

City of Houston, Texas, Ordinance No. 1999- 850

AN ORDINANCE APPROVING THE SECOND AMENDMENT OF THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER TWO, CITY OF HOUSTON, TEXAS (MIDTOWN); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, by City of Houston Ordinance No. 94-1345, adopted December 14, 1994, the City created Reinvestment Zone Number Two, City of Houston, Texas (the "Midtown Zone"); and

WHEREAS, the Board of Directors of the Midtown Zone has adopted and recommended, and the City has approved, by City of Houston Ordinance No. 97-600, passed May 28, 1997, the Project Plan and Reinvestment Zone Financing Plan for the Midtown Zone; and

WHEREAS, Chapter 311 of the Texas Tax Code authorizes the amendment of the Plans; and

WHEREAS, the Board of Directors of the Midtown Zone has adopted and recommended, and the City has approved, by City of Houston Ordinance No. 97-1338, passed October 22, 1997, the First Amendment to the Project Plan and Reinvestment Zone Financing Plan (the "Plans") for the Midtown Zone; and

WHEREAS, the board of Directors of the Midtown Zone, at its June 24, 1999, and August 6, 1999, board meetings, considered and adopted proposed amendments to the

Plans (the "Amendments"), and recommended the Amendments for approval by the City Council; and

WHEREAS, the Amendments reflect the enlargement of the Midtown Zone by the addition of 6 parcels of land; and

WHEREAS, before the Board of Directors of the Midtown Zone may implement the Amendments, the City Council must approve the Amendments; and

WHEREAS, a public hearing on the Amendments is required to be held by the provisions of Section 311.011 of the Code; and

WHEREAS, the City Council finds that notice of the public hearings was published in a newspaper of general circulation within the City in the time and manner required by law; and

WHEREAS, the City Council conducted a public hearing on the proposed Amendments on July 28, 1999 and August 11, 1999; and

WHEREAS, at the public hearings, interested persons were allowed to speak for or against the proposed Amendments, the enlargement of the boundaries of the Midtown Zone and the concept of tax increment financing; and

WHEREAS, evidence was received and presented at the public hearings in favor of the proposed Amendments, the enlargement of the boundaries of the Midtown Zone and the concept of tax increment financing; ~~NOW, THEREFORE,~~

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS

Section 1. That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the Project Plan and the Reinvestment Zone Financing Plan approved by City of Houston Ordinance No. 97-1338, passed and adopted on October 22, 1997, are hereby amended as follows:

- A. by adding the Second Amendment to the Project Plan and the Reinvestment Zone Financing Plan attached hereto as Exhibit "A" thereto;
- B. By substituting page 23Rev99 attached hereto as Exhibit "B" for page 23 in the Plans;
- C. By substituting page 25-Rev99 attached hereto as Exhibit "C" for page 25 in the Plans;
- D. By substituting page 28Rev99 attached hereto as Exhibit "D" for page 28R in the Plans; and
- E. By substituting page 29-Rev99 attached hereto as Exhibit "E" for page 29 in the Plans.

The Plans as so amended (the "Amended Plans") are hereby determined to be feasible and are approved. The appropriate officials of the City are authorized to take all steps reasonably necessary to implement the Amended Plans.

Section 3. That the City Secretary is directed to provide copies of the Amended Plans to each taxing unit levying ad valorem taxes in the Midtown Zone.

Section 4. If any provision, section, subsection, sentence, clause or phrase of this Ordinance, or the application of same to any person or set of circumstances is for any reason be held to be unconstitutional, void or invalid, the validity of the remaining provisions of this Ordinance shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionally, voidness or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 5. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 6. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the

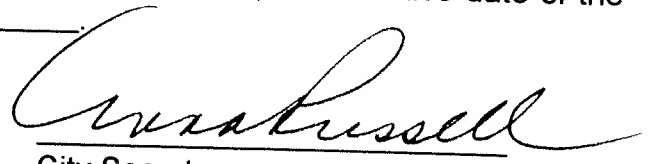
Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 11th day of August, 1999.

APPROVED this _____ day of _____, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is AUG 17 1999.


City Secretary

(Prepared by Legal Dept. DEBORAH ALK DRETT)
(DFM/dfm August 10, 1999) Sr. Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L.D. File No. 34-94360-28)

U:\WPFILES\ORD\TIRZ\MIDTOWN\2AMENDPL

AYE	NO	
✓		MAYOR BROWN
••••	••••	COUNCIL MEMBERS
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		BONEY
✓		TODD
✓		DRISCOLL
		KELLEY
		FRAGA
		CASTILLO
		PARKER
		ROACH
		SANCHEZ
✓		BELL
		ROBINSON
		CAPTION ADOPTED

CAPTION PUBLISHED IN DAILY COURT
REVIEW
DATE: AUG 17 1999

EXHIBIT "A"

**SECOND AMENDMENT TO
THE PROJECT PLAN AND
REINVESTMENT ZONE FINANCING PLAN FOR
REINVESTMENT ZONE NUMBER TWO,
CITY OF HOUSTON, TEXAS**

July 1999

**APPLICATION FOR ANNEXATION
(6 PARCELS)
REINVESTMENT ZONE NUMBER TWO
CITY OF HOUSTON, TEXAS
(THE "MIDTOWN TIRZ")**

July 1999

**ORIGINAL REQUEST SUBMITTED TO THE CITY
OF HOUSTON AUGUST 29, 1994
SUPPLEMENTED SEPTEMBER 12, 1994 TO
INCREASE THE AREA**

CREATED BY HOUSTON CITY COUNCIL

**DECEMBER 14, 1994
ADDITIONAL AREA AMENDED**

**PROJECT AND FINANCING PLAN APPROVED BY
CITY COUNCIL MAY 22, 1997
PROJECT PLAN AND FINANCING PLAN
AMENDED OCTOBER, 1997**

BOARD OF DIRECTORS:

Position One

William J. Taylor, III

Texas Southern University

Appointed by Senator Rodney Ellis

Position Two

Barron F. Wallace, Chairman

Wickliff & Hall, P.C.

Appointed by Rep. Garnet Coleman

Position Three

Robert D. Sellingsloh

Wulfe & Co.

Appointed by the Mayor

Position Four

Nicole P. Cao, Secretary

Salomon Smith Barney

Appointed by the Mayor

Position Five

Lonnie Blanchard, Assistant Secretary

Central Bancshares

Appointed by the Mayor

Position Six

Alfred Flores, Jr.

Attorney at Law

Appointed by the Mayor

Position Seven

David L. Edwards

United National Insurance Agency

Appointed by the Mayor

Position Eight

Carol Alvarado, Treasurer

Office of the Mayor

Appointed by Houston Independent School District

Position Nine

Kevin H. Hoffman, Vice Chairman

Harris County Public Infrastructure Department

Appointed by Harris County

STAFF:

F. Charles Le Blanc

Executive Director

Kandi Schramm

Executive Assistant

PROFESSIONAL CONSULTANTS:

Financial Advisors

First Southwest Company

Accountants

Lindsey V. McWilliams, CPA

Auditors

Mir Fox & Rodriguez

Civil Engineers

Carter & Burgess, Inc.

Legal Counsel

Vinson & Elkins, L.L.P.

Burney & Foreman

Planners & Landscape Architects

Vernon G. Henry and Associates, Inc.

**SECOND AMENDMENT TO
THE PROJECT PLAN AND
REINVESTMENT ZONE FINANCING PLAN FOR
REINVESTMENT ZONE NUMBER TWO,
CITY OF HOUSTON, TEXAS**

OVERVIEW

The Reinvestment Zone Number Two, City of Houston, Texas (the "Midtown TIRZ") was created by the City of Houston (the "City") on December 14, 1994, by Ordinance No. 94-1345 and enlarged by Ordinance No. 95-1322 (collectively, the "Ordinance") and operates pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") and the Ordinance. The City created the Midtown Zone for the purpose of redevelopment of the area located generally between the central business district of the City and the Texas Medical Center. In accordance with the TIF Act, the Board of Directors of the Midtown TIRZ adopted the final Project Plan and Reinvestment Zone Financing Plan (collectively, as amended in 1997, the "Project and Financing Plan") for the Midtown TIRZ on May 2, 1997. On May 22, 1997, by Ordinance No. 97-600, the City approved the Project and Financing Plan for the Midtown TIRZ. By Ordinance No. 97-1338, adopted on October 22, 1997, the City approved an amendment to the Project and Financing Plan.

