



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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2021



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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, 2021, 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, 2021, 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 34 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, 2021 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2021, on pages 35 through 38, 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 12, 2021

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

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, 2021 with the year ended June 30, 2020 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 \$2,491,168 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 a three-year period. A total of \$209,949 was spent during the fiscal year 2021.
- The Authority continued working on its fourth major capital project provided for in the 2015 bond offering: to develop a Southern Downtown Park. The Authority paid \$1,750,164 in current year expenditures related to this project. Funds went to Structura, Inc. as the general contractor for construction at the park, Lauren Griffith Associates for design, Fenris, LLC for development of the children's play area, CW Lighting for light fixtures, and \$29,666 per month in rent to the landlord for the long-term ground lease. The Authority also paid \$93,939 in property taxes on the site. The park has been named Trebly Park and the groundbreaking was held on March 11, 2021, with a one-year construction timeline.
- The Authority continued work on the next capital project identified through Plan Downtown for redevelopment and reconstruction of Bagby Street on the west side of downtown. Expenditures totaling \$14,017,400 were paid in connection with this project in fiscal year 2021. A large portion of those funds were paid to the construction contractor, Main Lane Industries, as well as engineering design performed by Jones & Carter. The COVID pandemic has drastically reduced traffic into downtown and this has allowed the contractor to accelerate construction. Currently the project is ahead of schedule and should be completed by November 2021.
- The Authority paid \$1,743,542 in fiscal year 2021 to the City of Houston for Municipal Services in the Zone that were allocated to support the City budget, including \$680,000 dedicated to the City's Police Department Overtime Program.

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

- 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 paid \$200,822 in fiscal year 2021 for reimbursements related to the 2019 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 \$241,099 in fiscal year 2021 for reimbursements related to the 2020 tax year.
- 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 paid \$29,106 in fiscal year 2021 for reimbursements related to the 2020 tax year. Due to the impact of COVID-19, the hotel had to cut back staff during the peak of the pandemic and the 50 jobs requirement in the agreement was temporarily suspended. The hotel was able to remain open during all of 2020 and 2021.
- 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 Authority paid \$22,215 in fiscal year 2021 for reimbursements related to the 2020 tax year. The hotel suspended operations in January 2021 due to the impacts of the COVID pandemic.
- 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 2021 installments to SkyHouse Houston for a total of \$267,032, SkyHouse Main in the amount of \$284,832; Market Square Tower in the amount of \$582,156, Block 334 in the amount of \$162,658, and Aris Market Square in the amount of \$452,622.
- The Authority has pledged a total of \$10 million to the renovation of Jones Plaza, approximately \$2.5 million of which has been advanced for project design. The project has achieved significant fundraising goals, including a \$10 million donation from Lynn Wyatt and \$1.6 million in support from local philanthropic foundations. The plaza is to be re-named The Lynn Wyatt Square For The Performing Arts and construction began in May of 2021.

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

- In November of 2018, the Authority board approved an economic development agreement with MassChallenge in the amount of \$2.5 million over five years. MassChallenge is a global non-profit startup accelerator with a focus on high-impact, early-stage entrepreneurs. The Authority paid \$404,000 in fiscal year 2021 for this project.
- 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 will be 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 \$20 million for the project. The site is currently under construction. During fiscal 2021, an amendment to the agreement was approved by the Authority board to provide an additional \$3 million in funding for the project.
- In September of 2019, the Authority board approved an economic development agreement with Gener8tor in the amount of \$1.25 million over five years. Gener8tor is a nationally recognized pre-accelerator, specializing in translating ideas into start-up businesses. The Authority paid \$250,000 in fiscal year 2021 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. The goal of the Downtown Launchpad is to bring together in one space all the life-cycle components necessary to create companies and generate local jobs in the innovation sector. This project brings together our partners: pre-accelerator Gener8tor, incubator Impact Hub, and accelerator MassChallenge, as well as co-working leader, The Cannon. The Launchpad opened in July of 2020. The Authority paid \$479,762 in fiscal year 2021 for this project.
- In November of 2019, the Authority board approved capital project support to the Buffalo Bayou Partnership for construction of hike & bike trails east of Allen's landing on the southern bank of Buffalo Bayou in the amount of \$2 million. This project has been delayed pending the resolution of technical issues and no funds were expended during 2021.
- The Authority continued its funding for the North Houston Highway Improvement Project with a contribution of \$250,000 to Central Houston Civic Improvement. The purpose of these funds is to further develop the civic opportunities that may be achieved through parks, hike and bike trails, enhanced landscaping, and understory uses that are adjacent to TxDOT's new freeway alignment.
- During fiscal year 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. 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.

