after September 1, 2016, are subject to redemption at the option of the Authority at a price equal to par value plus accrued interest. Additional insurance premiums are required if these bonds are not redeemed beginning in 2026. The Series 2015 Bonds bear interest at rates between 4% and 5%, resulting in an average interest rate of 4.14% and have semi-annual interest payments due March 1 and September 1.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities (Continued)

Tax Increment Contract Revenue Bonds (Continued)

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 2,340,000	\$ 1,814,651	\$ 4,154,651
2026	2,635,000	1,685,281	4,320,281
2027	2,770,000	1,553,436	4,323,436
2028	2,910,000	1,416,036	4,326,036
2029	3,060,000	1,119,780	4,179,780
2030-2034	17,820,000	4,070,290	21,890,290
2035-2036	8,385,000	270,004	8,655,004
	\$ 39,920,000	\$ 11,929,478	\$ 51,849,478

In June 2012, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2012 (the 2012 Bonds) in the aggregate principal amount of \$22,745,000. The 2012 Bonds matured serially September 1, in each year 2012 through 2023. The 2012 Bonds were callable in whole or in part any date beginning September 1, 2021 at par. The 2012 Bonds carried interest at 2.49% and had semi-annual interest payments due on March 1 and September 1. The Authority incurred \$1,440,000 in principal and fully repaid the bonds in fiscal year 2024.

The Series 2015 issuance required a Debt Service Reserve Fund in the amount of \$4,365,400 in addition to the Debt Service Fund of \$4,154,651 required at June 30, 2024 for short term principal and interest payments due on the 2015 bond obligations during fiscal year 2025. The Debt Service Fund was fully funded in June 2024 with receipt of the City's tax increment.

Leases

On April 14, 2018, a ground lease agreement was executed between the Legacy Trust Company, N.A., Successor Trustee of the Anna B. Williams Combined Trust, Legare H. Bethea Combined Trust and Shirley B. Morgan Combined Trust, and Broadway National Bank, Successor Trustee of the Legare H. Bethea Trust "L" (the Lessors), and the Authority. The ground lease covers 44,878 square feet (approximately ¾ block) of land in the southern portion of downtown bounded by Fannin, Leeland, Bell, and San Jacinto Streets. The lease commenced on April 1, 2019, with a 30-year term. At the commencement date, the Authority began payment of rent of \$29,666 per month which is subject to a 10% escalation once every five years.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities (Continued)

Leases (Continued)

The Authority has two renewal options of ten years each. The Authority is not reasonably certain the renewal options will be exercised. The Authority is currently constructed improvements on the property to convert the site to a public park. In accordance with the terms of the lease agreement, these improvements will automatically pass to the lessor without payment or consideration of any kind upon expiration or termination of this agreement.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Authority has used the Authority's estimated incremental borrowing rate of 2.09% to discount the annual lease payments to recognize the leased asset (right to use land) and the related lease liability as of July 1, 2021 totaling \$9,579,411. At June 30, 2024 the balance on the lease liability totaled \$9,070,572.

The principal and interest payments of \$173,273 and \$191,619, respectively, for the year ended June 30, 2024 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

On February 13, 2020, a lease agreement was executed between Zions Bancorporation, N.A., a national banking association, d/b/a Amegy Bank and the Authority. The lease covers the 10th floor of the Amegy Bank building located at 1801 Main Street of 16,982 square feet of rented space to be an Innovation Hub known as the Downtown Launchpad. The lease commenced on June 19, 2020, with a 10-year term. At the commencement date, the Authority began payment of rent of \$15.31 base rent per square foot (lease payment) plus a proportionate share of building operating expenses (non-lease component). In accordance with GASB 87, the non-lease components have been excluded in the measurement of the lease liability. There is no escalation of the base rent. The Authority has an option for one renewal term of five years. The Authority is not reasonably certain this renewal option will be exercised.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Authority has used the Authority's estimated incremental borrowing rate of 1.54% to discount the annual lease payments to recognize the leased asset (right to use office space) and the related lease liability as of July 1, 2021 totaling \$2,186,574. At June 30, 2024 the balance on the lease liability totaled \$1,488,853. The principal and interest payments of \$235,101 and \$24,899, respectively, for the year ended June 30, 2024 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities (Continued)

Leases (Continued)

Annual requirements to amortize the lease liabilities and related interest are as follows:

<i>For the years ending June 30,</i>	Principal	Interest	Total
2025	\$ 442,703	\$ 208,888	\$ 651,591
2026	450,710	200,882	651,592
2027	458,864	192,727	651,591
2028	467,170	184,421	651,591
2029	485,437	175,944	661,381
2030-2034	1,656,718	767,802	2,424,520
2035-2039	1,780,728	600,244	2,380,972
2040-2044	2,227,398	391,673	2,619,071
2045-2049	2,589,697	132,958	2,722,655
	<u>\$ 10,559,425</u>	<u>\$ 2,855,539</u>	<u>\$ 13,414,964</u>

A summary of changes in the Authority's lease liabilities follows:

Balance at July 1, 2023	\$ 10,967,799
Additions	-
Retirements	(408,374)
Balance at June 30, 2024	<u>\$ 10,559,425</u>
Current portion, lease liabilities	<u>\$ 442,703</u>

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Fund Balances – Governmental Funds

As of June 30, 2024, fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
Restricted for			
Debt service	\$ -	\$ 8,567,850	\$ 8,567,850
Committed to			
Roadways and streets	41,455	-	41,455
Infrastructure/mobility	5,644,023	-	5,644,023
Real property improvements	2,100,000	-	2,100,000
Historic preservation	431,885	-	431,885
Parks and recreation	3,885,383	-	3,885,383
Retail/economic development	9,840,617	-	9,840,617
Assigned to			
Historic preservation	1,000,000	-	1,000,000
Infrastructure mobility improvement	143,000	-	143,000
Parks and recreation	6,500,000	-	6,500,000
Unassigned	(3,898,518)	-	(3,898,518)
	\$ 25,687,845	\$ 8,567,850	\$ 34,255,695

NOTE 3: TAX INCREMENTS

The City, Harris County (the County) and the Houston Independent School District (HISD) (each a Participant) has agreed to deposit to the Tax Increment Fund established for the Main Street Market Square 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 (Captured Appraised Value) located in the Main Street Market Square TIRZ since January 1 of each respective year for the following areas within the Zone:

1995	Original Area (Part A)
1998	Expanded Area (Part B)
2005	Expanded Area (Part D)
2011	Expanded Area (Part F)
2019	Expanded Area (Part G)
2022	Expanded Area (Part I)

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 3: TAX INCREMENTS (Continued)

The land annexed to the Zone in 2007 for Part E is all publicly owned and is not presently taxed. Similarly, most of the land annexed in 2011 for Part F is publicly owned and only a small portion of the property annexed by the Zone is subject to property tax. Part G de-annexed the area known as Sam Houston Park. It did not alter the project costs, goals or the Financial Plan for the Zone.

The amount of a Participant's tax increment contribution for a year is the amount of property taxes levied by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Main Street Market Square TIRZ.

Tax Increments must be deposited into the Tax Increment Fund established for the Main Street Market Square TIRZ no later than the 90th day after the delinquency date for the Participant's property taxes. Thus, Tax Increments are due to be deposited by May 1st annually.

The City has agreed to pay 100% of their Tax Increments into the Tax Increment Fund for all parts of the Zone; however, the City is not obligated to pay to the Authority an amount that exceeds the budget approved by City Council for the then current fiscal year. For purposes of Part A of the Zone, Participants also include Harris County, Harris County Flood Control, Harris County Hospital District, Harris County Port of Houston Authority (the County Authorities), and HISD. The County Authorities have agreed to pay 100% of their Tax Increment to the Tax Increment Fund up to the earlier of the collection of the Tax Year 2025 payment or payment of a total contribution of \$8,500,000. The part A cap for the County Authorities was reached in fiscal year 2018. HISD's participation ends with the collection of the Tax Year 2025 payment. In addition, Tax Increments arising from Part A of the Zone are pledged to the payment of amounts due under an agreement among the TIRZ, the City and the Houston Housing Finance Corporation (HHFC) dated September 11, 1996, as amended, to redevelop the historic Rice Hotel into residential units. The HHFC loan was paid in full as of June 30, 2021.

The City and HISD are Participants in Part B of the Zone. The County Authorities do not participate in Part B. HISD's participation ends with the collection of the Tax Year 2025 payment.

In addition to the City, Participants in expanded Part D of the Zone (the two GreenStreet blocks) include Harris County and Harris County Flood Control (the County Authorities). The County Authorities have agreed to pay 51% of their Tax Increment to the Tax Increment Fund up to the earlier of the collection of the Tax Year 2025 payment, payment of a total contribution of \$8,500,000, or a maximum Captured Appraised Value of \$200,700,000 is reached. HISD does not participate in Part D. The City's Tax Increments are based on \$.0231 per \$100 valuation of the Captured Appraised Value for Part D of the Zone rather than the current tax rate.

The City is the sole Participant in Part E, F, G and I of the Zone; however, as mentioned previously much of the land included in these expansions is publicly owned and not subject to property tax.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 3: TAX INCREMENTS (Continued)

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

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

	Gross Increment	Transfers		Net Increments
		Administrative Fee	Educational Facilities	
City of Houston	\$ 19,371,778	\$ (968,589)	\$ -	\$ 18,403,189
Houston Independent School District	3,927,790	(25,000)	(1,101,124)	2,801,666
Harris County	189,744	(9,487)	-	180,257
Total tax increments	\$ 23,489,312	\$ (1,003,076)	\$ (1,101,124)	\$ 21,385,112

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

	Gross Increment	Transfers		Net Increments
		Administrative Fee	Educational Facilities	
City of Houston	\$ 19,371,778	\$ (968,589)	\$ -	\$ 18,403,189
Houston Independent School District	3,927,790	(25,000)	(1,101,124)	2,801,666
Harris County	144,175	(7,209)	-	136,966
Total tax increments	\$ 23,443,743	\$ (1,000,798)	\$ (1,101,124)	\$ 21,341,821

Note 4: 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.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 5: CONTRACTS AND DEVELOPMENT AGREEMENTS

The Authority has entered into various developer agreements whereby the developers agreed to advance money to renovate and operate historic structures, construct retail and residential improvements and other projects. All property is owned by the developers.

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 on June 30.

Buffalo Bayou Partnership

In January 2012, the Authority, Buffalo Bayou Partnership (the Partnership), Harris County Flood Control District and the City entered into a project facilities agreement. The Authority is obligated under this agreement for start-up costs totaling \$581,000 and annual City Project Facility Fees (annual fee) through December 31, 2043. The annual fee is \$2,063,653 and is increased annually based on increases in the Employment Cost Index. Payments are made semi-annually no later than January 10 and July 10 of each calendar year. The Park opened in October 2015, and payment of the annual fee commenced in January 2016. Fiscal year 2019 marked the first review of operating and maintenance expenditures as required in the agreement. No changes were made to the calculation of the Authority's annual payment; however, the park was severely damaged by Hurricane Harvey and the Authority agreed to provide a one-time payment of \$375,000 to the Buffalo Bayou Partnership to replenish the Capital Maintenance Fund which had been completely depleted for the repairs to the park after Hurricane Harvey.

Downtown Living Initiative

In 2012, the Authority created a program called the Downtown Living Initiative (DLI) which was designed to incentivize residential development in the Zone. Developers were eligible to receive a rebate equal to 75% of the incremental City of Houston ad valorem taxes generated by the project upon completion for a fifteen-year period up to a maximum of \$15,000 per residential unit. The program was closed in accordance with the ordinance which created it on June 30, 2016.

Seven Downtown Living Initiative agreements were executed from the program's inception in 2012 through the end of fiscal year 2016. The first grant was approved by the Authority under this program to SkyHouse Houston for development of a 24-story, 336-unit high-rise residential tower on Block 350. The maximum grant available for this project over the term of the grant is approximately \$5 million. Construction was completed on this project, and it opened in 2014. The 10th installment under the grant was accrued in fiscal year 2024.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 5: CONTRACTS AND DEVELOPMENT AGREEMENTS (Continued)

Downtown Living Initiative (Continued)

A second grant was approved under the Downtown Living Initiative and a historic preservation grant was given to Rusk at San Jacinto Partners, LP for redevelopment of the 97-year-old Texas Company building at 1111 Rusk aka "The Star" into 286 luxury apartment units. The maximum grant available for this project over the term of the grant is approximately \$12.1 million. The project was completed in 2017. The seventh installment under the grant was estimated and accrued in fiscal year 2024.

A third grant was approved under the Downtown Living Initiative to Alliance Realty Partners, LLC for a 207-unit midrise multifamily residential building located on Block 334. The maximum grant available for this project over the term of the grant is approximately \$3.1 million. The project was completed in 2016. The eighth installment under the grant was accrued in fiscal year 2024.

A fourth grant was authorized in 2014 under the Downtown Living Initiative program for development of a 33-story, 274-unit high rise residential tower by Hines at Market Square Park aka Aris Market Square, which completed construction in 2018. The maximum grant available for this project over the term of the grant is approximately \$4.1 million. The sixth installment under the grant was accrued in fiscal year 2024.

A fifth grant was approved under the Downtown Living Initiative to BMS Market Square, now Woodbranch Tower aka Market Square Tower, for development of a 40-story, 463-unit high rise residential building which completed construction in 2016. The maximum grant available for this project over the term of the grant is approximately \$6.9 million. The eighth installment under the grant was paid in fiscal year 2024.

A sixth grant was approved under this program to SkyHouse Main for the development of a 338-unit high rise residential tower on block 368. The maximum grant available for this project over the term of the grant is approximately \$5 million. The project was completed in 2016. The eighth installment under the grant was accrued in fiscal year 2024.

A seventh grant was approved by the Authority under this program to FF Realty II LLC for the development of a 290-unit midrise residential tower on block 387. The maximum grant available for this project over the term of the grant is approximately \$4.4 million. The project was completed in 2022 and will be eligible for its first grant in 2024.