The current Midtown TIRZ includes approximately 617 acres of land within its boundaries, all of which are within the City. According to the Project and Financing Plan, there are approximately 365 acres of developable land in the Midtown TIRZ (net of rights-of-way and other public areas). Efforts to create the Midtown TIRZ were initiated by petition of individual property owners and neighborhood institutions to foster economic development and revitalize the Midtown area with both new construction and the preservation and restoration of existing structures. The Midtown TIRZ is authorized to provide, among other things, ~~capital for public works and public improvements within its boundaries~~. The Midtown TIRZ provides the financing and management necessary to alleviate deteriorated site conditions and obsolete platting and to encourage growth of residential, commercial/industrial, retail, and institutional uses. The multi-use nature of the TIRZ is intended to provide new housing

choices as well as employment, education, entertainment, and retail opportunities to residents in the area.

City Resolution No. 95-96 authorized the creation of the Midtown Redevelopment Authority (the "Authority"), a not-for-profit local government corporation formed pursuant to the provisions of Chapter 431, Texas Transportation Code. As a parallel organization to the Midtown TIRZ (the Boards of Directors for the Midtown TIRZ and the Authority consist of the same nine members), the Authority was created to aid, assist, and act on behalf of the City in the performance of the City's governmental functions to promote the common good and general welfare of the Midtown Area and to provide an operating and financing vehicle for implementing the Midtown TIRZ Project and Financing Plan. The Authority is further organized to aid, assist and act on behalf of the City and the Board of Directors of the TIRZ as follows:

1. In the preparation and implementation of a Project Plan and a Financing Plan for the Midtown TIRZ;
2. In the development of an inner-city redevelopment policy, including a policy for the acquisition of land and land use controls;
3. In the development of a policy to finance development and redevelopment of residential and commercial properties in the inner City, and
4. In the development of a policy for disposition of abandoned street rights-of way, street setbacks and code revisions which will encourage inner-city redevelopment.

By Ordinance No. 97-1540, the City has authorized the Authority to issue up to \$16,000,000 in bonds and notes. The proceeds of the bonds or notes may be used to pay project costs pursuant to the Project and Financing Plan, including the cost of public works and public improvements, affordable housing, financing costs, professional service costs, administrative costs, organizational costs, and interest. In June 1998, the Authority issued \$9,000,000 in Tax Increment Contract Revenue Bonds. A large portion of these bond proceeds was used to repay ~~advances or project costs made by the original six developers pursuant to certain development agreements and to retire \$1,000,000 in previously~~ remaining \$6,000,000 in authorized bonds and notes pursuant to Ordinance No. 97-1540

Harris County has agreed to participate in the Midtown TIRZ and has authorized 100 percent of its tax increment in the Midtown TIRZ be paid into the tax increment fund. The Houston

Independent School District ("HISD") has also authorized 100 percent of its tax increment (\$1.459 per \$100 of assessed valuation per year on the captured appraised value of the existing Midtown TIRZ and \$0.96 per \$100 of assessed valuation per year on the captured appraised value of the annexed areas) to be paid into the tax increment fund for the TIRZ.

The intent of the Project and Financing Plan is to revitalize the Midtown area by promoting both new construction and the preservation and restoration of historical and other structures. Midtown in 1999 is well underway in efforts to develop a mid-density, multi-cultural, mixed-use residential community centered around a rejuvenated Main Street. Properties continue to be cleaned up, developers are creating new residential projects and businesses, and residents are seeking to relocate to this inner city neighborhood. Since January 1995, 25 new developments have begun including projects by Gross Investments, Inc.; JPI of Texas, Inc.; Post Properties Trust, R.E.I.T.; Perry Homes; Camden Property Trust, R.E.I.T.; and Levan Interests. Currently, there are 1,480 new apartment units that are either complete or in the final stages of construction. Presently, 425 townhomes are slated for construction in Midtown; 110 have been completed and sold and the remainder are in various stages of construction. Additionally, 210 apartment units are in the final planning stages and construction is scheduled to start in the later part of 1999 on 230 townhome/loft units. Approximately 253,000 square feet of retail/restaurant/entertainment space has been developed. Furthermore, in the past 18 months, construction on 94,000 square feet of new office space has either been completed or is under construction.

The expansion of the 1995 boundaries of the Midtown TIRZ would enable the Board of Directors of the Midtown TIRZ to continue this path toward a redeveloped Midtown. The annexation of the six additional parcels of land as proposed by the Midtown TIRZ Board would add approximately 153 acres to the Midtown TIRZ. The expansion would square up the boundaries of the district to natural barriers (i.e. the Pierce elevated/I-45 on the north, Hwy 288 on the east, and U.S. 59 elevated on the south) and include areas for which property owners have requested annexation. By expanding the boundaries of the existing Midtown TIRZ, the Board of Directors anticipates stimulating new development that otherwise would not occur solely through private means.

The Second Amendment to the Project and Financing Plan (the "Second Amendment")

(I) the amendment to the Project Plan describing the proposed enlargement, the existing conditions within the annexation area, and the anticipated improvements; (II) the amendment to the Reinvestment Zone Financing Plan which details the proposed public improvements and the financing mechanisms for funding the improvements for the annexed area;

and (III) the Project and Financing Plan as adopted in 1997 which will continue to remain in effect as to the area in the Zone prior to the 1999 annexation.

I. PROJECT PLAN AMENDMENT

The Second Amendment relates to the project costs for the areas added to the Midtown TIRZ by the annexation of six parcels of land, totaling approximately 153 acres that are contiguous to the original zone and in need of redevelopment assistance (see "Map No. 1"). The proposed areas of annexation contain vacant land, various commercial structures and single family detached homes. In their current state, these six parcels constitute a liability for the City's investment in the original Midtown TIRZ. The annexation of these parcels will enable the TIRZ financing mechanisms to encourage the redevelopment of these areas, continue the creation of new value in the Midtown TIRZ, and protect the City's original commitment to the Midtown Area. The Project and Financing Plan provides for reimbursement for the construction and improvement of water, sewer and drainage facilities, paving of public streets, landscaping, irrigation, parks, street lighting, street furniture, street art, and other permissible project costs. The ability to finance public improvements will encourage redevelopment and create a vibrant mixed-use area. Revitalization and redevelopment will occur through the efforts of more than one developer and the proposed annexation will enable guidelines be adhered to that will benefit the TIRZ as a whole.

A. Existing Uses and Conditions [311.011(b)(1)]

(i) The Six Annexation Parcels

Map No. 1 reflects the boundaries of the existing Midtown TIRZ and the proposed six parcels to be annexed, which constitutes approximately 153 acres. Approximately 78 acres of this land is developable (net of rights of way and other public areas). Map No. 2 depicts the existing uses of the land in the proposed annexation areas. The boundary descriptions for the annexation parcels are attached as Exhibit A to this Second Amendment. The following is a description of the existing uses and conditions of the

TIRZ.

Parcel No. 1 - Freeway Strip

This is a one-block area between the present northern boundary and IH-45 (the Pierce elevated) in addition to the freeway right-of-way. Annexation will cause the Midtown TIRZ boundary to border Reinvestment Zone No. 3, City of Houston, Texas (the "Downtown/Market Square TIRZ"). The only residential property in this area is the high-rise condominiums at 2016 Main; therefore, petitions are not required. There are a number of underutilized tracts, with surface parking or small buildings.

Parcel No.2 - Southeast

This area will expand the TIRZ boundary to U.S. Highway 59, which is the recognized southeast physical boundary of the Midtown Area. This parcel is more than 10% residential and petitions requesting annexation have been filed with the City of Houston. The residents of this area have requested inclusion in the Midtown TIRZ and through their civic association, have distributed and collected petitions representing greater than 50% of the value of the parcel. There are numerous vacant tracts and deteriorated structures in this parcel. (See photographs on pages 9a and 9b.)