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

- During fiscal year 2021, the Authority recorded \$134,522 in interest expense related to the Series 2012 Bonds.
- In December of 2019, Houston's City Council approved the Sixth Amendment of the Project Plan and 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 (NHHIP). The Zone and Authority have fostered identification of at least 35 civic opportunities tracing the changes and developments resulting from the NHHIP on interstates and surface streets that encircle Downtown. These opportunities consist of, but are not limited to, parks, gateways, garden bridges, a linear Pierce elevated park, cap parks for public assemblage along EaDo and Andrews Street, retention areas and canal construction to optimize the City's flood resiliency, all of which touch not only Downtown but also adjoining neighborhoods and communities. The focus of these civic opportunities center on connectivity, resiliency, and the enhancement of, and access to, public space in support of the City's assets. Expansion of the Zone further permits support and facilitation of development and preservation in the warehouse and western civic facilities areas and will involve consideration of work-force housing, civic facilities modernization, and economic development plans. The expansion added \$328 million to the Project Plan for the Zone and during fiscal 2021 increased increment revenue by \$1.7 million.
- In December of 2020, Houston's City Council approved the DRA/TIRZ#3 Board's Resolution of November 10, 2020, adopting the Seventh Amended Project Plan and Reinvestment Zone Financing Plan (Plan). This Plan de-annexed approximately fourteen acres of public property known as the Sam Houston Park, removing that parcel from the boundaries of the DRA/TIRZ#3. The de-annexation of the non-taxable property did not alter the tax increment base of TIRZ #3 which continues to include the tax increment base established by all prior Ordinances.
- 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 \$441 million, \$3.1 billion, \$90 million, \$102 million, and \$1.8 billion for the original (Part A), and expanded zones (Part B, Part D, Part F and Part G) areas, respectively. This total increase of approximately \$3.9 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.

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

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 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 deficit at June 30:

	2021	2020
Assets		
Cash and investments	\$ 12,979,758	\$ 27,963,041
Tax increment and other receivables	20,899,343	15,445,229
Other assets	450,536	504,736
Total assets	34,329,637	43,913,006
Liabilities		
Accounts, interest and retainage payable	\$ 7,256,125	\$ 8,534,210
Bonds payable - due in one year	2,200,000	2,145,000
Bonds payable - due after one year	47,436,775	49,859,915
Total liabilities	56,892,900	60,539,125
Net deficit		
Restricted for debt service	8,639,181	8,638,276
Unrestricted	(31,202,444)	(25,264,395)
Total net deficit	\$ (22,563,263)	\$ (16,626,119)

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

Tax increment funds not needed for immediate operations are invested in Texas public funds investment pools (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 \$256,261, debt service was \$4,367,039 and total general fund investments were \$8,356,458 at June 30, 2021. Total operating cash was \$229,333, debt service was \$7,083,699 and total general fund investments were \$20,650,009 at June 30, 2020.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$20,483,996 at June 30, 2021, represent increment payments due from the City of Houston in the amount of \$17,311,858, Houston Independent School District (HISD) in the amount of \$2,798,589 and Harris County of \$373,549. Other accounts receivable of \$415,347 at June 30, 2021, represents amounts due from the Houston Downtown Management District for its share of the Downtown Living Initiative grants.

Tax increment receivables of \$15,053,735 at June 30, 2020, represent increment payments due from the City of Houston in the amount of \$14,628,091 and Harris County in the amount of \$425,644. Other accounts receivable of \$391,494 at June 30, 2020, 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, 2021, and 2020 was \$417,962 and \$448,176, respectively. Other assets also include prepaid expenses totaling \$32,574 and \$56,560 at June 30, 2021, and 2020, respectively for prepaid rent on the Southern Downtown Park and insurance premiums.

