



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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**June 30, 2023**

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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, 2023, 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, 2023, 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, 2023 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2023 (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 10, 2023

# **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, 2023 with the year ended June 30, 2022 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 \$2,706,949 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 \$149,145 was spent during the fiscal year 2023.
- 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 \$1,531,718 in current year expenditures related to this project. Funds went to Structura, Inc. as the general contractor for construction at the park, Renfrow Metalsmiths, LLC for park furniture, Project Surveillance, Inc. for oversight, Core Design Studio for signage, \$29,666 per month in rent to the landlord for the long-term ground lease. The Authority also paid \$103,801 in property taxes on the site. The park opened to the public on January 27, 2023.
- 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 \$942,569 were paid in connection with this project in fiscal year 2023. A large portion of those funds were paid to the construction contractor, Main Lane Industries to finish out the final work items on the punch list.
- The Authority paid \$1,882,161 in fiscal year 2023 to the City of Houston for Municipal Services in the Zone that were allocated to support the City budget, including \$882,161 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 \$337,569 in 2023 for reimbursements related to the 2022 tax year and accrued \$327,664 in 2022 for reimbursements related to the 2021 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 \$142,723 in fiscal year 2023 for reimbursements related to the 2022 tax year and accrued \$215,815 in fiscal year 2022 for reimbursements related to 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 accrued \$23,274 in fiscal year 2023 for reimbursements related to the 2022 tax year and 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 hotel suspended operations in January 2021 due to the impacts of the COVID pandemic. The hotel has re-opened as The Laura and was eligible for payments to resume in 2023 for the 2022 tax year. The Authority accrued \$56,032 in fiscal year 2023 for reimbursements related to 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 2023 installments to; Market Square Tower in the amount of \$613,712, and Fairfield Block 334 in the amount of \$153,552.
- The Authority pledged a total of \$10 million to the renovation of Jones Plaza and submitted the last payment of \$7,485,490 in 2023. The project has achieved significant fundraising goals, including a \$10 million donation from Lynn Wyatt and \$1.4 million in support from local philanthropic foundations. The plaza has been re-named The Lynn Wyatt Square for the Performing Arts and will open by the end of 2024.
- 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 developing high-impact, early-stage entrepreneurs in Downtown Houston. In 2023 the Authority board ended its agreement with Mass Challenge due to Mass Challenge's focus changing to a virtual platform because of COVID pandemic to cultivate entrepreneurs around the world and moving away from development of entrepreneurs in Downtown Houston. The Authority paid out a total of \$2.1 million over a four-year period.

**Main Street Market Square Redevelopment Authority  
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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 \$23 million for the project. The site was completed in fiscal year 2022 and is eligible for funding in fiscal year 2023. The Authority accrued \$344,032 in fiscal year 2023 for reimbursements related to the 2022 tax year.
- In September of 2019, the Authority board approved an economic development agreement with Gener8tor in the amount of \$1.25 million over five years. Gener8tor is a nationally recognized pre-accelerator, specializing in translating ideas into start-up businesses. The Authority paid \$250,000 in fiscal year 2023 for this project.
- In November of 2019, the Authority board entered into a lease agreement with Amegy Bank to establish the 10<sup>th</sup> 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 \$557,349 in fiscal year 2023 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 \$448,719 in fiscal year 2023 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. \$775,000 in principal payments were required in fiscal year 2023, as well as the Authority recorded \$1,949,717 in interest expense, and amortized \$30,214 in issuance costs.
- During fiscal year 2023, the Authority recorded \$1,405,000 and \$44,602 in principal and interest expense, respectively, 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 2022 Houston's City Council approved the DRA/TIRZ#3 Board's Resolution of November 8, 2022 adopting the Eighth Amended Project Plan and Reinvestment Zone Financing Plan (Plan). This Plan expanded the boundaries of the DRA/TIRZ#3 by approximately 10 acres and is framed by Allen Parkway, Taft, and McKinney Streets. The plan provides for the opportunity to engage in the public enhancement and public improvement of a proposed mixed-used development poised to engage with the Buffalo Bayou Park, one of Houston's premier public assets whose operation and maintenance costs are substantially covered through annual installments from the DRA/TIRZ#3. The public improvements proposed for the mixed-use development will further redound to the benefit of the surrounding residential neighborhood and the Downtown core.
  