Parcel No.3 - Bagby, Tuam, Brazos

This is a three block mixed-use area, including Lovett Square Condominiums and three townhouses under construction. A vacant historic home has been recently moved into the area and is being restored for an unknown use.

Parcel No. 4 - McGowen, Bagby, Tuam

This 12-block area is more than 10% residential. Petitions are required and petitions have been filed with the City of Houston. There are numerous vacant tracts and deteriorated structures in this parcel. (See photographs on pages 9a and 9b.)

Parcel No. 5 - Post Triangle

This small triangle was inadvertently omitted from the previous annexation. It is entirely vacant and even though no petition is required, Post Properties has signed a petition. Annexation of this triangle will adjust the Midtown TIRZ boundary to adjoin the proposed Fourth Ward TIRZ. This site will later be improved as a gateway to Midtown.

Parcel No. 6 - Main Street

This parcel encompasses underutilized properties along Main Street between the present southern boundary of Midtown and the Museum/Church area north of Hermann Park. Encouraging the revitalization of this area is important to the "Make Main Street Happen" effort. This area is presently entirely non-residential. Petitions are not required. Many of the properties in this parcel are occupied by obsolete buildings or deteriorated structures. (See photographs on pages 9a and 9b.)

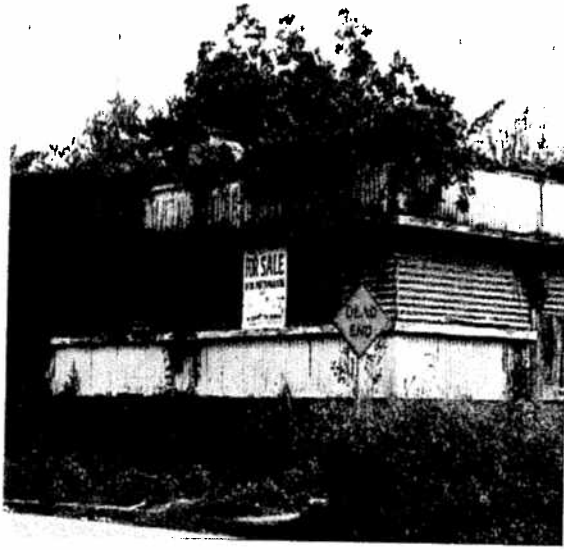
B. Proposed Improvements and Proposed Uses [311.011(b)(1)]

The annexed areas will be revitalized consistent with the existing Midtown Zone and, therefore, the existing Project Plan is applicable to and controls the redevelopment of the annexed areas. Map No. 3 indicates the type of land-use mixture sought in the annexed areas. It is not intended to be an exact representation of uses to be located on each and every block. Instead, it should be regarded as a general guideline of the nature of uses appropriate to an area. Mixed use is encouraged and may be achieved within a block, or from one block to the next. The use designations shown on the Plan also take into account existing uses and structures; a number of these structures are substantial and well-maintained and are likely to remain in place.

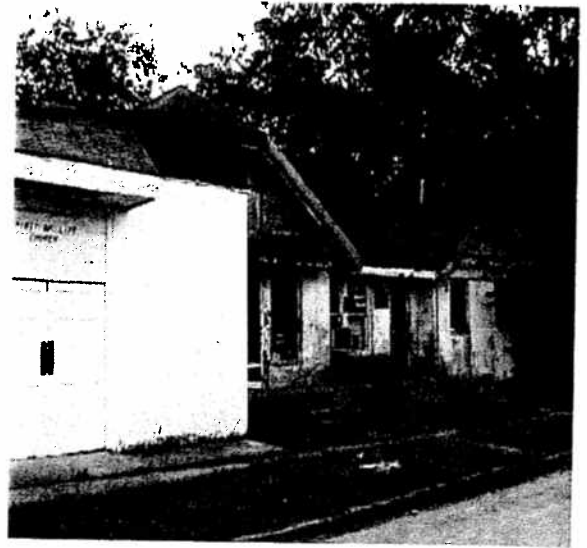
Map No. 4 indicates the streets that will be considered by the Midtown TIRZ for reconstruction or improvement. Map No. 5 shows where water system improvements are proposed. Proposed improvements to the wastewater collection lines are shown on Map No. 6.

One-third of the tax increments attributable to the annexed areas will be used to provide affordable housing as required by Chapter 311 of the Tax Code. As permitted by Chapter 311, Tax Code, the affordable housing improvements may be located inside or outside of the Zone.

One-third of the tax increments of the Houston Independent School District (HISD) attributable to the annexed areas paid into the Tax Increment Fund and any actual HISD tax increment attributable to the annexed areas in excess of that projected in this Project Plan will be used by ~~HISD or at the direction of HISD to provide educational facilities, as provided in Chapter 311 of the Tax Code and as required by the Interlocal Agreement with HISD.~~



Area 2



Area 2



Area 4



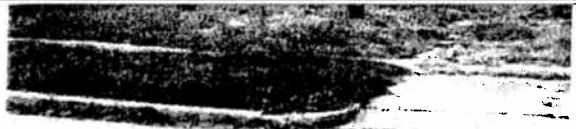
Area 4



Area 4



Area 2





Area 6



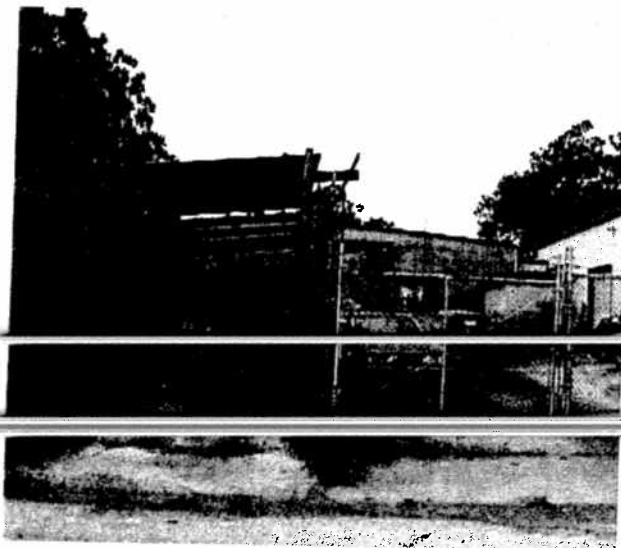
Area 6



Area 4



Area 2



Area 2



Area 2

**C. Proposed Changes of Municipal Ordinances, Master Plan, or Code
[311.011 (b)(2)]**

Other than the ordinance required for the annexation of the proposed area into the TIRZ and the adoption of this Second Amendment, the expansion of the TIRZ will not require any further changes to other ordinances, plan or codes of the City.

D. Non-Project Cost [311.011 (b)(3)]

The description of Non-Project Costs in the existing Project Plan applies to the annexed areas.

E. Method of Relocating Persons [311.011 (b)(4)]

It is not anticipated that any current resident of Midtown will be relocated as a result of the Project and Financing Plan or this Second Amendment.

II. REINVESTMENT ZONE FINANCING PLAN AMENDMENT

A. Estimated Project Cost (311.011(c)(1))

The estimated project cost for the improvements for the annexed areas, which may be funded by the Zone, will be determined and reviewed by the Board on a project by project basis. The plan below shows the estimated project costs needed to support the various types of development that will be encouraged within the annexed areas. The estimated eligible project costs for projects in the areas to be annexed total approximately \$42,716,324 million. Line item amounts may be adjusted with approval of the City and the Midtown TIRZ Board of Directors as long as the total project costs for the annexed areas do not exceed \$42,716,324.

