



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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), a component of the City of Houston, Texas, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of operating expenses and capital expenditures for the year ended June 30, 2022 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2022 (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Houston, Texas
October 11, 2022

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, 2022 with the year ended June 30, 2021 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 \$2,521,546 to the Buffalo Bayou Partnership in accordance with the economic development agreement for the continued operation of project facilities at Buffalo Bayou Park.
- The Authority completed the Allen Parkway reconstruction project in 2017 and turned operation and maintenance of the improvements over to the City of Houston. During fiscal year 2019, the Authority board determined that the area needed special attention as a major gateway into downtown and agreed to take over maintenance responsibility for an initial three-year period which has now been extended to 2027. A total of \$174,867 was spent during the fiscal year 2022.
- The Authority continued working on its fourth major capital project provided for in the 2015 bond offering: to develop Trebly Park (Southern Downtown Pocket Park). The Authority paid \$5,824,086 in current year expenditures related to this project. Funds went to Structura, Inc. as the general contractor for construction at the park, Project Surveillance, Inc. for oversight, Lauren Griffith Associates for design, Fenris, LLC for development of the children's play area/artwork, 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 \$81,573 in property taxes on the site. The park has been named Trebly Park and the groundbreaking was held on March 11, 2021. The construction timeline was extended to 18 months during 2022 due to infrastructure and supply chain issues.
- 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 \$3,445,985 were paid in connection with this project in fiscal year 2022. 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. The project was completed in November 2021, ahead of schedule and came in under budget by \$2,554,000. In 2022, the Authority received \$2,440,588 in reimbursement from the City of Houston to offset Bagby Street expenditures.
- The Authority paid \$1,994,664 in fiscal year 2022 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.

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 accrued \$327,664 in 2022 for reimbursements related to the 2021 tax year and accrued \$228,150 in 2021 for reimbursements related to the 2020 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 \$215,815 in fiscal year 2022 for reimbursements related to the 2021 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. In 2022 the hotel restored its staff and met the requirements of the agreement. The Authority paid \$16,386 in fiscal year 2022 for reimbursements related to 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. The hotel has re-opened as The Laura and will be eligible for payments to resume in 2023 for the 2022 tax year.
- In 2012, the Authority created a program called the Downtown Living Initiative (DLI) which was designed to incentivize residential development in the Zone. Developers were eligible to receive a rebate equal to 75% of the incremental City of Houston ad valorem taxes generated by the project upon completion for a fifteen-year period up to a maximum of \$15,000 per residential unit. As of the end of the year, five residential projects were open and submitted requests for reimbursement. The Authority accrued for the fiscal year 2022 installments to; Market Square Tower in the amount of \$632,435, and Block 334 in the amount of \$159,472.
- 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.
- 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 accrued \$404,000 in fiscal year 2022 for this project.

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 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. 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. The site was completed in fiscal year 2022 and will be eligible for funding in fiscal year 2023.
- 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 2022 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 \$505,452 in fiscal year 2022 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. The Authority paid \$500,000 in fiscal year 2022 for this project.
- The Authority continued its funding for the North Houston Highway Improvement Project with a contribution of \$250,000 to Central Houston Civic Improvement. The purpose of these funds is to further develop the civic opportunities that may be achieved through parks, hike and bike trails, enhanced landscaping, and understory uses that are adjacent to TxDOT's new freeway alignment.
- During fiscal year 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. No principal payments were required in the current year, but the Authority recorded \$1,975,550 in interest expense, and amortized \$30,214 in issuance costs.
- During fiscal year 2022, the Authority recorded \$84,536 in interest expense related to the Series 2012 Bonds.

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

- 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 \$382 million to the Project Plan for the Zone and during fiscal 2022 increased increment revenue by \$2.7 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 \$501 million, \$2.9 billion, \$92 million, \$130 million, and \$1.9 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.

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.

