

**Main Street Market Square
Redevelopment Authority
D/B/A Downtown Redevelopment Authority**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2018



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June 30, 2018

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

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

INDEPENDENT AUDITORS' REPORT

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-12 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of operating expenses and capital expenditures for the year ended June 30, 2018 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2018, on pages 33 through 36, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Casey Riggs & Ingram, L.L.C.

Houston, Texas
October 2, 2018

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

GENERAL

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, 2018 with the year ended June 30, 2017 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 footnotes.

FINANCIAL HIGHLIGHTS

- The Authority paid \$2,319,731 to the Buffalo Bayou Partnership in accordance with the economic development agreement for the continued operation of project facilities at Buffalo Bayou Park. The park has been open for three years and has had a positive impact on the economic development of the area. In August 2018, the park was severely damaged by Hurricane Harvey. Buffalo Bayou Partnership has submitted a request for an increase in annual funding. If approved, this will not have an impact on fiscal year 2018 but may impact future years.
- The Authority paid \$489,299 for 806 Main (aka JW Marriott) in accordance with a developer agreement to rebate City of Houston incremental ad valorem taxes over a 25 year period. This payment represents reimbursements for both the 2016 and 2017 tax years.
- The Authority incurred expenditures related to the completion of several major capital improvement projects this fiscal year. First among those projects were upgrades to Main Street. Total expenditures for this project during the fiscal year 2018 were \$580,081. Additional funds were approved by the board for repairs to the fountain at Main Street Square. This project is considered complete.
- Second among the major capital improvement projects completed by the Authority in this fiscal year were streetscape and infrastructure improvements to the shopping district primarily along Dallas Street. Total expenditures for this project for fiscal year 2018 were \$32,897. These were closeout payments and this project is considered complete.
- Finally, the third major capital improvement project completed by the Authority was the Allen Parkway realignment. Total expenditures for this project for fiscal year 2018 were \$10,225. These were closeout payments and this project is considered complete.
- The Authority, together with other downtown stakeholders, participated in an update of the twenty year Master Plan for downtown Houston, called *Plan Downtown*, in fiscal year 2018 contributing \$250,000.
- The Authority began working on its fourth major capital project provided for in the 2015 bond offering: to develop a Southern Downtown Park. The Authority paid \$260,246 for current year expenditures related to this project. Funds went to legal fees and efforts needed to secure the land through a thirty year ground lease. Weston Solutions, Inc was paid an amount of \$76,439 for

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

environmental services. Project for Public Spaces was paid an amount of \$15,000 for consulting regarding programming and public engagement for the park.

- The Authority also began work on the next street improvement capital project identified through the *Plan Downtown* initiative. The project was for redevelopment and reconstruction of Bagby Street on the west side of downtown. Expenditures totaling \$401,738 were paid in connection with this project in fiscal year 2018. A large portion of those funds were paid to TEI Construction for the Phase I feasibility and traffic study. The design phase of the project, Phase II, is being lead by Jones and Carter. The Authority approved \$2.4 million for the design of the Bagby Street Improvement Project. In addition, the Authority approved \$500,000 for the Westside City Facilities Master Plan to study and devise a long term Master Plan for upgrades to City of Houston assets such as the Police and Fire campuses, Municipal Courts complex, City Hall and Annex, and city park facilities on the west side of downtown.
- The Authority paid \$2,045,000 in fiscal year 2018 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 terminated its agreement with GreenStreet in fiscal year 2018 for the project's failure to fulfill the requirements of the economic development agreement.
- 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 did not pay the anticipated grant amount as the request for reimbursement was not received until after the close of the fiscal year. The outstanding request of \$51,964 will be paid in fiscal year 2019.
- 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 unit. As of the end of the year, four residential projects were open and submitted requests for reimbursement. The Authority paid the fiscal year 2018 installment to SkyHouse Houston for a total of \$233,049, SkyHouse Main in the amount of \$257,209; Woodbranch Tower (Market Square Tower) in the amount of \$531,973 and Alliance Block 334 in the amount of \$205,044.
- The Authority closed out and paid the reimbursement grants for several Historic Façade grant projects in fiscal year 2018. These projects include the collective facades of 108/110/114 Main Street for an amount of \$456,751 and the AIA Building at 900 Commerce for \$402,268.
- The Authority continued to make efforts to improve the retail presence in downtown through its engagement of the Fransen Company. The Authority made an overall expenditure of \$187,070 on its combined efforts to redevelop locations suitable for retail and provide research to support downtown's case for retail investment.

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- The Authority terminated the historic façade reimbursement agreement with the Kellum Noble House in fiscal year 2018 for non-compliance with the terms of the agreement. The project will be reconsidered when the Heritage Society finishes its recovery from the effects of Hurricane Harvey.
- The Authority made a contribution to the redevelopment of Jones Plaza with a contribution to Houston First, the lead organization on the project, in an amount of \$500,000. This initial contribution was advanced to the project to begin design work for the project and additional funding for this will be contingent on progress in the overall fundraising for Jones Plaza construction, estimated at \$20 million. The Authority has pledged an additional \$4.5 million to this project once the additional funding sources are identified.
- The Authority approved funding for the North Houston Highway Improvement Project with a contribution of \$250,000 to Central Houston Civic Improvement. The purpose of these funds is to further develop the civic opportunities that may be achieved through parks, hike and bike trails, enhanced landscaping, and understory uses that are adjacent to TxDOT's new freeway alignment.
- During fiscal year 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. No principal payments were required in the current year, but the Authority recorded \$1,752,410 in interest expense, and amortized \$30,214 in issuance costs.
- During fiscal year 2018, the Authority recorded \$290,520 in interest expense related to the Series 2012 Bonds.
- Since creation of Reinvestment Zone Number Three (Main Street Market Square TIRZ) in 1995, and the expansion of the Zone in 1998, 2005, 2007 and 2011 the appraised value for real property located within the Zone has increased to approximately \$249 million, \$3.7 billion, \$119 million, and \$106 million for the original (Part A), and expanded zones (Part B, Part D, and Part F) areas, respectively. This increase of approximately \$227 million, \$3.5 billion, \$111 million, and \$79 million for Part A, Part B, Part D, and Part F respectively, 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 Management's 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 report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities, with the difference between assets and liabilities presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. All of the