1616 Main Street/Holiday Inn Hotel

The Authority entered into an economic development agreement with HDT Hotel, LLC for renovation of the former Savoy Hotel. The Authority has reimbursed \$500,000 in street level improvements and will provide an incremental tax rebate over a 10-year period for development of a full-service 213-room Holiday Inn at 1616 Main. The project was completed in the fall of 2015. The total amount of incremental tax rebate is estimated to be \$5 million over the term of the grant.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 5: CONTRACTS AND DEVELOPMENT AGREEMENTS (Continued)

806 Main/JW Marriott Hotel

The Authority entered into an agreement with Pearl Hospitality to reimburse up to \$2.3 million in infrastructure improvements and to provide an incremental tax rebate over a 25-year period for development of a 323-room JW Marriott hotel at 806 Main on the corner of Main and Rusk. The project completed construction and the infrastructure payment was made during the fiscal year 2015. The total amount of incremental tax rebate is capped at \$9.5 million over the term of the grant.

GreenStreet/Hotel Alessandra

The Hotel Alessandra is a 227-room luxury hotel constructed as an addition to the GreenStreet project. The Authority entered into an economic development agreement with HA Hotel Partners, LP to rebate 50% of the annual incremental City of Houston ad valorem taxes from the project for a 10-year period. The hotel was completed and opened in October 2017.

The hotel was required to create at least twenty-five new full-time jobs and 6,016 square feet of retail space for soft goods in order to receive the rebate. The hotel closed during 2021, reopened as Hotel Laura, and became eligible for the rebate in 2023. The fifth installment of the rebate was accrued in fiscal year 2024.

723 Main/AC Hotel

In June 2016 the Authority entered into an Economic Development Agreement with Supreme Bright Houston, LLC for the development of a 194-room the AC Hotel located at 723 Main Street. The grant is a reimbursement of 50% of the City portion of the incremental ad valorem taxes for a time period of ten years or an amount not to exceed \$1,171,750. The terms require the creation of at least fifty new full-time jobs and that the project retain the Marriott flag or equivalent. Construction was completed and the hotel opened in July 2019.

Gener8tor

In September of 2019, the Authority board approved an economic development agreement with Gener8tor in the amount of \$1.25 million over five years. Gener8tor is a nationally recognized pre-accelerator, specializing in translating ideas into start-up businesses. The Authority paid the fifth installment of its grant in fiscal year 2024.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

Note 5: CONTRACTS AND DEVELOPMENT AGREEMENTS (Continued)

Post HTX

In November 2018, the Authority board approved an economic development agreement with 401 Franklin St., LTD for restoration and redevelopment of the Barbara Jordan Post Office building to develop a mixed-use project called Post HTX. The agreement provides a 75% rebate of the annual incremental City of Houston ad valorem taxes from the project up to a maximum amount of \$23 million. Construction was completed in December 2021. The second rebate payment was accrued in fiscal year 2024.

Buffalo Bayou Partnership Hike & Bike Trails East of Allen's Landing

The Buffalo Bayou Partnership and the Houston Parks Board are expanding the trail system along the bayou on the north side of downtown east of Allen's Landing, including blocks 6 and 7, purchased by the City. In February 2019 the Authority board agreed to provide financial support for construction in the amount of \$2 million over two years. The project has been delayed due to the subsidence of the bayou and environmental issues.

Consultants

The Authority has entered into agreements with various consultants to provide professional services.

Administrative Agreement

The Authority has entered into an administrative agreement with Central Houston, Inc. for executive management, general administrative support, project management and development, construction management and other services as may be deemed necessary by the Authority's Board of Directors in the course of its various activities. The Authority paid Central Houston, Inc. \$340,892 for these services for the year ended June 30, 2024.

SUPPLEMENTARY INFORMATION

DRAFT

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Budgetary Comparison Schedule – All Funds**

<i>For the year ended June 30, 2024</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balance - beginning of year	\$ 23,340,433	\$ 27,412,701	\$ 4,072,268
Resources			
Tax increments	30,876,349	23,443,743	(7,432,606)
Interest on tax increment	-	549,675	549,675
Interest income	233,192	1,231,682	998,490
Total available resources	54,449,974	52,637,801	(1,812,173)
Expenses			
Management consulting services	807,500	428,549	378,951
Project costs and capital expenditures	19,000,645	9,510,556	9,490,089
Debt service	4,176,514	4,427,454	(250,940)
Other interfund transfers:			
HISD educational facilities	4,639,977	1,101,124	3,538,853
Municipal services - public safety	2,045,000	1,913,625	131,375
Administrative fees	1,185,581	1,000,798	184,783
Total uses of resources	31,855,217	18,382,106	13,473,111
Budgetary fund balance - end of year	\$ 22,594,757	\$ 34,255,695	\$ 11,660,938
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 52,637,801
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource			
current year revenue for financial reporting purposes			(27,412,701)
Budgeted revenues include HISD educational facilities transfers and City administrative			
charges while the Authority's funds report revenues net of these transfers			(2,101,922)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances			\$ 23,123,178
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 18,382,106
Differences - budget to GAAP			
Budgeted expenditures include HISD educational facilities transfers and city administrative			
charges while the Authority's funds report revenues net of these transfers			(2,101,922)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances			\$ 16,280,184

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures**

<i>For the year ended June 30, 2024</i>	Vendor	Budget	Actual Expenditures	Variance
<u>Management Consulting Services</u>				
Administrative Support	Central Houston, Inc.	\$ 700,000	\$ 340,892	\$ 359,108
Office Expenses	Various	7,500	24,624	(17,124)
Insurance	W. M. Jones & Company	36,500	4,055	32,445
Accounting	TNC CPAs	2,500	-	2,500
Auditor	Carr, Riggs & Ingram, LLC	18,000	20,500	(2,500)
Bond Trustee Services	Bank of New York Mellon	10,000	3,230	6,770
Financial Advisor	Masterson Advisors, LLC	5,000	3,500	1,500
Taxroll Advisor (ITM)	ITM Services	10,000	-	10,000
Total administration and overhead		789,500	396,801	392,699
Legal	Bracewell & Giuliani LLP	18,000	31,748	(13,748)
Total management consulting services		\$ 807,500	\$ 428,549	\$ 378,951

Capital Expenditures and Developer/Project Reimbursements

Developer/Project Reimbursements:

Aris Market Square Residential	HM Market Square, LLC	\$ 440,560	\$ 201,451	\$ 239,109
Buffalo Bayou Park	Buffalo Bayou Partnership	2,836,045	2,768,771	67,274
The Star Residential	Rusk@San Jacinto Partners, LP	284,422	321,772	(37,350)
806 Main (JW Marriott)	806 Main Hotel, LLC	185,541	171,290	14,251
Downtown Living Initiative	Central Houston, Inc.	10,000	-	10,000
Economic Development Retail	Central Houston, Inc.	50,000	164,991	(114,991)
SkyHouse Houston Residential	SPSU9 - North Tower	290,459	247,750	42,709
SkyHouse Main Residential	SPSU9 - South Tower	272,935	248,758	24,177
Block 334 Residential	Fairfield Block 334, LP	158,341	152,258	6,083
Market Square Tower Residential	Woodbranch Tower LLC	710,442	473,332	237,110
Hotel Alessandra/Laura	HA Hotel Partners, LP	59,981	69,818	(9,837)
1616 Main (Holiday Inn Hotel)	HDT Hotel, LLC	23,972	19,807	4,165
Fairfield Residential	Central Houston, Inc.	280,456	278,416	2,040

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures (Continued)**

<i>For the year ended June 30, 2024</i>	Vendor	Budget	Actual Expenditures	Variance
Hike and Bike Trails East of Allens Landing	Buffalo Bayou Partnership	\$ 1,000,000	\$ 58,346	\$ 941,654
Post HTX	401 Franklin Street, LTD.	365,767	459,928	(94,161)
Future Project Development		1,000,000	-	1,000,000
Gener8tor	Gener8tor Management, LLC	250,000	250,000	-
723 Main (Marriott AC Collection Hotel)	Supreme Bright Houston, LLC	28,154	30,504	(2,350)
Downtown Innovation Hub	Amegy Bank - Operating Central Houston, Inc. Varun Cidambi Ryan LeVasseur		547,879 12,172 1,683 120,000	
Total Downtown Innovation Hub		997,820	681,734	316,086
Total Developer/ Project Reimbursements		9,244,895	6,598,926	2,645,969
<i>Capital Improvement Projects:</i>				
T-0307 Trebly Park (Southern Downtown Pocket Park)	Legacy Trust- Rent Central Houston, Inc. Ann Harris Bennett - Property Tax Structura, Inc. Broadway Bank-Rent W.M. Jones & Co., Inc. Gandy2Lighting Design		237,989 125,663 118,360 381,939 112,244 27,122 1,075	
Total T-0307 Trebly Park (Southern Downtown Pocket Park)		835,750	1,004,392	(168,642)
T-0319 Allen Parkway	Houston Downtown Management District	150,000	148,708	1,292
T-0325 Bagby Street	Main Lane Industries Quiddity Engineering		482,272 1,222	
Total T-0325 Bagby Street		-	483,494	(483,494)
T-0320 More Space Main Street 2.0	Walter P Moore Central Houston, Inc.		40,300 117,564	
T-0320 More Space Main Street 2.0		1,000,000	157,864	842,136
T-0326 NHHIP Civic Opportunities	Central Houston Civic Improvement Central Houston, Inc.		250,000 50,000	(250,000)
T-0326 NHHIP Civic Opportunities		250,000	300,000	(50,000)

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures (Continued)**

<i>For the year ended June 30, 2024</i>	Vendor	Budget	Actual Expenditures	Variance
T-0337 Montrose Bridge at Allen Parkway	TIRZ 27 Montrose RA Central Houston, Inc.		\$ 267,500 94,993	
T-0337 Montrose Bridge at Allen Parkway		\$ 1,000,000	362,493	\$ 637,507
T-0339 Pedestrian Lighting Improvements	Central Houston, Inc.	1,500,000	98,214	1,401,786
T-0340 Targeted Blight Remediation	AECOM Technical Services Central Houston, Inc. Ryan M. LeVasseur Varun Cidambi		128,250 171,532 55,000 1,683	
Total T-0340 Targeted Blight Remediation		5,000,000	356,465	4,643,535
T-0399 Concrete Panel Replacement		20,000	-	20,000
Total capital expenditures		9,755,750	2,911,630	6,844,120
Total capital expenditures and developer/project reimbursements		\$ 19,000,645	\$ 9,510,556	\$ 9,490,089

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
July 6, 1999 (Date of Inception) through June 30, 2024**

	Estimated Total Costs (a)	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	\$ 47,500,000	\$ 64,916,452	\$ (17,416,452)
Infrastructure, mobility, transit improvements	43,334,450	28,370,077	14,964,373
Total Infrastructure improvements	90,834,450	93,286,529	(2,452,079)
Real property improvements	57,520,266	23,890,069	33,630,197
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	18,163,084	8,187,924
Parks and recreational	273,044,167	18,184,296	254,859,871
Theater district improvements	11,504,799	14,610,972	(3,106,173)
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	59,890,307	106,909,693
Institutional facilities	22,000,000	10,678,800	11,321,200
Total project costs	668,211,107	240,207,612	428,003,495
Operating and financing costs			
Financing costs	48,930,000	30,699,286	18,230,714
Administration	16,934,426	8,702,506	8,231,920
Total operating and financing costs	65,864,426	39,401,792	26,462,634
Educational facilities	82,541,820	53,572,541	28,969,279
Project plan total	\$ 816,617,353	\$ 333,181,945	\$ 483,435,408

(a) Costs for the life of the Zone as provided in the Project Plan and Reinvestment Zone Financing Plan. This includes costs for both original and annexed areas in the Zone. The estimated total costs are reported based on the Authority's 8th Amendment to the Project Plan and Reinvestment Zone Financing Plan that was approved by City Council in December 2022.

AGENDA ITEM	Administrative Policies and Procedures - Annual Review
REQUEST	<p>Approve the continuance of the enclosed draft Downtown Redevelopment Authority's Administrative Policies and Procedures Manual.</p> <p>The draft of the Downtown Redevelopment Authority's Administrative Policies and Procedures Manual is enclosed. No material changes are proposed (with the exception of the date(s), shown in redline form).</p>
ITEM HISTORY	<p>Fall 2024 – Staff performed an internal annual review of the Administrative Policies and Procedures Manual. Outside legal counsel was consulted regarding the Investment Policy (Section 14) to review for continued alignment with current best practices and compliance with all applicable law. It was determined no material changes were warranted to the Admin P&P Manual itself or to Section 14, Exhibit A, of the Investment Policy.</p>
DESCRIPTION	<p>Per Section 16 of the Manual, Adoption and Revision:</p> <p>“A. The Board officially finds, determines and declares that these Administrative Policies and Procedures were reviewed, carefully considered, and adopted at a regular meeting of the Board on <u>November 12, 2024</u>, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the Authority and on a bulletin board located at City Hall, 901 Bagby St. Houston, TX 77002 for the time required by law preceding this meeting, as required by Chapter 551, Texas Government Code and that this meeting had been open to the public as required by law at all times during which these Code of Ethics and Policies were discussed, considered, and acting upon. The Board further ratifies, approves, and confirms such written notice and the contents and posting thereof.”</p>
CONTACTS	<p>DRA: Allen Douglas, Executive Director DRA: Jamie Perkins, Paralegal Bracewell LLP: Clark Lord, Partner</p>



Downtown
Redevelopment
Authority

Tax Increment Reinvestment Zone No. 3
Houston, Texas

Administrative Policies and Procedures Manual

~~September 12, 2023~~ November 12, 2024

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Section 1. Definitions

- A. Accounting Personnel and/or Accountant: Administration Contractor personnel (Key Personnel) performing any of the various functions of business accounting on behalf of the Authority.
- B. Administration Contractor: Central Houston, Inc. is contracted to provide personnel and administrative support to the business of the Authority.
- C. Administration Contractor's Executive: The President & CEO of Central Houston, Inc.
- D. Agreement: The interlocal agreement and approved amendments by and between the Authority, TIRZ #3 and Central Houston, Inc. for project management and administrative services.
- E. Authority: The Downtown Redevelopment Authority ("Authority"), created pursuant to Chapter 431, Texas Transportation Code, as amended and Resolution No. 1999-39 of the City.
- F. Authority Officials: Board Directors, Officers, Key Personnel, and any other persons and business entities engaged in handling of the day-to-day business of and investments for the Authority and TIRZ#3.
- G. Board: Board of Directors of the Authority/TIRZ#3.
- H. Board Director: A person appointed by the mayor of the City of Houston to serve on the Board of Directors of the Authority.
- I. Certified Public Accountant: the independent and licensed accountant or accounting firm hired to perform the financial business of the Authority.
- J. Chair: The Chair of the Authority's Board of Directors shall be a member of the Board and approved by the mayor of the City of Houston. He or she shall have such duties as assigned by the Board of Directors. The Chair may call special or emergency meetings of the Board consistent with the Bylaws.
- K. Chief Operating Officer: Administration Contractor personnel.
- L. City: City of Houston, Texas ("City").
- M. Collaborative Committees: Programmatic Committees consisting of members and stakeholders from all three affiliate boards (CHI, HDMD, and DRA). May also include public stakeholders.
- N. Disadvantaged Business Enterprise ("DBE"): shall mean a business which has been certified by the City of Houston Minority/Women/ Persons with Disabilities Business Enterprises Program or through the internal TIRZ qualifications listed in Section 5 herein.