Accounts payable and accrued expenses at June 30, 2021, of \$5,887,715 represents accrued amounts for the municipal services fee of \$1,745,000, grant payments due of \$2,796,416, capital project expenditures of \$1,291,717, and payments due to the administrative contractor for staffing of \$54,582. Accounts payable at June 30, 2020, of \$7,496,621 represents accrued amounts for the municipal services fee of \$2,045,000, grant payments due of \$4,175,845, capital project expenditures of \$1,200,066, rent for the Downtown Launchpad of \$18,773, tax roll advisor fees of \$9,572, and payments due to the administrative contractor for staffing of \$47,365. Retainage payable at June 30, 2021, and 2020 totaled \$668,518 and \$319,894, respectively. Accrued interest at June 30, 2021, and 2020 totaled \$699,892 and \$717,695, 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, 2021, and June 30, 2020, the Authority has an unrestricted net deficit of \$22,563,263 and \$16,626,119, respectively. The Authority had net position restricted for debt service of \$8,639,181 and \$8,638,276 at June 30, 2021, and June 30, 2020, respectively.

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

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:

	2021	2020
Revenues		
Tax increments	\$ 20,422,418	\$ 17,615,952
Investment and other income	192,727	676,018
Total revenues	20,615,145	18,291,970
Expenses		
Current	2,130,336	2,404,849
Capital outlay	22,504,807	18,616,204
Debt service	1,917,146	1,970,370
Total expenses	26,552,289	22,991,423
Change in net position	(5,937,144)	(4,699,453)
Net deficit - beginning of year	(16,626,119)	(11,926,666)
Net deficit - end of year	\$ (22,563,263)	\$ (16,626,119)

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.

During fiscal year 2020, the City reviewed its tax increment revenue calculations for tax years 2014 through 2017 and identified an overpayment of \$554,036. The City's previous methodology for its calculations did not properly prorate properties that are not 100% within the TIRZ boundaries. Accordingly, the City processed a one-time adjustment to apply the overpayment against the tax increment deposit for tax year 2019 (fiscal year 2020). There were no similar adjustments for fiscal year 2021.

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

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

	2021	2020
Capital Improvement Projects		
Bagby Street Improvements	\$ 14,287,797	\$ 8,263,311
Southern Downtown Pocket Park	1,828,392	1,121,313
NHHIP Civic Opportunities	250,000	251,283
Allen Parkway Reconstruction	209,949	463,783
Lynn Wyatt Square	3,321	1,542,728
Main Street Upgrade Improvements	-	39,170
Shopping District Improvements	-	2,733
Total Capital Improvement Projects	16,579,459	11,684,321
Historic Preservation		
806 Main (JW Marriott)	241,099	332,815
The Star Residential	200,822	332,181
Economic Development Agreements		
Buffalo Bayou Park	2,491,168	2,410,729
Market Square Tower Residential	582,156	585,083
Downtown Launchpad	479,762	34,462
Aris Market Square Residential	452,622	441,211
MassChallenge	404,000	788,000
SkyHouse Main Residential	284,832	244,444
SkyHouse Houston Residential	267,032	244,190
Gener8tor	250,000	250,000
Block 334 Residential	162,658	128,640
Economic Development Retail	44,552	45,285
1616 Main (Holiday Inn Hotel)	29,106	29,383
Hotel Alessandra	22,215	249,304
Downtown Living Initiative	10,753	13,879
Post HTX	1,860	920
Theater District Public Realm Study	711	256,715
Hike & Bike Trails East of Allen's Landing	-	500,000
Sam Houston Park Study	-	44,642
Total Project Costs	\$ 22,504,807	\$ 18,616,204

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management’s Discussion and Analysis (Unaudited)**

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

	2021	2020
Administrative services	\$ 301,758	\$ 272,451
Consulting	23,247	17,265
Accounting and auditing	20,985	11,660
Legal fees	8,736	18,205
Office expense	4,738	26,738
Insurance	27,330	13,530
Total other operating costs	\$ 386,794	\$ 359,849

In each of the fiscal years 2021 and 2020, the Authority paid \$1,743,542 and \$2,045,000, respectively, to the City under the Authority’s Municipal Service Costs Agreement.

