Downtown Redevelopment Authority

Board of Directors Meeting

October 14, 2025

Tax Increment Reinvestment Zone, Number Three
City of Houston

DOWNTOWN HOUSTON+

Downtown Redevelopment Authority
Tax Increment Reinvestment Zone Number Three, City of Houston

Board of Directors Meeting
October 14, 2025

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MINUTES OF THE REGULAR MEETING
OF THE
DOWNTOWN REDEVELOPMENT AUTHORITY

September 9, 2025

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 9, 2025, 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 Treasurer Hamm and Director Garcia. 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 Cisneros, Brendan Harrison, Cassie Hoeprich, Alyssa Mason, Jamie Perkins, and Ann Taylor, all with the Authority.

Additional attendees included Clark Lord with Bracewell, the Authority’s outside counsel; Andrew Busker with the City of Houston; and from the public, Friends of Columbia Tap members Ed Pettitt and Crystal Darling.

INTRODUCTIONS AND PUBLIC COMMENTS

Chair Flowers asked if anyone wished to make a public comment. Ed Pettitt indicated he would like to share a comment. Chair Flowers then read aloud the required statement, pursuant to the Texas Open Meetings Act, regarding public comments, and invited Mr. Pettitt to share.

Mr. Pettitt introduced himself and explained his role with the Friends of Columbia Tap, which supports the historical Columbia Tap Trail running through downtown, the east end, and the historic Third Ward. He noted upcoming safety and infrastructure improvements for the trail and requested that it be included on downtown maps. The Board acknowledged his request and thanked him for his comments. There were no additional comments 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.

MINUTES OF PREVIOUS MEETING

The Board considered approving the minutes of the August 12, 2025 regular joint board meetings. Chair Flowers asked the Board if they had any questions or revisions.

Hearing none, Chair Flowers called for a motion, moved by Vice Chair Sabino; seconded by Director Harrison; and the August 12, 2025, regular joint board meeting minutes were approved as presented.

FINANCE MATTERS

Check Register - August 2025

Jana Gunter was asked to provide highlights from the check register for the month ending August 31, 2025. She shared a summary, then asked if there were any questions or comments. The Board had no comments or questions.

Chair Flowers entertained a motion to accept the August 2025 check register. The motion was made by Director Harrison, seconded by Secretary Mandel, and the Board accepted the August 2025 check register as presented.

DRA/TIRZ #3 FY26 BUDGET AMENDMENT DISCUSSION + ACTION ITEM

Chair Flowers invited ED Douglas to discuss and present this item. ED Douglas referred to the amended draft budget in the materials previously provided. He explained the details and reasons for the amendment to the prior draft, then called for questions. Questions were asked and answered. No further discussion occurred.

Chair Flower called for a motion to approve the amended final draft of the FY26 Operation & CIP Budget in substantial form as recommended by the Budget & Finance Committee, and staff leadership with any further changes accepted by the full Board of Directors and release the budget to the City of Houston for review and City Council approval. Secretary Mandel moved this motion, and Vice Chair Sabino seconded it; the Board approved the request as presented.

UPDATE + PRESENTATION ON THE COOL CONNECTED CORRIDORS PROJECT

Chair Flowers called on Cassie Hoeprich to share an update on the Cool Connected Corridors Project. Ms. Hoeprich gave a presentation and explained how this project ties in with other DTH+ complementary projects, namely the Main Street Promenade. A discussion ensued, and questions were asked and answered. Board action was not required.

STRATEGIC ALIGNMENT UPDATES

President Larson was invited to share the latest updates regarding the cross-organizational Strategic Alignment goals. A discussion ensued, and questions were asked and answered. Board action 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 14, 2025, at 12:00 PM. He also reminded the Board of the upcoming Collaborative Committee meetings, as well as Central Houston's State of Downtown/Annual Meeting, scheduled for Thursday, October 30th, at 12:00 p.m. at the 713 Music Hall.

ADJOURN BOARD MEETING

A motion to adjourn the regular Board meeting was entertained. The motion was moved by Secretary Mandel and seconded by Director Liu; the October Board meeting was adjourned at 1:15 PM.

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

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

September 9, 2025

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 9, 2025, and the roll was called of the duly constituted officers and members of the Board, to wit:

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and all of said persons were present except for Treasurer Hamm and Director Garcia. Also attending were Allen Douglas, Executive Director ("ED"); Kris Larson, President; Jana Gunter, Director of Finance, all with the Zone; and staff members Brett DeBord, David Cisneros, Brendan Harrison, Cassie Hoeprich, Alyssa Mason, Jamie Perkins, and Ann Taylor, all with the Zone.

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

DRA First QTR 2026

Financial Summary

OCTOBER 14, 2025

DOWNTOWN HOUSTON+

STATEMENT OF NET POSITION
September 30, 2025

- Assets
  - Cash and Investments $34.9M
  - Other Receivables and Prepaid Expense - $796K
    - Tax Increment Receivable $6.3M
    - HDMD support for DLI - $600K
- Liabilities
  - Accounts Payable and Accrued Expenses are $3.1M
    - DLI and Economic Development Grants Outstanding $2.7M
    - Due to Affiliates – $223K
    - Accrued Interest - $138K
  - Bonds Payable due Aug 2026 – $2.77M

STATEMENT OF ACTIVITIES
First Quarter ended September 30, 2025

- Net increment revenue is based on 2025 property values and is forecasted by the City. The forecast is 1.6% less than the prior year.
- Interest income outperformed expectations by $170K

STATEMENT OF ACTIVITIES
First Quarter ended September 30, 2025

- Project Costs are $2.5M - $1.8M under Budget -The variance is primarily due to committed funds that have not yet been spent.
  - Downtown Public Realm Initiative $562K
  - Precinct 2 Match – Bayou Frontage $516K
  - More Space Main Street $287K
  - Pedestrian Lighting Improvements $280K
  - Façade Improvements $250K
  - Parks Collaborative $250K
  - Preserve Affordable Housing $250K
  - Montrose Bridge at Allen Parkway ($909K) – funds allocated were paid out earlier than planned

First Quarter 2026

Cash Investment Report

	7/1/2025	Net Changes	9/30/2025	Simple Interest Yield
JP Morgan Chase	$2,560K	($2,346K)	$214K	
Logic Increment	$23,400K	($3,769K)	$19,631K	4.3786%
Texas Class	$9,198K	$102K	$9,300K	4.3825%
Debt Service: Morgan Stanley Investment Fund	$4,364K	($3,501K)	$863K	3.1636%
Bond Reserve: Morgan Stanley Investment Fund	$4,365K	$46K	$4,411K	3.1636%
Pledged Funds: BNY Mellon	$195K	$292K	$487K	
Totals	$44,082K	($9,176K)	$34,906K	

CHECK REGISTER

September 2025

- Total checks issued were $741K
  - Skyhouse Main - $287K – 2024 DLI
  - Fairfield Block 334 LP - $155K – 2024 DLI
  - Moon Papas Art - $75K – Under passage Lighting
  - Talon Construction LLC - $59K – Trebly Park
  - Walter P Moore - $57K – Design & Engineering, More Space Main Street 2.0

DOWNTOWN HOUSTON+

DRA--Main Street Market Sq Redevelopment Auth

Check register

10/1/2025

Date	Vendor	Document no.	Amount
9/4/2025	VEN-00028--Carr Riggs & Ingram		18,000.00
9/5/2025	VEN-00566--Fairfield Block 334 LP	1041	154,586.00
9/5/2025	VEN-00620--SPUS9 HSTN South Tower, LP	1040	286,948.00
9/10/2025	VEN-00808--Hibrid Engineering, LLC		20,123.00
9/10/2025	VEN-00757--Moon Papas Art		74,500.00
9/10/2025	VEN-00318--STERLING EXPRESS SERVICES		35.00
9/10/2025	VEN-00785--Talon Construction LLC		59,626.39
9/18/2025	VEN-00321--Block by Block		24,112.45
9/18/2025	VEN-00195--Project Surveillance, Inc		24,562.50
9/18/2025	VEN-00797--UES Professional Solutions 44, LLC		5,060.00
9/18/2025	VEN-00539--Walter P Moore		57,439.50
9/23/2025	VEN-00021--Bracewell		10,100.00
9/23/2025	VEN-00185--Pfeiffer & Son, LTD.		3,352.84
9/29/2025	VEN-00562--GENSLER		2,400.00
9/29/2025	VEN-00318--STERLING EXPRESS SERVICES		25.00
			740,870.68

Downtown Redevelopment Authority
Statement of Net Position
September 30, 2025 and September 30, 2024

	09/30/25	09/30/24
Assets		
Cash	$ 213,832	$ 635,896
Investments - Debt Service	5,761,545	5,378,337
Investments - General	28,930,931	27,773,809
Tax Increments Receivable	6,305,548	6,546,576
Other Receivables & Prepaid Expenses	602,533	138,666
Capital Assets, Net	9,266,318	9,854,475
Cost of Issuance	289,552	319,766
Total Assets	$ 51,370,259	$ 50,647,525
Liabilities		
Accounts Payable & Accrued Expenses	$ 2,950,784	$ 4,309,107
Accrued Interest Payable	138,111	149,096
Lease Liabilities Due in One Year	338,788	332,770
Lease Liabilities Due After One Year	9,666,012	10,116,722
Bonds Payable Due in One Year	2,770,000	2,635,000
Bonds Payable Due After One Year	34,313,428	37,306,568
Total Liabilities	50,177,123	54,849,263
Net Position		
Net Position	1,193,136	(4,201,738)
Total Liabilities & Net Position	$ 51,370,259	$ 50,647,525

Downtown Redevelopment Authority
Statement of Activities
For the First Quarter ended September 30, 2025

	2025 1Q Actual	2025 YTD Actual	2025 YTD Budget	Fav (Unfav) Variance
Revenues				
Tax Increments	$ 7,759,557	$ 7,759,557	$ 7,759,557	-
Other Revenues	652	652	-	652
Interest Income	420,475	420,475	250,000	170,475
Total Revenues	**$ 8,180,684**	**$ 8,180,684**	**$ 8,009,557**	**$ 171,127**
Transfers				
Administrative Fees	301,257	301,257	301,257	-
HISD Adjustment	1,152,752	1,152,752	1,152,752	-
	1,454,009	1,454,009	1,454,009	-
Net Revenues	**$ 6,726,675**	**$ 6,726,675**	**$ 6,555,548**	**$ 171,127**
Expenses				
Project Costs	2,505,498	2,505,498	4,299,106	1,793,608
Municipal Services	-	-	-	-
Professional Fees	58,681	58,681	30,500	(28,181)
Administrative Contractor	103,326	103,326	145,000	41,674
Insurance	808	808		(808)
Office Expense	1,852	1,852	5,000	3,148
Interest Expense - Bonds	382,016	382,016	421,321	39,305
Cost of Issuance	59,971	59,971	59,971	-
Total Expenses	**$ 3,112,152**	**$ 3,112,152**	**$ 4,960,898**	**$ 1,848,746**
Change in Net Position	**3,614,523**	**3,614,523**	**1,594,650**	**2,019,873**
Net Position Beginning of Year		(2,421,386)	(2,421,386)	-
Net Position End of Period		**$ 1,193,136**	**$ (826,736)**	**$ 2,019,873**

Downtown Redevelopment Authority
Statement of Activities
For the First Quarter ended September 30, 2025 and September 30, 2024

	2025 YTD Actual	2024 YTD Actual	Fav (Unfav) Variance
Revenues			
Tax Increments	$ 7,759,557	$ 7,828,162	(68,605)
Other Revenues	652	146	506
Interest Income	420,475	472,091	(51,616)
Total Revenues	**$ 8,180,684**	**$ 8,300,399**	**$ (119,715)**
Transfers			
Administrative Fees	301,257	301,849	592
HISD Adjustment	1,152,752	1,159,995	7,243
	1,454,009	1,461,844	7,835
Net Revenues	**$ 6,726,675**	**$ 6,838,555**	**$ (111,880)**
Expenses			
Project Costs	2,505,498	1,607,422	(898,076)
Municipal Services	-	-	-
Professional Fees	58,681	26,697	(31,984)
Administrative Contractor	103,326	151,813	48,487
Insurance	808	825	17
Office Expense	1,852	8,235	6,383
Interest Expense - Bonds	382,016	412,503	30,487
Cost of Issuance	59,971	63,923	3,952
Total Expenses	**$ 3,112,152**	**$ 2,271,418**	**$ (840,735)**
Change in Net Position	**3,614,523**	**4,567,137**	**(952,615)**
Net Position Beginning of Year	(2,421,386)	(8,768,876)	6,347,490
Net Position End of Period	**$ 1,193,136**	**$ (4,201,738)**	**$ 5,394,875**

Downtown Redevelopment Authority
Project Cost Detail
For the First Quarter ended September 30, 2025