- Since creation of Reinvestment Zone Number Three (Main Street Market Square TIRZ) in 1995, and the expansion of the Zone in 1998, 2005, 2007, 2011 and 2019 the appraised value for real property located within the Zone has increased to approximately \$615 million, \$3.1 billion, \$107 million, \$146 million, and \$2.1 billion and \$31 million for the original (Part A), and expanded zones (Part B, Part D, Part F, Part G and Part I) areas, respectively. This total increase of approximately \$4.7 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.

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.

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

**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:

	2023	2022
<b>Assets</b>		
Capital assets, net	\$ 10,589,671	\$ 11,177,828
Other assets:		
Cash and investments	30,472,033	33,165,430
Tax increment and other receivables	1,198,602	860,581
Other assets	360,672	419,816
<b>Total assets</b>	<b>42,620,978</b>	<b>45,623,655</b>
<b>Liabilities</b>		
Accounts, interest and retainage payable	\$ 4,979,581	\$ 5,992,738
Lease liabilities - due in one year	408,374	392,471
Lease liabilities - due after one year	10,559,425	10,968,447
Bonds payable - due in one year	2,250,000	2,180,000
Bonds payable - due after one year	42,560,493	45,033,633
<b>Total liabilities</b>	<b>60,757,873</b>	<b>64,567,289</b>
<b>Net deficit</b>		
Restricted for debt service	8,585,226	8,559,039
Unrestricted	(26,722,121)	(27,502,673)
<b>Total net deficit</b>	<b>\$ (18,136,895)</b>	<b>\$ (18,943,634)</b>

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 \$616,131, debt service was \$8,585,226 and total general fund investments were \$21,270,676 at June 30, 2023. 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.

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

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$136,966 at June 30, 2023, represent payments due from Harris County. Other accounts receivable of \$1,061,636 at June 30, 2023, includes \$511,961 due from the Houston Downtown Management District for its share of the Downtown Living Initiative grants and \$549,675 of interest on tax increments for fiscal year 2016 through fiscal year 2023. The Authority is expected to receive the interest on tax increments in September 2023.

Capital assets of the Authority include \$11,765,985 of leased assets upon adoption of GASB Statement No. 87, \$1,176,314 of accumulated amortization expense, for a net capital asset balance of \$10,589,671.

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, 2023, and 2022 was \$357,533 and \$387,747, respectively. Other assets also include prepaid expenses totaling \$3,139 and \$32,069 at June 30, 2023, and 2022, respectively for insurance premiums in 2023 and prepaid rent on the Southern Downtown Park and insurance premiums in 2022.

Accounts payable and accrued expenses on June 30, 2023, of \$3,574,432 represents grant payments due of \$3,216,851, capital project expenditures of \$250,000 and payments due to the administrative contractor for staffing of \$107,581. Accounts payable and accrued expenses on June 30, 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. Retainage payable at June 30, 2023 and 2022 totaled \$738,032 and \$495,597, respectively. Accrued interest at June 30, 2023, and June 30, 2022, totaled \$667,117 and \$686,196, respectively. Effective July 1, 2021, the Authority adopted GASB Statement No. 87. At June 30, 2023 and 2022 the lease liability outstanding was \$10,967,799 and \$11,360,918, respectively.

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants. The Authority has used bond and loan proceeds to pay various project costs during previous fiscal years and has increased its debt for new projects with the Series 2015 bond issue, causing the Authority to have an accumulated deficit. At June 30, 2023 and June 30, 2022, the Authority has an unrestricted net deficit of \$18,136,895 and \$18,943,634, respectively. The Authority had net position restricted for debt service of \$8,585,226 and \$8,559,039 at June 30, 2023 and June 30, 2022, 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:

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Tax increments	\$ 21,248,518	\$ 21,858,148
Interest on tax increments	549,675	-
Investment and other income	636,628	2,470,508
<b>Total revenues</b>	<b>22,434,821</b>	<b>24,328,656</b>
<b>Expenses</b>		
Current	2,661,257	2,406,006
Capital outlay	16,941,911	16,224,936
Debt service	2,024,914	2,078,085
<b>Total expenses</b>	<b>21,628,082</b>	<b>20,709,027</b>
Change in net position	806,739	3,619,629
Net deficit - beginning of year	(18,943,634)	(22,563,263)
<b>Net deficit - end of year</b>	<b>\$ (18,136,895)</b>	<b>\$ (18,943,634)</b>