- O. District: The Houston Downtown Management District (“District” or “HDMD”).
- P. Executive Committee: Shall consist of the Chair, Vice Chair, Secretary, Treasurer/ Investment Officer, Executive Director and the President.
- Q. Executive Director: Administration Contractor personnel acting as Executive Director of the Authority. The Executive Director shall be the principal executive officer of the Authority and subject to the Board of Directors. He or she shall be in general charge of the properties and affairs of the Authority. In furtherance of the purposes of the Authority and subject to the limitations contained in the Articles of Incorporation. The President, Executive Director, Chair, Vice Chair or Secretary may sign and execute all bonds, notes, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Authority.
- R. Expense Reports: Shall be reports developed by Key Personnel that will include information pertaining to all expenses and payments made by the Authority either through Board approval or through permissions given for payments that do not require Board approval.
- S. General Counsel: The person serving as the Chief Legal Counsel for the Administration Contractor. It is the responsibility of the General Counsel to seek additional assistance from outside counsel as needed.
- T. Houston Downtown Management District: “District” or “HDMD,” a municipal management district created by S.B. 1620 in the 74th Session of the Texas Legislature.
- U. Investment Officer: Shall be an officer position filled by a Board Director and duly appointed by the Board and is responsible for the custody and charge of the books of account and financial records. These responsibilities may be delegated to Key Personnel as deemed necessary by the Investment Officer and the Executive Director.
- V. Key Personnel: Administration Contractor personnel provided under contract to execute the work program of Authority. Specifically, these individuals include but are not limited to: President & CEO; Executive Director; Chief Operating Officer; Director of Operations & Capital Projects; Director of Strategic Initiatives; Director of Engagement; Director of Finance; Director of Urban Strategy and Design; Accounting Personnel; Administrative Personnel; and all other staff employed by the Administration Contractor.
- W. Officers: Shall be Chair, Vice Chair of the Board, Executive Director, Secretary, Treasurer/ Investment Officer and other officers as the Board may from time to time elect or appoint. One person may hold more than one office except that neither the Chair of the Board nor the Executive Director hold the office of Secretary.
- X. Operating Committees: The four committees of the Authority created pursuant to the Bylaws include Budget & Finance, and Executive.
- Y. Personnel Provider: The Administration Contractor and other third parties by contractual agreement provide personnel to the Authority.

- Z. President: Shall mean Administration Contractor Personnel who serves as President of the Authority, and President & CEO of the District and Central Houston, Inc.
- AA. Public Official: Duly appointed member of the Board of Directors of the Authority.
- BB. Records Management Officer/Records Administrator: Administration Contractor Personnel authorized by act of the Board to oversee the administration of the Authority's Records Management Program.
- CC. Records Management Program: Process by which all records are managed and retained in accordance with local, state and federal law pertaining to records management, access and retention.
- DD. Secretary: The Secretary of the Board shall keep the minutes of all meetings of the Board in books provided for that purpose: He or she shall attend to the giving and serving of all notices: in furtherance of the purposes of the Authority and subject to the limitations contained in the Articles of Incorporation. He or she may sign with the Executive Director in the name of the Authority and/or attest the signatures thereof, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Authority. He or she shall have custody and charge of the Authority's books, records, documents and instruments, except the books of account and financial records and securities of which the Treasurer/ Investment Officer shall have custody and charge, and such other books and papers as the Board may direct, all of which at all reasonable times be open to inspections of the Board upon application at the office of the Authority during business hours; and, he or she shall in general perform all duties incident to the office of Secretary subject to the control of the Board. Some or all of these tasks may be delegated to Key Personnel as deemed necessary by the Secretary and Executive Director.
- EE. Treasurer: shall be considered the same as "Investment Officer" with all the duties, rights and responsibilities contained herein.
- FF. TIRZ#3: City of Houston Tax Increment Reinvestment Zone Number Three ("TIRZ#3") created by Ordinance No. 1999-713 pursuant to Chapter 311, Texas Tax Code as amended.
- GG. Vice Chair: Shall serve in the Capacity of the Chair in the event that the Chair cannot serve any longer or in the absence of the Chair.

Section 2. Personnel

- A. The Authority has no employees. The Administration Contractor provides all administrative and managerial personnel in accordance with the agreement, as amended from time to time. It is the Authority's intent that all work performed by Key Personnel will be performed in a manner that meets the objectives of the Authority as set by the Board.
- B. The Authority will annually review and consider adjustments to Key Personnel compensation based on established rates and time allocations which will be adjusted to reflect actual time allocated to the work program of the Authority.
- C. Rates of compensation for Key Personnel will be reviewed annually and advice will be provided by the Authority's Executive Committee.
- D. The Authority's Executive Committee will have the opportunity to provide input in annual or more frequent reviews of Key Personnel. Input will be provided to President, Executive Director and/or Chief Operating Officer.
- E. The Authority's Executive Committee, at its discretion, will participate in the recruitment process and the hiring of the Executive Director. Executive Committee members may conduct interviews and provide advice to the Chair and the President, who have the responsibility for hiring and evaluating the Executive Director.
- F. It is the Authority's policy that any personnel provider shall provide equal employment and economic opportunity at every level without regard to race, color, creed, age, disability, sex, ethnicity, familial status, genetic information, marital status, military status, pregnancy, sexual orientation, gender identity or national origin.
- G. It is the Authority's intent that Key Personnel conduct themselves in a manner consistent with sound business and ethical practices; that the public interest always be considered in conducting Authority's business; and that the appearance of impropriety be avoided to ensure and maintain public confidence.
- H. Any performance not consistent with sound business and ethical practice by any Key Personnel should be reported to the Executive Committee and/or the Chair by the Executive Director as soon as possible.
- I. It is the Authority's intent that Key Personnel of the Administration Contractor be managed, directed and deployed at the direction of the Authority through the Executive Director.

Section 3. Safe and Secure Workplace

- A. It is the Authority's desire that Central Houston, Inc. provide a safe and secure work environment for Key Personnel, as described on pages 2-35 through 2-37 of the Central Houston, Inc. Employee Handbook. To achieve this, Central Houston, Inc. shall adhere to established safe and secure workplace policies, including having a safe and drug-free work environment which explicitly prohibits:
1. The use, possession, solicitation for, or sale of narcotics or other illegal drugs, alcohol, or prescription medicine without a prescription while on Authority premises or while performing Authority assignments on or off premises;
 2. The use of alcohol while performing a work assignment (excepting certain events and/or collegial gatherings where such activity is sanctioned and/or generally accepted).
 3. Being impaired or under the influence of legal or illegal drugs or alcohol on or off premises, if such impairment or influence adversely affects Key Personnel's work performance, the safety of you or others, or puts at risk the reputation of the Authority and its affiliates;
 4. Possession, use, solicitation for, or sale of legal or illegal drugs or alcohol away from CHI or affiliate workplace, if such activity or involvement adversely affects your work performance, the safety of you or of others, or puts at risk the reputation of CHI or its affiliates.
 5. The presence of any detectable amount of prohibited substances in your system while at work, while performing work for CHI, or while representing CHI in any capacity. "Prohibited substances" include illegal or prescription drugs not taken in accordance with a prescription provided by a licensed medical professional.
 6. Workplace Violence; and
 7. Concealed weapons, including handguns (regardless of having a permit) and other weapons. Authority Officials are committed to the immediate reporting of work related injury or illness, whether on or off premise, to the Executive Director or other designated Key Personnel.

Section 4. Procurement and Contract Administration

- A. It is the Authority's intent to obtain the highest quality, most cost-effective goods and services. Service excellence and responsiveness are hallmarks of the Authority. Competitive procurement of services can support the achievement of this goal. Specific procurement guidelines are included herein and purchasing thresholds may be amended from time to time.
- B. It is the intent of the Authority to stimulate the growth of Minority, Disabled, Women, Small Businesses otherwise known as Disadvantaged Business Enterprises (DBE's) by encouraging the full participation of DBE's in all phases of its procurement activities and affording disadvantaged businesses a full and fair opportunity to compete for Authority's contracts (See Section 5).
- C. Personal Solicitation and Conflict of Interest: Board Members and Key Personnel are discouraged from personally soliciting and/or contracting for services delivered by any company or vendor to the Authority or any of its affiliate entities. If such a relationship is unavoidable due to unforeseen reasons, the details of the personal solicitation of vendors to the Authority, and/or any of its affiliates, must be disclosed in detail to the Authority's Legal Counsel. Additional information about this policy is located in the Central Houston, Inc. Employee Handbook on pages 2-7 and 2-40.
- D. Contract Administration: Any record, regardless of form or format, which constitutes an agreement between Authority and any other agency, institution, business entity (for profit or not for profit), vendor or consultant, with or without a related expenditure, is a contract and subject to Authority's Records Retention Policy (See Section 5).
- E. Each vendor, or person other people, who contracts for the sale or purchase of property, goods, or services, including construction and maintenance of improvements, is subject to the requirements of Chapter 176 of the Texas Local Government Code, and a completed Conflict of Interest (COI) form must be filed with the Authority.

All parties entering into contracts with the Authority shall, to the extent required, comply with Section 2232.908 of the Texas Government Code, including making all filings with the Texas Ethics Commission. This will require the business entity to submit a disclosure of interested parties Form 1295 with the Texas Ethics Commission at the time the business entity submits the signed contract. Completing the Form 1295 will apply where the contract either (1) requires an action or vote by the Board before the contract may be signed or (2) has a value of at least \$1 million.

- E. Contract Award – Professional Services. Professional services, as distinguished from other services, are not required to be procured on a price bid basis. For all professional services, Authority may not consider cost as a factor, rather professional services must be selected solely on qualifications.
 - 1. Professional services contracts for less than \$25,000 do not require Board approval. Professional services contracts of greater than \$25,000 require Board approval and an examination of qualifications is required.

2. When contracting for professional services of fees greater than \$25,000, the selection shall be based on demonstrated competence and qualifications, determined by a thorough examination, and procured at a fair and reasonable price.
 3. DBE firms are included when comparative pricing for professional services is solicited.
- F. Contract Award – Construction. Contracts for the construction, repair and renovation of Authority facilities and for the purchase of equipment, materials, machinery, and all things that constitute or will constitute the plants, works, facilities, or improvements of the Authority will be awarded in accordance with the following:
1. The Authority is governed by procurement provisions pertaining to an entity created pursuant to Chapter 431 of the Texas Transportation Code.
 2. A contract may cover all the work to be provided or the various elements of the work may be segregated for the purpose of receiving bids and awarding contracts so long as the work is not divided simply to avoid advertisement.
 3. A contract may provide for the payment of a total sum that is the completed cost of the work or may be based on bids to cover cost of units of the various elements entering into the work as estimated and approximately specified by the Authority's engineers, or a contract may be let and awarded in any other form or composite of forms and to any responsible person or persons that, in the Board's judgment, will be most advantageous to the Authority and result in the best and most economical completion of the Authority's proposed plants, improvements, facilities, works, equipment, and appliances.
 4. For contracts over \$50,000, the Authority shall advertise the letting of the contract, including the general conditions, time and place of opening of sealed bids.
 - a. Bidding documents, plans, specifications and other data needed to bid on a project must be available at the time of the first advertisement and the advertisement shall state the location at which these documents may be reviewed.
 - b. The notice shall be published in one or more newspapers circulated in Harris County.
 - c. The notice shall be published once a week for two consecutive weeks before the date that the bids are opened, and the first publication shall be not later than the 21st day before the date of the opening of the sealed bids.

5. For contracts over \$25,000 but not more than \$50,000, Authority shall solicit written competitive bids on uniform written specifications from at least three bidders.
6. For contracts of not more than \$25,000, Authority is not required to advertise or seek competitive bids.
7. For contracts of less than \$25,000, the contract may be approved by the Executive Director without Board approval if the Executive Director determines the contract is in the best interests of the Authority.
8. The Authority may not subdivide work to avoid the advertising requirements specified in this section.
9. Authority may not accept bids that include substituted items unless the substituted items were included in the original bid proposal and all bidders had the opportunity to bid on the substituted items or unless notice is given to all bidders at a mandatory pre-bid conference.
10. Authority is not required to advertise or seek competitive bids for the repair of Authority facilities if the scope or extent of the repair work cannot be readily ascertained or if the nature of the repair work does not readily lend itself to competitive bidding.
11. Authority is not required to advertise or seek competitive bids for security or surveillance systems or components of or additions to Authority facilities relating to security or surveillance, including systems used for the prevention of terrorists or criminal acts and incidents or acts of war, if doing so would compromise the safety and security of Authority facilities or residents.
12. If changes in plans or specifications are necessary after the performance of the contract is begun, or if it is necessary to decrease or increase the quantity of the work to be performed or of the materials, equipment, or supplies to be furnished, the Board may approve change orders making the changes. The aggregate of the change orders may not increase the original contract price by more than 10 percent. Additional change orders may be issued only as a result of unanticipated conditions encountered during construction, repair, or renovation or changes in regulatory criteria or to facilitate project coordination with other political entities.
13. Final Acceptance of a Construction Contract. - Final acceptance procedures shall be set forth in every contract and generally meet the following guidelines:
 - a. Once the work is sufficiently complete, a formal inspection may determine that the work is ready to be used for the use intended, the Authority will call an inspection to include such participants as the designer, inspector,

contractor, accepting agency's representatives and others as appropriate. Results of the inspection shall be presented to the contractor in writing. If the completeness and condition of the work indicate to the Chair that the work is ready to be used for the use intended, then the work will be declared Substantially Complete.