	2025 YTD Actual	2025 YTD Budget	Fav (Unfav) Variance
Project Costs			
Capital Improvement Projects			
More Space Main Street 2.0	404,702	$ 692,070	$ 287,368
Trebly Park	164,807	278,959	114,152
Market Square Park	219,117	145,076	(74,041)
NHHIP Civic Opportunities	19,895	119,293	99,398
Montrose Bridge at Allen Parkway	1,217,868	308,643	(909,225)
Pedestrian Lighting Improvements	110,824	390,570	279,746
Downtown Public Realm Initiative	24,172	586,449	562,277
Precinct 2 Match - Bayou Frontage	8,695	524,686	515,991
Eado Cap Park	24,069	25,749	1,680
Office Conversion Incentive Program	8,744	8,635	(109)
Downtown Planning Initiative 2.0	-	18,976	18,976
Total Capital Improvement Projects	**2,202,893**	**$ 3,099,106**	**$ 896,214**
Buffalo Bayou Park	-	-	-
806 Main/JW Marriott	-	-	-
Hotel Laura	-	-	-
Holiday Inn/Savoy Hotel	-	-	-
723 Main/AC Hotel	-	-	-
Downtown Living Initiative	-	-	-
Economic Development/Retail Program	54,790	125,000	70,210
Texaco Building/The Star	462	-	(462)
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	125,981	137,500	11,519
Façade Improvements	-	250,000	250,000
Parks Collaborative	-	250,000	250,000
Preserve Affordable Housing	-	250,000	250,000
Project Costs - Undesignated	121,372	187,500	66,128
Total Developer/Project Reimbursements	**302,605**	**$ 1,200,000**	**$ 897,395**
Total Project Costs	**2,505,498**	**$ 4,299,106**	**$ 1,793,609**

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

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
OPERATING										
JP MORGAN CHASE OPERATING	2,559,591.95	2,559,591.95	0.00	0.00	(2,345,760.17)	213,831.78	213,831.78	0.61%	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	2,559,591.95	2,559,591.95	0.00	0.00	(2,345,760.17)	213,831.78	213,831.78	0.61%		
POOLED INVESTMENT FUNDS										
LOGIC PUBLIC FUNDS	23,399,992.27	23,399,992.27	0.00	240,992.32	(4,010,000.00)	19,630,984.59	19,630,984.59	56.24%	4.3786%	51
TEXAS CLASS	9,197,794.97	9,197,794.97	0.00	102,151.22	0.00	9,299,946.19	9,299,946.19	26.64%	4.3825%	40
TOTAL POOLED	32,597,787.24	32,597,787.24	0.00	343,143.54	(4,010,000.00)	28,930,930.78	28,930,930.78	82.88%		
REPURCHASE AGREEMENTS										
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%		
DEBT SERVICE										
MORGAN STANLEY INVESTMENT FUND	4,364,275.00	4,364,275.00	0.00	31,296.65	(3,532,575.00)	862,996.65	862,996.65	2.47%	3.1636%	1
BOND RESERVE										
MORGAN STANLEY INVESTMENT FUND	4,365,400.00	4,365,400.00	0.00	46,034.10	0.00	4,411,434.10	4,411,434.10	12.64%	3.1636%	1
PLEDGED FUNDS										
BANK OF NEW YORK MELLON	194,597.30	194,597.30	0.00	0.00	292,517.35	487,114.65	487,114.65	1.40%	N/A	1
PROJECT FUNDS										
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	8,924,272.30	8,924,272.30	0.00	77,330.75	(3,240,057.65)	5,761,545.40	5,761,545.40	16.51%		
GRAND TOTAL	44,081,651.49	44,081,651.49	0.00	420,474.29	(9,595,817.82)	34,906,307.96	34,906,307.96	100%		

Municipal Services & Initiatives Update

(presentation will be shared in meeting)

AGENDA ITEM	FY25 Audit Report
FIRM	Carr, Riggs & Ingram, LLC
REQUEST	Review and discuss the current draft of the FY25 Audit Report for year ending June 30, 2025 and consider the recommended action brought forth by the Budget & Finance Committee.
ITEM HISTORY	**5/13/2025** – Board granted full approval of Carr, Riggs & Ingram as auditors for FY25. **10/7/2025** – The Budget & Finance Committee met to review the Draft FY25 Audit Report and determine a recommended action to present to the Board.
ACTION ITEM	Authorize approval of the drafted FY25 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, 2025

October XX, 2025

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 2025 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 2025 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@CRIadv.com.

Very truly yours,

Alyssa Hill
Partner

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, 2025;

- 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, 2025, and have issued our report thereon dated October XX, 2025. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated May 13, 2025, 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) and to report on the fairness of supplementary information as described in the engagement letter when considered in relation to the financial statements as a whole. Our audit of the financial statements does not relieve you or management of your responsibilities. 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.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Client's responsibility	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. 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.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *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.*	See section titled "Accounting Policies, Judgment, and Sensitive Estimates & CRI Comments on Quality".
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Authority and how they are disclosed.*	No such risks or exposures were noted other than those disclosed in the notes to the basic financial statements.
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	We encountered no significant difficulties in dealing with management in performing and completing our audit.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
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	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted that materially impacted the Authority's basic financial statements, and the application of existing policies was not changed in fiscal year 2025. 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. 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 development agreements. The Authority's financial statement disclosures are neutral, consistent, and clear.
Disagreements with management *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.*	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance, including any circumstances that could affect the form or content of the report. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None noted.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *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.*	See section titled "Summary of Audit Adjustments".
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	To our knowledge, there were no such consultations with other accountants.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	See "Internal Control Findings" section.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Fraud and illegal acts *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.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Significant unusual accounting transactions *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.*	No significant unusual accounting transactions were noted during the year.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Required Supplementary information *The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	Required supplementary information (RSI) accompanying the financial statements was subjected to certain limited procedures, including inquiries of management regarding the methods for 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 the audit of the Authority's basic financial statements. However, we did not audit the RSI and do not express an opinion or provide any assurances on the RSI.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Supplementary information *The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	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.

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			
To reclassify interest and amortization expense from project costs			
505.400	CRI - Interest Expense - Leases	208,888.00	
999.100	CRI - Depreciation Expense - Leases	588,157.00	
5550-00	Project Expense		797,045.00
Total		**797,045.00**	**797,045.00**
Adjusting Journal Entries JE # 2			
PBC entry to reclassify project expenses included in admin expenses.			
5550-00	Project Expense	903,983.00	
8100-02	Contract Expense - Admin DRA		903,983.00
Total		**903,983.00**	**903,983.00**
Adjusting Journal Entries JE # 3			
To reclassify BAM insurance			
5440-00	Insurance Expense	56,370.00	
7302-00	Cost of Issuance Amortization-2015		56,370.00
Total		**56,370.00**	**56,370.00**
Adjusting Journal Entries JE # 4			
PBC entry to adjust Harris County tax increment revenue for actual amount to be received.			
1221	Tax Increment Receivable	165,038.00	
4355	Est Tax Increment Revenues	144,175.00	
4901-00	Transfers-Revenue Adjustments (Contra)	8,187.00	
4351-00	Tax Increment Revenue - County		317,400.00
Total		**317,400.00**	**317,400.00**

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.

To be inserted upon signature/issuance

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, d/b/a Downtown Redevelopment Authority (the Authority) as of and for the year ended June 30, 2025, 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, 2025

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

FINANCIAL STATEMENTS

June 30, 2025

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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, 2025, 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, 2025, 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, and the schedule of estimated project costs to actual costs (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, 2025

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, 2025 with the year ended June 30, 2024 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 $2,937,810 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 $164,233 was spent during the fiscal year 2025.

- 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 $1,413,150 in current year expenditures related to the project. During 2025, shade structures were installed throughout the park at a cost of $724,920 paid to Talon Construction, LLC. as the general contractor, $32,533 per month in rent to the landlord for the long-term ground lease and $195,651 in admin contractor expense paid to Central Houston, Inc. The Authority also paid $105,202 in property taxes on the site.

- The Authority paid $4,802 for design services related to the new kiosk at Market Square Park in 2025. The former vendor Niko Nikos departed the park in 2024, and the new vendor Petite Lucie will occupy the new kiosk in 2026.

- The Authority paid $1,870,982 in fiscal year 2025 to the City of Houston for Municipal Services in the Zone that were allocated to support the City budget, including $980,000 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 $411,216 in 2025 for reimbursements related to the 2024 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 $345,223 in fiscal year 2025 for reimbursements related to the 2024 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 $27,825 in fiscal year 2025 for reimbursements related to the 2024 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 $77,100 in fiscal year 2025 for reimbursements related to the 2024 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 2025 installments to: Market Square Tower in the amount of $650,774, Fairfield Block 334 in the amount of $134,935 and Fairfield Block 337 in the amount of $286,202.

- In November of 2018, the Authority board approved an economic development agreement with 401 Franklin St, LTD for restoration and redevelopment of the Barbara Jordon 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 $369,627 in fiscal year 2025 for reimbursements related to the 2024 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.

- 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. Transitioning out of the pandemic, the model of innovation most effective for the Launchpad space compelled the Authority to involve educational institutions. During fiscal year 2025, the Authority entered into an agreement with the University of Houston to occupy the space by providing a career center, continuing education, and an urban crime data center. The Launchpad opened in July of 2020. The Authority paid $514,055 in fiscal year 2025 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 approved capital project support to the Buffalo Bayou Partnership for the 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. There was no funding provided by the Authority in fiscal year 2025 for this project.

- The Authority continued its funding for the North Houston Highway Improvement Project with a contribution of $400,000 to Central Houston Civic Improvement and $39,903 for admin contract services to Central Houston, Inc. 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.

- In 2025 the Authority committed funding to the following programs:

  - EADO cap of $6,500,000 to be held in anticipation of the costs for a 30-acre cap above the below-grade freeway that will be built as part of the North Houston Highway Improvement Project. These sequestered funds are in accordance with the 2019 annexation by the Authority and accompanying project plan authorized by City Council.

  - Office conversion of $2,000,000 to be held in anticipation of developer incentives, and/or the Authority purchasing obsolete infrastructure to incentivize developers for adaptive reuse.

  - DLI 2.0 of $3,000,000 to be held for accessible or workforce housing within the boundaries of the Authority.

- 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. $2,340,000 in principal payments were required in fiscal year 2025, as well as the Authority recorded $1,591,511 in interest expense, and amortized $30,214 in issuance costs plus an additional expense of $56,370 to Build America Mutual Assurance Company.

- 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.

- 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 $631 million, $3.0 billion, $91 million, $112 million, $2.1 billion $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.

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:

	2025	2024
Assets		
Capital assets, net	**$ 9,413,357**	$ 10,001,514
Other assets:		
Cash and investments	**44,081,651**	41,117,497
Tax increment and other receivables	**958,269**	714,108
Other assets	**299,805**	330,070
Total assets	**54,753,082**	52,163,189
Liabilities		
Accounts payable and interest payable	**7,283,533**	8,035,287
Lease liabilities - due in one year	**450,710**	442,703
Lease liabilities - due after one year	**9,666,012**	10,116,722
Bonds payable - due in one year	**2,635,000**	2,340,000
Bonds payable - due after one year	**37,139,213**	39,997,353
Total liabilities	**57,174,468**	60,932,065
Net Deficit		
Restricted for debt service	**8,326,387**	8,567,850
Unrestricted (accumulated deficit)	**(10,747,773)**	(17,336,726)
Total net deficit	**$ (2,421,386)**	$ (8,768,876)

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 $2,559,592, debt service cash and investments were $8,924,272, and general fund investments were $32,597,787 at June 30, 2025. Total operating cash was $238,107, debt service investments were $10,043,706, and general fund investments were $30,835,864 at June 30, 2024.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of $292,517 at June 30, 2025, represent payments due from Harris County. Other accounts receivable of $665,752 at June 30, 2025, 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, $2,352,628 of accumulated amortization expense, for a net capital asset balance of $9,413,357.

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, 2025 and 2024 was $297,106 and $327,320, respectively. Other assets also include prepaid expenses totaling $2,699 and $2,750 at June 30, 2025, and 2024, respectively for insurance premiums in 2025 and 2024.