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Management's Discussion and Analysis**

current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period.

Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

Statement of Net Position

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

	2018	2017
Assets		
Cash and investments	\$ 43,938,723	\$ 38,033,616
Tax increment and other receivables	973,296	3,993,354
Other assets	508,604	538,818
Total assets	45,420,623	42,565,788
Liabilities		
Accounts payable and interest payable	\$ 4,570,704	\$ 6,400,325
Bonds payable - due in one year	2,045,000	1,995,000
Bonds payable - due after one year	54,551,195	56,819,335
Total liabilities	61,166,899	65,214,660
Net deficit		
Restricted for debt service	8,651,531	8,656,599
Unrestricted	(24,397,807)	(31,305,471)
Total net deficit	\$ (15,746,276)	\$ (22,648,872)

Tax increment funds not needed for immediate operations are invested in Texas public funds investment pools (TexStar or LOGIC) 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 \$64,771, debt service was \$8,651,531, project funds were \$543,392 and total investments were \$34,679,028 at June 30, 2018. Total operating cash was \$722,140, debt service was \$8,656,599, project funds were \$2,176,787 and total investments were \$26,478,089 at June 30, 2017.

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Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$731,819 at June 30, 2018 represent increment payments due from Harris County. Other accounts receivable in the amount of \$241,477 primarily represents amounts due from the Houston Downtown Management District for its share of the Downtown Living Initiative grants. All receivable balances were collected within 60 days of year end.

Tax increment receivables of \$3,966,237 at June 30, 2017 represent increment payments due from Houston Independent School District (HISD) in the amount of \$2,508,282 and Harris County of \$1,457,955. Other accounts receivable of \$27,117 at June 30, 2017 primarily represents amounts due from the Houston Management Downtown Management District for its share of the Downtown Living Initiative grants.

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, 2018 and 2017 was \$508,604 and \$538,818, respectively.

Accounts payable at June 30, 2018 of \$3,818,106 represents accrued capital project expenses of \$3,771,491 and accounts payable to affiliates of \$46,615 for project staffing. Accrued interest at June 30, 2018 and 2017 totaled \$752,598 and \$769,156, 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 increased its debt for new projects with the Series 2015 bond issue, causing the Authority to have an accumulated deficit. At June 30, 2018 and June 30, 2017, the Authority has an unrestricted net deficit of \$15,746,276 and \$22,648,872, respectively. The Authority had net position restricted for debt service of \$8,651,531 and \$8,656,599 at June 30, 2018 and June 30, 2017, 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:

	2018	2017
Revenues		
Tax increments	\$ 18,315,783	\$ 17,662,332
Investment and other income	483,199	403,960
Total revenues	18,798,982	18,066,292

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	2018	2017
Expenses		
Current	\$ 2,387,479	\$ 2,388,406
Capital outlay	7,435,762	16,230,498
Debt service	2,073,145	2,122,634
Total expenses	11,896,386	20,741,538
Change in net position	6,902,596	(2,675,246)
Net deficit - beginning of year	(22,648,872)	(19,973,626)
Net deficit - end of year	\$ (15,746,276)	\$ (22,648,872)

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:

	2018	2017
Capital Improvement Projects		
Main Street Upgrade Improvements	\$ 580,080	\$ 2,494,200
Jones Plaza	500,000	-
Bagby Street Improvements	401,738	2,188
Southern Downtown Pocket Park	260,245	20,140
NHHIP Civic Opportunities	250,000	-
Shopping District Improvements	32,897	2,320,828
Allen Parkway Reconstruction	10,225	3,394,447
Julia Ideson Central Library Plaza	9,840	603,132
Total capital improvement projects	2,045,025	8,834,935

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	2018	2017
Historic Preservation		
JW Marriott/806 Main	\$ 489,299	\$ 239,575
108/110/114 Main	456,751	3,042
AIA Building 900 Commerce	402,268	3,102
Kellum Noble House	2,980	3,310
723 Main	1,748	2,697
412 Main	591	1,513,586
1111 Rusk/Texaco Building	103	4,725
202 Travis	77	308,687
The International Coffee Building	-	960,635
402 Main	-	340,865
907 Franklin	-	22,485
Alley Theater	-	83
Economic Development Agreements		
Buffalo Bayou Park	2,319,731	2,272,082
Market Square Tower	531,973	285,179
Skyhouse Main	257,209	121,896
Plan Downtown	250,000	-
Skyhouse Houston	233,049	534,175
Block 334	205,044	1,499
1111 Main/Sakowitz	187,070	117,671
GreenStreet	19,229	545,213
Retail Development Projects	17,347	19,250
Downtown Living Initiative Projects	11,746	10,887
Fairfield	2,980	730
Hotel Alessandra	1,541	-
Holiday Inn/Savoy Hotel	-	84,189
Total project costs	\$ 7,435,762	\$ 16,230,498

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Management's Discussion and Analysis**

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

	2018	2017
Administrative services	\$ 271,048	\$ 263,360
Consulting	25,300	9,237
Accounting and auditing	23,820	26,115
Legal fees	10,011	7,206
Office expense	9,281	16,744
Insurance	3,019	2,952
Total other operating costs	\$ 342,479	\$ 325,614

In fiscal years 2018 and 2017, the Authority paid \$2,045,000 and \$2,043,542, respectively, to the City under the Authority's Municipal Service Costs Agreement.