CAPITAL ASSETS

The Authority had no capital assets as of June 30, 2021 and 2020. 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 \$27.7 million which is approximately \$7.9 million lower than the prior fiscal year due to spending on capital projects. Approximately 65% of the fund balances, or \$18 million is committed or assigned to various historic preservation, parks and recreation, theater district and economic development projects of the Authority. Approximately 3% of the fund balances, or \$1,024,230 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 \$8.6 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 2021 and 2020 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 2021 and 2020. 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.

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

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 2021 and 2020 the Authority accrued and paid \$134,522 and \$187,746 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

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 which are designated for repayment of the HHFC loan which was \$747,936 and \$750,000, nor does it record the amount set aside for HISD educational facilities which equaled \$2,217,606 and \$2,291,275 for the years June 30, 2021 and June 30, 2020, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$999,175 and \$842,360 for the years June 30, 2021 and June 30, 2020, 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 2021.

FUTURE PROJECTS

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

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

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

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This financial report is designed to provide a general overview of the Main Street Market Square Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Allen Douglas, Executive Director, Lyondell Basell Tower, 1221 McKinney Street, Suite 4250, 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, 2021</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 256,261	\$ 1,193	\$ 257,454	\$ -	\$ 257,454
Investments	8,356,458	4,365,846	12,722,304	-	12,722,304
Tax increment receivables	20,483,996	-	20,483,996	-	20,483,996
Other receivables	415,347	-	415,347	-	415,347
Due to/from other funds	(4,272,142)	4,272,142	-	-	-
Other assets	32,574	-	32,574	417,962	450,536
Total assets	\$ 25,272,494	\$ 8,639,181	\$ 33,911,675	\$ 417,962	\$ 34,329,637
Liabilities					
Accounts payable	\$ 5,887,715	\$ -	\$ 5,887,715	\$ -	\$ 5,887,715
Interest payable	-	-	-	699,892	699,892
Retainage payable	-	-	-	668,518	668,518
Bonds payable - due in one year	-	-	-	2,200,000	2,200,000
Bonds payable - due after one year	-	-	-	47,436,775	47,436,775
Total liabilities	5,887,715	-	5,887,715	51,005,185	56,892,900
Deferred inflow of resources					
Deferred tax increment revenue	311,971	-	311,971	(311,971)	-
Fund balances					
Restricted	-	8,639,181	8,639,181	(8,639,181)	-
Committed	14,441,627	-	14,441,627	(14,441,627)	-
Assigned	3,606,951	-	3,606,951	(3,606,951)	-
Unassigned	1,024,230	-	1,024,230	(1,024,230)	-
Total fund balances	19,072,808	8,639,181	27,711,989	(27,711,989)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 25,272,494	\$ 8,639,181	\$ 33,911,675	\$ 22,981,225	\$ -
Net deficit					
Restricted for debt service				\$ 8,639,181	\$ 8,639,181
Unrestricted				(31,202,444)	(31,202,444)
Total net deficit				\$ (22,563,263)	\$ (22,563,263)
Total fund balance of governmental funds					\$ 27,711,989
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					(50,336,667)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements					417,962
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds					(668,518)
Tax increments are not available for current period expenditures and therefore are deferred in the funds					311,971
Net deficit of governmental activities					\$ (22,563,263)

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**

<i>For the year ended June 30, 2021</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Tax increments	\$ 16,200,730	\$ 4,273,781	\$ 20,474,511	\$ (52,093)	\$ 20,422,418
Investment and other income	192,727	-	192,727	-	192,727
Total revenues	16,393,457	4,273,781	20,667,238	(52,093)	20,615,145
Expenditures/expenses					
Current					
Consultants	333,570	-	333,570	-	333,570
Administrative support/office expenses	25,894	-	25,894	-	25,894
Insurance	27,330	-	27,330	-	27,330
Municipal services	1,743,542	-	1,743,542	-	1,743,542
Capital outlay	22,156,183	-	22,156,183	348,624	22,504,807
Debt Service					
Principal payments on bonds	-	2,145,000	2,145,000	(2,145,000)	-
Interest expense	-	2,127,876	2,127,876	(240,944)	1,886,932
Costs of issuance	-	-	-	30,214	30,214
Total expenditures/expenses	24,286,519	4,272,876	28,559,395	(2,007,106)	26,552,289
Excess (Deficiency) of revenues over expenditures	(7,893,062)	905	(7,892,157)	7,892,157	
Change in net position				(5,937,144)	(5,937,144)
Fund balances/net deficit:					
Beginning of year	26,965,870	8,638,276	35,604,146	(52,230,265)	(16,626,119)
End of year	\$ 19,072,808	\$ 8,639,181	\$ 27,711,989	\$ (50,275,252)	\$ (22,563,263)