Accounts payable and accrued expenses on June 30, 2025, of $6,685,648 represent grant payments due of $4,492,386, City of Houston municipal services of $1,870,982, capital project expenditures of $318,455 and payments due to administrative contractor for staffing of $3,825. Accounts payable and accrued expenses on June 30, 2024, of $7,398,403 represent grant payments due of $3,429,480, City of Houston municipal services of 1,913,625, Buffalo Bayou Park operational support of $1,362,620, capital project expenditures of $250,000 and payments due to the administrative contractor for staffing of $134,041. Retainage payable at June 30, 2025, and 2024 totaled $15,261 and $0, respectively. Accrued interest at June 30, 2025 and 2024, totaled $597,885 and $636,884, respectively. At June 30, 2025 and 2024 the lease liability outstanding was $10,116,722 and $10,559,425, 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, 2025 and 2024, the Authority has an unrestricted net deficit of $10,747,773 and $17,336,726, respectively. The Authority had net position restricted for debt service of $8,326,387 and $8,567,850 at June 30, 2025, and June 30, 2024, 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:

	2025	2024
Revenues		
Tax increments	**$ 21,147,384**	$ 21,385,112
Investment and other income	**1,430,646**	1,231,682
Total revenues	**22,578,030**	22,616,794

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

		2025		2024
Expenses				
Current	**$**	**2,635,151**	$	2,342,173
Capital outlay		**11,764,775**		8,966,965
Debt service		**1,830,614**		1,939,637
Total expenses		**16,230,540**		13,248,775
Change in net position		**6,347,490**		9,368,019
Net deficit - beginning of year		**(8,768,876)**		(18,136,895)
Net deficit - end of year	**$**	**(2,421,386)**	$	(8,768,876)

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:

		2025		2024
Capital Improvement Projects				
More Space Main Street 2.0	**$**	**1,967,392**	$	157,864
Trebly Park (Southern Downtown Pocket Park)		**1,413,150**		923,125
Pedestrian Lighting Improvements		**492,674**		98,214
NHHIP Civic Opportunities		**439,903**		300,000
Allen Parkway Reconstruction		**164,233**		148,708
Road Resurfacing, Design & Engineering		**125,591**		-
Downtown Living Initiative 2.0		**105,776**		-
Montrose Bridge at Allen Parkway		**101,362**		362,493
Undesignated		**97,768**		
Office Conversion Incentive Program		**50,667**		-
Market Square Park		**4,802**		-
Bagby Street Improvements		**-**		13,318
Total Capital Improvement Projects		**4,963,318**		2,003,722

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

		2025		2024
Historic Preservation				
The Star Residential	**$**	**411,216**	$	321,772
806 Main (JW Marriott)		**345,223**		171,290
723 Main (Marriot AC Collection Hotel)		**44,113**		30,504
Economic Development Agreements				
Buffalo Bayou Park		**2,937,810**		2,768,771
Market Square Tower Residential		**650,774**		473,332
Downtown Launchpad		**514,055**		689,585
Aris Market Square Residential		**378,745**		201,451
Post HTX		**369,627**		459,928
Fairfield 1810 Residential		**286,202**		278,416
SkyHouse Main Residential		**243,311**		248,758
SkyHouse Houston Residential		**239,774**		247,750
Economic Development Retail		**140,747**		164,991
Block 334 Residential		**134,935**		152,258
Hotel Alessandra/Laura		**77,100**		69,818
1616 Main (Holiday Inn Hotel)		**27,825**		19,808
Targeted Blight Remediation		**-**		356,465
Gener8tor		**-**		250,000
Hike & Bike Trails East of Allen's Landing		**-**		58,346
Total Project Costs	**$**	**11,764,775**	$	8,966,965

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

		2025		2024
Administrative services	**$**	**516,609**	$	340,892
Legal fees		**145,975**		31,748
Insurance		**59,653**		4,055
Accounting and auditing		**23,220**		20,500
Office expense		**9,417**		24,624
Consulting		**9,296**		6,730
Total other operating costs	**$**	**764,170**	$	428,549

In fiscal years 2025 and 2024, the Authority paid $1,870,982 and $1,913,625, respectively, to the City under the Authority's Municipal Service Costs Agreement.

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 $38.1 million which is approximately $3.8 million higher than the prior fiscal. $45.8 million is committed or assigned to various historic preservation, parks and recreation, retail and economic development projects, and infrastructure/mobility projects of the Authority. Fund balance of $8.9 million is restricted to indicate that it is committed to pay debt service. As of June 30, 2025, the Authority has net deficit for unassigned fund balance amounting to $16,606,860.

CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets

As of June 30, 2025, the Authority had $9,413,357 in leased capital assets, net of accumulated amortization of $2,352,628. 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 2025 and 2024 $1,814,651 and $1,917,550 in interest expense and amortized $30,214 in premiums for credit enhancement insurance for both 2025 and 2024. 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 year 2024 the Authority accrued and paid $8,964 of interest payments related to the Series 2012 Bonds. 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 2025.

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 $1,229,493 and $1,101,124 for the years ended June 30, 2025, and June 30, 2024, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled $971,702 and $1,000,978 for the years ended June 30, 2025, and June 30, 2024, 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 Plan. 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.

* * * * *

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

June 30, 2025	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	$ 2,559,592
Investments	32,597,787
Tax increment receivables	292,517
Other receivables	665,752
Restricted assets	
Cash and cash equivalents	194,597
Investments	8,729,675
Capital assets, net	9,413,357
Other assets	299,805
Total assets	54,753,082
Liabilities	
Accounts payable	6,685,648
Interest payable	597,885
Lease liabilities	
Due in one year	450,710
Due after one year	9,666,012
Bonds payable	
Due in one year	2,635,000
Due after one year	37,139,213
Total liabilities	57,174,468
Net Deficit	
Restricted for debt service	8,326,387
Unrestricted (accumulated deficit)	(10,747,773)
Total net deficit	$ (2,421,386)

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

For the year ended June 30, 2025

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position — Primary Government — Governmental Activities
Primary Government			
Governmental activities	$ 16,230,540	$ -	$ (16,230,540)
Total governmental activities	16,230,540	-	(16,230,540)
General revenues and transfers			
Tax increments			21,147,384
Investment earnings			1,430,646
Total general revenues			22,578,030
Change in net position			6,347,490
Net deficit, beginning of year			(8,768,876)
Net deficit, end of year			$ (2,421,386)

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

June 30, 2025	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 2,559,592	$ -	$ 2,559,592
Investments	32,597,787	-	32,597,787
Tax increment receivables	292,517	-	292,517
Other receivables	665,752	-	665,752
Restricted assets			
Cash and cash equivalents		194,597	194,597
Investments		8,729,675	8,729,675
Other assets	2,699	-	2,699
Total assets	$ 36,118,347	$ 8,924,272	$ 45,042,619
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 6,670,387	$ -	$ 6,670,387
Deferred inflow of resources			
Deferred tax increment revenue	292,517	-	292,517
Fund balances			
Restricted	-	8,924,272	8,924,272
Committed	33,766,307	-	33,766,307
Assigned	11,995,996	-	11,995,996
Unassigned	(16,606,860)	-	(16,606,860)
Total fund balances	29,155,443	8,924,272	38,079,715
Total liabilities, deferred inflows of resources and fund balances	$ 36,118,347	$ 8,924,272	$ 45,042,619

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, 2025

Total fund balances - governmental funds	$ 38,079,715
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	9,413,357
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds	(50,488,820)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements	297,106
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(15,261)
Tax increment revenues are not available for current period expenditures and therefore are deferred in the funds	292,517
Net deficit of governmental activities	$ (2,421,386)

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

For the year ended June 30, 2025	General Fund	Debt Service	Total Governmental Funds
Revenues			
Tax increments	$ 16,485,052	$ 4,550,072	$ 21,035,124
Investment earnings	1,430,646	-	1,430,646
Total revenues	17,915,698	4,550,072	22,465,770
Expenditures			
Current:			
Consultants	662,584	-	662,584
Administrative support/office expenses	41,933	-	41,933
Insurance	59,653	-	59,653
Municipal services	1,870,982	-	1,870,982
Capital outlay	11,604,060	-	11,604,060
Debt Service:			
Principal payments on bonds	-	2,340,000	2,340,000
Interest expense	208,888	1,853,650	2,062,538
Total expenditures	14,448,100	4,193,650	18,641,750
Excess of revenues over expenditures	3,467,598	356,422	3,824,020
Fund balance, beginning of year	25,687,845	8,567,850	34,255,695
Fund balance, end of year	$ 29,155,443	$ 8,924,272	$ 38,079,715

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

For the year ended June 30,		2025
Net change in fund balance - total governmental funds	$	3,824,020
Amounts reported for governmental activities in the statement of activities are different because:		
Tax increment revenues in the statement of actvities that do not provide current financial resources are not reported in funds		112,260
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		2,340,000
Repayment of lease liabilities		442,703
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		23,738
Change in net position of governmental activities	$	6,347,490

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.

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.

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, 2025. 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 I50: 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, 2025, the Authority believes all tax increment receivables are fully collectible, and, accordingly, no allowance has been created.

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, 2025, 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, 2025.

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.

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 I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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

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.

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, 2025.

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.

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, 2025, 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 Issued and Implemented Accounting Pronouncements

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

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. There were no significant impacts of implementing this Statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement is to improve key components of the financial reporting model, such as 1) presentation of certain information in the management's discussion and analysis (MD&A) and its quality of the analysis, 2) requires a separate presentation of unusual or infrequent items, 3) requires the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position to include a subtotal for operating income (loss) and noncapital subsidies before reporting other nonoperating revenues and expenses, 4) requires presentation of each major component unit financial information separately, and 5) requires budgetary comparison information (RSI) be presented as required supplementary information and also present (a) variances between original and final budget amounts and (b) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale, such as (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The Authority is evaluating the requirements of the above statements 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, 2025, the carrying amount of the Authority's deposits totaled $2,754,189 and the bank balances totaled $2,695,055 at JP Morgan Chase and $194,597 at Bank of New York Mellon, which approximates fair value. The amount in excess of federal deposit insurance of $2,445,055 at June 30, 2025 was uncollateralized due to the timing of deposits received.

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, 2025, the Authority held $32,597,787 in investment pools, comprising of LOGIC and Texas CLASS. The debt service reserves, totaling $8,729,675, 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 37 days or less, with a maximum weighted average maturity of 85 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, 2025, the Authority held deposits of $9,197,795 in Texas CLASS and $23,399,992 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 programs seek to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools.

Under GASBC Section I50: Investments, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum 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, 2025, 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.

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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.

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, 2025 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Total
Debt service funds	$ 194,597	$ 8,729,675	$ 8,924,272

Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance at July 1, 2024	Additions	Retirements	Balance at June 30, 2025
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	(1,764,471)	(588,157)	-	(2,352,628)
	$ 10,001,514	$ (588,157)	$ -	$ 9,413,357

Amortization expense for the year ended June 30, 2025 totaled $588,157 and is reported as capital outlay expenses in the accompanying statement of activities.

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, 2024	$	39,920,000
Additions		-
Retirements		(2,340,000)
Balance at June 30, 2025		37,580,000
Current portion	$	2,635,000

Tax Increment Contract Revenue Bonds at June 30, 2025 consist of the following:

	Outstanding Balance
2015 debt series total principal payable	$ 37,580,000
Unamortized premium	2,194,213
Total bonds payable	$ 39,774,213

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, 2025, the Authority incurred $2,340,000 and $1,814,651 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.

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
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	1,271,577	4,331,577
2030	3,215,000	1,119,779	4,334,779
2031-2035	18,715,000	3,034,798	21,749,798
2036	4,275,000	33,920	4,308,920
	$ 37,580,000	$ 10,114,827	$ 47,694,827

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 $4,320,281 required at June 30, 2025 for short term principal and interest payments due on the 2015 bond obligations during fiscal year 2026. The Debt Service Fund was fully funded in June 2025 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.

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, 2025 the balance on the lease liability totaled $8,866,616.

The principal and interest payments of $203,956 and $187,635, respectively, for the year ended June 30, 2025 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, 2025 the balance on the lease liability totaled $1,250,106. The principal and interest payments of $238,746 and $21,253, respectively, for the year ended June 30, 2025 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

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:

For the years ending June 30,	Principal	Interest	Total
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	523,990	166,761	690,751
2031-2035	1,471,882	735,713	2,207,595
2036-2040	1,866,143	562,212	2,428,355
2041-2045	2,327,022	344,169	2,671,191
2046-2049	2,065,504	$83,822	2,149,326
	$ 10,116,722	$ 2,646,651	$ 12,763,373

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

Balance at July 1, 2024	$ 10,559,425
Additions	-
Retirements	(442,703)
Balance at June 30, 2025	$ 10,116,722
Current portion, lease liabilities	$ 450,710

Note 2: DETAIL NOTES ON ALL FUNDS (Continued)

Fund Balances – Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
Restricted for			
Debt service	$ -	$ 8,924,272	$ 8,924,272
Committed to			
Roadways and streets	150,000	-	150,000
Infrastructure/mobility	6,676,356	-	6,676,356
Real property improvements	4,100,000	-	4,100,000
Historic preservation	1,779,132	-	1,779,132
Parks and recreation	7,029,452	-	7,029,452
Retail/economic development	14,031,367	-	14,031,367
Assigned to			
Historic preservation	750,000	-	750,000
Infrastructure mobility improvement	143,000	-	143,000
Parks and recreation	11,102,996	-	11,102,996
Unassigned	(16,606,860)	-	(16,606,860)
	$ 29,155,443	$ 8,924,272	$ 38,079,715

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)

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.