CAPITAL ASSETS

The Authority had no capital assets as of June 30, 2018 and 2017. Capital assets constructed by the Authority in the public domain are conveyed to the City of Houston upon completion.

GOVERNMENTAL FUNDS

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$41 million which is approximately \$4.3 million higher than the prior fiscal year due to a shift to planning and pause in spending on capital projects. Approximately 1% of the fund balances, or \$543 thousand is restricted or committed for various future capital projects authorized by the Authority. Approximately 68% of the fund balances, or \$27.7 million is committed or assigned to various historic preservation, parks and recreation, theater district and economic development projects of the Authority. Approximately 10% or \$4.1 million is available for spending at the government's discretion provided expenditures are allowable by the Authority's project plan and other legal authorities. The remainder of the fund balance is restricted to indicate that it is committed to pay debt service in the amount of approximately \$8.7 million.

DEBT

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. During the 2018 and 2017 fiscal years, no payments for principal were required, but the Authority recorded \$1,752,410 in interest expense and amortized \$30,214 in premiums for credit enhancement insurance for both 2018 and 2017. 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.

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The Authority issued \$22,745,000 of Tax Increment Contract Revenue Refunding Bonds Series 2012 in June 2012 for the purposes of refunding the Series 2002A and the Series 2009 Bonds in the amounts of \$8,371,036 and \$16,734,546 respectively, which includes both principal and interest.

During fiscal years 2018 and 2017 the Authority accrued and paid \$290,520 and \$340,009 of interest payments related to the Series 2012 Bonds, respectively.

More detailed information about the Authority's debt is presented in the notes to the basic financial statements.

The Authority agreed in fiscal 2013 to assume \$2,780,000 in debt related to the construction of the Rosemont Bridge which provides pedestrian access connecting the Memorial and Allen Parkway sides over Buffalo Bayou Park. Fiscal year 2017 payments of principal and interest to the City were \$525,000 and \$19,250 respectively. This note was paid in full in fiscal 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority only 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 which are designated for repayment of the HHFC loan which equal \$750,000 annually, nor does it record the amount set aside for HISD educational facilities which equaled \$2,537,691 and \$2,594,438 for the years June 30, 2018 and June 30, 2017, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$882,013 and \$844,686 for the years June 30, 2018 and June 30, 2017, respectively. These deductions have been netted out of gross increment revenue in the financial statements. The Authority's budget was not amended during fiscal year 2018.

FUTURE PROJECTS

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

The Authority has closed the DLI program as of its expiration on June 30, 2016. All projects are currently in compliance with the timeline requirements of the program, six of the seven projects have been completed and one planned.

The Authority completed its work on Main Street, Dallas and Allen Parkway in fiscal year 2017. All three of these projects were closed out in 2018. Some additions were made to the redevelopment of Main Street for improvements to the fountain. Those were completed in 2018. The Authority is currently working on Phase I: Programming for the Southern Downtown Park. In fiscal year 2018, land was secured via a thirty year lease to redevelop $\frac{3}{4}$ of Block 333 between Bell and Leeland for the park. The lease will commence in April 2019 along with construction of the project. Phase II design will commence in September 2018.



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Management's Discussion and Analysis**

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

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This financial report is designed to provide a general overview of the Main Street Market Square Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Ryan Leach, Executive Director, 909 Fannin, Suite 1650, Houston, Texas 77010.

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

<i>June 30, 2018</i>	General Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 64,771	\$ -	\$ 8,800	\$ 73,571	\$ -	\$ 73,571
Investments	34,679,029	543,392	8,642,731	43,865,152	-	43,865,152
Tax increment receivables	731,819	-	-	731,819	-	731,819
Other receivables	241,477	-	-	241,477	-	241,477
Other assets	-	-	-	-	508,604	508,604
Total assets	\$ 35,717,096	\$ 543,392	\$ 8,651,531	\$ 44,912,019	\$ 508,604	\$ 45,420,623
Liabilities						
Accounts payable	\$ 3,818,106	\$ -	\$ -	\$ 3,818,106	\$ -	\$ 3,818,106
Interest payable	-	-	-	-	752,598	752,598
Bonds payable - due in one year	-	-	-	-	2,045,000	2,045,000
Bonds payable - due after one year	-	-	-	-	54,551,195	54,551,195
Total liabilities	3,818,106	-	-	3,818,106	57,348,793	61,166,899
Fund balances						
Restricted	-	-	8,651,531	8,651,531	(8,651,531)	-
Committed	15,644,221	-	-	15,644,221	(15,644,221)	-
Assigned	12,119,538	543,392	-	12,662,930	(12,662,930)	-
Unassigned	4,135,231	-	-	4,135,231	(4,135,231)	-
Total fund balances	31,898,990	543,392	8,651,531	41,093,913	(41,093,913)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 35,717,096	\$ 543,392	\$ 8,651,531	\$ 44,912,019	\$ 16,254,880	\$ -
Net deficit						
Restricted for debt service					\$ 8,651,531	\$ 8,651,531
Unrestricted					(24,397,807)	(24,397,807)
Total net deficit					\$ (15,746,276)	\$ (15,746,276)
Total fund balance of governmental funds						\$ 41,093,913
Amounts reported for governmental activities in the Statement of Net Position are different because						
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds						(57,348,793)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements						508,604
Net deficit of governmental activities						\$ (15,746,276)