(Continued)

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 \$ (7,892,157)

Amounts reported for governmental activities in the Statement of Activities are different because:

Tax increment revenues in the Statement of Activities that do not provide current financial resources are not reported in the funds (52,093)

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

Repayment of bond principal 2,145,000

Amortization of bond premium 223,141

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 (330,821)

Change in net position of governmental activities \$ (5,937,144)

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 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.

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. 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.

**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.

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. All capital funds have been fully expended as of June 30, 2020.

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 provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, specifies the following classifications:

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, 2021.

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)
2019	Expanded Area (Part G)

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 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 and G 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.

Deferred Inflow of Resources

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred tax increment revenue is only reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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. Actual results could differ from those estimates.

**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)

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.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the requirements of this statement and the impact on reporting.

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, 2021, bank balances totaled \$667,961 at JP Morgan Chase and \$1,193 at Bank of New York Mellon, which approximates fair value. As of June 30, 2021, \$417,961 of balance held at JP Morgan Chase was undercollateralized due to checks issued but not cleared.

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

Note 4: DEPOSITS AND INVESTMENTS (Continued)

In addition, at June 30, 2021, the Authority held \$8,356,458 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 \$4,365,846 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.

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 and U.S. Government Securities at June 30, 2021 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Total
Debt service funds	\$ 1,193	\$ 4,365,846	\$ 4,367,039

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

Note 6: TAX INCREMENT CONTRACT REVENUE BONDS

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

Balance at July 1, 2020	\$ 48,695,000
Additions	-
Retirements	(2,145,000)
<hr/> Balance at June 30, 2020	<hr/> 46,550,000
 Current portion	 \$ 2,200,000
	<hr/> <hr/>

Tax Increment Contract Revenue Bonds at June 30, 2021 consist of the following:

Date Series Issued	Outstanding Balance
2012	\$ 5,045,000
2015	41,505,000
<hr/>	<hr/>
Total principal payable	46,550,000
Unamortized premium	3,086,775
<hr/>	<hr/>
Total bonds payable	\$ 49,636,775
	<hr/> <hr/>

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 2023.

**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
2022	\$ -	\$ 1,975,550	\$ 1,975,550
2023	775,000	1,949,717	2,724,717
2024	810,000	1,917,550	2,727,550
2025	2,340,000	1,814,651	4,154,651
2026	2,635,000	1,685,281	4,320,281
2027-2031	15,335,000	6,321,035	21,656,035
2032-2036	19,610,000	2,108,511	21,718,511
	<u>\$ 41,505,000</u>	<u>\$ 17,772,295</u>	<u>\$ 59,277,295</u>

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. The Authority incurred in \$2,145,000 and \$134,522 in principal and interest expense, respectively.

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.

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
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
	<u>\$ 5,045,000</u>	<u>\$ 127,633</u>	<u>\$ 5,172,633</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)

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 \$4,273,781 required at June 30, 2021 for short term principal and interest payments due on both the 2015 and 2012 bond obligations. The Debt Service Fund was fully funded in July 2021 with receipt of the City's tax increment.