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:

		Transfers		
	Gross Increment	Administrative Fee	Educational Facilities	Net Increments
City of Houston	$ 18,744,305	$ (937,215)	$ -	$ 17,807,090
Houston Independent School District	4,302,270	(25,000)	(1,229,493)	3,047,777
Harris County	307,913	(15,396)	-	292,517
Total tax increments	$ 23,354,488	$ (977,611)	$ (1,229,493)	$ 21,147,384

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

		Transfers		
	Gross Increment	Administrative Fee	Educational Facilities	Net Increments
City of Houston	$ 18,744,305	$ (937,215)	$ -	$ 17,807,090
Houston Independent School District	4,302,270	(25,000)	(1,229,493)	3,047,777
Harris County	189,744	(9,487)	-	180,257
Total tax increments	$ 23,236,319	$ (971,702)	$ (1,229,493)	$ 21,035,124

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.

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 11th installment under the grant was accrued in fiscal year 2025.

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 eighth installment under the grant was estimated and accrued in fiscal year 2025.

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 ninth installment under the grant was accrued in fiscal year 2025.

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 seventh installment under the grant was accrued in fiscal year 2025.

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 ninth installment under the grant was paid in fiscal year 2025.

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 ninth installment under the grant was accrued in fiscal year 2025.

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. The second installment was accrued in fiscal year 2025.

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.

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 sixth installment of the rebate was accrued in fiscal year 2025.

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.

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 Jordon 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 third rebate payment was accrued in fiscal year 2025.

Note 5: CONTRACTS AND DEVELOPMENT AGREEMENTS (Continued)

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. $1,420,592 for these services for the year ended June 30, 2025.

SUPPLEMENTARY INFORMATION

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

For the year ended June 30, 2025	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balance - beginning of year	$ 32,387,300	$ 34,255,695	$ 1,868,395
Resources			
Tax increments	28,464,251	23,236,319	(5,227,932)
Interest income	1,000,000	1,430,646	430,646
Total available resources	61,851,551	58,922,660	(2,928,891)
Expenses			
Management consulting services	854,083	764,170	89,913
Project costs and capital expenditures	29,571,908	11,604,060	17,967,848
Debt service	4,193,650	4,402,538	(208,888)
Other interfund transfers:			
HISD educational facilities	4,611,008	1,229,493	3,381,515
Municipal services - public safety	2,045,000	1,870,982	174,018
Administrative fees	1,076,329	971,702	104,627
Total uses of resources	42,351,978	20,842,945	21,509,033
Budgetary fund balance - end of year	$ 19,499,573	$ 38,079,715	$ 18,580,142

DRAFT

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

Sources/inflows of resources:	
Actual amounts (budgetary basis)	$ 58,922,660
Differences - budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource current year revenue for financial reporting purposes	(34,255,695)
Budgeted revenues include HISD educational facilities transfers and City administrative charges while the Authority's funds report revenues net of these transfers	(2,201,195)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances	$ 22,465,770
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 20,842,945
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	(2,201,195)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	$ 18,641,750

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

For the year ended June 30, 2025	Vendor	Budget	Actual Expenditures	Variance
Management Consulting Services				
Administrative Support	Central Houston, Inc.	$ 765,083	$ 516,609	$ 248,474
Office Expenses	Various	20,000	9,417	10,583
Insurance	Philadelphia Insurance Companies	7,500	3,283	4,217
	Build America Mutual Assurance Company	-	56,370	(56,370)
Auditor	Carr Riggs & Ingram	22,500	23,220	(720)
Bond Trustee Services	Bank of New York Mellon	7,000	3,260	3,740
1099 Tax Filings	NCTP-CPA's	-	340	(340)
Taxroll Advisor (UTS)	Utility Tax Services	-	5,696	(5,696)
Total administration and overhead		822,083	618,195	203,888
Legal	Bracewell & Giuliani LLP	32,000	145,975	(113,975)
Total management consulting services		$ 854,083	$ 764,170	$ 89,913
Capital Expenditures and Developer/Project Reimbursements				
Developer/Project Reimbursements:				
Aris Market Square Residential	HM Market Square, LLC	$ 410,872	$ 378,745	$ 32,127
Buffalo Bayou Park	Buffalo Bayou Partnership	2,965,591	2,937,810	27,781
The Star Residential	Rusk@San Jacinto Partners, LP	246,344	411,216	(164,872)
806 Main (JW Marriott)	806 Main Hotel, LLC	185,541	345,223	(159,682)
Downtown Living Initiative	Central Houston, Inc.	100,000	-	100,000
Economic Development Retail	Central Houston, Inc.	500,000	140,747	359,253
SkyHouse Houston Residential	SPSU9 - North Tower	247,161	239,774	7,387
SkyHouse Main Residential	SPSU9 - South Tower	248,199	243,311	4,888
Block 334 Residential	Fairflield Block 334, LP	156,826	134,935	21,891
Market Square Tower Residential	Woodbranch Tower LLC	586,629	650,774	(64,145)
Hotel Alessandra/Laura	HA Hotel Partners, LP	56,150	77,100	(20,950)
1616 Main (Holiday Inn Hotel)	HDT Hotel, LLC	23,323	27,825	(4,502)
Fairfield Residential	Fairfield 1810 Main LP.	226,847	286,202	(59,355)
Hike and Bike Trails East of Allens Landing	Buffalo Bayou Partnership	1,000,000	-	1,000,000
Post HTX	401 Franklin Street, LTD.	365,767	369,627	(3,860)

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

For the year ended June 30, 2025	Vendor	Budget	Actual Expenditures	Variance
Future Project Development	Hibrid Engineering, LLC	$ 1,000,000	$ 120,790	$ 879,210
	Central Houston, Inc.		45,900	
	The Goodman Corporation		13,820	
	Pfeiffer & Son		42,848	
Total Future Project Development		1,000,000	223,358	776,642
723 Main (Marriott AC Collection Hotel)		22,752	44,113	(21,361)
Downtown Innovation Hub	Amegy Bank - Operating		478,914	
	Central Houston, Inc.		15,937	
	Central Houston Civic Improvement		15,000	
Total Downtown Innovation Hub		550,000	509,851	40,149
Total Developer/ Project Reimbursements		8,892,002	7,020,611	1,871,391
Capital Improvement Projects:				
T-0302 Market Square Park				
	Gensler		2,246	
	Efi Global		1,500	
	Houston Business Journal		1,056	
Total T-0302 Market Square Park		150,661	4,802	145,859
T-0307 Trebly Park (Southern Downtown Pocket Park)	Talon Construction, LLC		724,920	
	Legacy Trust- Rent		142,112	
	Central Houston, Inc.		195,651	
	Broadway Bank-Rent		63,191	
	Ann Harris Bennett - Property Tax		105,202	
	Pfeiffer & Son, LTD		7,957	
	Houston Downtown Management District		7,165	
	Gensler		3,350	
	City of Houston		2,995	
	UES Professional Solutions 44, LLC		2,111	
	Houston Business Journal		1,056	
	Thomas Printworks		933	
Total T-0307 Trebly Park (Southern Downtown Pocket Park)		1,696,720	1,256,643	440,077
T-0319 Allen Parkway	Houston Downtown Management District	150,000	164,233	(14,233)
T-0320 More Space Main Street				
	Walter P Moore		1,697,918	
	Central Houston, Inc.		152,093	
	The Good man Corporation		54,985	
	Project Surveillance		25,766	
	Thomas Printworks		11,801	
	Block by Block		10,814	
	Jerdon Enterprise, L.P.		5,135	
	Gurrola Prints		4,725	
	UES Professional Solutions 44, LLC		2,160	
	Next Day Flyers		945	
	Hamilton Plumbing Services		565	
	Data Axle		483	
Total T-0320 More Space Main Street		4,075,166	1,967,390	2,107,776

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

For the year ended June 30, 2025	Vendor	Budget	Actual Expenditures	Variance
T-0326 NHHIP Civic Opportunities	Central Houston Civic Improvement		$ 400,000	
	Central Houston, Inc.		39,903	
Total T-0326 NHHIP Civic Opportunities		$ 438,002	439,903	$ (1,901)
T-0336 EADO Cap Park Sequestered Funds		6,500,000	-	6,500,000
T-0337 Montrose Bridge at Allen Parkway	Central Houston, Inc.	1,038,002	101,362	936,640
T-0339 Pedestrian Lighting Improvements	Moon Papas Art		263,250	
	Central Houston, Inc.		133,655	
	Piper Faust		45,000	
	Pfeiffer & Son, LTD		39,433	
	SWA Group		6,335	
	Hou De Sousa LLC		2,500	
	Yinka Ilori Limited		2,500	
Total T-0339 Pedestrian Lighting Improvements		1,568,857	492,673	1,076,184
T-0340 Office Conversion Incentive Program	Central Houston, Inc.		44,959	
	Ryan M. Lavasseur		5,000	
	Houston Defender Newspaper		708	
Total T-0340 Office Conversion Incentive Program		2,000,000	50,667	1,949,333
T-0341 Downtown Living Initiative 2.0	Levass Ventures, LLC		72,000	
	Central Houston, Inc.		33,776	
Total T-0341 Downtown Living Initiative 2.0		3,042,498	105,776	2,936,722
T-0399 Concrete Panel Replacement		20,000	-	20,000
Total capital expenditures		20,679,906	4,583,449	16,096,457
Total capital expenditures and developer/project reimbursements		**$ 29,571,908**	**$ 11,604,060**	**$ 17,967,848**

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, 2025

	Estimated Total Costs (a)	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	$ 47,500,000	$ 65,080,685	$ (17,580,685)
Infrastructure, mobility, transit improvements	43,334,450	30,931,504	12,402,946
Total Infrastructure improvements	90,834,450	96,012,189	(5,177,739)
Real property improvements	57,520,266	24,030,736	33,489,530
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	18,919,523	7,431,485
Parks and recreational	273,044,167	19,632,028	253,412,139
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	66,721,411	100,078,589
Institutional facilities	22,000,000	10,678,800	11,321,200
Total project costs	668,211,107	252,109,214	416,101,893
Operating and financing costs			
Financing costs	48,930,000	32,290,797	16,639,203
Administration	16,934,426	9,466,675	7,467,751
Total operating and financing costs	65,864,426	41,757,472	24,106,954
Educational facilities	82,541,820	54,802,034	27,739,786
Project plan total	$ 816,617,353	$ 348,668,720	$ 467,948,633

(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.

Residential Development Incentives Study

October 2025

Downtown Redevelopment Authority

DOWNTOWN HOUSTON+

LEVASS VENTURES

Why This Study? A Moment of Preparation for Downtown Housing

Diagnose	Identify causes of stagnation in Downtown residential development.
Evaluate	Assess public tools to improve project feasibility.
Benchmark	Compare Downtown Houston with peer cities and submarkets.
Provide	Offer actionable, near-term recommendations for the DRA.

Strategic Pivot Informed by Initial Findings

Define	Understand	Engage	Develop & Test	Recommend
Define role and objectives	Understand market conditions	Engage stakeholders	Develop and test incentive tools	Recommend near-term strategies

Key Pivot:

Market conditions revealed a need to emphasize near-term actions over immediate subsidy deployment.