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

**Main Street Market Square Redevelopment Authority
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Governmental Funds Revenues, Expenditures and Changes
In Fund Balances and Statement of Activities**

<i>For the year ended June 30, 2018</i>	General Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues						
Tax increments	\$ 14,043,222	\$ -	\$ 4,272,561	\$ 18,315,783	\$ -	\$ 18,315,783
Investment and other income	483,199	-	-	483,199	-	483,199
Total revenues	14,526,421	-	4,272,561	18,798,982	-	18,798,982
Expenditures/expenses						
Current						
Consultants	313,152	-	-	313,152	-	313,152
Administrative support/office expenses	26,308	-	-	26,308	-	26,308
Insurance	3,019	-	-	3,019	-	3,019
Municipal services	2,045,000	-	-	2,045,000	-	2,045,000
Capital outlay	6,711,635	1,033,396	-	7,745,031	(309,269)	7,435,762
Debt Service						
Principal payments on bonds	-	-	1,995,000	1,995,000	(1,995,000)	-
Interest expense	-	-	2,282,629	2,282,629	(239,698)	2,042,931
Costs of issuance	-	-	-	-	30,214	30,214
Total expenditures/expenses	9,099,114	1,033,396	4,277,629	14,410,139	(2,513,753)	11,896,386
Excess (deficiency) of revenues over expenditures	5,427,307	(1,033,396)	(5,068)	4,388,843	2,513,753	
Change in net position					6,902,596	6,902,596
Fund balances/net deficit:						
Beginning of year	26,471,683	1,576,788	8,656,599	36,705,070	(59,353,942)	(22,648,872)
End of year	\$ 31,898,990	\$ 543,392	\$ 8,651,531	\$ 41,093,913	\$ (56,840,189)	\$ (15,746,276)

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

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Governmental Funds Revenues, Expenditures and Changes
In Fund Balances and Statement of Activities (Continued)**

Net change in total fund balances of governmental funds	\$ 4,388,843
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities and are reported as interest expense</p>	
Repayment of bond principal	1,995,000
Amortization of bond premium	223,140
Cost of issuance	(30,214)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	325,827
Change in net position of governmental activities	\$ 6,902,596

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: DESCRIPTION OF ORGANIZATION

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).

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 Houston City Council (the "City") 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). Finally, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Under the government-wide financial statements, net position is classified into the following two components:

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

Unrestricted – This component of net position consists of that which does not meet the definition of “Restricted”.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. The funds the Authority uses are described below:

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

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

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.

Fund Balance Classification

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

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority did not have any nonspendable resources as of June 30, 2018.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Tax Increments and Participation Agreements

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)

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.

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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 and Part F of the Zone; however, as mentioned previously much of the land included in these expansions is publicly owned and not subject to property tax.

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.

Cash and Cash Equivalents and Investments

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments consist of various U.S. Government securities and Local Government Investment Cooperative (LOGIC), a local government investment pool created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc. LOGIC uses amortized costs to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost.

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.

Debt

All debts to be repaid from governmental resources are reported as liabilities in the government-wide statements. Debt consists of Tax Increment Contract Revenue Bonds.

Debt for the governmental funds is not reported as a liability in the fund financial statements. The debt proceeds and premiums received are reported as other financing sources and payment of principal and interest is reported as expenditures. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Debt issuance costs, net of unamortized premiums for credit enhancement insurance, are reported as an expenditure.

Use of Estimates

The preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period.

Federal Income Tax

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

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

NOTE 3: AUTHORIZED INVESTMENTS

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.

NOTE 4: DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2018, bank balances totaled \$112,439 at JP Morgan Chase and \$8,800 at Bank of New York Mellon, which approximates fair value. Of the bank balances, 100% was covered by federal depository insurance.

In addition, at June 30, 2018, the Authority held \$35,222,421 in an investment pool. The investment pool is an eligible investment pursuant to the provision of the Public Funds Investment Act, the Tri-Party Agreement, and the Authority's administrative policy. The debt service reserves of \$8,642,731 have been invested in the Morgan Stanley ILF Govt/Inst Money Market Fund, also an eligible investment under the Texas Public Funds Investment Act and do not require collateralization.

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

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's investment in LOGIC fund is rated AAAM by Standard & Poors and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The Authority considers the investments in 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.