- b. Once the necessary work to be done as identified in the Substantial Completion inspection is complete then a final inspection will be made by the Authority and written results presented to the Contractor.
 - c. A recommendation to accept the work will be made to the Board of Directors after all work is complete, all issues resolved, and the Contractor has agreed in writing with the proposed final payment.
- G. The above procedure notwithstanding, the Board of Directors may waive competitive bid requirements in the event of an emergency, in accordance with applicable law.
- H. Contracts and agreements with contractors or vendors shall provide conditions under which contracts may be terminated and faulty products or unprofessional service can be returned or remedied.
- I. For purchases and construction contracts made involving the use of federal, state, or grant funds, the Authority will comply with specific guidelines of the funding entity.
- J. All contracts shall comply with Section 2270.002 of the Texas Government Code, as amended by HB 793, and such contracts shall contain the following language:

Pursuant to Section 2270.002, as amended by HB793, [Company] hereby verifies this contract is:

- a) between a governmental entity and a company with 10 or more full-time employees;*
- b) has a value of \$100,000 or more that is to be paid wholly or partly from public funds of the governmental entity;*
- c) the Company is not a sole proprietorship;*
- d) does not boycott Israel; and*
- e) will not boycott Israel during the term of the contract.*

For purposes of this verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Section 5. Disadvantaged Business Enterprise Program (DBE Program)

- A. Goal: The Authority shall attempt to stimulate the growth of disadvantaged businesses by encouraging the full participation of disadvantaged businesses in all phases of its procurement activities and affording those disadvantaged businesses a full and fair opportunity to compete for Authority contracts. The purpose of the program is to increase the participation of disadvantaged businesses in public contract awards. Without limiting the generality of the foregoing, the Authority will objectively demonstrate good faith efforts to award non-personnel contract lettings and purchasing to DBE's.
- B. Disadvantaged Business Enterprise (DBE) means:
1. A Corporation formed for the purpose of making a profit of which at least fifty-one percent (51%) of all classes of the shares of stock or other equitable securities are owned by one or more persons who are socially disadvantaged because of their identification as members of certain groups, that may include, but are not limited to: African Americans, Hispanic Americans, Native Americans, Asian-Pacific and Subcontinent Asian Americans, women, are disabled, that have suffered the effects of discriminatory practices or similar insidious circumstances over which they have no control;
 2. A sole proprietorship for the purpose of making a profit that is one hundred percent (100%) owned, operated, and controlled by one or more persons described by Paragraph B-1 of this subsection;
 3. A partnership for the purpose of making a profit in which fifty-one percent (51%) of the assets and interest in the partnership must be owned by one or more persons described by Paragraph B-1 of this subsection, and minority or women partners must have a proportionate interest in the control, operation, and management of the partnership affairs;
 4. A joint venture between minority and women's group members for the purpose of making a profit in which the minority participation is based on the sharing of real economic interest and must include equally proportionate control over management, interest in capital, and interest earnings. If majority (non-minority and non-women's) group members own or control debt securities, leasehold interest, management contracts, or other interests, the joint venture shall not be designated a disadvantaged business;
 5. A supplier contract between persons described in Paragraph (B-1) of this subsection and a prime contractor in which the disadvantaged business is directly involved for the manufacture or distribution of the supplies or materials or otherwise for warehousing and shipping the supplies; or

6. The disadvantaged business enterprise must have the training and expertise to perform the work, and where required, have a license or certificate issued in his or her name.
- C. Certification: All disadvantaged businesses for the purposes of this program must be either:
1. Certified by the City of Houston Office of Business Opportunity, Houston Minority Suppliers Development Council, Women’s Business Enterprise Alliance, Houston Independent School District, Texas Department of Transportation (TxDOT); Texas Historically Underutilized Business Program (Statewide HUB); or Texas Unified Certification Program (TUCP); or
 2. Certified by self-representation attesting to the business meeting the definition of a Disadvantaged Business Enterprise (DBE) as described in Paragraphs B-1 through B-6 of this Section 5
 3. The self-certification form shall require that:
 - a. The business attests to its eligibility in accordance with Paragraph B-1 of this Section 5;
 - b. The business is for profit, independent and currently functioning;
 - c. The business meets the Small Business Administration Size Standard(s) for its industry classification(s). [sba.gov/document/support-table-size-standards](https://www.sba.gov/document/support-table-size-standards);
 - d. The applicant must have a personal net worth of less than \$1,320,000 – excluding value of home and ownership interest in the business. There is no local presence requirement; and
 - e. The business acknowledges that any statement of material misrepresentation could result in termination of or from the contract.
- D. Actions: The Authority shall attempt to stimulate participation of disadvantaged businesses by the following:
1. It will periodically obtain and review relevant listings of certified disadvantaged businesses from the certification programs of entities shown above in Paragraph C. It will familiarize itself with disadvantaged businesses in relevant skills, trades and services relevant to the Authority’s work. It will particularly note businesses located within the TIRZ boundaries.
 2. In procurement processes, as qualified bidders are identified, it will identify at least three disadvantaged businesses which will be mailed requests for qualifications, proposals or bids.

3. Advertisements for procurements will be placed in at least two publications of general circulation within the community and a good faith effort will be made to advertise in publications circulated in predominantly Latinx and Asian communities. Advertisements will be forwarded to organizations with DBE memberships.
 4. Requests for procurement will plainly state the Authority's objective to stimulate the growth of disadvantaged businesses and the conditions for certification of disadvantaged businesses.
 5. On purchases of less than \$25,000, the Authority will identify disadvantaged businesses and include them in comparative pricing.
 6. Authorization requests of the Board shall include an explanation of disadvantaged business participation in the process and results of the TIRZ efforts encouraging DBE selection of disadvantaged business involvement in the proposed expenditure.
 7. Consistent with its procurement activities, the Authority will reach out to disadvantaged businesses to provide information as to how a firm may effectively compete for work of the Authority.
 8. The Authority will keep records of the actions described above.
 9. In addition to its own procurement, the Authority shall attempt to educate itself and, to the extent possible, assist disadvantaged businesses in taking part in the economic activity within its boundaries.
 10. The Authority will review its disadvantaged business program annually with a review of policies and procedures.
- E. Oversight: The Executive Committee shall have oversight of the disadvantaged business program including audits of the program.
- F. Reporting: Annually, the Administration Contractor will provide a report of its efforts to engage the services of historically underutilized businesses. The report will be prepared within 120 days of the fiscal year ending June 30.
- G. Review: The review must consider the performance of the Administration Contractor in general with respect to disadvantaged businesses contracting rather than within a specific service or trade. The Authority's review shall determine whether statically significant disparities exist between the disadvantaged businesses in the relevant market that are qualified to undertake Authority work and the percentage of total Authority funds that are awarded to disadvantaged businesses.

Section 6. Budgeting and Accounting

- A. The fiscal year for the Authority begins on July 1 and ends on June 30.
- B. The annual budgeting process will include the following: Prior to April 30 each year, the Board of Directors will review and approve the budget for the succeeding year and submit to the City for City Council Approval.

Budget preparation will involve the following before the Board of Directors adopts the budget:

1. Review of needs and priorities within the Authority.
 2. Review of a draft budget by the Budget & Finance Committee.
 3. Review of the draft budget by the Board of Directors.
- C. Financial records of the Authority are kept in accordance with generally accepted accounting principles.
 - D. Each year an annual audit of Authority funds for the prior year will be completed by an independent accounting firm and accepted by the Board of Directors. This audit will be submitted to the City by the Executive Director or Chief Operating Officer.
 - E. With respect to bank accounts:
 1. The signatures ("wet ink" or electronically) of any (i) two members of the Executive Committee; or (ii) one Board member and the Executive Director or President of the Authority - will be required on all checks, drafts, warrants or orders.
 2. The bank will collateralize or sweep to AAA securities accounts all funds left in accounts overnight less the amount FDIC insured or as described in the Investment Policy.
 3. Wire transfers require bank notification electronically or in writing. The Board of Directors will pre-approve individuals authorized to request and approve wire transfers. No preset wire transfers from Authority accounts may be initiated and authorized by less than two of the pre-approved individuals. Transfers from investment institutions may be preset so that only one pre-approved individual may transfer funds from investment accounts to other Authority accounts.
 - F. Specific accounting procedures by the Administration Contractor will be conducted as follows:
 1. Tax Increment Fund Receipts will be transferred from the City to an Authority bank account.

2. Authority Receipts Other Than Assessments. Incoming checks and cash are logged daily by Administrative Personnel. A copy of the log, the checks, cash and original documentation are given to Accounting Personnel. The log is given to the Director of Finance, the Executive Director, and the Chief Operating Officer.

Accounting Personnel will prepare the deposit slip and take the deposit to the bank. A detailed copy of the deposit slip is attached to the Accountant's copies to be entered into the computer and a copy of the deposit slip is given to the Administrative Personnel who logged on that particular day for adding the deposit date to the daily log of receipts.

3. Vendor, Contractor Payment, and Other Payment Requests. Accounts will be established with vendors when appropriate. Budget account codes will be used by Accounting Personnel to allow purchases to be correctly accounted.

Vendors will be procured following the procedure as outlined in the Procurement Section of this manual. Contractors will be procured in the same manner. As required by this Administrative Policies and Procedures manual, vendors and contractors will be pre-approved by the Board of Directors. Where appropriate and/or necessary, Letters of Agreement or contracts will be pre-approved by the Board of Directors and duly executed. Invoices and other forms of payment requests will be approved by Key Personnel and processed for payment by the Accounting Personnel according to the following procedure:

- (a) Vendors will be paid only upon submission of properly approved invoices. Accounting Personnel will refer invoices and other requests for payment to the appropriate Key Personnel for approval before further processing.
- (b) The Executive Director, Chief Operating Officer or Director of Finance will review invoices, sales receipts and other evidence to affirm that materials or services were in fact provided. They will contact vendors or service providers to have questions answered and ensure the accuracy of the invoice. Contracts will be monitored for progress toward completion and adequacy of available funds. If an invoice is correct and in line with the contract, Key Personnel will approve the invoice in writing and ascribe the account code, and forward to Accounting Personnel for payment.
- (c) After receipt by Accounting Personnel of an invoice or other payment request approved by the appropriate Key Personnel and/or the Chief Operating Officer, a check will be prepared and forwarded to the authorized Officers for signature ("wet ink" or electronically).
- (d) For payments made by check, the normal Accounting processing time will be the Thursday following the receipt of a properly authorized invoice or payment request. To avoid late charges or other penalties, Key Personnel should make every effort to expedite review and approval of their invoices or payment requests, taking into consideration the time necessary to process

and mail a payment. However, the need for special check requests (e.g. advance registration, research materials, etc.) may arise, and Accounting Personnel may process invoices outside of the normal accounting period in accordance with the approval procedure described above.

4. Approval and processing of Key Personnel expense disbursements.
 - (a) An expense check will be issued only upon submission of a properly approved invoice, expense report or request for expense memorandum.
 - (b) The Chair or Chief Operating Officer/Executive Director is authorized to approve the payment of expense disbursements and such approval should be indicated by either initialing or signing the document in ink after the Accountant has stamped the statement or invoice.
 - (c) Expense Reports should be approved according to the following table:

<u>Submitted by:</u>	<u>Approved by:</u>
President	Chief Operating Officer & Executive Director or Director of Finance
Chief Operating Officer & Executive Director	President or Director of Finance
All other Key Personnel	Executive Director
 - (d) Checks are processed once per week. The Accountant must have the properly completed and approved invoice or Expense Report by that time in order for the check to be processed.
 - (e) The Accountant will notify the requester when checks are available.
5. Monthly Close-out. The Director of Finance meet with the Certified Public Accountant and prepares the trial balance and general ledger. Financial reports are prepared as directed by the Authority by the Certified Public Accountant.
6. Financial Reporting. Quarterly financial reports are reviewed by the Executive Director, Director of Finance, and Treasurer/Investment Officer and presented to the Board of Directors. Financial reports shall include a balance sheet, expenditure by program for the quarter and year-to-date, and a comparison with budgeted expenses.
7. Reconciliation of Bank Statements. Accounting Personnel will reconcile monthly bank statements.
8. Board Directors' Compensation. Board Directors will not be compensated.