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

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:

	2022	2021
Assets		
Capital assets, net	\$ 11,177,828	\$ -
Other assets:		
Cash and investments	33,165,430	12,979,758
Tax increment and other receivables	860,581	20,899,343
Other assets	419,816	450,536
Total assets	45,623,655	34,329,637
Liabilities		
Accounts, interest and retainage payable	\$ 5,992,738	\$ 7,256,125
Lease liabilities - due in one year	392,471	-
Lease liabilities - due after one year	10,968,447	-
Bonds payable - due in one year	2,180,000	2,200,000
Bonds payable - due after one year	45,033,633	47,436,775
Total liabilities	64,567,289	56,892,900
Net deficit		
Restricted for debt service	8,559,039	8,639,181
Unrestricted	(27,502,673)	(31,202,444)
Total net deficit	\$ (18,943,634)	\$ (22,563,263)

**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 (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 \$2,231,071, debt service was \$8,559,039 and total general fund investments were \$22,375,320 at June 30, 2022. 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.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$380,796 at June 30, 2022, represent payments due from Harris County. Other accounts receivable of \$479,785 at June 30, 2022, represents amounts due from the Houston Downtown Management District for its share of the Downtown Living Initiative grants.

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 \$2,798,588 and Harris County in the amount of \$373,549. Other accounts receivable of \$415,346 at June 30, 2021, represents amounts due from the Houston Management Downtown Management District for its share of the Downtown Living Initiative grants.

Capital assets of the Authority include \$11,765,985 of leased assets upon adoption of GASB Statement No. 87, \$588,157 of accumulated amortization expense, for a net capital asset balance of \$11,177,828.

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, 2022, and 2021 was \$387,747 and \$417,962, respectively. Other assets also include prepaid expenses totaling \$32,069 and \$32,574 at June 30, 2022, and 2021, respectively for prepaid rent on the Southern Downtown Park and insurance premiums.

Accounts payable and accrued expenses on June 31, 2022, of \$4,810,945 represents grant payments due of \$2,455,354, amounts for the municipal services fee of \$1,994,664, capital project expenditures of \$278,658, and payments due to the administrative contractor for staffing of \$82,269. 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. Retainage payable at June 30, 2022, and 2021 totaled \$495,597 and \$668,519, respectively. Accrued interest at June 30, 2022, and June 30, 2021, totaled \$686,196 and \$699,891, respectively. Effective July 1, 2021, the Authority adopted GASB Statement No. 87 resulting in a lease liability of \$11,360,918 outstanding as of June 30, 2022.

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, 2022, and June 30, 2021, the Authority has an unrestricted net deficit of \$18,943,634 and \$22,563,263, respectively. The Authority had net position restricted for debt service of \$8,559,039 and \$8,639,181 at June 30, 2022 and June 30, 2021, 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:

	2022	2021
Revenues		
Tax increments	\$ 21,858,148	\$ 20,422,418
Investment and other income	2,470,508	192,727
Total revenues	24,328,656	20,615,145
Expenses		
Current	2,406,006	2,130,336
Capital outlay	16,224,936	22,504,807
Debt service	2,078,085	1,917,146
Total expenses	20,709,027	26,552,289
Change in net position	3,619,629	(5,937,144)
Net deficit - beginning of year	(22,563,263)	(16,626,119)
Net deficit - end of year	\$ (18,943,634)	\$ (22,563,263)

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.

**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:

	2022	2021
Capital Improvement Projects		
Bagby Street Improvements	\$ 3,445,985	\$ 14,287,797
Southern Downtown Pocket Park	5,813,298	1,828,392
NHHIP Civic Opportunities	250,000	250,000
Allen Parkway Reconstruction	174,867	209,949
Lynn Wyatt Square	11,855	3,321
Total Capital Improvement Projects	9,696,005	16,579,459
Historic Preservation		
The Star Residential	393,810	200,822
806 Main (JW Marriott)	166,214	241,099
723 Main (Marriot AC Collection Hotel)	54,084	-
Economic Development Agreements		
Buffalo Bayou Park	2,521,546	2,491,168
Market Square Tower Residential	632,435	582,156
Hike & Bike Trails East of Allen's Landing	500,000	-
Downtown Launchpad	488,405	479,762
MassChallenge	404,000	404,000
Aris Market Square Residential	361,393	452,622
Gener8tor	250,000	250,000
SkyHouse Main Residential	235,802	284,832
SkyHouse Houston Residential	234,751	267,032
Block 334 Residential	159,472	162,658
Economic Development Retail	74,677	44,552
Downtown Living Initiative	35,956	10,753
1616 Main (Holiday Inn Hotel)	16,386	29,106
Hotel Alessandra	-	22,215
Post HTX	-	1,860
Theater District Public Realm Study	-	711
Total Project Costs	\$ 16,224,936	\$ 22,504,807

**Main Street Market Square Redevelopment Authority
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Management’s Discussion and Analysis (Unaudited)**

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

	2022	2021
Administrative services	\$ 347,333	\$ 301,758
Consulting	15,454	23,247
Accounting and auditing	17,500	20,985
Legal fees	11,615	8,736
Office expense	8,554	4,738
Insurance	10,886	27,330
Total other operating costs	\$ 411,342	\$ 386,794

In each of the fiscal years 2022 and 2021, the Authority paid \$1,994,664 and \$1,743,542, respectively, to the City under the Authority’s Municipal Service Costs Agreement.