ANNEXED AREA

**SUMMARY OF PROJECT COSTS
(2000 through 2025)**

	Existing Area	Annexed Area	Total Area
Financing Costs	55,714,787	7,154,324	62,869,111
Real Property Assembly	20,000,000	0	20,000,000
Professional Services	5,393,000	370,000	5,763,000
Capital Projects			
* School & Educ./Cultural	77,770,000	6,000,000	83,770,000
* Housing	104,100,000	11,187,000	115,287,000
Historic Preservation	8,000,000	1,500,000	9,500,000
Parks & Paths	14,650,000	1,560,000	16,210,000
Streets & Utilities	55,215,000	7,150,000	62,365,000
Streetscape & Gateways	31,900,000	4,290,000	36,190,000
Security Equip	3,750,000	800,000	4,550,000
Demolition & Cleanup	3,000,000	900,000	3,900,000
Total Capital Projects	298,385,000	33,387,000	331,772,000
Creation and Plan Expenses	552,500	25,000	557,500
Zone Operations	11,881,000	1,780,000	13,661,000
TOTAL			10,022,111

* -- Improvements may be constructed inside or outside the boundaries of the Midtown TIRZ.

B. Proposed Public Improvements (311.011(C)(2))

Maps No. 4-6 show street and infrastructure improvements proposed for the annexed areas. As outlined in Section B of the Project Plan, these public improvements will help to revitalize the annexed areas, most specifically by encouraging affordable residential development.

School and educational facility improvements will be as provided in Chapter 311 of the Texas Tax Code, and may be located inside or outside the Zone pursuant thereto.

Affordable housing improvements represent the one-third of the total tax increment of the Zone dedicated to the provision of affordable housing, which may be provided inside or outside the Zone pursuant to Chapter 311 of the Texas Tax Code.

C. Economic Feasibility Study (311.011(c)(3))

The 1993 CDS Market Research Study (the "Study") on housing potential in Downtown Houston indicated a demand for approximately 98,000 housing units in the Downtown/Midtown Area. The March 1999 update of this study conservatively estimated the aggregate demand for housing in Downtown/Midtown at 137,400 households. In addition, the 1999 study revealed the following evidence supporting the potential interest in Downtown or Midtown living, as well as the characteristics of the interested population:¹

- About 52% of these interested households say they would prefer a Midtown location.
- The 1998 study confirmed the 1993 study's conclusion that renter households that currently pay \$750 per month and households with one or more persons employed in Downtown, Midtown or the Texas Medical Center are strong "target markets."
- Interest on the part of both target markets was found to have increased over the past five years and is now twice as high as that found in the general population. 28% of both target markets say they are "very likely" to relocate to Downtown or Midtown Houston if the "right product were available at the right price." This compares to 13% of the general population.
- Demand potential from high-end renter households is estimated at 92,500 units or 67% of all potential. Demand potential from Downtown and Midtown employees is estimated at 55,800 units or 41% of all potential.

¹ Data from this section is taken from the *Market Research Summary Report: Housing Potential in Downtown Houston*, March 1999, prepared by CDS Market Research

- One characteristic that significantly differentiates these two target markets from other interested households is a higher average household income. Prospects from the general population have an average income of \$55,600 whereas interested Downtown and Midtown employee households average \$72,800 and interested high-end renter households average \$86,000. Higher average annual household incomes translate into the ability and willingness to pay more for housing.
- In general, the key target markets prefer a Midtown location rather than a Downtown one by a ratio of about 2:1. Less traffic, fewer crowds, lower density of development and more trees in Midtown make it more appealing to many prospects.
- The target markets' most preferred housing type is townhomes, selected as the first choice by 39% of each target group.
- The median price that all interested households are willing to pay for housing in Downtown or Midtown is \$770 per month. Among interested employees, the median monthly price is \$840 and high-end renters are willing to pay an average of \$1080. One fifth of these high-end renters are willing to pay \$1,400 or more for housing in Downtown or Midtown. The most popular price range for both key target markets is \$800 - \$1,000 per month, accounting for about one third of all prospects.
- Total demand for housing in Downtown and Midtown has increased substantially over the past five years due to a growing number of households in the Houston Metro area. Households in the survey area for this study have increased at an annual compound growth rate of 3.4% since 1993.
- Total demand has also increased because of a growing interest on the part of both the primary target markets for Downtown and Midtown housing. In 1993, 21% of high-end renters and 23% of employees had a strong interest in Downtown or Midtown living. In 1998, these percentages had increased to 28% for both groups.
- While the majority of interested households still desire to own a home in Downtown or Midtown, there has been an increased interest in leasing, from 20% in 1993 to 35% in 1998. This is likely due to the aging of the population and a growing interest in renting among age groups other than the very young.
- Prospects are also less concerned about being close to major shopping facilities and having a sizable lot or yard.

There is a growing interest on the part of Downtown, Midtown and Medical Center employees to be able to walk to work. In light of the increased traffic congestion on

D. Method of Financing (311.011(c)(6)) and Bond Indebtedness (311.001(c)(4))

Project costs for the annexed areas will be financed in accordance with the Financing Plan for the existing Midtown TIRZ.

E. Current Appraised Value (311.011(c)(7))

The 1998 certified value of the annexed areas serves as our estimate for a 1999 base year value of \$45,274,640.

F. Captured Appraised Value (311.011(c)(8))

The captured appraised value in any given year for the annexed areas is the difference between the appraised value in the base year and the appraised value in any subsequent year. Exhibit B illustrates the captured appraised value as estimated in the annexed areas.

G. Time When Related Costs or Monetary Obligations Are To Be Incurred (311.011(c)(5))

Projects in the annexed areas will be financed according to the development schedule shown on the Pro Forma Cash Flow Table (Exhibit D).

H. Duration of the Zone (311.011 (c) (9))

The proposed annexation will not alter the life of the Midtown TIRZ as set forth in the Project and Financing Plan adopted by City Council on May 22, 1997. The duration of the zone is 30 years.

Exhibit A

BOUNDARY DESCRIPTION
Midtown Tax Increment Reimbursement Zone No. 2

5-99 Annexation Parcel No. 1

BEGINNING at the intersection of the northerly line of West Gray Avenue with the easterly line of Smith Street;

THENCE easterly with the northerly line of West Gray Avenue to the westerly line of State Highway 288 and US Highway 59, said point being an easterly corner of a parcel described as Midtown Tax Increment Zone No. 2, North Annexation Parcel;

THENCE in a northerly direction crossing Interstate Highway 45 (Gulf Freeway) to the northerly line thereof;

THENCE northwesterly and northerly along the northerly line of Interstate Highway 45 (Gulf Freeway) to the northerly line of Calhoun Avenue;

THENCE northwesterly along a westerly projection of said Calhoun Avenue, crossing said Interstate Highway 45 to the westerly line thereof;

THENCE in a southeasterly direction along the westerly line of said Interstate Highway 45 to its intersection with the easterly line of Smith Street;

THENCE southerly along the easterly line of Smith Street to the PLACE OF BEGINNING.

5-99 Annexation Parcel No. 2.

BEGINNING at the intersection of the southerly line of Cleburne Avenue with the easterly line of San Jacinto Street;

THENCE in a northerly direction along the easterly line of San Jacinto Street to its intersection with the southerly line of Alabama Avenue;

THENCE in an easterly direction along the southerly line of Alabama Avenue to its intersection with the easterly line of LaBranch Street;

THENCE in a northerly direction along the easterly line of LaBranch Street to its intersection with the southerly line of Winbern Avenue;

THENCE in an easterly direction along the southerly line of Winbern Avenue to the easterly line

THENCE in a northerly direction along the easterly line of Almeda Road and continuing along the easterly line of Crawford Street to its intersection with the southerly line of Stuart Avenue;

THENCE in an easterly direction along the southerly line of Stuart Avenue to its intersection with the easterly line of Hamilton Street which is adjacent to US Highway 59/State Highway 288;

THENCE in a southwesterly and westerly direction along the easterly line of Hamilton Street and westerly line of State Highway 288 and US Highway 59 and continuing along the northerly line of US 59 to its intersection with the easterly line of Austin Street;

THENCE northerly with the easterly line of Austin Street to the northerly line of Eagle Avenue;

THENCE westerly with the northerly line of Eagle Avenue to the easterly line of San Jacinto Street;

THENCE northerly with the easterly line of San Jacinto Street to the southerly line of Cleburne Avenue which is the PLACE OF BEGINNING of the tract herein described.