9. Board Directors Travel. Travel of Board Directors to meetings, conferences, seminars, and other educational gatherings will not be compensated unless such travel expense is authorized in advance by the Executive Committee. For such authorized travel, documentation shall follow the procedure in Section 11.
10. Expense Reporting. As referenced in the Employee Handbook on page 2-26, the following general principles apply to the expenditure of Authority funds and in the reporting of related personnel expenditures:
 - (a) For these expenses to qualify for reimbursement by the CHI, they must be incurred in the conduct of Company business and shall include only necessary and reasonable costs. Certain expenses which employees may elect to incur, even though related to CHI business, are considered personal expenses and are not reimbursable. *[See Business Meals (Normal Business Location)]* Any questions concerning business expenses must be discussed in advance of incurring the expense. An expenditure involving special circumstances not in conformance with these guidelines may be authorized only by the President & CEO or Chief Operating Officer or, in the case of the President & CEO, by the Chair or Treasurer of the Board.
 - (b) Employees seeking reimbursement should incur the lowest reasonable travel expenses and exercise care to avoid impropriety or the appearance of impropriety. Business travel policies are aligned with the company reimbursement rules. All business-related travel paid with company funds must comply with company expenditure policies.
 - (c) Staff travel must be authorized. Travelers should verify that planned travel is eligible for reimbursement before making travel arrangements.
 - (d) Designated approval authorities are required to review expenditures and withhold reimbursement if there is reason to believe that the expenditures are inappropriate or extravagant.
 - (e) Reporting for reimbursement should state exactly the type, amount, date, persons, and entities involved in the expenditure.
 - (f) Expenses eligible for reimbursement generally include travel expenses including airfare, luggage fees, car rental, personal mileage, parking tolls, meals, lodging, tips, conference fees, local travel expenses (but not ordinary expense of getting to work and/or parking fees for work obligations within Downtown) and local meals of employees and business guests clearly serving a business purpose conducted on behalf of CHI.
 - (g) Ordinarily, expenses of the spouse of an employee incurred when accompanying you on official company business, whether at the normal business location or out-of-town, will not be reimbursed. When the presence

of a spouse at a meeting does not serve a business purpose, the spouse's expenses are considered a personal expense.

- (h) Upon receipt of proper documentation of who, what, where, when, and why supported by receipts, approval by the supervisor and the Director of Finance, the Company will reimburse you through the regular Accounts Payable process.

11. Expense Advances. Upon review and recommendation by the designated supervisor and with the Chief Operating Officer's approval, a cash amount authorized by the Chief Operating Officer may be paid to you in advance of incurring expenses. The advance, whether for travel related or other expenditures, must be repaid no later than 30 days from its issuance to the entity issuing the advance in either one of the following methods:

- Repayment by you of the full amount of the advance in cash; or
- Submission of a fully supported and approved reimbursement expense form reflecting an offset entry for the cash advance. Any amount remaining due to you will be paid through the regular Accounts Payable process. Any amount of the cash advance remaining unspent must be repaid with the fully documented and approved reimbursement expense form and its receipts.

Section 7. Ownership of Property, Data, Equipment and Other Materials

- A. The Authority may own property, equipment, fixtures, landscaping materials, data, and other materials required to accomplish its purposes. Unless the Board of Directors adopts a position to the contrary, it is the policy of the Authority to donate fixtures and materials attached to public rights of way and properties to the appropriate department of the City of Houston. A condition of such donation may be HDMD's maintenance of such fixtures with HDMD's concurrence.
- B. All files, data, illustrations, maps and similar material paid for by the Authority will be clearly labeled "Downtown Redevelopment Authority" or some derivative thereof as to show ownership by the Authority. Such material may be readily removed from the premises of the Administration Contractor.
- C. The Authority may lease property to accomplish the TIRZ Project Plan; however, no lease shall survive beyond the completion date of the Plan. Procurement procedures would be followed in obtaining a lease.
- D. Intellectual Property Assets – Intellectual Property Assets (IPA) is the term used to describe intangible personal property falling within one of the categories of assets known as patent rights, copyrights, trademarks, and trade secrets. It is Authority's policy to safeguard IPA against theft, unauthorized disclosure, misuse, and infringement, and against indiscriminate handling. Accordingly, all personnel are expected to

1. Comply with the laws and regulations applicable to the creation and protection of IPA.
2. Comply with the laws, regulations, and contractual commitments protecting the valid and enforceable IPA rights of third parties. The Authority will not knowingly infringe or misuse the valid and enforceable IPA rights of third parties.
3. Recognize that IPA is a valuable asset and to contractually address ownership at the time of creation.
4. Avoid any use of Authority's IPA for personal gain.
5. Comply with all contractual obligations safeguarding the IPA of third parties.
6. Be accountable for the protection, use and disclosure of IPA and to seek guidance when unsure of their responsibility.
7. Report violations of this policy to appropriate management.

Section 8. Power of Attorney

- A. Only the Board in open, properly called meetings may enter into contracts, obligate the Authority, or authorize the expenditure of funds. The Board in such sessions may direct its Executive Committee, Chair and other Officers, and the Administration Contractor to take specific actions within parameters as set by the Board.
- B. Authority will retain Counsel and it is the responsibility of the Authority and the Administration Contractor to seek its assistance as needed.

Section 9. Insurance

- A. Administration Contractor will cause to have at all times commercial general liability insurance including commercial property coverage.
- B. Administration Contractor will cause to have at all times commercial auto coverage.
- C. Administration Contractor will cause to have at all times Key Personnel subject to Workers Compensation, crime, fiduciary and employment practices coverage.
- D. Both Authority and Administration Contractor will provide public official bonding of its Board Directors.
- E. Authority will require indemnification and additional insured certification by its contractors and cause Administration Contractor to be named as a co-insured as well.

Section 10. Public Relations

- A. “Downtown Redevelopment Authority” and/or logo, to be adopted by the Board of Directors, will be the official public identification of services and improvements provided through funds of the Authority.
- B. The Authority will endeavor to communicate progress on the Project Plan and seek input from the community, especially property owners within the TIRZ boundaries.
- C. The Chair, as assisted by the Executive Director and President, will be principal spokespeople for the Authority. Positions on issues will not be stated unless there is concurrence on a position by the Board or, absent Board discussion, the Executive Committee.

Section 11. Open Meetings and Training

- A. The Texas Open Meetings Act (TOMA), Chapter 551, Texas Government Code, provides that meetings of governmental bodies must be open to the public, except for expressly authorized executive sessions, and that Board Directors, as appointed public officials, must complete a course of training not later than the 90th day after the date a Board Director takes the oath of office.
- B. Prior to a meeting of the Board, the Records Management Officer will post a meeting notice at least 72 hours in advance, stating the time, place and subject matter of the meeting.
- C. Each appointed Board Director will complete their training and confirm their completion of TOMA training by filing a certificate of course completion with the Records Management Officer. The Records Management Officer can assist each Board Director with training materials disseminated by the Texas Attorney General’s Office.
- D. Public comments during regularly scheduled meetings of the Board of Directors will be limited to no more than three minutes per individual speaker. Individuals may only speak once per meeting. The Chair, at their own discretion, may extend time for public comments in order to take questions or introduce discussion on the topic.

Section 12. Open Records and Training

- A. The Texas Public Information Act (TPIA), Chapter 552, Texas Local Government Code, stipulates certain information and records of the Authority, with exceptions, are subject to public scrutiny at the formal request of a member of the public. Therefore, Authority has developed the following procedure to accommodate any requests by the public for its information. Questions as to whether information is of public record should be addressed to the General Counsel; however, the Texas Attorney General makes the final determination whether information is subject to an exception. (see also Section 15(l))
 - 1. The Authority requires all requests for copies of files to be in writing.

2. The request must include the requesting individual's name, company (if relevant), address, phone number, and specific details of information being sought.
3. Requests may be submitted to the Counsel, as follows:
 - (a) By U. S. mail or other delivery service to Authority's offices;
 - (b) By facsimile; or
 - (c) By electronic mail.
4. The Authority will date stamp the written request and respond in accordance with all applicable law.
5. TPIA mandates each appointed Board Director as well as the "officer for public information of a governmental body," without regard to whether such person is appointed or elected, must complete training within the same time period as the TOMA training.
6. No later than 90 days after the Board Director has taken the oath of office, the Board Director must confirm completion of TPIA training and file the certificate of course completion with the Records Management Officer.
7. The Records Management Officer, as the public information coordinator, will also file a certificate of completion with respect to TPIA training. This certification will satisfy the training requirements of Section 552.012 for those public officials who so designate.

Section 13. Code of Ethics

A. Policy and Purposes

1. Authority Officials will conduct themselves in a manner consistent with sound business and ethical practices; the public interest always will be considered in conducting corporate business; the appearance of impropriety will be avoided to ensure and maintain public confidence in the Authority; and the Board will establish policies to control and manage the affairs of the Authority fairly, impartially, and without discrimination.
2. The Code of Ethics is adopted to encourage high ethical standards in official conduct by Authority Officials and to establish guidelines for such ethical standards of conduct.

B. Qualification of Board Directors

1. A person shall not serve as a Board Director if he or she is disqualified by law from doing so.
2. To be qualified to serve as a Board Director, a person must be 18 years old and be a resident of the City of Houston;

3. Qualified Board Directors must have on file with the Authority's Secretary, Records Management Officer, and/or Public Information Coordinator, all of the following documents as currently required and as may be revised or amended or legislated by any future act of revision, amendment, or legislation:
 - (a) Sworn Statement;
 - (b) Oath of Office;
 - (c) Open Meetings Act Training Certification;
 - (d) Public Information Act Training Certification or equivalent designation;
 - (g) Conflicts Disclosure Statement, where applicable;
 - (h) Other affidavits as may be required by act of legislature or board resolution.

C. Participation of Board Directors

1. In accepting nomination to be a Board Director, a person understands the obligation of his or her service and responsibilities pursuant to the position including participation in at least 80% of the meetings of the Board of Directors.
2. When a Board Director has missed three (3) successive regularly scheduled Board of Directors meetings, he or she will be reminded of his or her responsibility to participate. After a Board Director has missed one-half or more of the regularly scheduled meetings during the prior twelve (12) months, the Board of Directors may elect to remove the person from office as a Board Director.

D. Conflicts of Interest

1. Although Chapter 171 and Section 375.072(a) and (b) of the Texas Local Government Code provides that a Board Director may participate in all votes pertaining to business of the Authority regardless of any other statutory provision to the contrary, a Board Director or officer is prohibited from participating in a vote, decision, or award of a contract involving a business entity or real property in which the Board Director or the officer has a substantial interest, if it is foreseeable that the business entity or real property will be economically benefited by the action except as provided in subsection 3.

A person has a substantial interest in a business: (a) if the person's ownership interest is ten percent or more of the voting stock or shares of the business entity or ownership of \$15,000 or more of the fair market value of the business entity, or (b) if the business entity provides more than ten percent of the person's gross income.

A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. An interest of a person related in the first degree by affinity or consanguinity to a Board Director or officer is considered a substantial interest.

2. Board Directors or Key Personnel who have a substantial interest in any matter involving the business entity or real property covered by D-1 above shall disclose that fact to the other Board Directors by Affidavit. The Affidavit must be filed with the Secretary of the Board.
 3. Board Directors or Key Personnel who have a substantial interest in a business entity that will receive a pecuniary benefit from an action of the Board may vote on that action if a majority of the Board has a similar interest in the same action or if all other similar business entities in the Authority will receive a similar pecuniary benefit.
 4. An employee of a public entity may serve on the Board, but that public employee may not participate in the discussion or vote on any matter regarding assessments on or contracts with the public entity of which the Board Director is an employee.
- E. Acceptance of Gifts. Authority Officials may not solicit or accept any benefit from a person or business entity known to be interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the Authority Official's discretion, or any matter before the Board for any decision, opinion, recommendation, vote, or other exercise of discretion in carrying out his official acts for the Authority as prohibited by law. As of the date of adoption of this Code of Ethics, Section 36.08, Texas Penal Code prohibits gifts to public servants such as the Board Directors. Section 36.08 does not apply to the matter set forth in Section 36.10. Violations of penal laws may subject Authority Officials to criminal prosecution.
- F. Bribery. Authority Officials shall not intentionally or knowingly offer, confer, or agree to confer on another, or solicit, accept, or agree to accept from another, any benefit as consideration when to do so is prohibited by law. As of the date of adoption of this Code of Ethics, Section 36.02, Texas Penal Code", lists the offenses that are considered bribery when committed by Authority Officials. Violations of penal laws may subject Authority Officials to criminal prosecution.
- G. Nepotism. Authority Officials shall comply with all anti-nepotism laws applicable to tax reinvestment zones or quasi-public governmental non-profit corporations. As of the date of adoption of this Code of Ethics, Chapter 573 of the Texas Government Code, is the anti-nepotism law governing tax reinvestment zones or quasi-public governmental non-profit corporations.

Section 14. Investment Policy

This Investment Policy (the “Policy”) is adopted by the Board of Directors of Downtown Redevelopment Authority (the “Authority”) on ~~September 12, 2023~~ November 12, 2024, pursuant to Chapter 2256 of the Texas Government Code.

ARTICLE I PURPOSE

Section 1.01. Purpose. This Policy with respect to Authority investments has been adopted to establish the principles and criteria by which the funds of the Authority should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of local government corporations. As of the date of the adoption of this Policy, the following laws are applicable to the investment of the Authority’s funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Section 404.101 et seq., Texas Government Code. The Investment Laws generally provide the minimum criteria for the authorized investment and security of the Authority’s funds and require the Authority to adopt rules to ensure the investment of Authority funds in accordance with such laws. This Policy will specify the scope of authority of Authority Officials who are responsible for the investment of Authority funds.

ARTICLE II DEFINITIONS

Section 2.01. Definitions. Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- (a) “Authority Officials” means the Investment Officer, Directors, Employees, and persons and business entities engaged in handling the investment of Authority funds.
- (b) “Authorized Collateral” means any means or method of securing the deposit of Authority funds authorized by Chapter 2257, Texas Government Code.
- (c) “Authorized Investment” means any security in which the Authority is authorized to invest under Chapter 2256, Texas Government Code.
- (d) “Board” means the Board of Directors of the Authority.
- (e) “Collateral” means any means or method of securing the deposit of Authority funds under Article IV hereof.
- (f) “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- (g) “Director” means a person appointed to serve on the Board of Directors of the Authority.
- (h) “Employee” means any person employed by the Authority, but does not include independent contractors or professionals hired by the Authority as outside consultants, such as the Authority’s financial advisor, accountant or general counsel.
- (i) “FDIC” means the Federal Deposit Insurance Corporation or any successor entity.
- (j) “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.

- (k) "Investment Officer(s)" means the Director(s) or Employee(s) of the Authority appointed from time to time by the Board to invest and reinvest the funds of the Authority held in its various accounts.
- (l) "State" means the State of Texas.

ARTICLE III INVESTMENT OFFICER

Section 3.01. Investment Officer.