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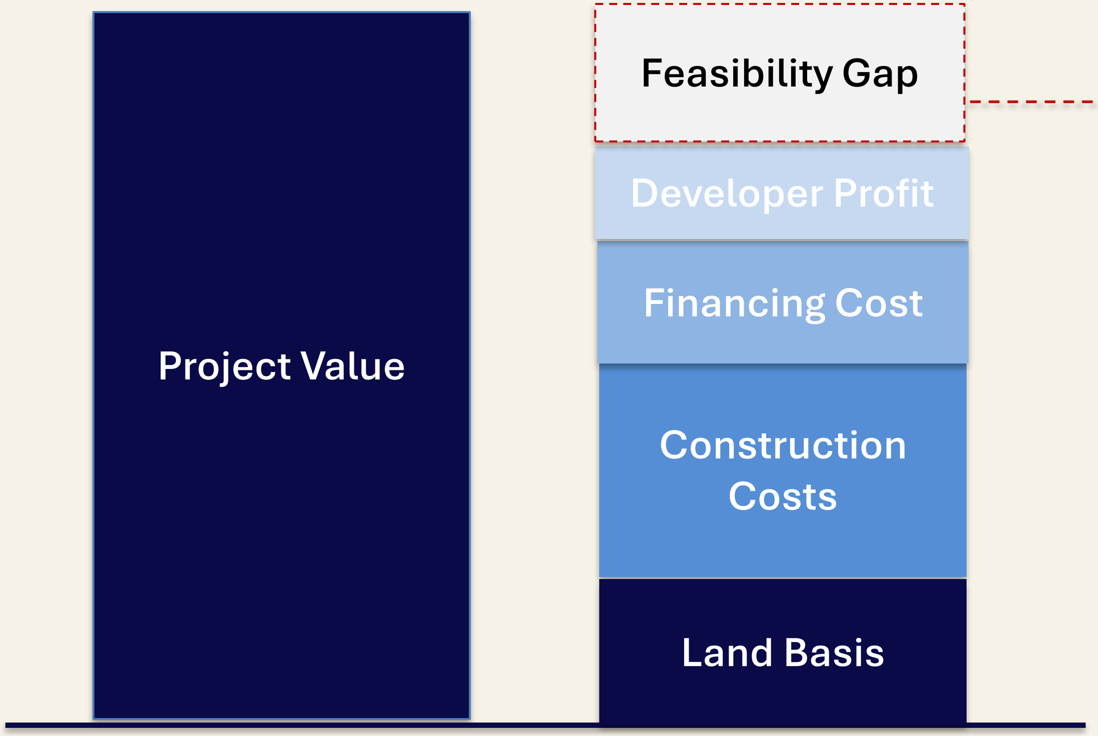
Macro View:
Development Math No Longer Adds Up in Some Markets

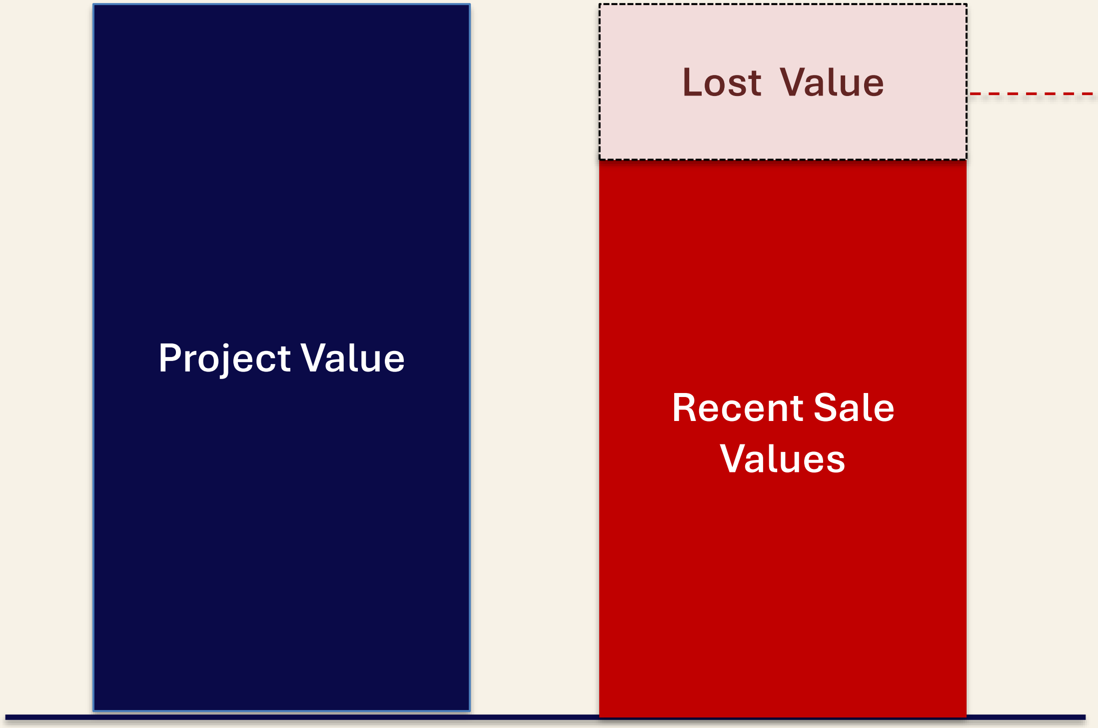


Market Conditions:

- Interest rates have doubled since DLI 1.0.
- Insurance, construction, and borrowing costs have significantly increased.
- Equity is limited and investors are cautious.
- Rental growth is lagging behind both inflation and rising costs.

Micro View:

New(ish) developments are being sold for below replacement costs



Until apartment projects sell for more than it costs to build new ones, we won't see much in the way of new development.

Micro View: Downtown Faces Even Tougher Headwinds

- **Flat Rents –** $2.38 → $2.44/SF over 10 years signals weak growth
- **High Land Costs –** Residential land basis exceeds office, straining feasibility
- **Lifestyle Barriers** – Safety, schools, and perception limit demand
- **Market Softness –** Aris Tower resale reflects pricing pressure

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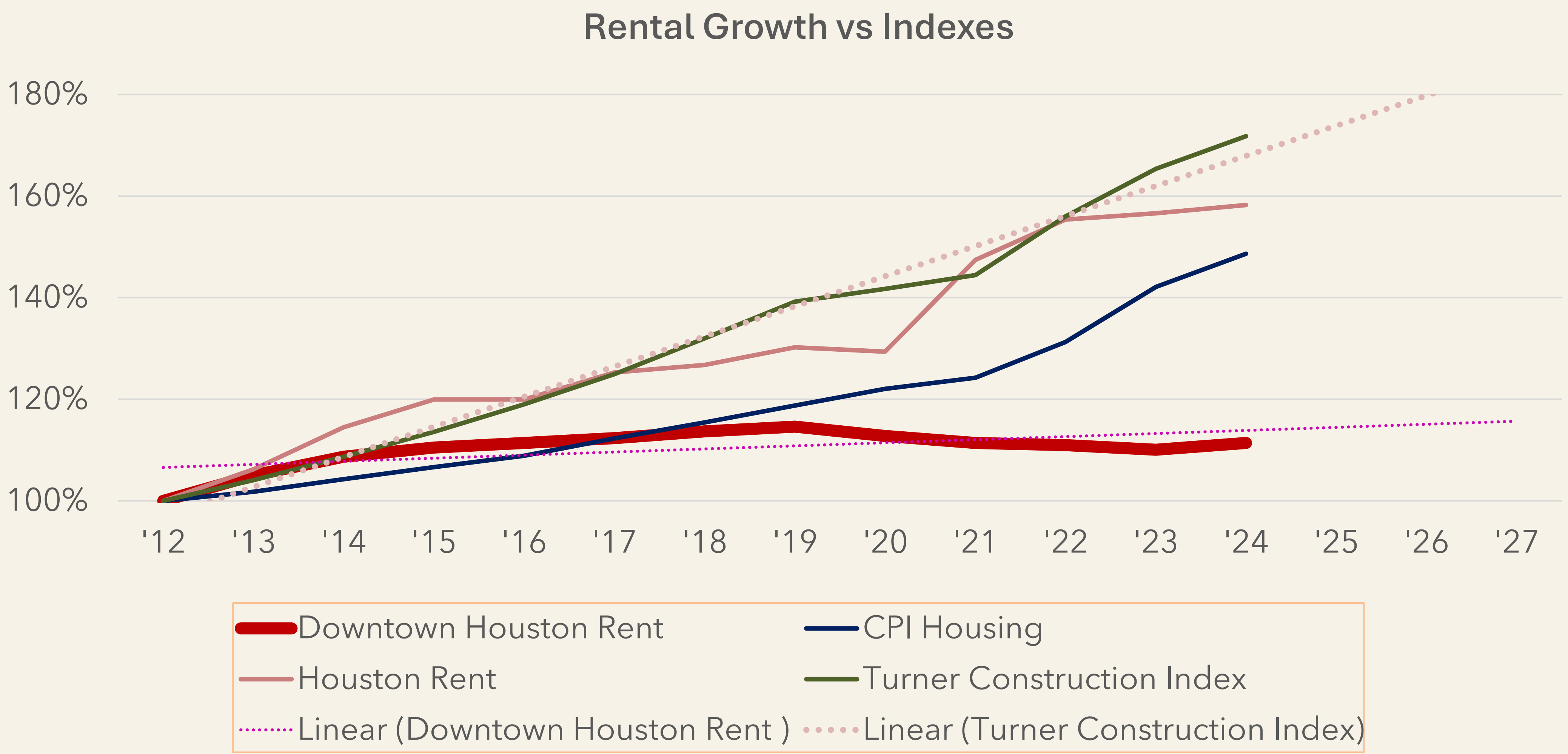
Cost Growth Has Outpaced Rents



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Even the Best Projects Show Gaps

Yield-On-Cost – What is it?
The annual project net revenue divided into the total project costs

Target Yield: The expected return on investment for the project.

Achievable Yield: The actual return on investment that can be realistically achieved.

Resulting Gap: The financial shortfall per unit.

Target Yield: 6.5%

Achievable Yield: ~4.4%

Resulting Gap: $100K/Unit

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It's a Time for Discipline, Not Deployment

Downtown Living Initiative of the same scale as the previous DLI would generate less than 1/6th the number of new units.

	DLI 1.0	DLI 2.0
Per- Unit Subsidy	$15K Provided	$100K+ Required
Total Units	5,000 Delivered	750 Potentially Supported

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The Toolkit:
Five Categories of Public Tools to Support New Housing Development

1. Tools that Reduce Upfront Capital Cost
2. Tools that Fill Gaps in the Capital Stack
3. Tools that Improve Financial Performance in Operations
4. Tools that Mitigate Lease-Up and Market Risk
5. Tools Specific to Affordable and Mixed-Income Housing

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Category 1: Reduce Upfront Capital Cost

TIRZ Cash Grants

Predevelopment Grant Program

Structured Ground Leases

Design Incentives

Fee Waivers & Expedited Permitting

Category 2: Fill Gaps in the Capital Stack

Master Leases for Lease-Up Risk

380 Agreements for Reimbursement

Subordinate Debt Issuance

Time-Limited Tax Abatements

Performance-Based TIRZ Rebates

Category 3: Improve Financial Performance in Operations

Shared Parking Solutions

Energy Efficiency Incentives

Tax-Exempt Ownership Structures

Operating & Marketing Support

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Category 4: Mitigate Lease-Up and Market Risk

Mission-Aligned Master Leases

Pre-Leasing Commitments

Income Guarantees & Deficit Reserves

Affordability Risk Pools

Category 5: Affordable and Mixed-Income Housing

Tax-Exempt Ownership Models

PILOT Agreements

Layered Capital Stacks

Reduced Parking Ratios

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While delivery-focused tools help narrow the gap, they are not sufficient on their own to restore feasibility for high-rise residential development under current market conditions.

Scenario 1:
Market Rate Tower

Yield: 4.8%
Gap: $78K/Unit

Scenario 2:
Mid-Rise on DRA Site

Yield: 5.3%
Gap: $45K/unit

Scenario 3:
Subsidized Mixed Income

Yield: 5.7%
Gap: $30K/Unit

Scenario 4:
Historic Conversion

Yield: 5.6%
Gap: $38K/unit

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Since there isn't any *reasonable* combination of financial tools to deploy now, what can we do instead?

Action Items: Instead of focusing of financing developments now, DTH+ can address relevant areas of improvement in the Downtown context

Remove Unnecessary Friction

Enable Stronger Economics

Shape Perception and Demand

Improve Site Availability and Utility

Cultivate the Ecosystem

Theme A: Remove Unnecessary Friction

Downtown Permit Concierge Pilot

Provide dedicated support to resolve delays, clarify codes, and guide priority projects.

Incentive Navigation Guide

Equip developers with a clear, centralized roadmap to available programs and eligibility.

Streamlined Historic Review

Coordinate with HAHC to simplify and accelerate approvals for adaptive reuse and preservation.

Early-Stage Project Coordination

Align permitting, incentives, and site control early to reduce rework and unlock feasibility.

No Wrong Door Policy

Ensure developers can enter through any agency and receive coordinated, cross-departmental support.

Theme B: Enable Stronger Economics

Predevelopment Grant Program

Reduce early-stage risk and unlock feasibility for emerging or complex sites.

Shared Parking Pilot

Lower development costs through coordinated office-residential garage models.

Template Ground Lease Agreements

Standardize public land deals to accelerate negotiation and improve transparency.

Design Cost Offset Tools

Support architectural and engineering work to encourage thoughtful, code-aligned design.

District-Wide Infrastructure Coordination

Align public improvements with housing delivery to reduce site-level burden and signal readiness.

Theme C: Shape Perception and Demand

Downtown Housing Brand Refresh

Further position Downtown as a livable, vibrant neighborhood with a clear identity

Promote Quality-of-Life & Safety

Highlight walkability, amenities, and safety improvements to shift perception and attract residents.

Updated Market Fact Sheets

Provide clear, current data to support leasing, investment, and public messaging.

Developer & Broker Co-Marketing

Coordinate outreach to amplify visibility and drive demand across channels.

Real-Time Campaign Tracking

Use live data to monitor impact, refine messaging, and adjust strategy dynamically.

Theme D: Improve Site Availability and Utility

Site Inventory & Readiness Map

Establish a clear, centralized view of available sites and their development potential.

Catalytic Site Playbooks

Provide tailored strategies for unlocking high-impact parcels through coordinated action.