CAPITAL ASSETS

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

GOVERNMENTAL FUNDS

At the end of the current fiscal year, the Authority’s governmental funds reported combined ending fund balances of approximately \$29 million which is approximately \$1.3 million higher than the prior fiscal year due to a delay in spending on capital projects. Approximately 48% of the fund balances, or \$13.9 million is committed or assigned to various historic preservation, parks and recreation, theater district and economic development projects of the Authority. 22% of the fund balances, or \$6.4 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 \$8.6 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 2022 and 2021 fiscal years, no payments for principal were required, but the Authority accrued and paid during fiscal years 2022 and 2021 \$1,975,550 and \$1,752,410 in interest expense and amortized \$30,214 in premiums for credit enhancement insurance for both 2022 and 2021. 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 2022 and 2021 the Authority accrued and paid \$84,536 and \$134,522 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 set aside for HISD educational facilities which equaled \$2,130,491 and \$2,217,606 for the years June 30, 2022, and June 30, 2021, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$1,022,034 and \$999,175 for the years June 30, 2022, and June 30, 2021, respectively. These deductions have been netted out of gross increment revenue in the financial statements. In 2021, the final year of payment of \$747,936 for the HHFC loan was paid. The Authority's budget was not amended during fiscal year 2022.

FUTURE PROJECTS

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

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

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

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This financial report is designed to provide a general overview of the Main Street Market Square Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Allen Douglas, Executive Director, 1221 McKinney, Suite 4250, Houston, Texas 77010.

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

<i>June 30, 2022</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 2,231,071	\$ 241	\$ 2,231,312	\$ -	\$ 2,231,312
Investments	22,375,320	8,558,798	30,934,118	-	30,934,118
Tax increment receivables	380,796	-	380,796	-	380,796
Other receivables	479,785	-	479,785	-	479,785
Capital assets, net	-	-	-	11,177,828	11,177,828
Other assets	32,069	-	32,069	387,747	419,816
Total assets	\$ 25,499,041	\$ 8,559,039	\$ 34,058,080	\$ 11,565,575	\$ 45,623,655
Liabilities					
Accounts payable	\$ 4,810,945	\$ -	\$ 4,810,945	\$ -	\$ 4,810,945
Interest payable	-	-	-	686,196	686,196
Retainage payable	-	-	-	495,597	495,597
Lease liabilities - due in one year	-	-	-	392,471	392,471
Lease liabilities - due after one year	-	-	-	10,968,447	10,968,447
Bonds payable - due in one year	-	-	-	2,180,000	2,180,000
Bonds payable - due after one year	-	-	-	45,033,633	45,033,633
Total liabilities	4,810,945	-	4,810,945	59,756,344	64,567,289
Deferred inflow of resources					
Deferred tax increment revenue	295,110	-	295,110	(295,110)	-
Fund balances					
Restricted	-	8,559,039	8,559,039	(8,559,039)	-
Committed	10,310,614	-	10,310,614	(10,310,614)	-
Assigned	3,595,096	-	3,595,096	(3,595,096)	-
Unassigned	6,487,276	-	6,487,276	(6,487,276)	-
Total fund balances	20,392,986	8,559,039	28,952,025	(28,952,025)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 25,499,041	\$ 8,559,039	\$ 34,058,080	\$ 30,509,209	\$ -
Net deficit					
Restricted for debt service				\$ 8,559,039	\$ 8,559,039
Unrestricted				(27,502,673)	(27,502,673)
Total net deficit				\$ (18,943,634)	\$ (18,943,634)
Total fund balance of governmental funds					\$ 28,952,025
Amounts reported for governmental activities in the Statement of Net Position are different because					
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds					11,177,828
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds					(59,260,747)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements					387,747
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds					(495,597)
Tax increments are not available for current period expenditures and therefore are deferred in the funds					295,110
Net deficit of governmental activities					\$ (18,943,634)