Note 7: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
Restricted for			
Debt service	\$ -	\$ 8,639,181	\$ 8,639,181
Committed to			
Roadways and streets	3,128,868	-	3,128,868
Real property improvements	10,000	-	10,000
Historic preservation	727,707	-	727,707
Parks and recreation	6,604,564	-	6,604,564
Retail/economic development	3,970,488	-	3,970,488
Assigned to			
Historic preservation	1,000,000	-	1,000,000
Infrastructure mobility improvement	143,000	-	143,000
Theater District	2,463,951	-	2,463,951
Unassigned	1,024,230	-	1,024,230
	\$ 19,072,808	\$ 8,639,181	\$ 27,711,989

**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 Statement of Activities, was received from the following Participants:

	Gross Increment	Transfers			Net Increments
		Administrative Fee	HHFC Payment	Educational Facilities	
City of Houston	\$ 19,010,309	\$ (950,515)	\$ (747,936)	\$ -	\$ 17,311,858
Houston Independent School District	5,041,195	(25,000)	-	(2,217,606)	2,798,589
Harris County	331,631	(19,660)	-	-	311,971
Total tax increments	\$ 24,383,135	\$ (995,175)	\$ (747,936)	\$ (2,217,606)	\$ 20,422,418

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

	Gross Increment	Transfers			Net Increments
		Administrative Fee	HHFC Payment	Educational Facilities	
City of Houston	\$ 19,010,309	\$ (950,515)	\$ (747,936)	\$ -	\$ 17,311,858
Houston Independent School District	5,041,195	(25,000)	-	(2,217,606)	2,798,589
Harris County	383,225	(19,161)	-	-	364,064
Total tax increments	\$ 24,434,729	\$ (994,676)	\$ (747,936)	\$ (2,217,606)	\$ 20,474,511

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 2020 tax increments from the original area of the Zone were sufficient to pay the \$747,936 HHFC payment and the final payment on the obligation was made in fiscal year 2021 for a total remittance of \$18,750,000.

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

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, 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.

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

Note 10: COMMITMENTS AND CONTINGENCIES (Continued)

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 seventh installment under the grant was accrued in fiscal year 2021.

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 fourth installment under the grant was estimated and accrued in fiscal year 2021.

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 fifth installment under the grant was accrued in fiscal year 2021.

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 third installment under the grant was accrued in fiscal year 2021.

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 fifth installment under the grant was paid in fiscal year 2021.

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 fifth installment under the grant was accrued in fiscal year 2021.

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 is currently under construction.

**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 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.

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 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 was completed and opened in October 2017.

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.

MassChallenge

In November 2018, the Authority board approved an economic development agreement with MassChallenge in the amount of \$2.5 million over five years. MassChallenge is a global non-profit startup accelerator with a focus on high-impact early-stage entrepreneurs. MassChallenge received the fourth installment of its grant in fiscal year 2021.

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

Note 10: COMMITMENTS AND CONTINGENCIES (Continued)

Gener8tor

In September of 2019, the Authority board approved an economic development agreement with Gener8tor in the amount of \$1.25 million over five years. Gener8tor is a nationally recognized pre-accelerator, specializing in translating ideas into start-up businesses. The Authority paid the second installment of its grant in fiscal year 2021.

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. The site is currently under construction.

Lynn Wyatt Square for the Performing Arts

The Authority has pledged a total of \$10 million in funding support to Houston First Corporation for the redevelopment of Jones Plaza into the Lynn Wyatt Square for the Performing Arts. The total project cost is estimated to be \$28 million. Fundraising for the project currently stands at \$26.6 million and it began construction in May of 2021.

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.

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 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. The Authority has two renewal options of ten years each. The Authority will construct improvements on the property to convert the site to a public park and construction commenced in March of 2021.

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 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 plus a proportionate share of building operating expenses, estimated for 2020 to be \$12.50 per square foot. There is no escalation of the base rent. The Authority has an option for one renewal term of five years. The Authority also has licensing agreements with its partners in the innovation hub: MassChallenge, Gener8tor, Impact Hub and The Cannon, who will occupy space within the Downtown Launchpad.

<i>For the years ending June 30,</i>	Ground lease	Office space	Total
2022	\$ 355,992	\$ 472,269	\$ 828,261
2023	355,992	472,269	828,261
2024	364,893	472,269	837,162
2025	391,596	472,269	863,865
2026	391,596	472,269	863,865
2027-2031	2,046,081	1,870,303	3,916,384
2032-2036	2,250,663	-	2,250,663
2037-2041	2,475,723	-	2,475,723
2042-2046	2,723,301	-	2,723,301
2047-2049	1,576,641	-	1,576,641
	\$ 12,932,478	\$ 4,231,648	\$ 17,164,126

For the fiscal year ended June 30, 2021, rent expense for the ground lease and office space lease totaled \$355,992 and \$468,128, respectively.