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

NOTE 5: RESTRICTED ASSETS

Certain amounts of cash and investments are restricted by covenants set forth in the indenture for the Series 2012 and 2015 Bonds. A summary of these restricted assets held in cash, U.S. Government Securities and an investment pool at June 30, 2018 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Investment Pool	Total
Project funds	\$ -	\$ -	\$ 543,392	\$ 543,392
Debt service funds	8,800	8,642,731	-	8,651,531
	<u>\$ 8,800</u>	<u>\$ 8,642,731</u>	<u>\$ 543,392</u>	<u>\$ 9,194,923</u>

NOTE 6: TAX INCREMENT CONTRACT REVENUE BONDS

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

Balance at July 1, 2017	\$ 54,835,000
Additions	-
Retirements	(1,995,000)
Balance at June 30, 2018	52,840,000
<u>Current portion</u>	<u>\$ 2,045,000</u>

Tax Increment Contract Revenue Bonds at June 30, 2018 consist of the following:

Date Series Issued	Outstanding Balance
2012	\$ 11,335,000
2015	41,505,000
Total principal payable	52,840,000
Unamortized premium	3,756,195
<u>Total bonds payable</u>	<u>\$ 56,596,195</u>

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

NOTE 6: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

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. No payments for principal were required in the current year, but the Authority incurred \$1,752,410 in interest expense 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. Principal payments begin in 2022.

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ -	\$ 1,975,550	\$ 1,975,550
2020	-	1,975,550	1,975,550
2021	-	1,975,550	1,975,550
2022	-	1,975,550	1,975,550
2023	775,000	1,960,050	2,735,050
2024-2028	11,465,000	8,557,575	20,022,575
2029-2033	16,950,000	4,863,250	21,813,250
2034-2036	12,315,000	772,350	13,087,350
	\$ 41,505,000	\$ 24,055,425	\$ 65,560,425

In June 2012, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2012 (the 2012 Bonds) in the aggregate principal amount of \$22,745,000. The 2012 Bonds mature serially September 1, in each year 2012 through 2023. The 2012 Bonds are callable in whole or in part any date beginning September 1, 2021 at par. The 2012 Bonds bear interest at 2.49% and have semi-annual interest payments due on March 1 and September 1.

Net proceeds from the Series 2012 Bonds totaling \$22,057,231 along with \$3,048,351 from the Authority's debt service and debt service reserve accounts were used to refund the Series 2002A and Series 2009 Bonds with a total principal amount of \$26,345,000 and an average interest rate of 5.7%. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for the debt service payments on the refunded bonds. Debt service on the refunded bonds was paid in full on June 13, 2012. The refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,067,006 and resulted in an economic gain of \$982,679.

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

NOTE 6: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 2,045,000	\$ 239,808	\$ 2,284,808
2020	2,100,000	187,746	2,287,746
2021	2,145,000	134,522	2,279,522
2022	2,200,000	79,970	2,279,970
2023	1,405,000	41,687	1,446,687
2024	1,440,000	5,976	1,445,976
	\$ 11,335,000	\$ 689,709	\$ 12,024,709

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 \$4,277,331 required at June 30, 2018 for short term principal and interest payments due on both the 2015 and 2012 bond obligations.

NOTE 7: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Restricted for				
Debt service	\$ -	\$ -	\$ 8,651,531	\$ 8,651,531
Committed to				
Roadways and streets	2,896,079	-	-	2,896,079
Infrastructure/mobility	183,097	-	-	183,097
Real property improvements	750,000	-	-	750,000
Historic preservation	643,766	-	-	643,766
Parks and recreation	6,991,755	-	-	6,991,755
Retail/ecomonic development	4,179,524	-	-	4,179,524
Assigned to				
Historic preservation	1,000,000	-	-	1,000,000
Retail/ecomonic development	912,930	-	-	912,930
Parks and recreation	5,706,608	543,392	-	6,250,000
Theater District	4,500,000	-	-	4,500,000
Unassigned	4,135,231	-	-	4,135,231
	\$ 31,898,990	\$ 543,392	\$ 8,651,531	\$ 41,093,913

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

NOTE 8: TAX INCREMENTS

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

	Gross Increment	Transfers			Net Increments
		Administrative Fee	HHFC Payment	Educational Facilities	
City of Houston	\$ 16,369,928	\$ (816,496)	\$ (503,925)	\$ -	\$ 15,049,507
Houston Independent School District	5,343,222	(25,000)	(246,075)	(2,537,690)	2,534,457
Harris County - County Flood Control, Port Authority and Hospital District	770,336	(38,517)	-	-	731,819
Total tax increments	\$ 22,483,486	\$ (880,013)	\$ (750,000)	\$ (2,537,690)	\$ 18,315,783

NOTE 9: HOUSTON HOUSING FINANCE CORPORATION AGREEMENT

The Houston Housing Finance Corporation (HHFC) Agreement between the TIRZ, the City, and HHFC calls for the City and the TIRZ to pay HHFC the sum of \$750,000 per year, to the extent it receives Tax Increments derived from the original area of the Zone. If Tax Increments from the original area are insufficient to pay the annual sum, the sum accrues interest and is payable when Tax Increments from the original area are available to pay it. The 2017 tax increments from the original area of the Zone were sufficient to pay the \$750,000 HHFC payment in fiscal year 2018. The Authority's commitment under this agreement totals \$18,750,000 and is payable through fiscal year 2026 (tax year 2025). As of June 30, 2018, the Authority has remitted \$16,500,000 to HHFC under this agreement.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Authority has entered into various developer agreements whereby the developers agreed to advance money to renovate and operate historic structures, pedestrian stairways 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.

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

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

GreenStreet

In August 2006, the Authority entered into a development agreement with Houston Pavilions, L.P. (the Developer) to develop a three block entertainment, retail and office facility. The Authority will contribute approximately \$14.3 million to this project from certain tax increments generated from the County and the City to enhance the public space and infrastructure of this project. The agreement allows for a maximum of \$1.6 million payable to the developer for reimbursement of fee payments to the City and \$130,000 for reimbursement of legal fees. The Authority has expended approximately \$1.9 million under this part of the agreement.