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

Section 3.02. Training. The Investment Officer(s) shall attend training sessions and receive the number of hours of instruction as required by the Investment Act.

Section 3.03. Reporting by the Investment Officer and Authority Officials. Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and Authority Officials shall prepare and submit to the Board a written report of the investment transactions for all funds of the Authority for the preceding reporting period. The report must (1) describe in detail the investment position of the Authority as of the date of the report, (2) be prepared jointly by all the Investment Officers of the Authority, if the Authority appoints more than one, (3) be signed by all Investment Officers and Authority Officials who prepare the report, (4) contain a summary statement of each pooled fund group that states the beginning market value for the reporting period; ending market value for the period; and fully accrued interest for the reporting period; (5) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the Authority fund for which each individual investment was acquired, and (8) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer. The Board hereby authorizes and directs the Authority Officials requested by the Investment Officer to assist the Investment Officer(s) with any of his/her duties, including but not limited to the following:

- (a) Presenting a copy of this Policy to any person or business organization seeking to sell an investment to the Authority and obtaining the necessary written certification from such seller referred to in this section;
- (b) Handling investment transactions;
- (c) Preparing and submitting to the Board the written report of all investment transactions for the Authority as required by this section;

- (d) Researching investment options and opportunities;
- (e) Obtaining written depository pledge agreements as required herein;
- (f) Obtaining safe-keeping receipts from the Texas financial institution which serves as a depository for pledged Collateral;
- (g) Reviewing the market value of the Authority's investments and of the Collateral pledged to secure the Authority's funds; and
- (h) Such other matters from time to time as required by the Investment Laws

ARTICLE IV PROCEDURES FOR INVESTMENT OF AUTHORITY MONIES

Section 4.01. Qualified Broker/Dealers. The list of qualified broker/dealers with whom the Authority may engage in investment transactions is attached hereto as **Exhibit A**.

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Authority. The Investment Officer(s) and the Authority Officials shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with the Authority and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the Authority, as required by the Investment Act. The existence of a "personal business relationship" shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments. The Investment Officer(s) or the Authority Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the Authority and obtain a certificate stating that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Authority and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Authority that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Authority's entire portfolio or requires an interpretation of subjective investment standards. Neither the Investment Officer nor the Authority Officials shall purchase or make any investment from a potential seller that has not delivered to the Authority this required certification.

Section 4.04. Solicitation of Bids for Certificates of Deposit. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis. All purchases of investments, except investment in investment pools or in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all Authority investments and for all Collateral pledged to secure Authority funds shall be one approved by the Investment Officer(s).

Section 4.06. Monitoring of the Market Value of Investments and Collateral. The Investment Officer(s), with the help of such Authority Officials as needed, shall determine the

market value of each investment and of all Collateral pledged to secure deposits of Authority funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- (a) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (b) Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- (c) Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
 - (1) the lower of two bids obtained from securities broker/dealers for such security;
 - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
 - (3) the bid price published by any nationally recognized security pricing service; or
 - (4) the market value quoted by the seller of the security or the owner of such Collateral.
- (d) Other investment securities with a remaining maturity greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such security, unless two bids are not available, in which case the securities may be valued in any manner provided in 4.06(c) hereof.

Section 4.07. Monitoring the Rating Changes in Investments. Consistent with Section 2256.021, Texas Government Code, as amended, the Investment Officer shall monitor all investments that require a minimum rating under subchapter A of Chapter 2256, Texas Government Code, as amended, such that any such investment that does not have the minimum rating shall no longer constitute an authorized investment. Such investments that do not have the required minimum rating shall be liquidated within 30 days of the investment's failure to maintain its required minimum rating.

ARTICLE V

PROVISIONS APPLICABLE TO ALL FUNDS

Section 5.01. Provisions Applicable to All Fund Groups.

- (a) All funds of the Authority shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by bond resolutions or trust indentures of the Authority and applicable state law or federal tax law, including the Investment Laws.
- (b) The Board, by separate resolution, may provide that a designated officer or agent of the Authority may withdraw or transfer funds from and to accounts of the Authority only in compliance with this Policy.
- (c) No fund groups shall be pooled for the purposes of investment, e.g. the funds in the Operating Account and in the Project Account shall not be commingled or pooled for purposes of investment.

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

- (a) The Authority recognizes that FDIC (or its successor) insurance is available for Authority funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders.ⁱ It is the policy of the Authority that all deposited funds in each of the Authority's accounts shall be insured by the FDIC, or its successor, and to the extent the deposit surpasses the FDIC Deposit Insurance Coverage limit at any given time, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.
- (b) If it is necessary for the Authority's depositories to pledge Collateral to secure the Authority's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or Authority Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the Authority. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any Authority funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Authority Officials to proceed diligently to have such agreement approved and documented to assure protection of the Authority's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Authority's Executive Director shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.
- (c) Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Authority's Executive Director shall obtain safe-keeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the Authority. Principal and

ⁱ The \$250,000 limit is temporary and may change from time to time under applicable law.

accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for the Authority's deposits. It shall be acceptable for the Authority's Executive Director to periodically receive interest on deposits to be deposited to the credit of the Authority if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or co-tenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and Authority Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Authority's Executive Director shall monitor the pledged Collateral to assure that it is pledged only to the Authority, review the fair market value of the Collateral to ensure that the Authority's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.

- (d) The Authority's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by the Investment Laws. As of the date of this Policy, the following securities are authorized to serve as Collateral under the Collateral Act:
- (1) Surety bonds;
 - (2) An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
 - (3) A general or special obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues and (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by Section 61.003, Texas Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital;
 - (4) A fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a "high-risk mortgage security" under the Collateral Act;
 - (5) A floating-rate collateralized mortgage obligation that does not constitute a "high-risk mortgage security" under the Collateral Act;
 - (6) A letter of credit issued by a federal home loan bank; or
 - (7) A security in which a public entity may invest under the Investment Act. As of the date of this Policy, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:
 - i. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;

- ii. Direct obligations of the State of Texas or its agencies and instrumentalities;
- iii. Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- iv. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- v. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- vi. Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
- vii. Certificates of deposit made in accordance with the following conditions: (1) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority; (2) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (3) the broker or the depository institution selected by the Authority under Subdivision (2) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (4) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (5) the depository institution selected by the Authority under Subdivision (2), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
- viii. Repurchase agreements that comply with the Investment Act;
- ix. Bankers' acceptances that comply with the Investment Act;
- x. Commercial paper that complies with the Investment Act;
- xi. No-load money market mutual funds that comply with the Investment Act;
- xii. No-load mutual funds that comply with the Investment Act; and

- xiii. Guaranteed investment contracts that comply with the Investment Act.
- (e) Notwithstanding anything to the contrary provided above, the following may not be used as Collateral and are not authorized as investments for the Authority under the Investment Act:
- (1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
 - (2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
 - (3) Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years other than those listed in Sections 5.02(d)(4) and 5.02(d)(5) above; or
 - (4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.03. Diversification. The Investment Officer may invest up to 100% of the funds of the Authority in any investment instrument authorized in this Policy.

ARTICLE VI AUTHORIZED INVESTMENTS

Section 6.01. Authorized Investments. Unless specifically prohibited by law or elsewhere by this Policy, Authority funds may be invested and reinvested only in the following types of investments:

- (a) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (b) Direct obligations of the State or its agencies and instrumentalities;
- (c) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (d) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities;
- (e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (f) Bonds issued, assumed, or guaranteed by the State of Israel;
- (g) Interest-bearing banking deposits that are guaranteed or insured by:
 - (1) The Federal Deposit Insurance Corporation or its successor; or
 - (2) The National Credit Union Share Insurance Fund or its successor;
- (h) Interest-bearing banking deposits other than those described by Subsection (g) if:

- (1) The funds invested in the banking deposits are invested through (i) a broker with a main office or branch in this state and is selected from a list adopted by the Authority, or (ii) a depository institution with a main office or branch office in this state that the Authority selects;
 - (2) The broker or depository institution selected as described by Subdivision (1) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the Authority's account;
 - (3) The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and
 - (4) The Authority appoints as the Authority's custodian of the banking deposits issued for the Authority's account: (i) the depository institution selected as described by Subdivision (1); (ii) an entity described by Section 2257.041(d) of the Texas Government Code, as amended; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3.
- (i) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
 - (j) Certificates of deposit made in accordance with the following conditions: (1) (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority or (B) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (2) the broker or the depository institution selected by the Authority under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (4) the depository institution selected by the Authority under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
 - (k) Repurchase agreements that comply with the Investment Act;
 - (l) Bankers' acceptances that comply with the Investment Act;
 - (m) Commercial paper that complies with the Investment Act;

- (n) No-load money market mutual funds that comply with the Investment Act;
- (o) No-load mutual funds that comply with the Investment Act;
- (p) Investment Pools which meet the requirements set forth in Section 2256.016 and Section 2256.019 of the Texas Government Code, as amended, and which are specifically authorized by a resolution that is approved by the Board; and
- (q) With respect to bond proceeds, guaranteed investment contracts that comply with the Investment Act.

Section 6.02. Prohibited Investments. Notwithstanding anything to the contrary stated herein, no funds of the Authority may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

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

Section 6.03. Investment of Funds Held Under Trust Indentures. Anything in this Policy to the contrary notwithstanding, to the extent that any funds are held by a trustee under a trust indenture relating to the Authority's bonds, such funds may be invested as provided by the resolution authorizing the issuance of the bonds or the trust indenture.

ARTICLE VII INVESTMENT STRATEGIES

Section 7.01. Strategy Applicable to All Funds. The Authority's general investment strategy for all fund groups shall be to invest such monies from such fund groups so as to accomplish the following objectives, which are listed in the order of importance:

- (a) Understanding of the suitability of the investment to the financial requirements of the Authority;
- (b) Preservation and safety of principal;
- (c) Liquidity;
- (d) Marketability of the investment if the need arises to liquidate the investment before maturity;
- (e) Diversification of the investment portfolio; and
- (f) Yield.

Section 7.02. Investment Strategy for the Operating Account. Funds in the Operating Account shall be invested to meet the operating and cash flow requirements of the Authority as determined by the annual operating budget adopted by the Board. Operating funds shall not be invested for longer than three years.

**ARTICLE VIII
MISCELLANEOUS**

Section 8.01. Annual Review. The Authority shall review this Investment Policy at least annually and adopt a resolution confirming the continuance of the Investment Policy without amendment or adopt an Amended Investment Policy.

Section 8.02. Superseding Clause. This Policy supersedes any prior policies adopted by the Board of Directors regarding investment or securitization of Authority funds.

Section 8.03. Open Meeting. The Board officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the Authority and on a bulletin board located at a place convenient to the public in the City of Houston, Texas for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

EXHIBIT A

List of Qualified Broker/Dealers

Allegiance Bank	Hilltop Securities
Amegy Bank of Texas (Amegy Bank, N.A.)	HomeTown Bank, N.A.
American First National Bank	IBC Bank
Bank of America Corporation	Icon Bank
Bank of America, N.A.	Independence Bank
Bank of OZK	Independent Bank
Bank of Texas (BOKE, NA)	Integrity Bank
BBVA Compass Bank	Invesco
Beal Bank	J.P. Morgan Securities LLC
BOKF Financial	JPMorgan Chase & Co.
Capital Bank, N.A.	Legacy Texas Bank
Capital Markets Group, Inc.	Legg Mason
Capital One, N.A.	LOGIC (Local Government Investment Cooperative)
Cathay Bank	Lone Star Investment Pool
Central Bank	Lone Star National Bank
Chase Bank, N.A.	LPL Financial Services
Chase Investments Services Corp.	Masterson Advisors
Chasewood Bank	Mercantil Commercebank, National Association
Citibank	Merchants Bank
City Bank	Metro Bank, National Association A-2
Comerica Bank	Midkiff & Stone Capital Group, Inc.
Commercial State Bank	MidSouth Bank
CommunityBank of Texas, N.A.	Moody National Bank
CUNA	Morgan Stanley
Edward Jones	Morgan Stanley Wealth Management
Encore	New First National Bank
Enterprise Bank and Trust Company	Northern Trust, National Association
First Bank Texas	Omnibank National Association
First Citizens Bank	Patriot Bank
First Community Bank, N.A.	Plains State Bank
First Financial Bank	Post Oak Bank
First International Bank & Trust	Preferred Bank
First National Bank of Bastrop	Prime Way Federal Credit Union
First National Bank Texas	Prosperity Bank
First Texas Bank	Prudential Equity Group
FirstBank & Trust Company	Raymond James
Fiserve, Inc.	RBC Wealth Management USA
Frost Bank	Regions Bank
FTN Financial	Regions Financial Corporation
Golden Bank, National Association	Security State Bank
Green Bank, N.A.	Southwestern National Bank
Guaranty Bank and Trust	Spirit of Texas Bank
Hanmi Bank	
Herring Bank	

State Bank of Texas
State Street Bank & Trust Co.
Texan Bank
Texas Capital Bank, National Association
Texas Citizens Bank
Texas CLASS
Texas Community Bank
Texas First Bank
Texas Gulf Bank
Texas State Bank
TexPool/TexPool Prime
TexSTAR

The Bank of River Oaks
TIB – The Independent BankersBank
Tri Star Financial
Trustmark National Bank
U.S. Bank National Association
UBS Financial Services, Inc.
Unity National Bank
Vista Bank
Wallis State Bank
Wells Fargo Advisors, LLC
Wells Fargo Bank, N.A.
Woodforest National Bank

DRAFT

Section 15. Information Protection and Management

- A. Information Protection – Information assets are vital resources. These resources include information in any form, whether acquired from others or developed by the Authority, and any systems that store, process, or transmit information. It is the policy of the Authority to ensure the availability, integrity and confidentiality of these resources in a manner that is consistent with risk and business value. It is the joint responsibility of management and all Key Personnel to take the necessary actions to protect these resources. Key Personnel have the responsibility to understand the business value of their information resources. Key Personnel also have the responsibility to understand the risks associated with the possible compromise of the availability, integrity and confidentiality of these resources. Key Personnel are responsible for taking appropriate actions to ensure that Authority information resources are protected commensurate with business value and risk. Accordingly, Key Personnel who are unsure of the legal or regulatory implications of their actions will be responsible for seeking management or supervisory guidance. Authority information is to be used in pursuing Authority's own business interests and must not otherwise be used or disclosed by any Key Personnel either during or after performing work for the Authority.
- B. Records Retention Policy – In lieu of a formal Records Management Program approved by the State and Local Records Management Division of the Texas State Library and Archives Commission, the Authority has a policy of permanent retention with respect to all of its vital records, files, and data. The Records Management Officer is responsible for creating a policy and maintaining a procedure which ensures the integrity and protection of the Authority's records.
- C. Contract Files - Any record, regardless of form or format, which constitutes an agreement between the Authority/ TIRZ and any other agency, institution, business entity (for profit and not for profit), vendor or consultant, with or without a related expenditure, is a contract and all contracts are filed in a central location according to a predetermined file arrangement.
- D. Key Personnel are required to apply Authority's Records Retention Policy to all documents and other forms of information--including any and all electronic data--they create or receive in the course of exercising their responsibilities under the Administration Contract.
- E. Computer Systems and Other Technical Resources – It is the joint responsibility of management and all Key Personnel to ensure that the computer systems and other technical resources are used appropriately, that is, consistent with the Authority's and its Administration Contractor's standards of business and ethical conduct and policies.