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:

	<b>2023</b>	<b>2022</b>
Capital Improvement Projects		
Lynn Wyatt Square	\$ 7,485,490	\$ 11,855
Southern Downtown Pocket Park	1,336,688	5,813,298
Bagby Street Improvements	942,569	3,445,985
NHHIP Civic Opportunities	250,000	250,000
Allen Parkway Reconstruction	149,145	174,867
<b>Total Capital Improvement Projects</b>	<b>10,163,892</b>	<b>9,696,005</b>
Historic Preservation		
The Star Residential	337,569	393,810
806 Main (JW Marriott)	142,723	166,214
723 Main (Marriot AC Collection Hotel)	27,334	54,084
Economic Development Agreements		
Buffalo Bayou Park	2,706,949	2,521,546
Market Square Tower Residential	613,712	632,435
Downtown Launchpad	528,859	488,405
Hike & Bike Trails East of Allen's Landing	448,719	500,000
MassChallenge	-	404,000
Aris Market Square Residential	427,508	361,393
Gener8tor	250,000	250,000
SkyHouse Main Residential	243,726	235,802
SkyHouse Houston Residential	242,926	234,751
Block 334 Residential	153,552	159,472
Economic Development Retail	118,684	74,677
1616 Main (Holiday Inn Hotel)	23,274	16,386
Downtown Living Initiative	19,379	35,956
Post HTX	344,032	-
Hotel Alessandra/Laura	56,032	-
Targeted Blight Remediation	38,612	-
Other	54,429	-
<b>Total Project Costs</b>	<b>\$ 16,941,911</b>	<b>\$ 16,224,936</b>

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

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

	2023	2022
Administrative services	\$ 690,945	\$ 347,333
Consulting	10,320	15,454
Accounting and auditing	19,228	17,500
Legal fees	15,369	11,615
Office expense	37,954	8,554
Insurance	5,280	10,886
<b>Total other operating costs</b>	<b>\$ 779,096</b>	<b>\$ 411,342</b>

In fiscal years 2023 and 2022, the Authority paid \$1,882,161 and \$1,994,664, 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. As of June 30, 2023, the Authority had \$10,589,671 in leased capital assets, net of accumulated amortization of \$1,176,314. 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 \$27.4 million which is approximately \$1.5 million less than the prior fiscal year due to spending on capital projects that were delayed in prior years. Approximately 67% of the fund balances, or \$18.3 million is committed or assigned to various historic preservation, parks and recreation, theater district and economic development projects of the Authority. 2% of the fund balance or \$0.5 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. The Authority accrued and paid during fiscal years 2023 and 2022 \$1,960,050 and \$1,975,550 in interest expense and amortized \$30,214 in premiums for credit enhancement insurance for both 2023 and 2022. 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 2023 and 2022 the Authority accrued and paid \$44,602 and \$84,536 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 \$1,922,208 and \$2,130,491 for the years June 30, 2023, and June 30, 2022, respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$993,784 and \$1,022,034 for the years June 30, 2023, and June 30, 2022, respectively. These deductions have been netted out of gross increment revenue in the financial statements. The Authority's budget was not amended during fiscal year 2023.