Parcel Assembly Assistance

Support technical and legal steps to combine fragmented ownership into viable development sites.

Baseline Infrastructure Studies

Clarify existing conditions and upgrade needs to reduce uncertainty and improve cost forecasting.

RFP & Disposition Templates

Standardize public land offerings to streamline developer engagement and accelerate delivery.

Theme E: Cultivate the Ecosystem

Developer Working Group

Create a consistent forum for feedback, coordination, and shared problem-solving.

Quarterly Housing Metrics Dashboard

Track progress, surface gaps, and build transparency across the delivery landscape.

Legal Playbooks

Standardize tools like TIRZ, PILOT, and PFC to reduce friction and expand access.

Cross-Partner Coordination

Align Metro, UHD, and housing partners to support delivery and demand.

Rapid Response Team

Mobilize interagency support for catalytic deals needing fast, flexible coordination.

That’s a lot to digest... Where do we start?

Recommendation: Accept near-term market constraints as a strategic pause to strengthen credibility, clarify processes, and build delivery capacity for the next cycle. We can start in the near term with these:

Perform Studies & Analysis

Examples:

- Underwrite modular low-cost construction
- Measure parking use to support lower ratios
- Flag underused streets

Address Quality of Life (and perception issues)

Examples:

- Further improve lighting, walkability, and street activity
- Gather resident input to shape brand
- Targeted promotions to incoming residents

Conversion Czar

Two Parts:

- Adaptive Reuse Liaison Streamline conversions and historic credits
- Historic Credit Strategy Leverage 50+ year buildings for incentives

Early Development Support

Examples:

- Permitting Concierge
- Land Banking Model
- Shared Parking Pilot Test office-residential garage models

One more actionable idea: Create a housing finance program that leverages tax advantages combined with outside capital.

Housing Finance Corporation (HFC)

Create an entity* to acquire land, assemble sites, and partner on catalytic housing projects. Leverages foundation and endowment capital to de-risk early stages and fund affordability.

*TBD on which component of DH+

Key Steps for DH+

- Define success
- Draft policy framework and leadership description
- Recruit Executive Director to lead HFC
- Form governing board with DRA + community partners
- Secure seed capital (philanthropy, city support)
- Identify pilot site (public land or distressed asset)
- Develop operating policies (affordability targets, developer criteria)

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When Will It Be Time to Consider Providing Financial Support?

Asset Sales Recover – Resale prices meet or exceed replacement cost

Occupancy Strengthens – Stabilized rates > 90%, ideally 95%

New Tower Rents Rise – Achieve $3.00+/SF in premium product

Cost Stabilization – 12-month window of predictable inputs

Rate Relief – Interest rates drop by 100+ bps

DRA Momentum – Action items show visible traction

"Success will be measured not in immediate unit delivery, but in readiness for future opportunity."
- Developer interviewee

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Onward…

Appendix…

Theme A: Remove Unnecessary Friction

Downtown Permit Concierge Pilot

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- Ensure developers can enter through any agency and receive coordinated, cross-departmental support.

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- Reposition Downtown as a livable, vibrant neighborhood with a clear identity and narrative.

Promote Quality-of-Life & Safety

- Highlight walkability, amenities, and safety improvements to shift perception and attract residents.

Updated Market Fact Sheets

- Provide clear, current data to support leasing, investment, and public messaging.

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Cross-Partner Coordination

- Align Metro, UHD, and housing partners to support delivery and demand.

Rapid Response Team

- Mobilize interagency support for catalytic deals needing fast, flexible coordination.

DH+ Grocery Feasibility Study

DOWNTOWN HOUSTON+

OCTOBER 9, 2025

Why Does Grocery Deserve Our Attention?

Why Does Grocery Deserve our Attention?

What is Happening in Downtown?

1. The Downtown Living Initiative (DLI) helped increase the supply of **residential units** in Downtown to 8,222. Entire sections of Downtown have been repositioned into dense, residential neighborhoods. Vacancy is at a 6-year-low…

2. The GRB Convention Center, our sports stadia, Downtown parks, and the Theater District have seen significant increase in **visitor traffic**. Downtown now sees over 40MM annual visits from 9 million unique visitors…

3. Downtown has ten Fortune 500 headquarters, with millions of square feet of occupied Class-A office, and an average daytime **office worker** population of 80K+. Houston leads the nation in return-to-work…

4. Downtown Houston contains over 46% of the total hotel rooms inside-the-loop, with a total of 8,944 hotel keys. Thousands of daily **hotel guests** swell the overnight population of Downtown Houston throughout the year…

And yet… **the private sector has been completely unable, or unwilling, to develop new grocery options in Downtown Houston.**

Grocery Feasibility Study Target Outcomes

1. Assess Current Grocery Patterns and Product Availability

2. Size the Market Opportunity for Grocery in Downtown

3. Study our Peer Cities and Successful Operators

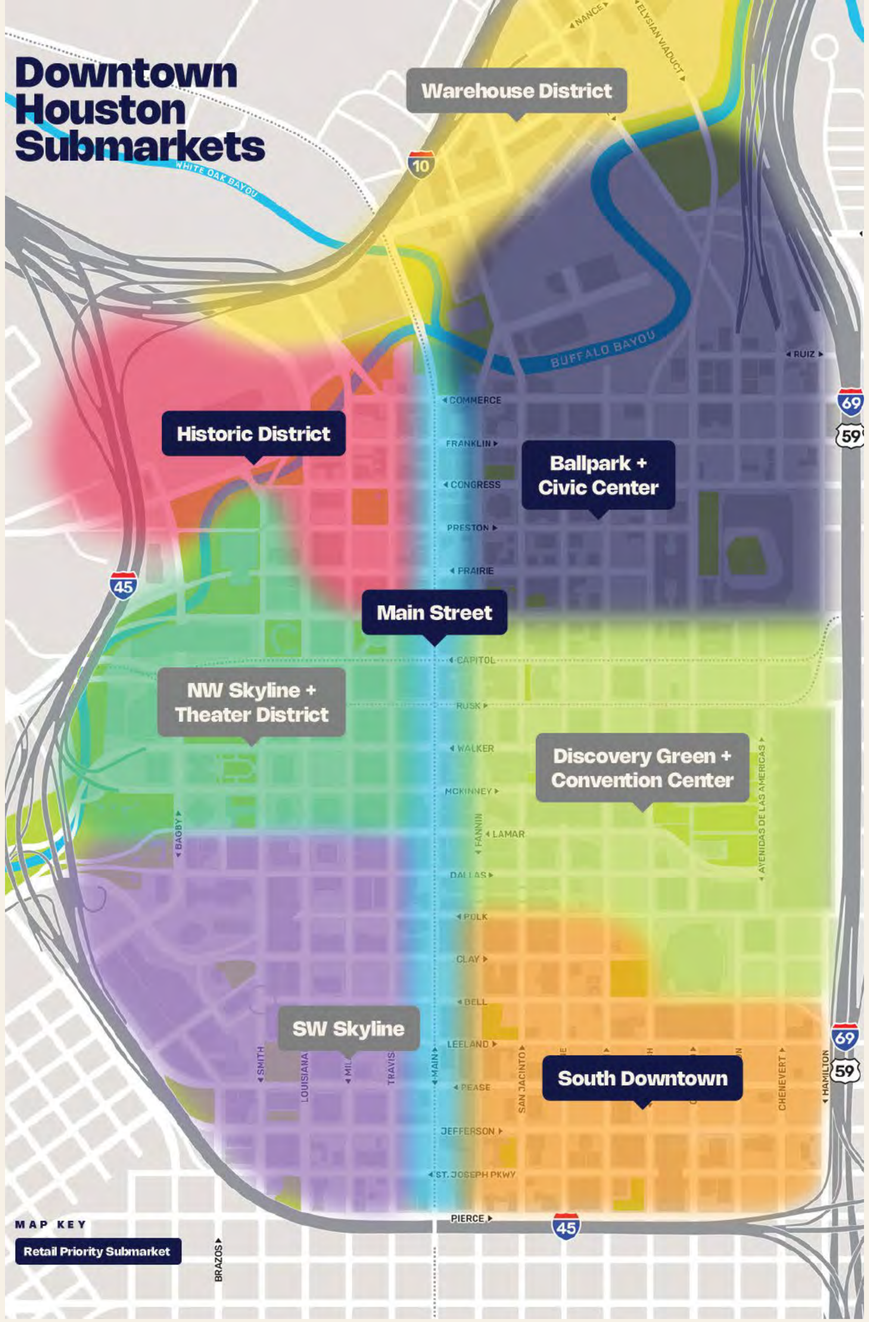
4. Layer grocery insights with the 2025 Retail Strategy, the Downtown Residential Survey, and create recommendations for action.

The Downtown Houston+ Retail Strategy

DH+ Retail Strategy Revisit

Priority Geographies:

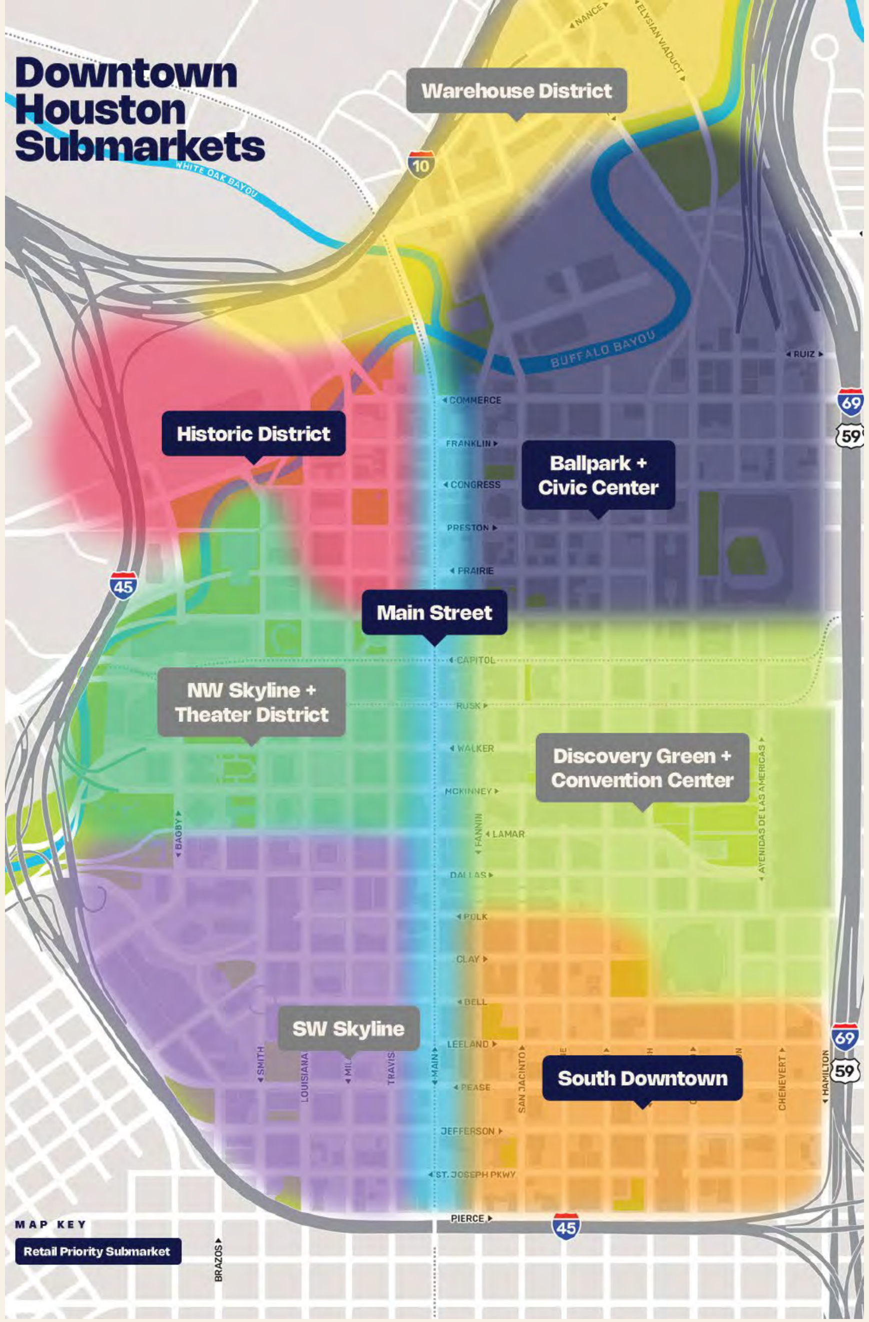
- Significant Residential Population
- Anchored by Public Realm Investments
- Daytime and Nighttime Demand Drivers
- Availability of Developable Land & Buildings



DH+ Retail Strategy Revisit

Priority Geographies:

- Historic District/Market Square
- Main Street Promenade
- Ballpark + Civic Center
- South Downtown



DH+ Retail Strategy Revisit

The Retail Realities of Our Era

1. **Office workers are not a reliable driver of future economic activity.** The Downtown retail ecosystem cannot solely rely on this customer base for stability. Lessened office traffic following the COVID-19 pandemic has been far more impactful on retailers that have focused on the office worker than on retailers that target a wider range of customer types.