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, 2022</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Tax increments	\$ 17,681,370	\$ 4,193,639	\$ 21,875,009	\$ (16,861)	\$ 21,858,148
Investment and other income	2,470,508	-	2,470,508	-	2,470,508
Total revenues	20,151,878	4,193,639	24,345,517	(16,861)	24,328,656
Expenditures/expenses					
Current					
Consultants	383,181	-	383,181	-	383,181
Administrative support/office expenses	17,275	-	17,275	-	17,275
Insurance	10,886	-	10,886	-	10,886
Municipal services	1,994,664	-	1,994,664	-	1,994,664
Capital outlay	16,214,769	-	16,214,769	10,167	16,224,936
Debt Service					
Principal payments on bonds	-	2,200,000	2,200,000	(2,200,000)	-
Interest expense	210,925	2,073,781	2,284,706	(236,835)	2,047,871
Costs of issuance	-	-	-	30,214	30,214
Total expenditures/expenses	18,831,700	4,273,781	23,105,481	(2,396,454)	20,709,027
Excess (Deficiency) of revenues over expenditures	1,320,178	(80,142)	1,240,036	(1,240,036)	
Change in net position				3,619,629	3,619,629
Fund balances/net deficit:					
Beginning of year	19,072,808	8,639,181	27,711,989	(50,275,252)	(22,563,263)
End of year	\$ 20,392,986	\$ 8,559,039	\$ 28,952,025	\$ (47,895,659)	\$ (18,943,634)

(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	\$ 1,240,036
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	(16,861)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets	(588,157)
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	2,200,000
Repayments on lease liability	405,067
Amortization of bond premium	223,139
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	186,619
Change in net position of governmental activities	\$ 3,619,629

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, 2022.

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 Director 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.

Leases

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

Deferred 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.

**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)

Debt

All debts to be repaid from governmental resources are reported as liabilities in the government-wide statements. Bonds payable 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.

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.

Newly Adopted Accounting Principles

In June 2017, the GASB issued Statement No. 87, Leases. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective July 1, 2021, the Authority adopted GASB Statement No. 87 which requires retrospective application by restating prior periods or through cumulative adjustments recognized upon adoption. The leases are required to be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. The adoption of this guidance did not alter previous operating leases recognized through June 30, 2021; therefore, no cumulative adjustment was required upon adoption of GASB Statement No. 87. Leased assets and related lease liabilities of \$11,765,985 were recorded upon adoption of GASB Statement No. 87 on July 1, 2021.

**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, 2022, bank balances totaled \$3,342,813 at JP Morgan Chase and \$241 at Bank of New York Mellon, which approximates fair value. As of June 30, 2022, \$3,092,813 of balance held at JP Morgan Chase was undercollateralized due to checks issued but not cleared.

In addition, on June 30, 2022, the Authority held \$22,375,320 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 \$8,558,798 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 and U.S. Government Securities on June 30, 2022 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Total
Debt service funds	\$ 241	\$ 8,558,798	\$ 8,559,039

Note 6: CAPITAL ASSETS

A summary of changes in capital assets during 2022 is as follows:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
Right to use land	\$ 9,579,411	\$ -	\$ -	\$ 9,579,411
Right to use office space	2,186,574	-	-	2,186,574
Total capital assets	11,765,985	-	-	11,765,985
Less: accumulated amortization	-	(588,157)	-	(588,157)
	\$ 11,765,985	\$ (588,157)	\$ -	\$ 11,177,828

Amortization expense for the year ended June 30, 2022 totaled \$588,157 reported as capital outlay expenses in the accompanying statement of activities.

Note 7: TAX INCREMENT CONTRACT REVENUE BONDS

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

Balance at July 1, 2021	\$ 46,550,000
Additions	-
Retirements	(2,200,000)
Balance at June 30, 2022	44,350,000
Current portion	\$ 2,180,000

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

Note 7: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

Tax Increment Contract Revenue Bonds on June 30, 2022 consist of the following:

Date Series Issued	Outstanding Balance
2012	\$ 2,845,000
2015	41,505,000
Total principal payable	44,350,000
Unamortized premium	2,863,633
Total bonds payable	\$ 47,213,633

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.

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
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	2,770,000	1,553,436	4,323,436
2028-2032	16,120,000	5,559,984	21,679,984
2033-2036	16,055,000	1,316,126	17,371,126
	\$ 41,505,000	\$ 15,796,745	\$ 57,301,745

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 \$2,200,000 and \$84,536 in principal and interest expense, respectively.