### **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, 2023</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash and cash equivalents	\$ 616,131	\$ 5,620	\$ 621,751	\$ -	\$ 621,751
Investments	21,270,676	8,579,606	29,850,282	-	29,850,282
Tax increment receivables	136,966	-	136,966	-	136,966
Other receivables	1,061,636	-	1,061,636	-	1,061,636
Capital assets, net	-	-	-	10,589,671	10,589,671
Other assets	3,139	-	3,139	357,533	360,672
<b>Total assets</b>	<b>\$ 23,088,548</b>	<b>\$ 8,585,226</b>	<b>\$ 31,673,774</b>	<b>\$ 10,947,204</b>	<b>\$ 42,620,978</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,574,432	\$ -	\$ 3,574,432	\$ -	\$ 3,574,432
Interest payable	-	-	-	667,117	667,117
Retainage payable	-	-	-	738,032	738,032
Lease liabilities - due in one year	-	-	-	408,374	408,374
Lease liabilities - due after one year	-	-	-	10,559,425	10,559,425
Bonds payable - due in one year	-	-	-	2,250,000	2,250,000
Bonds payable - due after one year	-	-	-	42,560,493	42,560,493
<b>Total liabilities</b>	<b>3,574,432</b>	<b>-</b>	<b>3,574,432</b>	<b>57,183,441</b>	<b>60,757,873</b>
<b>Deferred inflow of resources</b>					
Deferred tax increment revenue	136,966	-	136,966	(136,966)	-
Interest on tax increments	549,675	-	549,675	(549,675)	-
<b>Total deferred inflow of resources</b>	<b>686,641</b>	<b>-</b>	<b>686,641</b>	<b>(686,641)</b>	<b>-</b>
<b>Fund balances</b>					
Restricted	-	8,585,226	8,585,226	(8,585,226)	-
Committed	17,172,404	-	17,172,404	(17,172,404)	-
Assigned	1,143,000	-	1,143,000	(1,143,000)	-
Unassigned	512,071	-	512,071	(512,071)	-
<b>Total fund balances</b>	<b>18,827,475</b>	<b>8,585,226</b>	<b>27,412,701</b>	<b>(27,412,701)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,088,548</b>	<b>\$ 8,585,226</b>	<b>\$ 31,673,774</b>	<b>\$ 29,084,099</b>	<b>\$ -</b>
<b>Net deficit</b>					
Restricted for debt service				\$ 8,585,226	\$ 8,585,226
Unrestricted				(26,722,121)	(26,722,121)
<b>Total net deficit</b>				<b>\$ (18,136,895)</b>	<b>\$ (18,136,895)</b>
<b>Total fund balance of governmental funds</b>					<b>\$ 27,412,701</b>
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					10,589,671
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds					(56,445,409)
Cost of issuance for the premiums on credit enhancement insurance are amortized over the life of the bonds in the government-wide statements					357,533
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds					(738,032)
Tax increments and interest on tax increments are not available for current period expenditures and therefore are deferred in the funds					686,641
<b>Net deficit of governmental activities</b>					<b>\$ (18,136,895)</b>

*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, 2023</i>	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Tax increments	\$ 17,187,077	\$ 4,219,585	\$ 21,406,662	\$ (158,144)	\$ 21,248,518
Investment and other income	636,628	-	636,628	-	636,628
Interest on tax increments	-	-	-	549,675	549,675
<b>Total revenues</b>	<b>17,823,705</b>	<b>4,219,585</b>	<b>22,043,290</b>	<b>391,531</b>	<b>22,434,821</b>
<b>Expenditures/expenses</b>					
<b>Current</b>					
Consultants	728,722	-	728,722	-	728,722
Administrative support/office expenses	45,094	-	45,094	-	45,094
Insurance	5,280	-	5,280	-	5,280
Municipal services	1,882,161	-	1,882,161	-	1,882,161
Capital outlay	16,504,438	-	16,504,438	437,473	16,941,911
<b>Debt Service</b>					
Principal payments on bonds	-	2,180,000	2,180,000	(2,180,000)	-
Interest expense	223,521	2,013,398	2,236,919	(242,219)	1,994,700
Costs of issuance	-	-	-	30,214	30,214
<b>Total expenditures/expenses</b>	<b>19,389,216</b>	<b>4,193,398</b>	<b>23,582,614</b>	<b>(1,954,532)</b>	<b>21,628,082</b>
Excess (deficiency) of revenues over expenditures	(1,565,511)	26,187	(1,539,324)	1,539,324	
Change in net position				806,739	806,739
<b>Fund balances/net deficit:</b>					
Beginning of year	20,392,986	8,559,039	28,952,025	(47,895,659)	(18,943,634)
End of year	\$ 18,827,475	\$ 8,585,226	\$ 27,412,701	\$ (45,549,596)	\$ (18,136,895)

(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	\$ (1,539,324)
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	(158,144)
Interest on tax increments in the Statement of Activities that do not provide current financial resources are not reported in the funds	549,675
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	2,180,000
Repayment of lease liability	393,119
Amortization of bond premium	223,140
Cost of issuance	(30,214)
Some revenue 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	(223,356)
Change in net position of governmental activities	\$ 806,739

*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. In 2022, the City approved the expansion of the Zone to include approximately 10 acres bounded by Allen Parkway, Stanford, Taft, and McKinney streets and appurtenant to the Zone via Allen Parkway as a northern terminus (Part I). The plan provides for the opportunity to engage in the public enhancement and public improvement of a proposed mixed-used development poised to engage with the Buffalo Bayou Park, one of Houston's premier public assets whose operation and maintenance costs are substantially covered through annual installments from the Zone.