1. Internet. Internet services support the advancement of goals and objectives of the Authority and its affiliate entities. Management encourages use of the Internet as a strategic business and learning tool. Occasional access to the Internet for learning or personal use is acceptable to facilitate the learning process and to promote the use of this strategic resource. At all times, during and after work, the Internet user is responsible for avoiding Internet sites including sexually explicit and game sites that violate the Authority's policies. Any unintentional contact with such a site requires the user to avoid exposing anyone else to the material, which should be deleted immediately from computer storage.

The Authority has the right to monitor and log Internet activity and to block offensive, illegal, and non-business-related sites. If an Internet user is uncertain whether a site violates company policy or the law, he or she should contact the President, Chief Operating Officer, or Director of Finance.

Internet activity is to be considered public and users must conduct their activity accordingly. Use caution when sending e-mail to a non-Authority or its affiliates internet address. These messages travel across non-secure, public lines and may be stored in third-party systems, subject to discovery and/or disclosure. In addition, the address of the intended recipient should be confirmed prior to sending the communication.

The internet can be used to communicate and exchange information so long as usage complies with all applicable laws, regulations, and this Handbook.

2. Electronic Mail – Authority operates and maintains electronic mail ("e-mail") systems to facilitate business communications. While the company's e-mail system may be used for incidental and occasional personal messages, such use should be kept to a minimum. E-mail may not be used in any way that may be disruptive to operations, offensive to others or violate policy or law. E-mail users should be aware that Authority and others may access e-mail records that are either stored or managed by the Authority's e-mail systems. E-mail messages, including personal messages, may thus be subject to review by management and others for appropriate purposes. Personnel with unique or special access to e-mail records shall not access such records outside the normal course of supporting or administering these systems, without proper authorization. Personnel who access the e-mail records of others without proper justification and authorization will be subject to disciplinary action up to and including separation of employment.

- F. **Use of Social Media by Employees** - "Social Media" integrates technology, social interaction, and the construction of words, pictures, videos, and audio. Examples of social media may include instant messaging, YouTube, Facebook, Twitter, LinkedIn,

TikTok, podcasts, wikis, blogs, discussion lists, newsgroups, or any other electronic communication format. You are a representative of the Authority, even during non-working hours.

As an employee, you should be careful to use social media, even on your own personal time, responsibly and respectfully. Protecting the Company's reputation in the community is every employee's responsibility.

Use of social media is subject to the following conditions and restrictions:

- Social media should not be used while at work unless the use is specifically related to managing business relationships or the Authority's social media accounts.
- Do not disclose any confidential or privileged information about the company, employees, partners, projects, or initiatives through social media.
- Remember that nothing is anonymous on the Internet.
- Do not imply or state that you represent the views of the Authority (except where assigned to do so as part of your job) and you must clearly represent your views are your own.
- The Authority rules prohibiting discrimination, harassment, and threats of violence apply to on-line communication as well as verbal communication.

The use of social media to bypass Authority policies is not acceptable. If you are uncertain about the appropriateness of any social media posting, you should refrain from making the posting until you speak to your supervisor or the President.

The Authority prohibits taking negative action against any Key Personnel for reporting a possible deviation from this policy or for cooperating in an investigation. Any Key Personnel who retaliates against another Key Personnel member for reporting a possible deviation from this policy or for cooperating in an investigation will be subject to disciplinary action, up to and including separation.

- G. File Access – Key Personnel may access only files or programs, whether digital or not, that they have permission to enter. Unauthorized review, duplication, dissemination, removal, damage or alteration of files, passwords, computer systems or programs, or improper use of information obtained by unauthorized means, may be grounds for disciplinary action, up to and including separation of employment.

- H. Privacy – It is the Authority’s policy to comply with applicable legal requirements concerning privacy in the workplace. However, personnel should be aware that they have no right of privacy as to any information or file maintained in or on the Authority’s property or transmitted or stored through its computer systems, voice mail, e-mail, or other technical resources. The Authority may override any applicable passwords for purposes of inspecting, investigating or searching all digital files or transmissions, voice mail, or e-mail, or any other Authority media in which information is stored or transmitted. As well, certain records associated with affiliate organizations – HDMD & DRA – are subject to the Texas Public Information Act, Texas Government Code Chapter 552, giving citizens the right to access government records. Records associated with the HDMD & DRA are presumed to be available to the public – including related correspondence – though some narrow exceptions may apply to the disclosure of some information.
- I. Litigation Discovery – Special care must be taken with information requests during litigation. It is the policy of the Authority to respect the judicial process. Truth in that process is essential. Therefore, Key Personnel involved in litigation discovery (that is, when documents or other evidence are required to be produced) shall:
- (a) Treat litigation discovery as a priority;
 - (b) Thoroughly and continuously review any questions they have with the Executive Director or designee and, if subsequently directed, the Authority’s counsel handling the matter, and fully and completely comply with the instructions received from them; and
 - (c) Immediately report any suspected noncompliance to the Executive Director.
- J. Requests for Information (Open Records Policy) – Information and records of Authority are subject to public scrutiny at the formal request of a member of the public. Therefore, Authority has developed the procedures outlined in Section 12 to accommodate any requests by the public for its information. Key Personnel having a question as to whether information is of public record should contact the Records Management Officer. (see also Section 12).
- K. Testimonials and Endorsements – It is the Authority’s policy not to provide information in the form of endorsements or testimonials of products or services. However, in those cases where further interpretation may be needed, please contact the Chair.

Section 16. Adoption and Revision

- A. The Board officially finds, determines and declares that these Administrative Policies and Procedures were reviewed, carefully considered, and adopted at a regular meeting of the Board on ~~September 12, 2023~~ November 12, 2024, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the Authority and on a bulletin board located at City Hall, 901 Bagby St. Houston, TX 77002 for the time required by law preceding this meeting, as required by Chapter 551, Texas Government Code and that this meeting had been open to the public as required by law at all times during which these Code of Ethics and Policies were discussed, considered, and acting upon. The Board further ratifies, approves, and confirms such written notice and the contents and posting thereof.
- B. Authority Administrative Policies and Procedures shall be reviewed at least annually; if necessary, amended and approved by the Authority's Board in an open meeting.

END

AGENDA ITEM	Market Square Park Kiosk Improvements – Authorization for Expenditures
REQUEST	Authorize the execution of necessary agreements by appropriate officers or personnel of the Authority for construction services to be provided by Talon Construction LLC for the Market Square Park Kiosk Improvements Project in an amount not to exceed \$550,000.
ITEM HISTORY	<p>2008-2010: The Authority redesigned and revitalized the Historic Market Square Park.</p> <p>August 2010: Niko Niko’s Greek & American Café opened as the kiosk food vendor in Market Square Park.</p> <p>November 2023: Niko Niko’s opted out of the current agreement to be the food vendor in Market Square Park.</p> <p>March – April 2024: An RFP process was held to identify a new kiosk vendor for Market Square Park.</p> <p>June 2024: The District authorized Gensler Architects to provide design services for the refurbishment of the existing kiosk and storage buildings and a new free-standing bar structure.</p> <p>September 2024: District Board authorization to advance tenant agreement with Petite Lucie as the new restaurant operator in Market Square Park.</p> <p>October 2024: Authority Staff initiated the public procurement process for a General Contractor with competitive sealed proposals received on November 5, 2024.</p>
DESCRIPTION	Authority Staff is requesting authorization of \$550,000 to advance the construction and implementation of the Market Square Park Kiosk Improvements Project, with Talon Construction serving as the Project’s General Contractor. Project scope includes the refurbishment and tenant fit-out of the existing kiosk, storage building, and outdoor trellis spaces plus a new freestanding bar structure with canopy and seating. The updated finishes and additions align with the new Operator’s vision of an enhanced customer experience.
CONTACTS	<p>DRA: Brett DeBord, Director of Operations & Capital Projects</p> <p>DRA: Dusty McCartney, Construction Manager</p> <p>DRA: David Cisneros, Economic Development Manager</p>

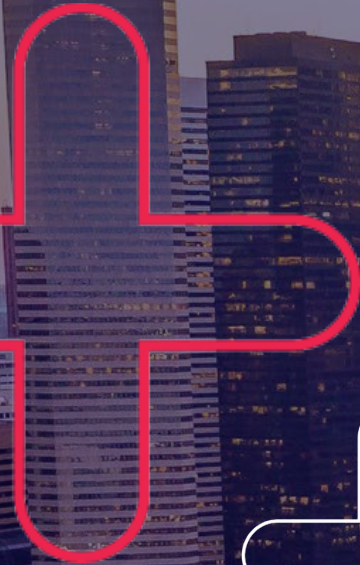


AGENDA ITEM	Trebly Park Shade Structures – Authorization for Expenditures
REQUEST	Authorize the execution of necessary agreements by appropriate officers or personnel of the Authority for construction services to be provided by Talon Construction LLC for the Trebly Park Shade Structures Project in an amount not to exceed \$600,000.
ITEM HISTORY	<p>2020-2023: The Authority designed, constructed, and opened Trebly Park.</p> <p>May 2024: The District authorized Gensler Architects to perform a shade analysis and provide design services for new shade structures over the play area and dog park trellis.</p> <p>October 2024: Authority Staff initiated the public procurement process for a General Contractor with competitive sealed proposals received on November 5, 2024.</p>
DESCRIPTION	Authority Staff is requesting authorization of \$600,000 to advance the construction and implementation of the Trebly Park Shade Structures Project, with Talon Construction serving as the Project’s General Contractor. Project scope includes the construction of new shade structures over the children’s play area and over the dog park trellis. Project also includes the installation of large umbrellas within the bosque area and large dog park. The addition of the shade elements will enhance the Park visitor’s overall experience by providing much needed relief from the Texas heat.
CONTACTS	<p>DRA: Brett DeBord, Director of Operations & Capital Projects</p> <p>DRA: Dusty McCartney, Construction Manager</p>



UPDATES ON THE MORE SPACE MAIN STREET PROJECT

(no materials, presentation to be shown during meeting)



DOWNTOWN HOUSTON+

STRATEGIC ALIGNMENT PLAN UPDATES

November 2024

GOAL 1



Champion major projects, initiatives and investments that improve Downtown.

1.5 Collaborate with partners such as the City of Houston, Harris County, Greater Houston Partnership and Houston First to leverage opportunities for shared strategies to improve Downtown Houston.

Highlight: On Oct 17, DTH+ partnered with the Greater Houston Partnership (GHP), the City of Houston (CoH), and the Coalition for the Homeless (CFTH) to host a luncheon spotlighting the next phase of Houston's homeless response system. Panelists and presenters for the event included Mike Nichols, Director of the CoH Department of Housing and Community Development, Steve Kean, President & CEO of GHP, and Kris Larson, President & CEO of Downtown Houston+, and Kelly Young, President & CEO of CFTH. The panelists discussed the impact on homelessness to Houston's economy and quality of life and shared emerging details about an evolved multi-disciplinary strategy to achieve a new level of success in reducing homelessness. The event was attended by a range of civic and non-profit leaders.

Participating Agencies:



1.7 Partner with METRO, the City of Houston, and others to plan and support a variety of safe and efficient mobility options for people to get to, from, and around Downtown, including a robust transit network and non-motorized transportation.

Highlight: HDMD has developed designs for safer, more efficient streets for all modes of transportation, including the Main Street Promenade (see SAP item 3.1) and repaving 80 blocks of Downtown. Working with the City of Houston, HDMD successfully secured \$23m+ in funding from the Houston-Galveston Area Council to construct these projects. Additional funds have been tentatively approved to redesign the Congress Street Bridge (to be confirmed in Q2 2025).

Participating Agencies:



GOAL 2

Enhance and maintain a comfortable, welcoming, and well-managed public realm.

2.3 Partner with local agencies to provide an exceptional network of parks and greenspaces in Downtown.

Highlight: Beginning in September, as part of a partnership agreement with Discovery Green Conservancy, SEAL Security Officers and Downtown Public Safety Guides began daily patrols in Discovery Green Park to enhance public safety and provide hospitality assistance. In the words of Kathryn Lott, President of Discovery Green, “We have seen a clear transformation in a matter of weeks... Our staff no longer has to put themselves in volatile situations to ensure the safety of the park and its visitors. We have been waiting for this day to come. Since my arrival to Discovery Green a little over a year ago, the park has not felt so safe or peaceful for both our employees and our park goers.”

Participating Agency:



2.8 Utilize data and analytic tools to understand the prevalence of criminal activity and shape programmatic responses.

Highlight: The installation of all 48 Flock cameras throughout Downtown is now complete. These cameras are part of a growing network of over 5,000 Flock cameras deployed around the greater Houston metropolitan area that capture data to help law enforcement solve, deter and reduce crime. The cameras decrease investigative time, eliminate gaps in evidence gathering, and assist in solving and eliminating crime in the community by providing instant notifications and precise coordinates of stolen vehicles or vehicles involved in felony-level crimes to law enforcement agencies.