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

Note 7: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

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
2023	\$ 1,405,000	\$ 41,687	\$ 1,446,687
2024	1,440,000	5,976	1,445,976
	\$ 2,845,000	\$ 47,663	\$ 2,892,663

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

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Authority has used the Authority's estimated incremental borrowing rate of 2.09% to discount the annual lease payments to recognize the leased asset (right to use land) and the related lease liability as of July 1, 2021 totaling \$9,579,410. At June 30, 2022 the balance on the lease liability totaled \$9,405,120.

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

Note 8: LEASES (Continued)

The principal and interest payments of \$174,290 and \$181,702, respectively, for the year ended June 30, 2022 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

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

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Authority has used the Authority's estimated incremental borrowing rate of 1.54% to discount the annual lease payments to recognize the leased asset (right to use office space) and the related lease liability as of July 1, 2021 totaling \$2,186,574. At June 30, 2022 the balance on the lease liability totaled \$1,955,798. The principal and interest payments of \$230,777 and \$29,223, respectively, for the year ended June 30, 2022 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

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

<i>For the years ending June 30,</i>	Principal	Interest	Total
2023	\$ 392,471	\$ 223,521	\$ 615,992
2024	408,374	216,518	624,892
2025	442,703	208,888	651,591
2026	450,710	200,882	651,592
2027	458,864	192,727	651,591
2028-2032	2,025,855	839,369	2,865,224
2033-2037	1,622,553	671,193	2,293,746
2038-2042	2,042,418	480,702	2,523,120
2043-2047	2,532,621	242,812	2,775,433
2048-2049	984,349	18,968	1,003,317
	\$ 11,360,918	\$ 3,295,580	\$ 14,656,498

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

Note 8: LEASES (Continued)

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

Balance at July 1, 2021	\$ 11,765,985
Additions	-
Retirements	(405,067)
<hr/>	
Balance at June 30, 2022	\$ 11,360,918
<hr/>	
Current portion, lease liabilities	\$ 392,471
<hr/>	

Note 9: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
<hr/>			
Restricted for			
Debt service	\$ -	\$ 8,559,039	\$ 8,559,039
Committed to			
Roadways and streets	39,308	-	39,308
Real property improvements	10,000	-	10,000
Historic preservation	667,915	-	667,915
Parks and recreation	3,456,000	-	3,456,000
Retail/economic development	6,137,391	-	6,137,391
Assigned to			
Historic preservation	1,000,000	-	1,000,000
Infrastructure mobility improvement	143,000	-	143,000
Theater District	2,452,096	-	2,452,096
Unassigned	6,487,276	-	6,487,276
<hr/>			
	\$ 20,392,986	\$ 8,559,039	\$ 28,952,025
<hr/>			

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

NOTE 10: 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	Educational Facilities	
City of Houston	\$ 19,630,034	\$ (981,502)	\$ -	\$ 18,648,532
Houston Independent School District	5,069,997	(25,000)	(2,130,491)	2,914,506
Harris County	310,642	(15,532)	-	295,110
Total tax increments	\$ 25,010,673	\$ (1,022,034)	\$ (2,130,491)	\$ 21,858,148

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

	Gross Increment	Transfers		Net Increments
		Administrative Fee	Educational Facilities	
City of Houston	\$ 19,630,034	\$ (981,502)	\$ -	\$ 18,648,532
Houston Independent School District	5,069,997	(25,000)	(2,130,491)	2,914,506
Harris County	331,631	(19,660)	-	311,971
Total tax increments	\$ 25,031,662	\$ (1,026,162)	\$ (2,130,491)	\$ 21,875,009

Note 11: 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.

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

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

Buffalo Bayou Partnership

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

Downtown Living Initiative

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

Seven Downtown Living Initiative agreements were executed from the program's inception in 2012 through the end of fiscal year 2016. The first grant was approved by the Authority under this program to SkyHouse Houston for development of a 24-story, 336-unit high-rise residential tower on Block 350. The maximum grant available for this project over the term of the grant is approximately \$5 million. Construction was completed on this project, and it opened in 2014. The eighth installment under the grant was accrued in fiscal year 2022.

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 fifth installment under the grant was estimated and accrued in fiscal year 2022.