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

**NOTE 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.

***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”.

**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)**

*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.

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, 2023.

**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)**

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.

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)
2022	Expanded Area (Part I)

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

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

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

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

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

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

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

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.

**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)**

***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.

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 and interest revenue are 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.

**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, 2023, bank balances totaled \$2,498,292 at JP Morgan Chase and \$5,620 at Bank of New York Mellon, which approximates fair value.

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

**Note 4: DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2023, \$2,248,292 of balance held at JP Morgan Chase was under collateralized due to checks issued but not cleared.

In addition, on June 30, 2023, the Authority held \$21,270,676 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 \$8,579,606 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 money market funds are recorded at fair value and mature in less than one year. The Authority’s investment in LOGIC fund, which is recorded at amortized cost, is rated AAAM by Standard & Poors and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The Authority considers the investments in LOGIC to have maturities of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

**Note 5: RESTRICTED ASSETS**

Certain amounts of cash and investments are restricted by covenants set forth in the indenture for the Series 2012 and 2015 Bonds. A summary of these restricted assets held in cash and U.S. Government Securities on June 30, 2023 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Total
Debt service funds	\$ 5,620	\$ 8,579,606	\$ 8,585,226

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

**Note 6: CAPITAL ASSETS**

A summary of changes in capital assets during 2023 is as follows:

	Balance at July 1, 2022	Additions	Retirements	Balance at June 30, 2023
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)	-	(1,176,314)
	\$ 11,177,828	\$ (588,157)	\$ -	\$ 10,589,671

Amortization expense for the year ended June 30, 2023 totaled \$588,157 and is 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, 2022	\$ 44,350,000
Additions	-
Retirements	(2,180,000)
Balance at June 30, 2023	42,170,000
Current portion	\$ 2,250,000

Tax Increment Contract Revenue Bonds on June 30, 2023 consist of the following:

Date Series Issued	Outstanding Balance
2012	\$ 1,440,000
2015	40,730,000
Total principal payable	42,170,000
Unamortized premium	2,640,493
Total bonds payable	\$ 44,810,493

**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)**

In May of 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. For the year ended June 30, 2023, the Authority incurred \$775,000 and \$1,726,577 in principal and interest (net of insurance amortization), respectively, and amortized \$30,214 in issuance costs.

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

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
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	2,910,000	1,416,036	4,326,036
2029-2033	16,950,000	4,759,785	21,709,785
2034-2036	12,315,000	700,289	13,015,289
	<b>\$ 40,730,000</b>	<b>\$ 13,847,028</b>	<b>\$ 54,577,028</b>

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 \$1,405,000 and \$44,602 in principal and interest expense, respectively.

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

**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)**

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,440,000	\$ 5,976	\$ 1,445,976
	\$ 1,440,000	\$ 5,976	\$ 1,445,976

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 the lessor without payment or consideration of any kind upon expiration or termination of this agreement.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Authority has used the Authority's estimated incremental borrowing rate of 2.09% to discount the annual lease payments to recognize the leased asset (right to use land) and the related lease liability as of July 1, 2021 totaling \$9,579,411. At June 30, 2023 the balance on the lease liability totaled \$9,243,845.

The principal and interest payments of \$161,609 and \$195,031, respectively, for the year ended June 30, 2023 have been reported as capital outlay and interest expense, respectively, in the accompanying governmental funds revenues, expenditures and changes in fund balances.