5-99 Annexation Parcel No. 3

BEGINNING at the intersection of the southerly line of Tuam Avenue with the westerly line of Bagby Street which is also in the westerly line of US 59 South, Spur 527;

THENCE easterly along the southerly line of Tuam Avenue to the westerly line of Brazos Street;

THENCE southerly along the westerly line of Brazos Street to the northerly line of Elgin Avenue, also known as Westheimer Road;

THENCE westerly along the northerly line of Elgin Avenue/Westheimer Road to the west line of US Highway 59 South, Spur 527;

THENCE northerly and northeasterly along the westerly line of US Highway 59 South, Spur 527, to the PLACE OF BEGINNING.

5-99 Annexation Parcel No. 4

BEGINNING at the intersection of the southerly line of Tuam Avenue with the westerly line of Bagby Street;

THENCE northerly with the westerly line of Bagby Street to the southerly line of McGowen Avenue;

THENCE westerly with the southerly line of McGowen Avenue and west line of Bailey Street to the southeast corner of Lot 10, Block 78 of the W.R. Baker Subdivision, Unrecorded;

~~THENCE easterly along the south line of said W.R. Baker unrecorded subdivision to the westerly line of Boston Street;~~

~~THENCE southerly along the westerly line of Boston Street to the east line of Genesee Street;~~

~~THENCE southerly along the east line of Genesee Street to the south line of Tuam Avenue;~~

~~THENCE easterly along the south line of Tuam Avenue to the PLACE OF BEGINNING.~~

5-99 Annexation Parcel No. 5

BEGINNING at the intersection of the west line of Cushing Street with the north line of West Webster Avenue;

THENCE easterly with the north line of West Webster Avenue to the northerly line of Webster Avenue;

THENCE northwesterly along the northerly line of Webster Avenue to the west line of Cushing Street;

THENCE southerly with the west line of Cushing Street to the PLACE OF BEGINNING.

5-99 Annexation Parcel No. 6

BEGINNING at the intersection of the easterly line of Fannin Street with the northerly line of US 59 South;

THENCE southerly with the easterly line of Fannin Street to the southerly line of Palm Street;

THENCE westerly with the southerly line of Palm Street to the westerly line of Main Street;

THENCE northerly with the westerly line of Main Street to the south line of Portland Street;

THENCE westerly with the south line of Portland Street to the westerly line of Travis Street;

THENCE northerly along the westerly line of Travis Street to the Dead End thereof in the south line of the C.C. Fitze Homestead Addition per plat recorded in Volume 259 Page 163 of the Harris County Deed Records;

THENCE easterly along the south line of said Fitze Addition and north line of Block 1 South End Villa per Volume 1, Page 104 of the Harris county Map Records, to the westerly line of Main Street;

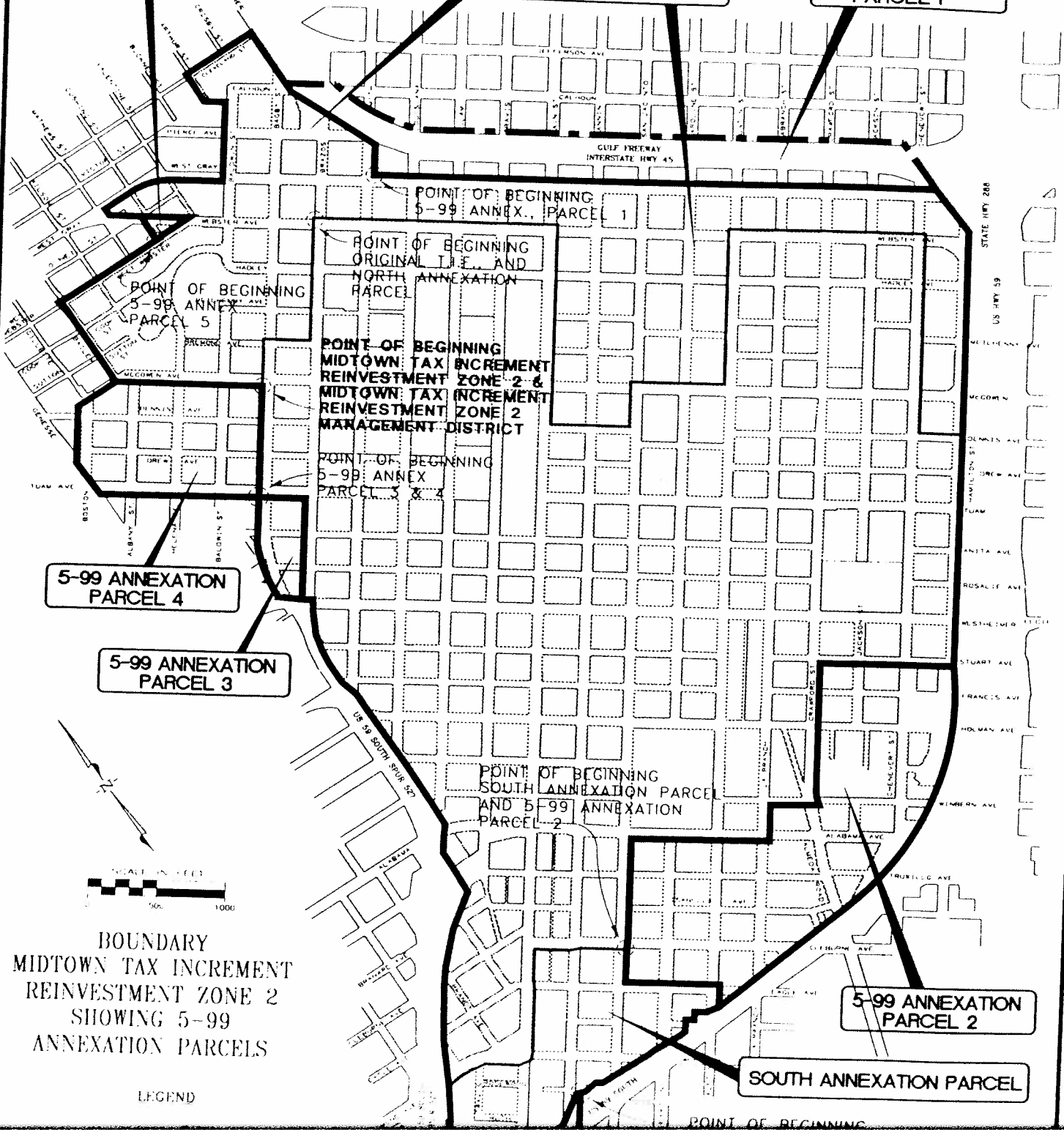
THENCE northerly along the westerly line of Main Street to the northerly line of US 59 South;

THENCE easterly along the northerly line of US 59 South with it meanders to the east line of Fannin Street and PLACE OF BEGINNING.

5-99 ANNEXATION
PARCEL 5

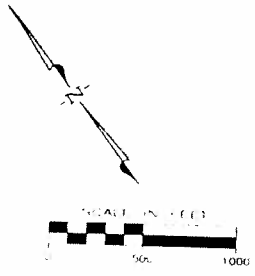
NORTH ANNEXATION PARCEL

5-99 ANNEXATION
PARCEL 1



5-99 ANNEXATION
PARCEL 4

5-99 ANNEXATION
PARCEL 3



BOUNDARY
MIDTOWN TAX INCREMENT
REINVESTMENT ZONE 2
SHOWING 5-99
ANNEXATION PARCELS

LEGEND

POINT OF BEGINNING
5-99 ANNEX. PARCEL 1

POINT OF BEGINNING
ORIGINAL T.I.E. AND
NORTH ANNEXATION
PARCEL

POINT OF BEGINNING
MIDTOWN TAX INCREMENT
REINVESTMENT ZONE 2 &
MIDTOWN TAX INCREMENT
REINVESTMENT ZONE 2
MANAGEMENT DISTRICT