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 sixth installment under the grant was accrued in fiscal year 2022.

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

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

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 fourth installment under the grant was accrued in fiscal year 2022.

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 sixth installment under the grant was paid in fiscal year 2022.

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 sixth installment under the grant was accrued in fiscal year 2022.

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.

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.

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

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

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 fifth installment of its grant in fiscal year 2022.

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 third installment of its grant in fiscal year 2022.

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.

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

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

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.

Note 12: 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. \$737,699 for these services for the year ended June 30, 2022.

Note 13: 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 14: 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 SUPPLEMENTARY 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, 2022</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balance - beginning of year	\$ 26,242,503	\$ 27,711,989	\$ 1,469,486
Resources			
Tax increments	28,113,925	25,031,662	(3,082,263)
Miscellaneous revenue	-	2,440,588	2,440,588
Interest income	36,000	29,920	(6,080)
Total available resources	54,392,428	55,214,159	821,731
Expenses			
Management consulting services	432,500	411,342	21,158
Project costs and capital expenditures	27,214,497	16,214,769	10,999,728
Debt service	4,273,781	4,484,706	(210,925)
Other interfund transfers:			
HISD educational facilities	4,391,454	2,130,491	2,260,963
Municipal services - public safety	2,045,000	1,994,664	50,336
Administrative fees	1,069,944	1,026,162	43,782
Total uses of resources	39,427,176	26,262,134	13,165,042
Budgetary fund balance - end of year	\$ 14,965,252	\$ 28,952,025	\$ 13,986,773
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 55,214,159
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource			
current year revenue for financial reporting purposes			(27,711,989)
Budgeted revenues include HISD educational facilities transfers and City administrative charges while the Authority's funds report revenues net of these transfers			(3,156,653)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances			\$ 24,345,517
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 26,262,134
Differences - budget to GAAP			
Budgeted expenditures include HISD educational facilities transfers and city administrative charges while the Authority's funds report revenues net of these transfers			(3,156,653)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances			\$ 23,105,481

**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, 2022</i>	Vendor	Budget	Actual Expenditures	Variance
<u>Management Consulting Services</u>				
Administrative Support	Central Houston, Inc.	\$ 325,500	\$ 347,333	\$ (21,833)
Office Expenses	Various	7,500	9,121	(1,621)
Insurance	W. M. Jones & Company	36,500	10,886	25,614
Accounting	TNC CPAs	2,500	-	2,500
Auditor	Carr, Riggs & Ingram, LLC	17,500	17,500	-
Bond Trustee Services	Bank of New York Mellon	10,000	7,625	2,375
Financial Advisor	Masterson Advisors, LLC	5,000	3,500	1,500
Taxroll Advisor (ITM)	ITM Services	10,000	3,762	6,238
Total administration and overhead		414,500	399,727	14,773
Legal	Bracewell & Giuliani LLP	18,000	11,615	6,385
Total management consulting services		\$ 432,500	\$ 411,342	\$ 21,158

Capital Expenditures and Developer/Project Reimbursements

Developer/Project Reimbursements:

Aris Market Square Residential	HM Market Square, LLC	\$ 560,696	\$ 361,393	\$ 199,303
Buffalo Bayou Park	Buffalo Bayou Partnership	2,599,195	2,521,546	77,649
The Star Residential	Rusk@San Jacinto Partners, LP	410,755	393,810	16,945
806 Main (JW Marriott)	806 Main Hotel, LLC	316,952	166,214	150,738
Downtown Living Initiative	Central Houston, Inc.	10,000	35,956	(25,956)
Economic Development Retail	Central Houston, Inc.	50,000	74,677	(24,677)
SkyHouse Houston Residential	SPSU9 - North Tower	332,563	234,751	97,812
SkyHouse Main Residential	SPSU9 - South Tower	354,468	235,802	118,666
Block 334 Residential	Fairfield Block 334, LP	163,609	159,472	4,137
Market Square Tower Residential	Woodbranch Tower LLC	736,110	632,435	103,675