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

**Note 8: LEASES (Continued)**

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, 2023 the balance on the lease liability totaled \$1,723,954. The principal and interest payments of \$231,510 and \$28,490, respectively, for the year ended June 30, 2023 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
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	467,170	184,421	651,591
2029-2033	1,842,037	802,346	2,644,383
2034-2038	1,700,281	636,540	2,336,821
2039-2043	2,133,355	437,148	2,570,503
2044-2048	2,638,686	188,868	2,827,554
2049	425,619	3,721	429,340
	<b>\$ 10,967,799</b>	<b>\$ 3,072,059</b>	<b>\$ 14,039,858</b>

**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, 2022	\$ 11,360,918
Additions	-
Retirements	(393,119)
<hr/>	
Balance at June 30, 2023	\$ 10,967,799
<hr/>	
Current portion, lease liabilities	\$ 408,374
<hr/>	

**Note 9: FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
<hr/>			
<b>Restricted for</b>			
Debt service	\$ -	\$ 8,585,226	\$ 8,585,226
<b>Committed to</b>			
Roadways and streets	40,163	-	40,163
Infrastructure/mobility	2,500,000	-	2,500,000
Real property improvements	5,010,000	-	5,010,000
Historic preservation	469,963	-	469,963
Parks and recreation	2,387,346	-	2,387,346
Retail/economic development	6,764,932	-	6,764,932
<b>Assigned to</b>			
Historic preservation	1,000,000	-	1,000,000
Infrastructure mobility improvement	143,000	-	143,000
<b>Unassigned</b>	512,071	-	512,071
<hr/>			
	\$ 18,827,475	\$ 8,585,226	\$ 27,412,701
<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	\$ 19,065,040	\$ (953,252)	\$ -	\$ 18,111,788
Houston Independent School District	4,946,972	(25,000)	(1,922,208)	2,999,764
Harris County	144,175	(7,209)	-	136,966
<b>Total tax increments</b>	<b>\$ 24,156,187</b>	<b>\$ (985,461)</b>	<b>\$ (1,922,208)</b>	<b>\$ 21,248,518</b>

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	\$ 19,065,040	\$ (953,252)	\$ -	\$ 18,111,788
Houston Independent School District	4,946,972	(25,000)	(1,922,208)	2,999,764
Harris County	310,642	(15,532)	-	295,110
<b>Total tax increments</b>	<b>\$ 24,322,654</b>	<b>\$ (993,784)</b>	<b>\$ (1,922,208)</b>	<b>\$ 21,406,662</b>

**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 ninth installment under the grant was accrued in fiscal year 2023.

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 sixth installment under the grant was estimated and accrued in fiscal year 2023.

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 seventh installment under the grant was accrued in fiscal year 2023.

**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 fifth installment under the grant was accrued in fiscal year 2023.

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 seventh installment under the grant was paid in fiscal year 2023.

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 seventh installment under the grant was accrued in fiscal year 2023.

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

*1616 Main Street/Holiday Inn Hotel*

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

*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 completed and opened in October 2017.

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

*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 did not comply with the requirements of the economic development agreement by changing its platform as a result of COVID to virtual and no longer utilized the Downtown Launchpad as mandated by the agreement to focus on development of early-stage entrepreneurs in Downtown Houston. The fifth payment of \$404,000 was not made.

*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 fourth installment of its grant in fiscal year 2023.

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

**Note 11: COMMITMENTS AND CONTINGENCIES (Continued)**

*Post HTX*

In November 2018, the Authority board approved an economic development agreement with 401 Franklin St., LTD for restoration and redevelopment of the Barbara Jordan Post Office building to develop a mixed-use project called Post HTX. The agreement provides a 75% rebate of the annual incremental City of Houston ad valorem taxes from the project up to a maximum amount of \$23 million. Construction was completed in December 2021. The first rebate payment was accrued in fiscal year 2023.

*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. Lynn Wyatt Square is scheduled to open in the fall of 2023.