Additional Authority contributions will be funded as follows: (1) construction payments totaling \$3.3 million will be made to an escrow account during construction of the facility; (2) a post construction payment not to exceed \$3.9 million will be made at completion of the project, with the payments commencing November 2009 paid annually from County Tax Increments through 2025. The annual payment will not exceed \$417,000 and is limited to the ratio of actual value to projected value and cannot exceed the actual amount of Tax Increment received from the County for Part D of the Zone. The Authority remitted the final construction payment of \$1.35 million during fiscal year 2011 which fulfills the Authority's obligations under the construction and post construction phases of the agreement. The Authority and the Developer reviewed calculations for previous annual payments during 2012 and determined there was an overpayment of \$266,240. This overpayment was fully recovered and regular payments resumed in October of 2013.

In May 2011, the development agreement was amended in order to eliminate certain provisions in the agreement, to allow for the financing of certain construction payments to the Developer at specified interest rates and set forth additional covenants and specifications of the project. Under the amended agreement, the Authority will fund \$1.95 million to an escrow account for the Developer's use during construction. The construction payments bear interest at rates specified in the agreement. In conjunction with this amendment, the Developer also entered into an advance promissory note with the Authority in accordance with the terms of the agreement. In the third amendment, executed in 2012, the promissory note was cancelled. The Developer has satisfied all the terms and conditions related to the funds escrowed for construction.

During fiscal year 2013, the Houston Pavilions property was purchased by Canyon-Johnson Urban Funds and has rebranded the property as "GreenStreet" and accelerated efforts to bring in new tenants. Future plans include refreshing the exterior streetscape, lighting, landscaping, and overall property presentation and those improvements were completed in the summer of 2014.

The GreenStreet agreement was amended via its fourth amendment in August 2014 to carve out a portion of the original footprint for the Alessandra Hotel. Construction on the hotel began in February of 2015.

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

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Two subsequent fifth and sixth amendments were entered into in August of 2015 with no substantial alterations to the terms of the original Agreement other than clarifying language, addressing inconsistencies among the myriad amendments, and recognizing a change of ownership in which the interest held by Canyon-Johnson Urban Funds was purchased by Lionstone Investments.

In August 2016, the seventh amendment was approved extending the timeline for the goals set out in the agreement and also restricting specified space for retail purposes.

In fiscal year 2018, the Greenstreet agreement was terminated based on the Developer's inability to meet the goal set out in the terms of the agreement.

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 of 2015, and payment of the annual fee commenced in January 2016. In 2018, the Authority paid the third installment of \$2,319,731. July 1, 2018 marked the first review of the agreement and Buffalo Bayou Partnership submitted a request for an increase of this annual payment effective fiscal year 2019. The request will be considered by the Board and a response submitted to the Buffalo Bayou Park Standards Committee following the process outlined in the agreement.

Downtown Living Initiative

In 2012, the Authority created a new program called the Downtown Living Initiative which is designed to incentivize residential development in the Zone. Developers are 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 unit. The program closed out 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 the Novare Group-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 July of 2014. The Authority paid the first installment of the Downtown Living Initiative incentive to SkyHouse Houston in 2016. In 2018 it is currently in its third year of payment.

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

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

A second grant was approved under the Downtown Living Initiative and a historic preservation grant was given to Provident Realty Advisors, Inc. for redevelopment of the 97 year-old Texas Company building at 1111 Rusk aka "The Star" into 323 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 first installment under the grant is anticipated to be paid in fiscal year 2019.

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 April 2016. The first installment was paid in fiscal year 2017.

A fourth grant was authorized in 2014 under the Downtown Living Initiative program for development of a 33-story, 289 unit high rise residential tower by Hines at Market Square Park aka Aris Market Square. The maximum grant available for this project over the term of the grant is approximately \$4.3 million. The project has completed construction. It is anticipated the first installment will commence in fiscal year 2019.

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, 453 unit high rise residential building. The maximum grant available for this project over the term of the grant is approximately \$6.9 million. The project was completed in fiscal year 2016. The first installment was paid in fiscal year 2017.

A sixth grant was approved in fiscal year 2015 under this program to Skyhouse Main (Skyhouse Houston II, LLC) for the development of a 336 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 August of 2016. The first installment was paid in fiscal year 2017.

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 has not broken ground yet but is still in compliance with the timeline required in the grant agreement. A first amendment to the agreement was made in fiscal year 2018 extending the timeline for completion on the project to November 2018.

All projects are currently in compliance with the timeline requirements of the program. Six of the seven projects are completed. Some agreements have been amended to adjust for delays in construction due to weather, etc. and the program closed at its original expiration date of June 30, 2016.

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

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

1616 Main Street/Holiday Inn Hotel

The Authority entered into a developer 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 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. The project continues to be in compliance with the agreement.

806 Main JW Marriott Hotel

The Authority entered into a developer 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 was completed and the infrastructure payment was made during the fiscal year ending June 30, 2015. The total amount of incremental tax rebate is estimated to be \$9.5 million over the term of the grant. The first payment was made during fiscal year 2016.

723 Main Street

In June 2016 the Authority entered into an Economic Development Agreement with Supreme Bright Houston, LLC for the development of an 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 proof of payment of ad valorem taxes, certification of the creation of at least fifty (50) full time jobs in the preceding year, that the project retain the AC Marriott flag or an equivalent approved by the Authority's Board of Directors, and compliance with the City and Authority approved construction terms. Construction on the project commenced in January 2018 and the completion date is estimated to be June 2019.