Participating Agency:





GOAL 3

Drive vibrancy through improved street-level connectivity, a commitment to walkability, and inclusive programming strategies.

3.1 Plan, design, and construct public infrastructure that supports safety and equity.

Highlight: The Main Street Promenade design and engineering documents were submitted to the City of Houston for review and permitting on October 25. The design team and DTH+ held a public workshop in front of Flying Saucer on October 24 to share the final design with the public and solicit feedback on outstanding decisions, including construction mitigation needs and resources. 99% of people that engaged during the workshop stated that they feel this design and overall plan for the corridor "reflects their hopes for the Main Street Promenade." According to community stakeholders, the most popular aspects of the design are the 154% increase in trees and more plantings as well as the presence of historical blue tile throughout the corridor. The project remains on schedule, and construction is anticipated to commence in May 2025.

Participating Agency:



3.5 Partner with public and private property owners to beautify targeted corridors or block faces to improve connectivity.

Highlight: In partnership with HDMD, Downtown Houston+ has launched the Thrive Storefront Grant Program, made available to property owners and street-level retail businesses in Downtown. Eligible projects enhance retail storefront conditions, promote pedestrian safety, and contribute to the overall vibrancy of Downtown’s cityscape. To date, the HDMD Thrive Committee has approved 3 storefront projects for a total of \$106K of approved future reimbursements. Downtown Houston+ aims to identify an additional 3-4 projects prior to the end of 2024, projecting a year-end total of awards of \$250K by the Thrive Storefront Grant Program. All project selections have been made by the HDMD Thrive Committee, with final approval coming from the Board of HDMD.

Participating Agency:



GOAL 4



Foster a vital and thriving economy through business growth, residential expansion, and enhanced reasons to be in Downtown.

4.6 Facilitate the delivery of more residential development, building toward a residential population of 15,000 by 2027.

Highlight: With the recent completion of the Elev8 and Warehouse District multifamily projects, Downtown Houston has experienced a significant 9.1% year-over-year increase in residential units. This brings the total residential unit inventory to 8,038. Assuming an average household size of 1.3 people, as per the Census data for Downtown, we anticipate a gain of over 1,100 new residents once these projects reach full occupancy. Downtown's consistent outperformance in absorption rate compared to other Houston submarkets throughout the year strongly suggests that these new units will be quickly absorbed in the coming quarters.

Participating Agencies:



CentralHouston



downtown
district



Downtown
Redevelopment
Authority

4.14 Encourage, support and promote new attractions that expand what Downtown offers.

Highlight: Downtown Houston boasts the world's largest open-air gallery of fine-art murals inspired by all 17 United Nations Sustainable Development Goals: Big Art. Bigger Change. Now, Downtown Houston+ is taking steps to ensure these walls of art shine through the night, while inviting locals and visitors to tour at their own pace and outside regular business hours. DTH+ launched an incentive for private building owners to join in lighting and extending the murals' lives. The District also is funding a new web-based app accessible by cell phones to invite locals and visitors to tour at their own pace and outside regular business hours. DTH+ is grateful to enhance this major attraction initiated by Harris County Precinct #1 Commissioner Ellis and corporate partners.

Participating Agency:



downtown
district

GOAL 5

Develop a hivemind of intelligence and goodwill by genuinely engaging and convening stakeholders.

5.2 Expand CHI-produced events and engagement opportunities to offer broader opportunities for stakeholders to engage with and participate in the Downtown community.

Highlight: DTH+ hosted two events in the past month which provided opportunities for Board members to network with CHI members and other community leaders. On September 20, an event was held at the Astros home game versus the Los Angeles Angels. DTH+ secured a large suite courtesy of the Astros for the purpose of hosting stakeholders for a mixer in a more social setting. Then, on October 16, DTH+ held its annual State of Downtown event. The event was attended by approximately 800 Downtown stakeholders, surpassed all previous fundraising records, and the scoops announced as part of the program generated front-page news coverage.

Participating Agency:



5.8 Consolidate websites to be more user-friendly, Downtown-focused, and valued as the most critical clearinghouse about Downtown.

Highlight: Lack of vehicle parking is often cited as one of the primary frustrations for visitors to Downtown. The reality is not a lack of Downtown parking, but instead a lack information about parking, including location and pricing. To overcome this issue, DTH+ has revamped the organization's parking webpage (<https://downtownhouston.org/navigate/parking>) with an easy-to-use interactive map providing real time parking availability, prices, and the ability to reserve parking spaces in advance.

Participating Agency:



Engagements
103,117
Total

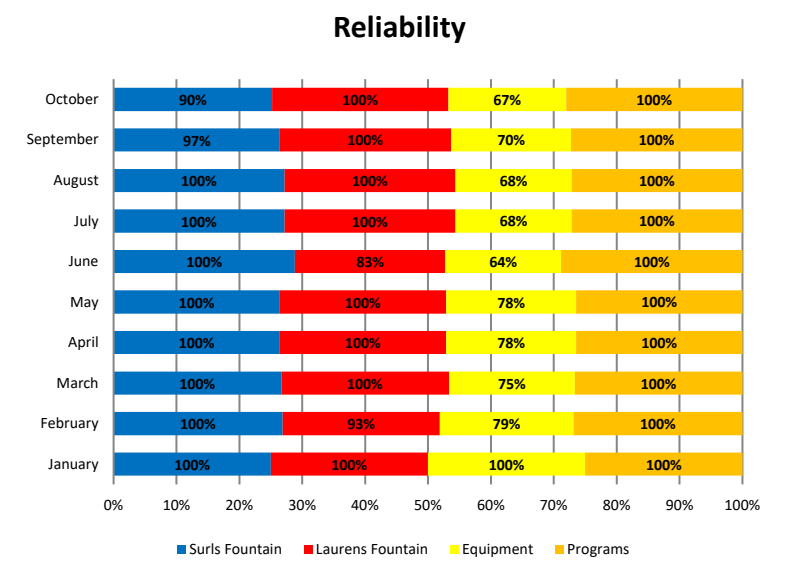
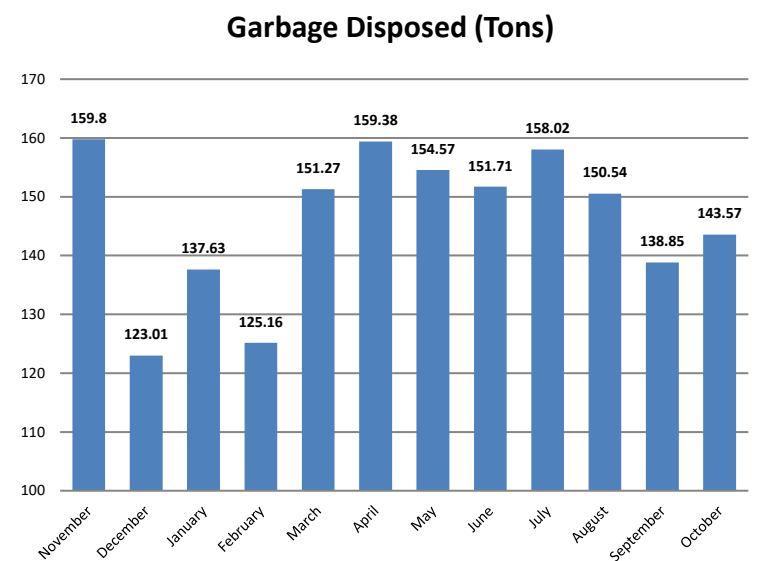
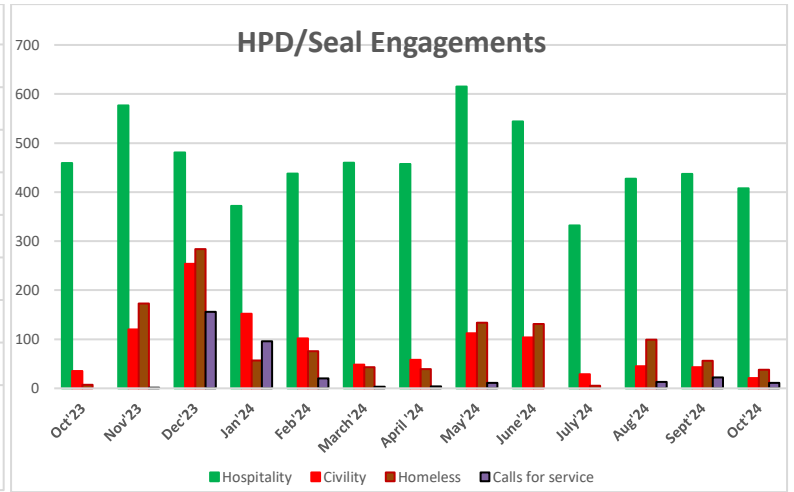
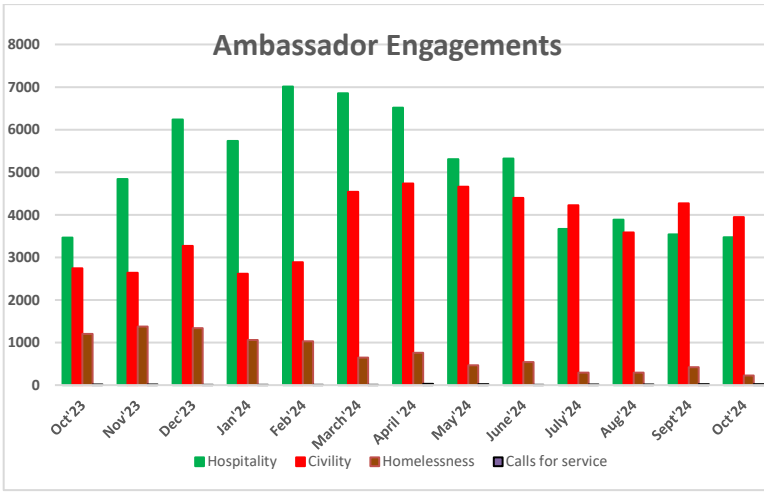
Homeless Count
222
Average

Sidewalk Cleaning
4.14
Average

Garbage Disposed (Tons)
1471
Total

Reliability
86%
Average

Safety & Quality Control



ENGAGEMENT METRICS

/ OCTOBER 2024



TOTAL REACH



TOTAL IMPRESSIONS



TOTAL FOLLOWERS



138K

628K

180.9K



5.4K

29K

173.3K

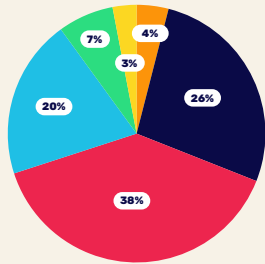


2.6M

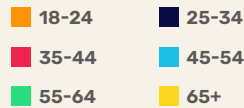
313K

141K

SOCIAL

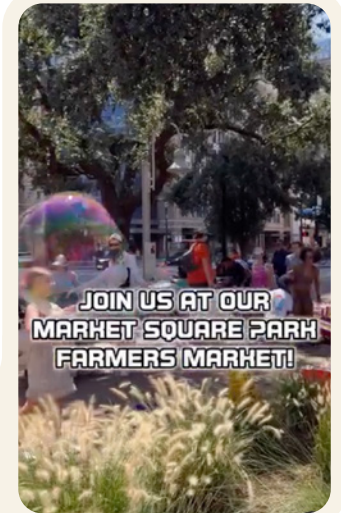


INSTAGRAM FOLLOWERS BY AGE RANGE



FOLLOWERS BY GENDER

66% 34%



TOP CONTENT OF THE MONTH

MARKET SQUARE PARK FARMER'S MARKET REEL
 118,112 PLAYS • 494 LIKES • 17 COMMENTS • 134 SHARES
 137 SAVES • TOTAL REACH: 26,275

WEBSITE

TOP 3 VIEWED PAGES

20,318

1. HOUSTON PUMPKIN FESTIVAL

Unique Visitors: 17,826
 Views Per User: 1.1
 Average Time: 10s

19,172

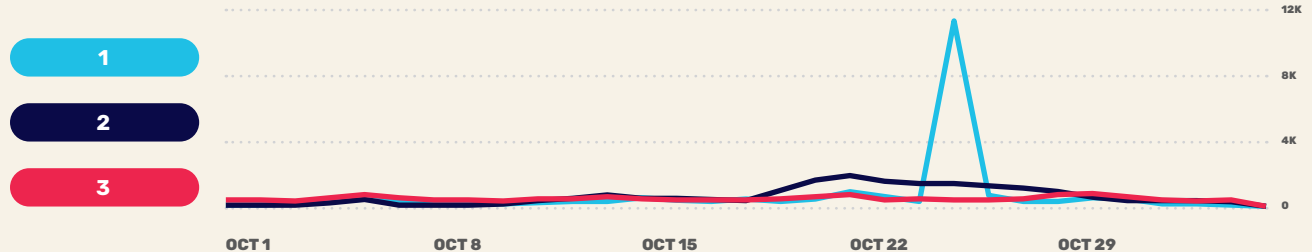
2. MARKET SQUARE PARK FARMER'S MARKET

Unique Visitors: 16,276
 Views Per User: 1.2
 Average Time: 5s

15,795

3. CALENDAR

Unique Visitors: 8,614
 Views Per User: 2
 Average Time: 40s



ENGAGEMENT METRICS

/ OCTOBER 2024



TOTAL EVENT ATTENDANCE

2,619

MARKET SQUARE PARK

375

TREBLY PARK

EVENTS



DTH+ SIGNATURE EVENTS

11

MARKET SQUARE PARK

Sweat and STRETCH
Farmer's Market
Movies Under the Stars: Cruella
Farmer's Market + Art Market

10

TREBLY PARK

Yoga Flow
Beats & Flow
Movies Under the Stars: Signs

MEDIA



MEDIA PLACEMENTS

68

TOTAL PLACEMENTS

32

TOP-TIER MEDIA (PRINT + BROADCAST)

\$645K

AD VALUE EQUIVALENCY