**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, 2022</i>	Vendor	Budget	Actual Expenditures	Variance
Hotel Alessandra	HA Hotel Partners, LP	\$ 134,357	\$ -	\$ 134,357
1616 Main (Holiday Inn Hotel)	HDT Hotel, LLC	31,172	16,386	14,786
Hike and Bike Trails East of Allens Landing	Buffalo Bayou Partnership	1,000,000	500,000	500,000
Mass Challenge	Mass Challenge, Inc.	404,000	404,000	-
Post HTX	Central Houston, Inc.	425,000	-	425,000
Future Project Development		1,000,000	-	1,000,000
Gener8tor	Gener8tor Management, LLC	250,000	250,000	-
723 Main (Marriott AC Collection Hotel)	Supreme Bright Houston, LLC	61,800	54,084	7,716
Downtown Innovation Hub	Amegy Bank - Operating Expenses Central Houston, Inc.	497,820 -	462,574 13,655	
Total Downtown Innovation Hub		497,820	476,229	21,591
Total Developer/ Project Reimbursements		\$ 9,338,497	\$ 6,516,755	\$ 2,821,742

Capital Improvement Projects:

T-0307 Trebly Park (Southern Downtown Pocket Park)	Structura, Inc.		\$ 4,346,614	
	Project Surveillance, Inc.		228,894	
	Central Houston, Inc.		195,213	
	Lauren Griffith Assoc		182,006	
	Renfrow Metalsmiths, LLC		136,297	
	Legacy Trust - Rent		120,645	
	Ann Harris Bennett - Property Tax		81,573	
	Broadway Bank - Rent		53,645	
	CW Lighting		53,254	
	Landscape Forms		53,122	
	Maglin Corporation		52,520	
	Bega US Inc		48,340	
	Fenris, LLC		46,400	
	Targetti USA, Inc.		40,136	
	Alpha Testing		29,800	
	Houston Bike Share		29,696	
	Core Design Studio		23,367	
	Most Dependable Fountains Inc.		13,775	
	Reign Home Innovations		13,118	
	QCP		8,485	
	CenterPoint Energy		8,121	
	Industry West		7,921	
	Form & Fiber Inc.		7,591	
	Design Within Reach, Inc.		7,252	
	Visual Solutions		7,144	
	Bartlett Tree Experts		6,918	
	Houston Downtown Management District		4,540	
	Table Designs, LLC		4,297	
	MMCITE USA, LLC		2,962	
	City of Houston		1,661	
Total T-0307 Trebly Park (Southern Downtown Pocket Park)		\$ 5,456,000	5,815,307	\$ (359,307)

**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, 2022</i>	Vendor	Budget	Actual Expenditures	Variance
T-0308 Jones Plaza	Central Houston, Inc.	\$ 6,000,000	\$ 11,855	\$ 5,988,145
T-0319 Allen Parkway	Houston Downtown Management District Central Houston, Inc.	150,000	173,513 1,354	
Total T-0319 Allen Parkway		150,000	174,867	(24,867)
T-0325 Bagby Street	Main Lane Industries Project Surveillance, Inc. Jones & Carter Central Houston, Inc HVJ Associates Centerpoint Energy Pfeiffer & Son Ltd. CW Lighting, LLC URS, Inc. Table Designs Quiddity Engineering, LLC		3,023,150 50,819 90,437 71,311 15,056 119,411 45,490 10,915 1,650 4,297 13,449	
Total T-0325 Bagby Street		6,000,000	3,445,985	2,554,015
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		17,876,000	9,698,014	8,177,986
Total capital expenditures and developer/project reimbursements		\$ 27,214,497	\$ 16,214,769	\$ 10,999,728

**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, 2022**

	Estimated Total Costs	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	\$ 47,500,000	\$ 63,662,712	\$ (16,162,712)
Infrastructure, mobility, transit improvements	43,334,450	27,751,507	15,582,943
<hr/>			
Total Infrastructure improvements	90,834,450	91,414,219	(579,769)
Real property improvements	57,520,266	23,604,225	33,916,041
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	17,189,730	9,161,278
Parks and recreational	273,044,167	15,567,591	257,476,576
Theater district improvements	11,504,799	7,125,482	4,379,317
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	47,758,386	119,041,614
Institutional facilities	22,000,000	10,678,800	11,321,200
<hr/>			
Total project costs	668,211,107	214,841,988	453,369,119
Operating and financing costs			
Financing costs	48,930,000	27,235,202	21,694,798
Administration	16,934,426	7,228,344	9,706,082
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Total operating and financing costs	65,864,426	34,463,546	31,400,880
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Educational facilities	82,541,820	50,549,209	31,992,611
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Project plan total	\$ 816,617,353	\$ 299,854,743	\$ 516,762,610

(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.