POINT OF BEGINNING
5-99 ANNEX
PARCEL 3 & 4

POINT OF BEGINNING
SOUTH ANNEXATION PARCEL
AND 5-99 ANNEXATION
PARCEL 2

5-99 ANNEXATION
PARCEL 2

SOUTH ANNEXATION PARCEL

POINT OF BEGINNING
5-99 ANNEX
PARCEL 6

5-99 ANNEXATION
PARCEL 6

Consultants in Engineering, Architecture,
Planning and the Environment
CARTER & BURGESS, INC.
55 WALCH DRUM, SUITE 300
HOUSTON, TX 77007 5842

EXHIBIT B**Midtown Redevelopment Authority
Tax Increment Reinvestment Zone No. 2****ANNEXATION AREA TAX INCREMENT REVENUE PROJECTION
(All Annexed Areas Combined)**

Tax Year	Base Value	(1) Increment Value	HISD @ 0.96000	Houston @ 0.66500	Harris Cty 0.41660	Calendar Year	TIRZ Revenue
1999	45,274,640	0	0	0	0	2000	0
2000	45,274,640	6,552,000	62,899	43,571	27,296	2001	133,766
2001	45,274,640	13,232,000	127,027	87,993	55,125	2002	270,145
2002	45,274,640	19,784,000	189,926	131,564	82,420	2003	403,910
2003	45,274,640	26,336,000	252,826	175,134	109,716	2004	537,676
2004	45,274,640	33,328,500	319,954	221,635	138,847	2005	680,435
2005	45,274,640	39,894,500	382,987	265,298	166,200	2006	814,486
2006	45,274,640	46,504,500	446,443	309,255	193,738	2007	949,436
2007	45,274,640	52,921,500	508,046	351,928	220,471	2008	1,080,445
2008	45,274,640	59,485,000	571,056	395,575	247,815	2009	1,214,446
2009	45,274,640	66,048,500	634,066	439,223	275,158	2010	1,348,446
2010	45,274,640	72,612,000	697,075	482,870	302,502	2011	1,482,447
2011	45,274,640	79,175,500	760,085	526,517	329,845	2012	1,616,447
2012	45,274,640	85,739,000	823,094	570,164	357,189	2013	1,750,447
2013	45,274,640	92,302,500	886,104	613,812	384,532	2014	1,884,448
2014	45,274,640	98,866,000	949,114	657,459	411,876	2015	2,018,448
2015	45,274,640	105,429,500	1,012,123	701,106	439,219	2016	2,152,449
2016	45,274,640	111,993,000	1,075,133	744,753	466,563	2017	2,286,449
2017	45,274,640	118,556,500	1,138,142	788,401	493,906	2018	2,420,450
2018	45,274,640	125,116,500	1,201,118	832,025	521,235	2019	2,554,378
2019	45,274,640	131,688,000	1,264,205	875,725	548,612	2020	2,688,542
2020	45,274,640	138,259,500	1,327,291	919,426	575,989	2021	2,822,706
2021	45,274,640	144,831,000	1,390,378	963,126	603,366	2022	2,956,870
2022	45,274,640	151,402,500	1,453,464	1,006,827	630,743	2023	3,091,033
2023	45,274,640	157,963,750	1,516,452	1,050,459	658,077	2024	3,224,988
2024	45,274,640	164,525,000	1,579,440	1,094,091	685,411	2025	3,358,942
			20,568,450	14,247,937	8,925,850	43,742,234	

(1) Increment value as provided by Vernon G. Henry and Associates, Inc.

Midtown Redevelopment Authority
Tax Increment Reinvestment Zone No. 2

EXHIBIT B

Pro Forma Cash Flow
(Annexed Areas Only)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital Program Outlays														
Capital Projects	0	530,000	780,000	790,000	920,000	1,020,000	1,080,000	1,040,000	1,070,000	1,050,000	620,000	670,000	760,000	850,000
Financing Costs	0	56,000	63,000	56,000	63,000	63,000	63,000	56,000	56,000	49,000	0	0	0	0
Professional Services	0	25,000	25,000	25,000	25,000	25,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
TOTAL	0	611,000	868,000	871,000	1,008,000	1,108,000	1,158,000	1,111,000	1,141,000	1,114,000	635,000	685,000	775,000	865,000
Operating Expenses														
Creation and Plan Expenses	0	25,000	0	0	0	0	0	0	0	0	0	0	0	0
Zone Operations	0	85,000	85,000	85,000	85,000	85,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
TOTAL	0	110,000	85,000	85,000	85,000	85,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Future Borrowing														
Borrowings	0	800,000	900,000	800,000	900,000	900,000	900,000	800,000	800,000	700,000	0	0	0	0
Reserve Fund Deposit	0	(87,836)	(98,815)	(87,836)	(98,815)	(98,815)	(98,815)	(91,476)	(95,721)	(88,131)	0	0	0	0
Capitalized Interest Accrual	0	(112,000)	(126,000)	(112,000)	(126,000)	(126,000)	(126,000)	(112,000)	(112,000)	(98,000)	0	0	0	0
Cash Flow														
Cash Earmarked for Debt Service	0	0	56,000	63,000	56,000	63,000	63,000	63,000	56,000	56,000	49,000	0	0	0
Tax Increment Cash on Hand	0	133,766	270,145	403,910	537,676	680,435	814,486	949,436	1,080,445	1,214,446	1,348,446	1,482,447	1,616,447	1,750,447
Earnings on DSR & Cap	0	5,753	9,986	13,219	17,452	21,405	25,357	28,736	32,565	35,810	33,850	33,850	33,850	33,850
Capitalized Interest & Debt Release	0	112,000	126,000	112,000	126,000	126,000	126,000	112,000	112,000	98,000	0	0	0	0
Available to Repay Borrowings	0	251,519	462,131	592,130	737,128	890,839	1,028,843	1,153,172	1,281,010	1,404,256	1,431,297	1,516,297	1,650,297	1,784,298
Repayment of Borrowings	0	56,000	119,000	175,000	238,000	301,000	395,836	487,651	575,487	660,302	696,117	731,932	767,408	807,129
Future Max Annual Coverage Test	n/a	1.37	1.30	1.32	1.30	1.30	1.28	1.29	1.28	1.29	n/a	n/a	n/a	n/a
Cash After Repayments	0	195,519	343,131	417,130	499,128	589,839	633,008	665,521	705,524	743,954	735,180	784,365	882,889	977,169
Retained in Capitalized Interest	0	56,000	63,000	56,000	63,000	63,000	63,000	56,000	56,000	49,000	0	0	0	0
Cash Flow After Debt Service														
Cash Carried Forward	0	0	18,683	20,999	26,293	44,605	53,630	65,822	85,867	111,671	131,494	156,673	181,038	213,928
Cash Available for General Use	0	139,519	280,131	361,130	436,128	526,839	570,008	609,521	649,524	694,954	735,180	784,365	882,889	977,169
Borrowings Net of Capitalized Interest Reserve	0	600,164	675,185	600,164	675,185	675,185	596,524	596,524	513,869	0	0	0	0	0
Operating Expenses	0	(110,000)	(85,000)	(85,000)	(85,000)	(85,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Capital Program Expenses	0	(611,000)	(868,000)	(871,000)	(1,008,000)	(1,108,000)	(1,158,000)	(1,111,000)	(1,141,000)	(1,114,000)	(635,000)	(685,000)	(775,000)	(865,000)
Finding Cash	0	18,683	20,999	26,293	44,605	53,630	65,822	85,867	111,671	131,494	156,673	181,038	213,928	251,097