2. **Residential development has been transformative in recent years.** Total residential inventory Downtown had a strong 9.1% YOY increase in 2024. Absorption of this new product has been impressive, however more units are needed to support a more-complete retail ecosystem.

3. **Downtown businesses need to serve multiple customer segments.** 80,000 office workers, 10,000+ residents, 40MM annual visits. Retail businesses must position themselves to capture a blend of these customer types to be successful.

4. **Downtown's Trade Area is larger than typically represented.** A more accurate trade area for Downtown includes much of the inner loop neighborhoods including EaDo, the East End, Third Ward, Midtown, and the Near North Side. The neighborhoods located east of Downtown are especially retail-deprived and look to Downtown for services and F&B.

DH+ Retail Strategy Revisit

Grocery Recommendations

Focus on Small-Format Infill Grocery

Downtown Houston+ should execute a strategy of supporting small, embedded grocery stores along Main St. or in the Historic District to address the retail needs of both residents and visitors to these high-traffic areas. The stores will serve as natural gathering points within the core districts of Downtown, and provide fresh foods and essential home products that are not readily available today.

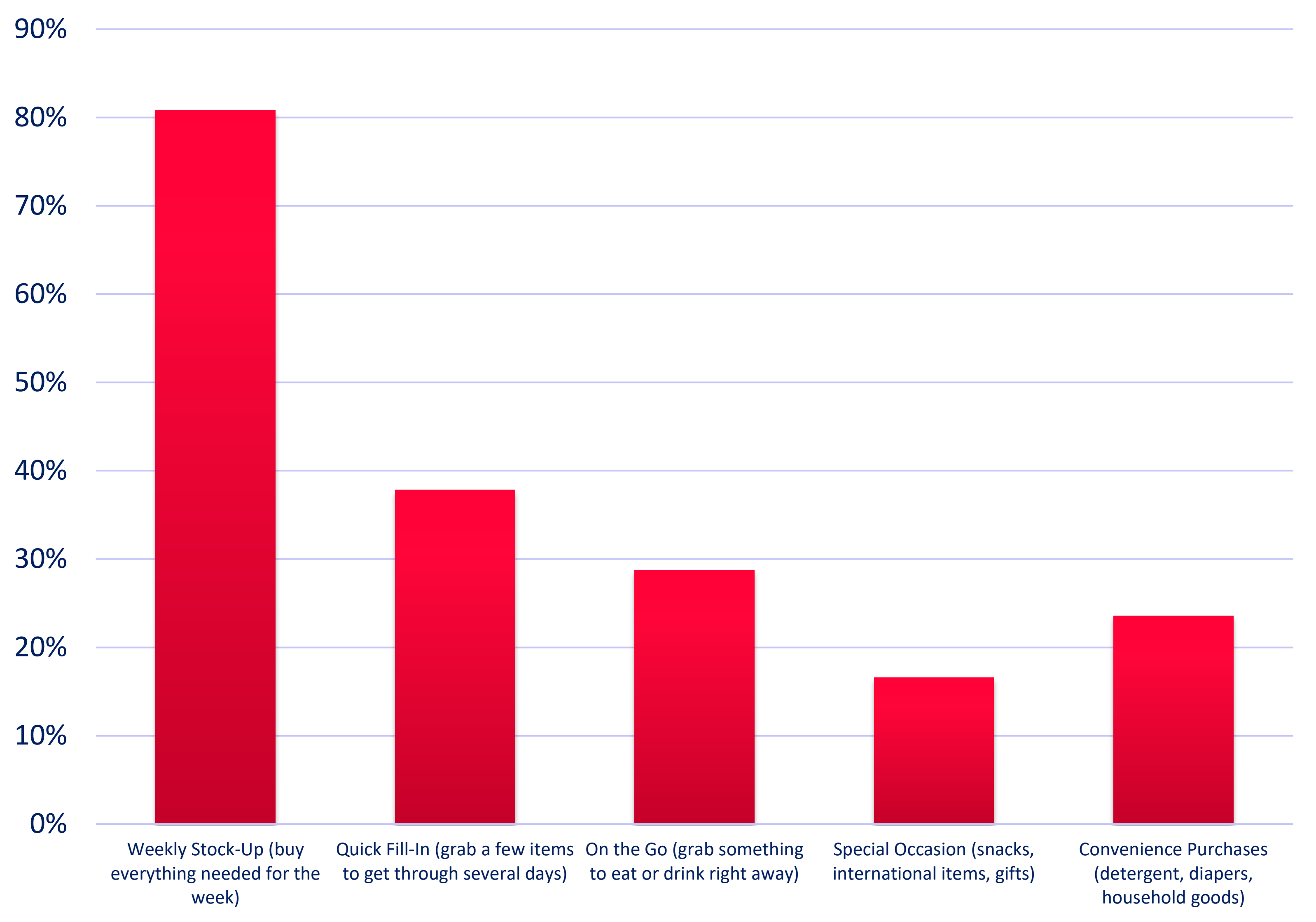
Focus on Large Format New Construction

The Civic-Ballpark neighborhood and South Downtown geographies have both the residential population and available parcels to potentially pursue the attraction of a large-format retail store. The adjacencies to Midtown, EaDo, and 3rd Ward imply a larger trade area that can be captured. There are many surface lots available that present opportunities for ground-up large format retailing with good access and circulation.

What is the Current State of Downtown Grocery?

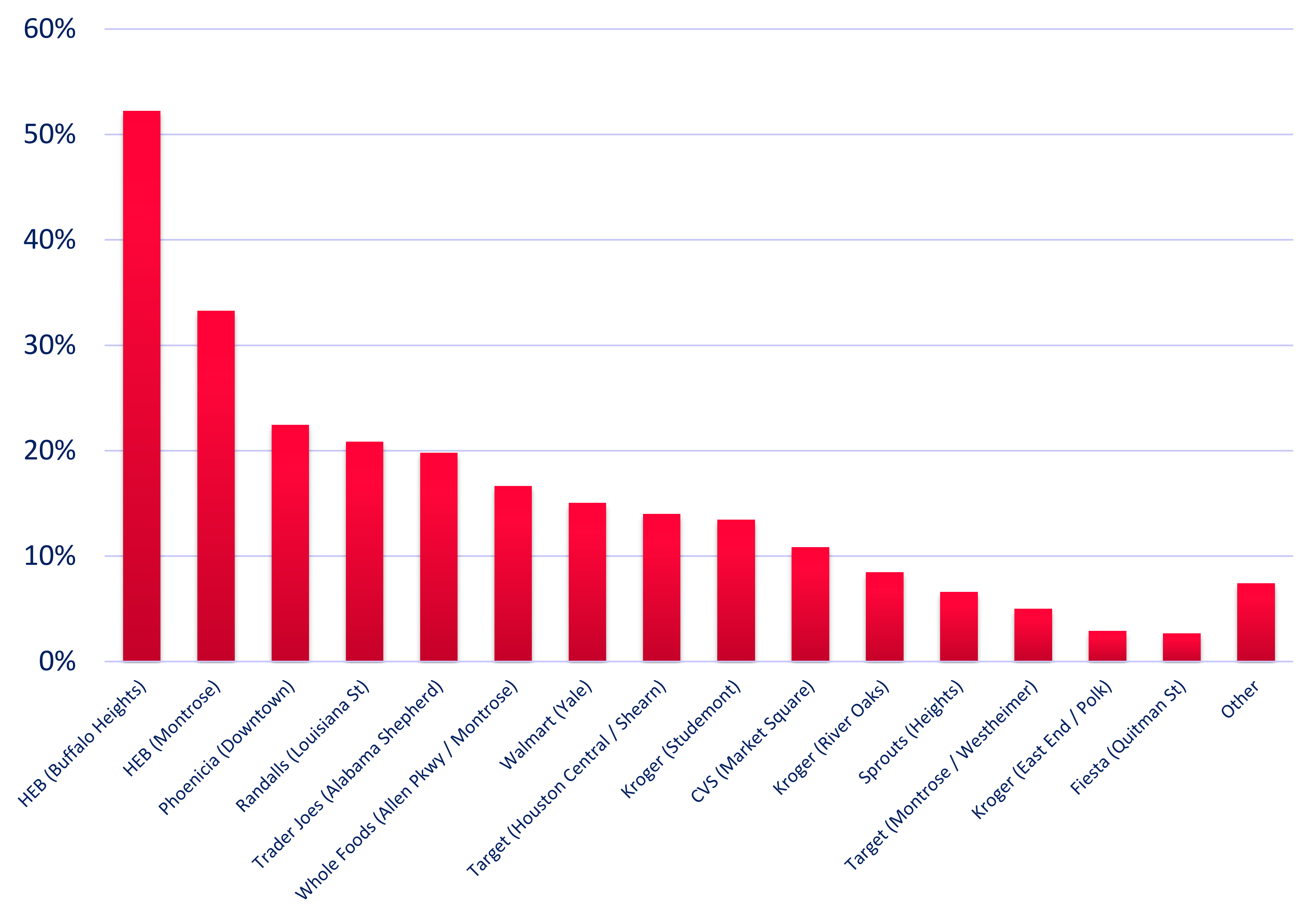
Residential Survey Results

What type of grocery experience would you like to be more available in Downtown Houston?



Residential Survey Results

Where do you currently shop for groceries? (Choose up to 3)

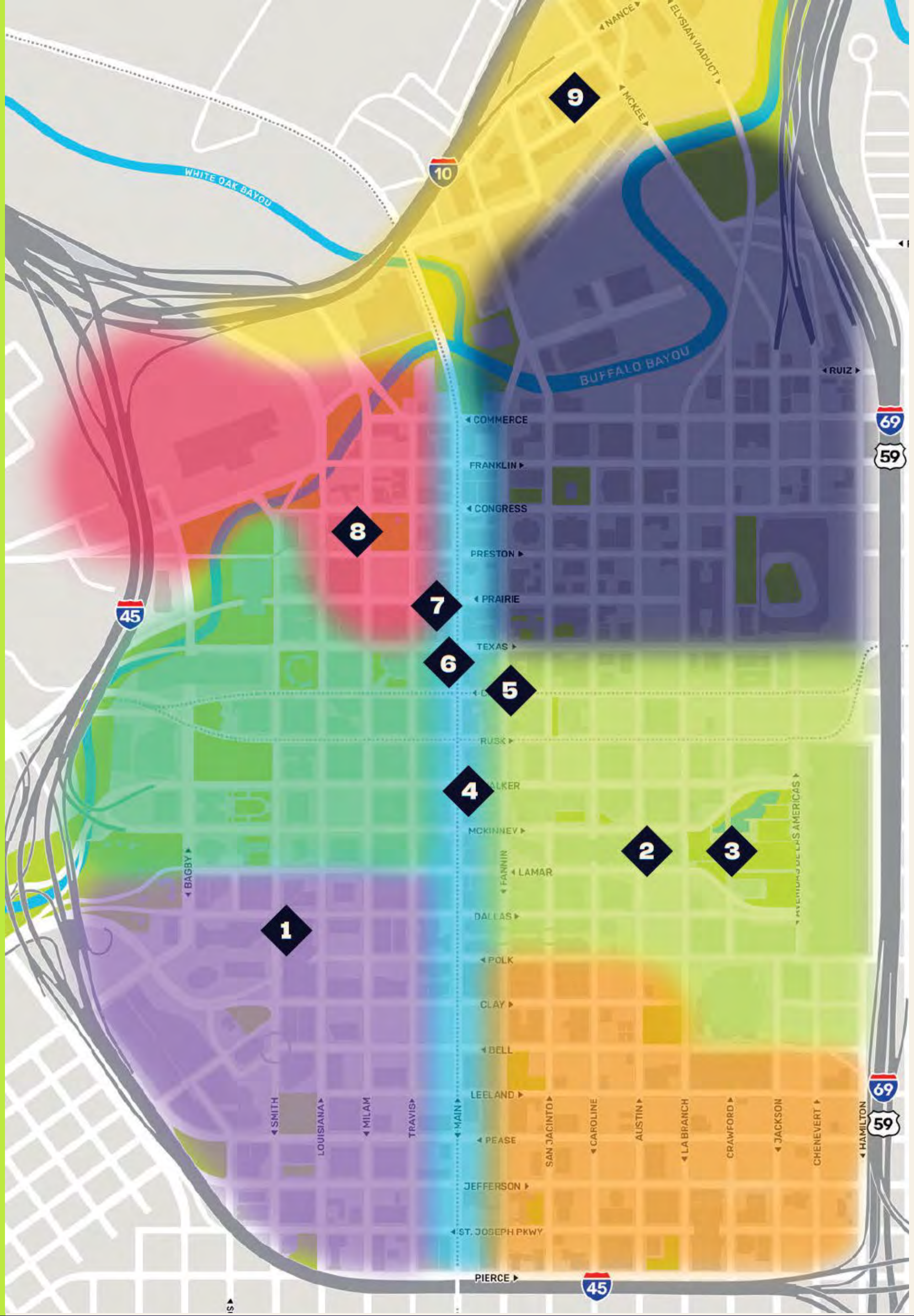


Residential Survey Results

How often do you typically shop for groceries?