Historic Preservation and Restoration Reimbursement Agreements

In fiscal year 2016, the Authority entered into an agreement for restoration with the Heritage Society in the amount of \$100,000 for the Kellum-Noble House. This agreement was terminated in fiscal year 2018 due to noncompliance with the terms of the agreement from the developer, The Heritage Society.

Consultants

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

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

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Operating 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 will commence on April 1, 2019 with a 30-year term. At the commencement date, the Authority will begin payment of rent of \$29,666 per month which will be subject to a 10% escalation once every five years. The Authority had two renewal options of ten years each. The Authority will construct improvements on the property to convert the site to a public park.

For the years ending June 30,

2019	\$ 88,998
2020	355,992
2021	355,992
2022	355,992
2023	355,992
2024-2028	1,931,277
2029-2033	2,124,293
2034-2038	2,336,799
2039-2043	2,570,499
2044-2049	3,257,526
	\$ 13,733,360

NOTE 11: 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. \$505,884 for these services for the year ended June 30, 2018.

NOTE 12: 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.



**REQUIRED SUPPLEMENTARY INFORMATION
AND
OTHER INFORMATION**

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Revenues, Expenditures, and Change in Fund Balance –
Budget to Actual – All Funds**

<i>For the year ended June 30, 2018</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balances - beginning of year	\$ 39,300,228	\$ 36,705,070	\$ (2,595,158)
Resources			
Tax increments	24,739,777	22,483,486	(2,256,291)
Miscellaneous revenue	125,000	49,390	(75,610)
Grant proceeds	3,000	-	(3,000)
Interest income	48,614	433,809	385,195
Total available resources	64,216,619	59,671,755	(4,544,864)
Expenses			
Management consulting services	369,000	342,479	26,521
Project costs and capital expenditures	16,775,583	7,745,031	9,030,552
Debt service	4,277,629	4,277,629	-
Other interfund transfers:			
HISD educational facilities	4,085,054	2,537,691	1,547,363
Municipal services - public safety	2,045,000	2,045,000	-
Administrative fees	995,083	880,012	115,071
HHFC payment	750,000	750,000	-
Total uses of resources	29,297,349	18,577,842	10,719,507
Budgetary fund balances - end of year	\$ 34,919,270	\$ 41,093,913	\$ 6,174,643
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 59,671,755
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource			
current year revenue for financial reporting purposes			(36,705,070)
Budgeted revenues include HISD educational facilities transfers, City administrative			
charges and the annual payment to HHFC, while the Authority's funds report			
revenues net of these transfers			(4,167,703)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances			\$ 18,798,982
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 18,577,842
Differences - budget to GAAP			
Budgeted expenditures include HISD educational facilities transfers, city administrative			
charges and the annual payment to HHFC, while the Authority's funds report			
revenues net of these transfers			(4,167,703)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances			\$ 14,410,139

See independent auditors' report.

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

<i>For the year ended June 30, 2018</i>	Vendor	Budget	Actual Expenditures	Variance
<u>Management Consulting Services</u>				
Administrative Support	Central Houston, Inc.	\$ 280,000	\$ 271,048	\$ 8,952
Office Expenses	Various	24,000	9,281	14,719
Insurance	CAN Insurance	2,500	500	2,000
	Philadelphia Insurance	-	2,519	(2,519)
Accounting	Melissa Morton, CPA	11,000	7,500	3,500
	Dean Corbett	-	720	(720)
Auditor	Carr, Riggs & Ingram, LLC	16,500	15,600	900
Bond Services	Bank of New York Mellon	10,000	4,770	5,230
Financial Advisor	First Southwest	-	8,035	(8,035)
	Hilltop Securities	-	3,500	(3,500)
Taxroll Advisor (ITM)	Marvin Warren	-	8,995	(8,995)
Total administration and overhead		344,000	332,468	11,532
Legal	Bracewell	25,000	10,011	14,989
Total management consulting services		\$ 369,000	\$ 342,479	\$ 26,521

Capital Expenditures and Developer/Project Reimbursements

Developer/Project Reimbursements:

Hines Market Square		\$ 336,270	\$ -	\$ 336,270
GreenStreet	CHI - Legal		6,200	
	Central Houston, Inc.		13,029	
Total GreenStreet		240,000	19,229	220,771
412 Main	Central Houston, Inc.	-	591	(591)
202 Travis	Central Houston, Inc.	-	77	(77)
Buffalo Bayou Park	Buffalo Bayou Partnership		2,319,396	
	Central Houston, Inc.		335	
		2,301,239	2,319,731	(18,492)
Texaco Building	Central Houston, Inc.	490,037	103	489,934
806 Main (JW Marriot)	806 Main		486,422	
	Central Houston, Inc.		2,877	
Total 806 Main		255,713	489,299	(233,586)
Downtown Living Initiative	Central Houston, Inc.	-	11,746	(11,746)

See independent auditors' report.