Midtown Redevelopment Authority
Tax Increment Reinvestment Zone No. 2

EXHIBIT B

Pro Forma Cash Flow
(Annexed Areas Only)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total for All Years
Program Outlays													
Capital Projects	950,000	1,080,000	1,220,000	1,360,000	1,490,000	1,630,000	1,840,000	2,060,000	2,280,000	2,510,000	2,740,000	3,047,000	33,387,000
Financing Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Professional Services	15,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	525,000
TOTAL	965,000	1,090,000	1,230,000	1,370,000	1,500,000	1,640,000	1,850,000	2,070,000	2,290,000	2,520,000	2,750,000	3,057,000	34,282,000
Operating Expenses													
Creation and Planning	0	0	0	0	0	0	0	0	0	0	0	0	0
Zone Operations	75,000	70,000	70,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	25,000
TOTAL	75,000	70,000	70,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	1,780,000
Future Borrowings													
Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Fund Deficit	0	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow													
Cash Earmarked for Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Beginning Cash on Hand	1,884,448	2,018,448	2,152,449	2,286,449	2,420,450	2,554,378	2,688,542	2,822,706	2,956,870	3,091,033	3,224,988	3,358,942	43,742,234
Tax Incremental Revenues	33,850	33,850	33,850	33,850	33,850	33,850	30,337	26,384	22,871	18,918	14,966	0	642,265
Earnings on DSR & Cap-I Funds	0	0	0	0	0	0	87,836	98,815	87,836	98,815	98,815	374,143	1,896,260
Capitalized Interest Available to Repay	1,918,298	2,052,299	2,186,299	2,320,299	2,454,300	2,588,229	2,806,715	2,947,905	3,067,576	3,208,767	3,338,769	3,733,086	46,280,760
Repayment of Borrowings (Bond D/S)	846,260	846,260	846,260	846,260	846,260	846,260	846,260	758,424	659,609	571,774	472,958	374,143	14,771,590
Future Max Annual Coverage Test	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cash After Repayment Retained in Capital Fund	1,072,038	1,206,039	1,340,039	1,474,039	1,608,040	1,741,969	1,960,455	2,189,481	2,407,967	2,636,993	2,865,810	3,358,942	31,509,170
Cash Flow After Debt Service													
Cash Carried Forward	251,097	283,135	329,174	369,213	413,252	461,292	503,261	553,716	613,197	671,164	728,157	783,968	31,509,170
Cash Available for Capital and Reserve	1,072,038	1,206,039	1,340,039	1,474,039	1,608,040	1,741,969	1,960,455	2,189,481	2,407,967	2,636,993	2,865,810	3,358,942	5,603,740
Borrowings Net of Operating Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Program Expenditures	(75,000)	(70,000)	(70,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(1,805,000)
Ending Cash	(965,000)	(1,090,000)	(1,230,000)	(1,370,000)	(1,500,000)	(1,640,000)	(1,850,000)	(2,070,000)	(2,290,000)	(2,520,000)	(2,750,000)	(3,057,000)	(34,282,000)
TOTAL	283,135	329,174	369,213	413,252	461,292	503,261	553,716	613,197	671,164	728,157	783,968	1,025,910	1,025,910