Current Grocery Inventory

There are currently nine businesses in Downtown Houston that sell grocery items



1. Einstein Bros Market
2. Phoenicia Specialty Foods
3. Grove Market and Provisions
4. Main Food Store
5. Fannin Food Mart
6. District 7 Restaurant & Market
7. 914 Prairie
8. CVS Market Square
9. Blacks Bodega

Current Grocery Inventory

DH+ conducted a field survey of all Downtown grocery options

Current Grocery Inventory

Grocery Options were rated by product availability

Store	Items	0 = Non Existent	1 = Minimal / Limited	2 = Adequate	3 = Exceptional
	Produce	0			
	Meats	0			
	Prepackaged meals (Canned Foods, Ramen, Frozen Meals)				
	Snacks / Junk Food				3
	Bottled Beverages				3
	Beer / Wine				3
	Tobacco Products				3
Fannin Food Mart	Medicine, Cosmetics / Toiletries				3
NE Corner of Capitol & Fannin	Paper / Plastic Products (Paper Towels, Paper Plates / Plastic Cups, Utensils)	0			
At Grade	Pet Food			2	
	Automotive / Hardware		1		
	Baby Formula / Diapers	0			
	Cleaning Supplies / Solvents	0			
	Dairy				3
	Hot Food				3

Current Grocery Inventory

Highest Product Availability in Downtown

- Snack and Junk Food (2.8)
- Bottled Beverages (2.4)
- Medicine/Cosmetics and Toiletries (2.2)

Lowest Product Availability in Downtown

- Meats (0.3)
- Baby Products (0.4)
- Hardware (0.4)

Strongest Product Offering by Store

- Phoenicia Specialty Foods (2.5)
- Main Food Store (2.5)
- CVS Market Square (2.0)

Weakest Product Offering by Store

- Grove Market and Provisions (0.9)
- District Market (1.0)
- Einstein Bros Market (1.0)

What is the Downtown Grocery Opportunity?

The Grocery Opportunity

"Downtown Houston residents spend an estimated $17.2MM* annually on groceries outside of Downtown"

**Calculated from 2024 BLS Data on grocery spending, adjusted for household size and incomes in Downtown Houston, and weighted by market-share of grocery options.*

The Grocery Opportunity

An average urban grocery store needs $500-$750 PSF in annual sales.
Meaning from the $17.2MM of untapped residential grocer spend alone…

Downtown Houston has the purchasing power to support up to 34,000 SF of additional grocery product.

Grocery	Typical SF
Trader Joes	10,000 – 14,000 SF
Aldi	12,000 – 20,000 SF
Royal Blue	2,500 – 3,000 SF
Foxtrot	3,000 – 4,000 SF
Phoenicia	28,000 SF

What Works in Other Places?

Case Study:

ROYAL BLUE GROCERY

"Called a bodega by some, a corner store by others, Royal Blue is a modern urban grocery store in downtown Austin that has just what you need, where you need it, and when you need it."

Case Study:

ROYAL BLUE GROCERY

Keys to Success

(As told to David and Cassie by Craig Staley, Founder)

Location & Operations

- 7 urban locations, less than 3,000 SF, all underneath multifamily buildings
- Need 1,500 residents within a 5-minute walkshed
- Very lean staff, only 3 or 4 employee-managers per store. Active ownership
- Products within stores are significantly customized, even only blocks apart

Ideal Customer Mix

25% Office Workers

25% Downtown Visitors

50% Residents

Shelf Products

- Mixed-price points and quality. Fancy Olives, Cheetos, Cleaning Supplies
- Large and thoughtful wine and beer selection. Significant % of shelf space

Prepared Foods

- Grab-N-Go: High-quality but uncomplicated, prepared at shared commissary
- Hot Food: Simple popular offerings. Pizza-by-the-slice, tacos, sandwiches
- Consistent daily lunch specials like an $8 Burger, Thai Bowl Thursdays
- Coffee program is full and meets hipster standards, uses local roasted beans

Case Study:

H-E-B Heights, 2019
2 Stories, 92,000 sf

Grocery Feasibility: What is Next?

Grocery Feasibility Insights

1. We Have More Existing Grocery Than Is Realized

The existing bodega and market network solves many of the immediate needs for residents, but these businesses need help.

=> *Coaching, product diversification, and strategic repositioning*

2. There is Demand to Support Additional Grocery

The estimated **$17.2MM** of grocery leakage from residents alone, is large enough to support new Downtown grocery businesses.

=> *Advocacy and messaging that aligns with market realities*

3. Leadership is Needed to Shepherd Growth

Through the support of the HDMD and DRA, DH+ needs to serve as the vision-setter and facilitator of future of grocery investment.

=> *Dealmaking inducements to seed grocery investment*

Grocery Feasibility Next Steps

1. Focus on Key Geographic Nodes

There are three submarkets in Downtown Houston with 1,500 residents in a 5-minute walkshed: Historic District/Market Square (1,611), Upper Main Street Promenade (2,338), and South Downtown (2,194).

2. Focus on Specific Types of Grocery

Knowing the scale of unmet demand, current resident shopping habits, and the products currently underrepresented: Downtown should focus on smaller-footprint markets with fresh produce, meats, and quality prepared foods.

3. Address Barriers to Investment

Aside from perceived lack of demand, operators are wary of buildout costs, circulation and parking issues, and public safety. These barriers can be addressed through strategic interventions.

Questions?

DOWNTOWN HOUSTON+

STRATEGIC ALIGNMENT PLAN UPDATES

October 2025

GOAL 1

Champion major projects, initiatives and investments that improve Downtown.

1.4 Plan collaboratively for Downtown's evolving edges, connections, and major attractions.

Highlight: In September, a significant milestone was reached for the Cool Connected Corridors initiative as the HDMD Board authorized funding for the design of public realm improvements along Texas Avenue and sections of McKinney and Preston Streets. This project, a key initiative from the Public Realm Action Plan, will result in a cohesive design language for pedestrian-friendly enhancements—including trees, native plants, shade, lighting, and wayfinding elements—to create vibrant links between Downtown's major destinations. The design work will be executed by The SWA Group, selected through a competitive RFQ process, with the goal of implementing the physical improvements in time for the June 2026 World Cup events. Complementing this effort, our retail grant and programming focus is also being directed toward these key corridors to increase their overall vibrancy and activation.

Participating Agency:

downtown district

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: DTH+ submitted a $560K grant application to METRO for a Downtown Houston ADA Access Improvement project. It aims to enhance first- and last-mile connectivity to transit stops and key local destinations by: (1) replacing substandard infrastructure with ADA-compliant curb ramps, (2) restriping crosswalks at intersections where it's faded, and (3) improving accessibility at intersection crosswalks for people of all abilities and ages within HDMD's boundaries. This project will enhance access to METRO services by supporting a multimodal transportation system that better serves those with limited mobility. Notice of award is pending.

Participating Agencies:

Central Houston downtown district

GOAL 2

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

2.2 Cultivate nature across Downtown, including its urban forest, planters, and other greenspace elements.

Highlight: In September, the Main Street Promenade reached a major milestone with the planting of 23 new trees along the west side of the 100, 300 and 400 blocks. These sycamores, elms and oaks are part of 85 new additions, more than doubling the existing tree count on Main Street. In all, the project introduces four new tree species and increases plant diversity by 35% with new native landscaping. As the tree canopy matures, it will provide five times more shade, mitigate heat, and make Downtown's signature corridor a greener, more walkable place.

Participating Agencies:

Central Houston · downtown district · Downtown Redevelopment Authority

2.7 Expand collaboration and explore novel approaches to maintain a low crime rate and make Downtown feel safe.

Highlight: CHI members from leading design and planning firms gathered for an all-day charette at the Historic Julia Ideson building. Their assignment brief: Empty sidewalks make cities feel less safe, and despite a crime rate lower than the city's overall, Downtown's perceived safety falls short of its reality. To level up people's impressions of Downtown, DTH+ aims to induce more life at the street level. The session sparked inter-firm collaboration and fresh ideation to forge street-level experiences that not only make the office environment more enriching, but that can elevate perceptions of Downtown to meet its world-class stature.

Participating Agency:

Central Houston

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 design and engineering of the Downtown Overlay Project, which entails resurfacing 80+ blocks of roadway within Downtown, is complete and will soon roll into the construction implementation phase. A construction pre-bid meeting is scheduled for Tuesday, October 7. The pre-bid meeting will provide interested contractors with project insight from the engineers and design consultants and grant an opportunity to ask questions and gather key information. Proposing Contractor's bids are due on October 22, with a tentative construction start date of December 1 and project completion in May 2026.

Participating Agencies:

Central Houston · downtown district

3.6 Facilitate the development of pop-up uses, temporary installations, and other storefront or site activation strategies to help enliven the public realm.

Highlight: DTH+ is excited to announce the launch of *Houston Reframed*, a new temporary public art initiative that will transform ten storefront windows across Downtown Houston into large-scale art installations. Designed to showcase the strength and diversity of Houston's creative community, the project invites local artists and galleries to submit works that reflect the city's culture, neighborhoods, and people. The Request for Submissions was released in late September and is currently open with applications due October 20. Selected artworks will be adapted for vinyl and installed in high-visibility pedestrian areas, enlivening underutilized storefronts while creating a vibrant, walkable art experience. This initiative underscores DTH+'s commitment to supporting local talent, reimagining public space, and enhancing the Downtown experience for residents and visitors alike.

Participating Agency:

downtown district

GOAL 4

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

4.11 Foster a thriving storefront economy, prioritizing recruitment efforts, where possible, to fill available properties that have favorable co-tenancy on key corridors.

Highlight: In partnership with Concentric Community Advisors, Downtown Houston+ recently completed a comprehensive Grocery Feasibility Study for Downtown Houston. The focus of this work was an analysis of current market conditions, future opportunities, and areas of focus for expanding the grocery offering in Downtown. The study concludes that the current combination of residential, office worker, and visitor demand would support additional grocery investment. Results of the study were presented to the DH+ Thrive Committee in September in advance of a full publication of the study's conclusions and recommendations in October.

Participating Agencies:

Central Houston · downtown district · Downtown Redevelopment Authority

4.13 Assist Downtown businesses owners and managers in navigating municipal regulatory processes.

Highlight: As part of the Main Street Promenade, DTH+ is coordinating infrastructure upgrades for four adjacent properties, taking advantage of construction to modernize systems efficiently. Work includes new fire service, utility connections, and potential sewer and balcony support installation, giving property owners durable infrastructure without the need for future demolition. By integrating private property improvements into the Promenade's scope, the project delivers a renewed public realm while also strengthening building operations and minimizing future disruptions for years ahead.

Participating Agencies:

Central Houston · downtown district · Downtown Redevelopment Authority

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

5.3 Evolve and optimize the CHI Membership model to expand audience and increase stakeholder engagement.

Highlight: Over the past several months, the CHI Membership Task Force met to explore a potential redesign of the membership model. Discussions emphasized the need for deeper engagement to strengthen retention and more opportunities to welcome new members. With a newly assembled membership team already bringing fresh energy, ideas, and positive changes through improved events, stronger communication, and increased interaction, the task force recommended continuing this direction and pausing efforts to redesign the model until the team has had a year to demonstrate impact. A 2026 engagement strategy will be presented at the December CHI Board meeting.

Participating Agency:

Central Houston

5.6 Improve and expand external communications to increase awareness of CHI, its actions, and general Downtown happenings.

Highlight: Business press ranged from Westin Hotel Downtown's multimillion-dollar renovation; an international law firm O'Melveny & Myers LLP expanding in TC Energy Tower with a Gensler-designed, $12 million build-out; to Houston's first indoor pickleball center, Pickle Mania opening in Lyric Market. On the culture beat, Untitled Art Fair made its first venture outside Miami at the GRB, and Bungalow claimed the former Sambuca space. After moderating a panel of Downtown chefs at the August CHI Member Breakfast, Houston Chronicle Food Writer Bao Ong profiled the 25 best restaurants in Downtown Houston, alphabetically from Barbacana to Xochi. Houston culinary hero Ope Amosu's ChòpnBlọk, after launching as a POST Market food stall, became Houston's sole restaurant to make NYTimes Top 50 restaurants in the US list.

Participating Agencies:

Central Houston downtown district Downtown Redevelopment Authority