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

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

*Consultants*

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

**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. \$758,870 for these services for the year ended June 30, 2023.

**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.

**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, 2023</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balance - beginning of year	\$ 21,839,949	\$ 28,952,025	\$ 7,112,076
<b>Resources</b>			
Tax increments	29,544,001	24,322,654	(5,221,347)
Miscellaneous revenue	-	168	168
Interest income	25,000	636,460	611,460
<b>Total available resources</b>	<b>51,408,950</b>	<b>53,911,307</b>	<b>2,502,357</b>
<b>Expenses</b>			
Management consulting services	807,500	779,096	28,404
Project costs and capital expenditures	12,739,126	16,504,438	(3,765,312)
Debt service	4,193,398	4,416,919	(223,521)
Other interfund transfers:			
HISD educational facilities	4,580,001	1,922,208	2,657,793
Municipal services - public safety	2,045,000	1,882,161	162,839
Administrative fees	1,126,225	993,784	132,441
<b>Total uses of resources</b>	<b>25,491,250</b>	<b>26,498,606</b>	<b>(1,007,356)</b>
Budgetary fund balance - end of year	\$ 25,917,700	\$ 27,412,701	\$ 1,495,001
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 53,911,307
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource			
current year revenue for financial reporting purposes			(28,952,025)
Budgeted revenues include HISD educational facilities transfers and City administrative			
charges while the Authority's funds report revenues net of these transfers			(2,915,992)
<b>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances</b>			<b>\$ 22,043,290</b>
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 26,498,606
Differences - budget to GAAP			
Budgeted expenditures include HISD educational facilities transfers and city administrative			
charges while the Authority's funds report revenues net of these transfers			(2,915,992)
<b>Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances</b>			<b>\$ 23,582,614</b>

**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, 2023</i>	Vendor	Budget	Actual Expenditures	Variance
<b><u>Management Consulting Services</u></b>				
Administrative Support	Central Houston, Inc.	\$ 700,000	\$ 690,945	\$ 9,055
Office Expenses	Various	7,500	37,954	(30,454)
Insurance	W. M. Jones & Company	36,500	5,280	31,220
Accounting	TNC CPAs	2,500	-	2,500
Auditor	Carr, Riggs & Ingram, LLC	18,000	19,228	(1,228)
Bond Trustee Services	Bank of New York Mellon	10,000	3,180	6,820
Financial Advisor	Masterson Advisors, LLC	5,000	3,500	1,500
Taxroll Advisor (ITM)	ITM Services	10,000	3,640	6,360
Total administration and overhead		789,500	763,727	25,773
Legal	Bracewell & Giuliani LLP	18,000	15,369	2,631
Total management consulting services		\$ 807,500	\$ 779,096	\$ 28,404

**Capital Expenditures and Developer/Project Reimbursements**

*Developer/Project Reimbursements:*

Aris Market Square Residential	HM Market Square, LLC	\$ 478,683	\$ 427,508	\$ 51,175
Buffalo Bayou Park	Buffalo Bayou Partnership	2,618,719	2,706,949	(88,230)
The Star Residential	Rusk@San Jacinto Partners, LP	407,571	337,569	70,002
806 Main (JW Marriott)	806 Main Hotel, LLC	260,344	142,723	117,621
Downtown Living Initiative	Central Houston, Inc.	-	19,379	(19,379)
Economic Development Retail	Central Houston, Inc.	60,000	118,684	(58,684)
SkyHouse Houston Residential	SPSU9 - North Tower	312,996	242,926	70,070
SkyHouse Main Residential	SPSU9 - South Tower	324,395	243,726	80,669
Block 334 Residential	Fairfield Block 334, LP	198,710	153,552	45,158
Market Square Tower Residential	Woodbranch Tower LLC	720,688	613,712	106,976

**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, 2023</i>	Vendor	Budget	Actual Expenditures	Variance
Hotel Alessandra/Laura	HA Hotel Partners, LP	\$ 73,976	\$ 56,032	\$ 17,944
1616 Main (Holiday Inn Hotel)	HDT Hotel, LLC	29,392	23,274	6,118
Fairfield Residential	Central Houston, Inc.	283,506	-	283,506
Hike and Bike Trails East of Allens Landing	Buffalo Bayou Partnership	1,000,000	448,719	551,281
Mass Challenge	Mass Challenge, Inc.	404,000	-	404,000
Post HTX	401 Franklin Street, LTD.	425,000	344,032	80,968
Future Project Development		1,000,000	54,429	945,571
Gener8tor	Gener8tor Management, LLC	250,000	250,000	-
723 Main (Marriott AC Collection Hotel)	Supreme Bright Houston, LLC	17,326	27,334	(10,008)
Downtown Innovation Hub	Amegy Bank - Operating Expenses	497,820	408,538	
	Central Houston, Inc.	-	109,213	
Total Downtown Innovation Hub		497,820	517,751	(19,931)
Total Developer/ Project Reimbursements		\$ 9,363,126	\$ 6,728,299	\$ 2,634,827
<i>Capital Improvement Projects:</i>				
T-0307 Trebly Park (Southern Downtown Pocket Park)	Structura, Inc.		\$ 627,002	
	Central Houston, Inc.		208,569	
	Legacy Trust - Rent		111,824	
	Ann Harris Bennett - Property Tax		103,801	
	Renfrow Metalsmiths, LLC		85,027	
	Project Surveillance, Inc.		67,305	
	Core Design Studio		54,237	
	Broadway Bank - Rent		49,137	
	W.M. Jones & Co., Inc.		22,840	
	Weingarten Art Group		15,000	
	Instituform Technologies		8,000	
	Strategic Coating Solutions		8,000	
	Wakefield AV & Cabling, LLC		5,650	
	Bega US Inc		3,683	
	Bartlett Tree Experts		3,168	
	Alpha Testing		2,650	
	CW Lighting		2,332	
	Reign Home Innovations		2,170	
	Gurrola Reprographics Inc.		90	
	Corner Bakery Café		88	
	Houston Downtown Management District		27	
Total T-0307 Trebly Park (Southern Downtown Pocket Park)		\$ 1,456,000	\$ 1,380,600	\$ 75,400