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

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. \$610,769 for these services for the year ended June 30, 2021.

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.

Note 13: UNCERTAINTIES

The continued spread of COVID-19 pandemic is affecting the United States economies. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Authority. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS 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 (Unaudited)**

<i>For the year ended June 30, 2021</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balances - beginning of year	\$ 38,563,189	\$ 35,604,146	\$ (2,959,043)
Resources			
Tax increments	24,510,306	24,434,729	(75,577)
Miscellaneous revenue	-	158,160	158,160
Interest income	500,000	34,567	(465,433)
Total available resources	63,573,495	60,231,602	(3,341,893)
Expenses			
Management consulting services	421,000	386,794	34,206
Project costs and capital expenditures	34,948,805	22,156,183	12,792,622
Debt service	4,272,876	4,272,876	-
Other interfund transfers:			
HISD educational facilities	2,548,013	2,217,606	330,407
Municipal services - public safety	2,045,000	1,743,542	301,458
Administrative fees	979,951	994,676	(14,725)
HHFC payment	750,000	747,936	2,064
Total uses of resources	45,965,645	32,519,613	13,446,032
Budgetary fund balances - end of year	\$ 17,607,850	\$ 27,711,989	\$ 10,104,139
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 60,231,602
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource current year revenue for financial reporting purposes			(35,604,146)
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			(3,960,218)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances			\$ 20,667,238
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 32,519,613
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			(3,960,218)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances			\$ 28,559,395

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

<i>For the year ended June 30, 2021</i>	Vendor	Budget	Actual Expenditures	Variance
<u>Management Consulting Services</u>				
Administrative Support	Central Houston, Inc.	\$ 325,500	\$ 301,758	\$ 23,742
Office Expenses	Various	18,000	4,738	13,262
Insurance	W. M. Jones & Company	15,000	27,330	(12,330)
Accounting	TNC CPAs	2,500	-	2,500
Auditor	Carr, Riggs & Ingram, LLC	17,000	20,985	(3,985)
Bond Trustee Services	Bank of New York Mellon	10,000	14,059	(4,059)
Financial Advisor	Masterson Advisors, LLC	5,000	3,500	1,500
Taxroll Advisor (ITM)	ITM Services	10,000	5,688	4,312
Total administration and overhead		403,000	378,058	24,942
Legal	Bracewell & Giuliani LLP	18,000	8,736	9,264
Total management consulting services		\$ 421,000	\$ 386,794	\$ 34,206

Capital Expenditures and Developer/Project Reimbursements

Developer/Project Reimbursements:

Aris Market Square Residential	HM Market Square, LLC	\$ 558,000	\$ 452,622	\$ 105,378
Buffalo Bayou Park	Buffalo Bayou Partnership	2,425,342	2,491,168	(65,826)
The Star Residential	Rusk@San Jacinto Partners, LP	413,632	200,822	212,810
806 Main (JW Marriott)	806 Main Hotel, LLC	243,976	241,099	2,877
Downtown Living Initiative	Central Houston, Inc.	10,000	10,753	(753)
Economic Development Retail	Central Houston, Inc.	50,000	44,552	5,448
SkyHouse Houston Residential	SPSU9 - North Tower	295,277	267,032	28,245
SkyHouse Main Residential	SPSU9 - South Tower	316,907	284,832	32,075
Block 334 Residential	Fairfield Block 334, LP	163,978	162,658	1,320
Market Square Tower Residential	Woodbranch Tower LLC	718,540	582,156	136,384