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

<i>For the year ended June 30, 2018</i>	Vendor	Budget	Actual Expenditures	Variance
Yunan Square Development/1111 Main	Central Houston, Inc.		\$ 1,570	
	Fransen Company		181,500	
	Bracewell		4,000	
Total Yunan Square Development/1111 Main		\$ 250,000	187,070	\$ 62,930
Economic Development Retail	Central Houston, Inc.	-	17,347	(17,347)
SkyHouse Houston Residential	Skyhouse Houston		232,638	
	Central Houston, Inc.		411	
Total SkyHouse Houston Residential		379,512	233,049	146,463
SkyHouse Main Residential	Skyhouse Houston		256,798	
	Central Houston, Inc.		411	
Total SkyHouse Main Residential		393,798	257,209	136,589
Alliance Block 334 Residential	Central Houston, Inc.		925	
	Broadstone		204,119	
Total Alliance Block 334 Residential		163,138	205,044	(41,906)
Woodbranch Tower	Woodbranch Tower LLC		531,330	
	Central Houston, Inc.		643	
Total Woodbranch Tower		450,000	531,973	(81,973)
Hotel Alessandra	Central Houston, Inc.	100,000	1,541	98,459
Holiday Inn/Savoy	Holiday Inn		-	
	Central Houston, Inc.		-	
Total Holiday Inn/Savoy		63,876	-	63,876
Fairfield Residential	Central Houston, Inc.	-	2,980	(2,980)
Hike and Bike Trails East of Allens Landing		650,000	-	650,000
Future Project Development		600,000	-	600,000
Kellum/Noble House	Central Houston, Inc.	-	2,980	(2,980)
108/110/114 Main	Central Houston, Inc.		2,340	
	Zimmerman Interests		454,411	
Total 108/110/114 Main		-	456,751	(456,751)
Plan Downtown	Houston Downtown Management District	150,000	250,000	(100,000)
AC Hotel	Central Houston, Inc.	80,000	1,748	78,252
AIA 900 Commerce	Central Houston, Inc.		2,268	
	Houston Architecture		400,000	
Total AIA 900 Commerce		400,000	402,268	(2,268)
Total Developer/ Project Reimbursements		\$ 7,303,583	\$ 5,390,736	\$ 1,912,847

See independent auditors' report.

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

<i>For the year ended June 30, 2018</i>	Vendor	Budget	Actual Expenditures	Variance
<i>Capital Improvement Projects:</i>				
T-0307 Southern Downtown Pocket Park	Weston		\$ 76,439	
	South Texas Surveying		2,120	
	Project For Public Spaces		15,000	
	Broadway Bank		14,980	
	Legacy Trust		35,020	
	Stewart Title		32,835	
	Bracewell		21,916	
	Central Houston, Inc.		61,936	
Total T-0307 Southern Downtown Pocket Park		\$ 952,000	260,246	\$ 691,754
T-0312 Main Street Upgrades	Gulf Cost Pavers		17,920	
	Environmental Design		11,205	
	Blumenthal		4,176	
	Pfeiffer and Son		78,010	
	CED		9,653	
	HDMD		14,493	
	Jerdon		583,023	
	Central Houston, Inc.		18,781	
Total T-0312 Main Street Upgrades		-	737,261	(737,261)
T-0313 Julia Ideson Plaza	City of Houston	-	9,840	(9,840)
T-0314 Shopping District Upgrades	Maintenance To Go		9,426	
	AECOM		5,593	
	Texas Sterling Construction		152,089	
	Environmental Design		11,205	
	Central Houston, Inc.		6,672	
Total T-0314 Shopping District Upgrades		-	184,985	(184,985)
T-0319 Allen Parkway	Pfeiffer and Son		3,972	
	Bartlett		2,400	
	Central Houston, Inc.		3,853	
Total T-0319 Allen Parkway		-	10,225	(10,225)
T-0325 Bagby Street	Central Houston, Inc.		77,013	
	TEI		237,129	
	Asakura Robinson		6,027	
	Precision Graphics		6,659	
	Jones & Carter		72,326	
	Various Media		2,584	
Total T-0325 Bagby Street		1,000,000	401,738	598,262
T-0308 Jones Plaza	Houston First	5,000,000	500,000	4,500,000
T-0326 NHHIP Civic Opportunities	Central Houston Civic Improvement	-	250,000	(250,000)
T-0399 Concrete Panel Replacement		20,000	-	20,000
T-0323 TxDOT Southeast Sidewalks	Central Houston, Inc.	2,500,000	-	2,500,000
Total capital expenditures		9,472,000	2,354,295	7,117,705
Total capital expenditures and developer/project reimbursements		\$ 16,775,583	\$ 7,745,031	\$ 9,030,552

See independent auditors' report.

**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, 2018**

	Estimated Total Costs	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	\$ 22,500,000	\$ 34,366,133	\$ (11,866,133)
Infrastructure, mobility, transit improvements	18,334,450	27,499,858	(9,165,408)
Total Infrastructure improvements	40,834,450	61,865,991	(21,031,541)
Real property improvements	57,520,266	21,281,066	36,239,200
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	14,381,693	11,969,315
Parks and recreational	32,044,167	5,597,959	26,446,208
Theater district improvements	11,504,799	4,314,810	7,189,989
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	24,142,428	142,657,572
Institutional facilities	22,000,000	10,678,800	11,321,200
Total project costs	377,211,107	143,766,302	233,444,805
Operating and financing costs			
Financing costs	21,650,000	19,579,452	2,070,548
Administration	6,934,426	5,714,830	1,219,596
Total operating and financing costs	28,584,426	25,294,282	3,290,144
Educational facilities	82,541,820	41,313,956	41,227,864
Project plan total	\$ 488,337,353	\$ 210,374,540	\$ 277,962,813

See independent auditors' report.