**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, 2023</i>	Vendor	Budget	Actual Expenditures	Variance
T-0308 Jones Plaza	Central Houston, Inc.	\$ -	\$ 7,485,490	\$ (7,485,490)
T-0319 Allen Parkway	Houston Downtown Management District	150,000	149,145	855
T-0325 Bagby Street	Main Lane Industries		452,599	
	Central Houston, Inc		42,175	
	Centerpoint Energy		(28,360)	
	Houston Downtown Management District		3,014	
	Quiddity Engineering		1,964	
	ASCE Texas		900	
Total T-0325 Bagby Street		-	472,292	(472,292)
T-0326 NHHIP Civic Opportunities	Central Houston Civic Improvement	250,000	250,000	-
T-0337 Montrose Bridge at Allen Parkway		1,000,000	-	1,000,000
T-0340 Targeted Blight Remediation	AECOM Technical Services		26,250	
	Ryan M. LeVasseur		10,000	
	The Business Journal		1,056	
	Houston Defender Network		706	
	Southern Chinese Daily News		600	
Total T-0340 Targeted Blight Remediation		500,000	38,612	461,388
T-0399 Concrete Panel Replacement		20,000	-	20,000
Total capital expenditures		3,376,000	9,776,139	(6,400,139)
<b>Total capital expenditures and developer/project reimbursements</b>		<b>\$ 12,739,126</b>	<b>\$ 16,504,438</b>	<b>\$ (3,765,312)</b>

**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, 2023**

	Estimated Total Costs	Total Expenditures	Remaining Balance
<b>Project costs</b>			
Infrastructure improvements			
Roadways and streets	\$ 47,500,000	\$ 64,754,426	\$ (17,254,426)
Infrastructure, mobility, transit improvements	43,334,450	27,751,507	15,582,943
<b>Total Infrastructure improvements</b>	<b>90,834,450</b>	<b>92,505,933</b>	<b>(1,671,483)</b>
Real property improvements	57,520,266	23,623,604	33,896,662
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	17,670,022	8,680,986
Parks and recreational	273,044,167	17,548,028	255,496,139
Theater district improvements	11,504,799	14,610,972	(3,106,173)
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	53,773,464	113,026,536
Institutional facilities	22,000,000	10,678,800	11,321,200
<b>Total project costs</b>	<b>668,211,107</b>	<b>231,914,378</b>	<b>436,296,729</b>
<b>Operating and financing costs</b>			
Financing costs	48,930,000	29,006,381	19,923,619
Administration	16,934,426	8,007,439	8,926,987
<b>Total operating and financing costs</b>	<b>65,864,426</b>	<b>37,013,820</b>	<b>28,850,606</b>
<b>Educational facilities</b>	<b>82,541,820</b>	<b>52,471,417</b>	<b>30,070,403</b>
<b>Project plan total</b>	<b>\$ 816,617,353</b>	<b>\$ 321,399,615</b>	<b>\$ 495,217,738</b>

(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 8<sup>th</sup> Amendment to the Project Plan and Reinvestment Zone Financing Plan that was approved by City Council in December 2022.