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

<i>For the year ended June 30, 2021</i>	Vendor	Budget	Actual Expenditures	Variance
Hotel Alessandra	HA Hotel Partners, LP	\$ 103,000	\$ 22,215	\$ 80,785
1616 Main (Holiday Inn Hotel)	HDT Hotel, LLC	35,933	29,106	6,827
Hike and Bike Trails East of Allens Landing	Buffalo Bayou Partnership	1,000,000	-	1,000,000
Mass Challenge	Mass Challenge, Inc.	404,000	404,000	-
Post HTX	Central Houston, Inc.	-	1,860	(1,860)
Future Project Development		1,000,000	-	1,000,000
Gener8tor	Gener8tor Management, LLC	250,000	250,000	-
723 Main (Marriott AC Collection Hotel)		82,400	-	82,400
Downtown Innovation Hub	Amegy Bank - Rent	497,820	468,128	
	Central Houston, Inc.	-	11,634	
Total Downtown Innovation Hub		497,820	479,762	18,058
Theater District Public Realm Study	Central Houston, Inc.	-	712	(712)
Total Developer/ Project Reimbursements		\$ 8,568,805	\$ 5,925,349	\$ 2,643,456
<i>Capital Improvement Projects:</i>				
T-0307 Southern Downtown Pocket Park	Structura, Inc.		\$ 645,125	
	Lauren Griffith Assoc		330,297	
	Legacy Trust - Rent		246,420	
	Broadway Bank - Rent		109,572	
	Central Houston, Inc.		117,414	
	Ann Harris Bennett - Property Tax		84,180	
	Fenris, LLC		63,600	
	CW Lighting		54,919	
	Project Surveillance, Inc.		38,957	
	Core Design Studio		19,000	
	Houston Downtown Management District		9,759	
	Alpha Testing		9,380	
	Weston Solutions		5,502	
	Construction Ecoservices		3,600	
	MMCITE USA, LLC		2,963	
	Various		9,476	
Total T-0307 Southern Downtown Pocket Park		\$ 7,460,000	1,750,164	\$ 5,709,836

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

<i>For the year ended June 30, 2021</i>	Vendor	Budget	Actual Expenditures	Variance
T-0308 Jones Plaza	Houston First Corp		\$ -	
	Central Houston, Inc.		3,321	
Total T-0308 Jones Plaza		\$ 6,000,000	3,321	\$ 5,996,679
T-0319 Allen Parkway	Houston Downtown Management District	150,000	209,949	(59,949)
T-0325 Bagby Street	Main Lane Industries		13,096,490	
	Project Surveillance, Inc.		259,745	
	Jones & Carter		222,947	
	Bega US, Inc.		163,647	
	Central Houston, Inc		118,765	
	HVJ Associates		74,189	
	Centerpoint Energy		23,320	
	Wildcat Electric Supply		18,375	
	Pfeiffer & Son Ltd.		16,280	
	Kimley-Horn & Associates		10,000	
	Environmental Design		5,740	
	URS, Inc.		3,059	
	Neon Electric		2,920	
	Various		1,923	
Total T-0325 Bagby Street		12,500,000	14,017,400	(1,517,400)
T-0326 NHHIP Civic Opportunities	Central Houston Civic Improvement	250,000	250,000	-
T-0399 Concrete Panel Replacement		20,000	-	20,000
Total capital expenditures		26,380,000	16,230,834	10,149,166
Total capital expenditures and developer/project reimbursements		\$ 34,948,805	\$ 22,156,183	\$12,792,622

**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, 2021 (Unaudited)**

	Estimated Total Costs (a)	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	\$ 47,500,000	\$ 60,041,860	\$ (12,541,860)
Infrastructure, mobility, transit improvements	43,334,450	27,751,507	15,582,943
<hr/>			
Total Infrastructure improvements	90,834,450	87,793,367	3,041,083
Real property improvements	57,520,266	23,568,269	33,951,997
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	16,629,706	9,721,302
Parks and recreational	273,044,167	9,243,505	263,800,662
Theater district improvements	11,504,799	7,113,627	4,391,172
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	42,058,388	124,741,612
Institutional facilities	22,000,000	10,678,800	11,321,200
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Total project costs	668,211,107	198,589,217	469,621,890
Operating and financing costs			
Financing costs	48,930,000	25,398,257	23,531,743
Administration	16,934,426	6,815,543	10,118,883
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Total operating and financing costs	65,864,426	32,213,800	33,650,626
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Educational facilities	82,541,820	48,418,718	34,123,102
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Project plan total	\$ 816,617,353	\$ 279,221,735	\$ 537,395,618

(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 7th Amendment to the Project Plan and Reinvestment Zone Financing Plan that was approved by City Council in December 2020.