Midtown Annexation Area
 Projected Development by
 Land Use Type

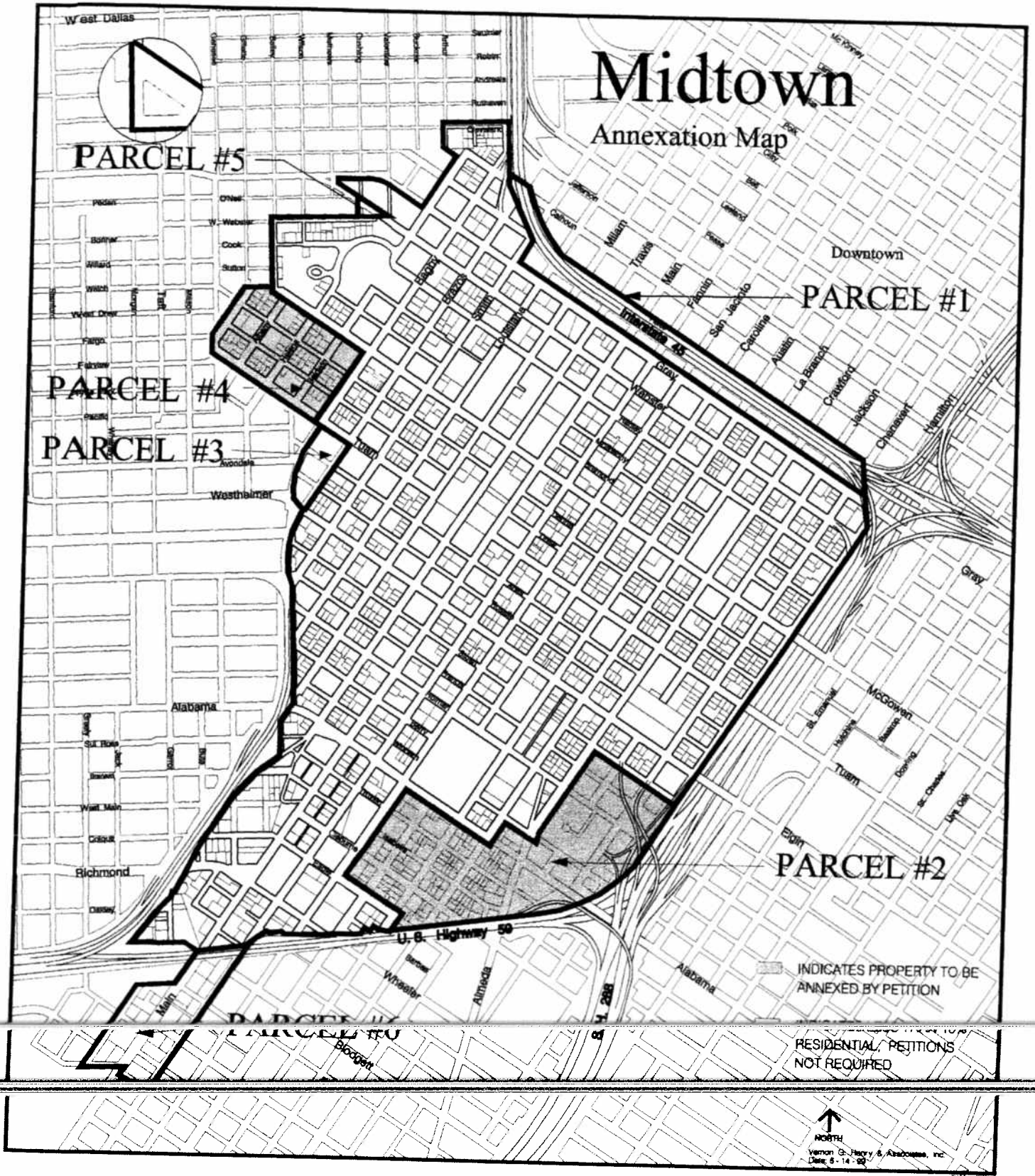
EXHIBIT B

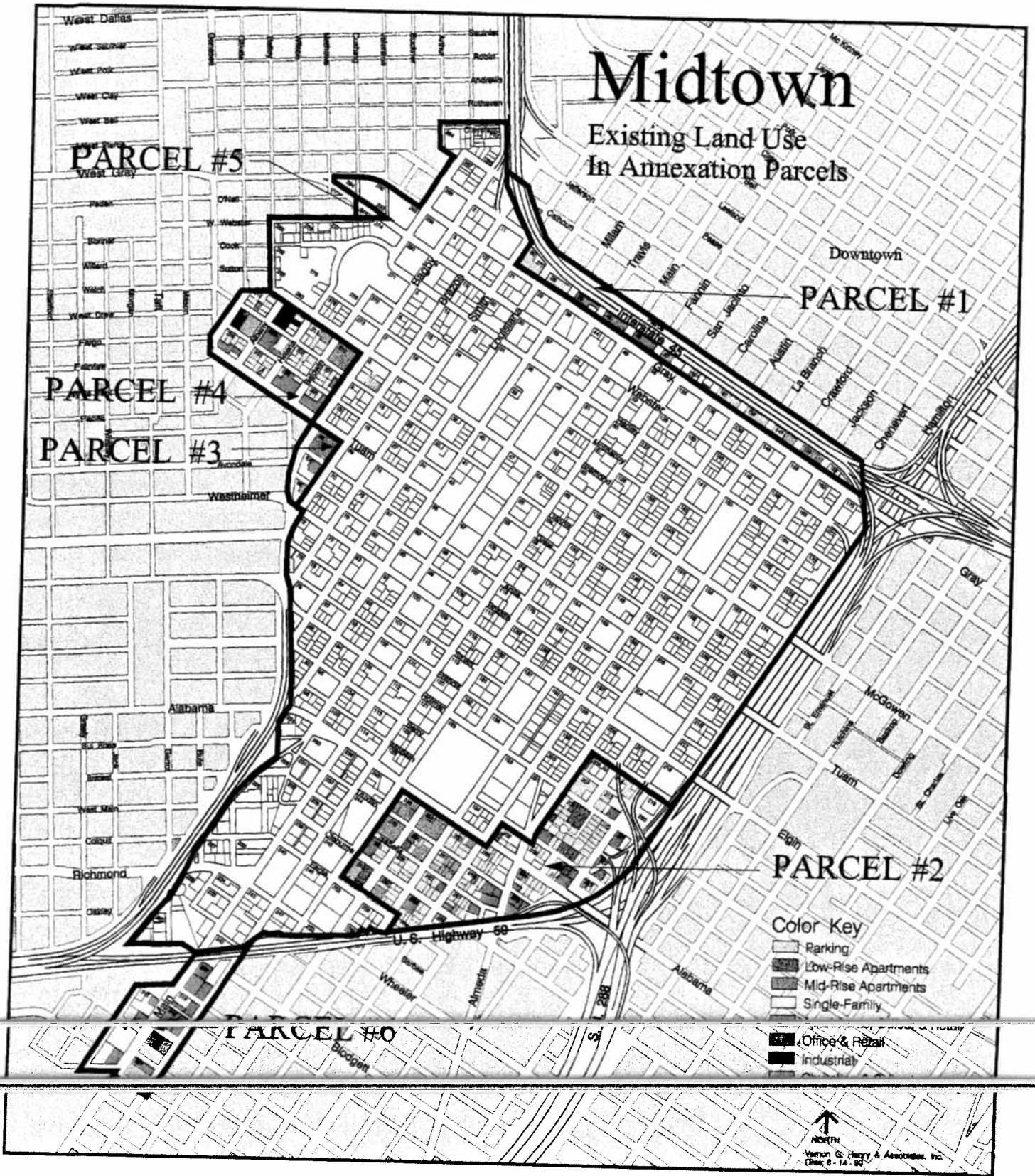
YEAR	AO s/f	AOR s/f	MR s/f	OR s/f	TH s/f	No. Unit	Total Annual s/f
1999					0	0	0
2000					62,400	26	62,400
2001				20,000	36,000	15	56,000
2002					62,400	26	62,400
2003				0	62,400	26	62,400
2004	5,000			30,000	18,500	8	53,500
2005			26,500	0	27,200	11	53,700
2006			26,500	20,000	0	0	46,500
2007		10,000		30,000	5,400	2	45,400
2008				10,000	48,700	20	58,700
2009				10,000	48,700	20	58,700
2010				10,000	48,700	20	58,700
2011				10,000	48,700	20	58,700
2012				10,000	48,700	20	58,700
2013				10,000	48,700	20	58,700
2014				10,000	48,700	20	58,700
2015				10,000	48,700	20	58,700
2016				10,000	48,700	20	58,700
2017				10,000	48,700	20	58,700
2018	11,000			10,000	34,000	14	55,000
2019				20,700	34,000	14	54,700
2020				20,700	34,000	14	54,700
2021				20,700	34,000	14	54,700
2022				20,700	34,000	14	54,700
2023				45,250	0	0	45,250
2024				45,250	0	0	45,250
	16,000	10,000	53,000	383,300	931,300	384	1,393,600

NOTE: Estimated areas of land use types have been rounded off

KEY:

AO	Apartments & Office	\$/sq ft -	\$140
AOR	Apartments, Office, Retail	\$/sq ft -	\$150
MR	Mid-Rise Apartments	\$/sq ft -	\$140
OR	Office & Retail	\$/sq ft -	\$145
TH	Townhouse	\$/sq ft -	\$105





Midtown

Existing Land Use In Annexation Parcels

PARCEL #5

PARCEL #1







PARCEL #4

PARCEL #3

PARCEL #2

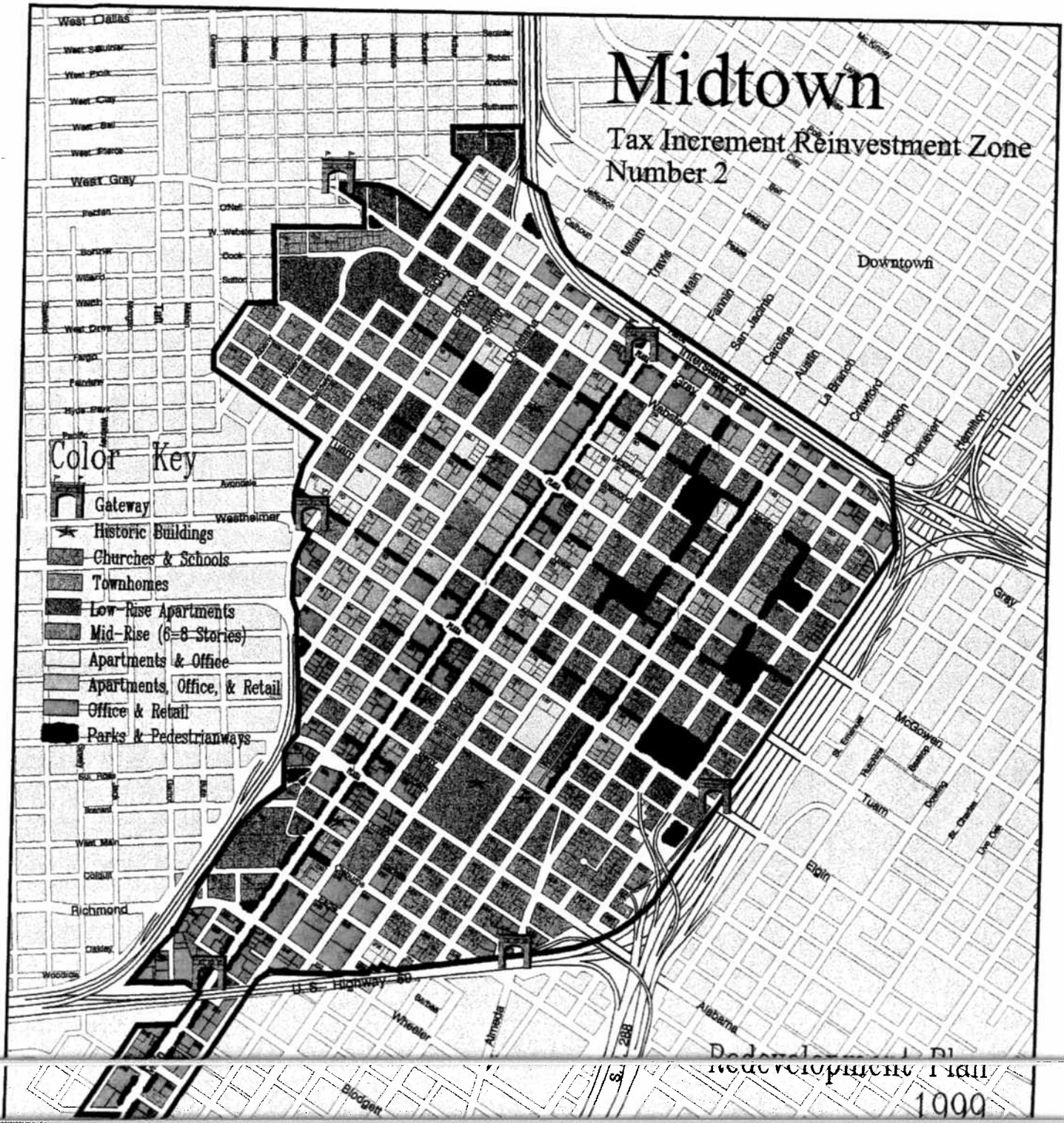
PARCEL #0

Color Key

-  Parking
-  Low-Rise Apartments
-  Mid-Rise Apartments
-  Single-Family
-  Office & Retail
-  Industrial

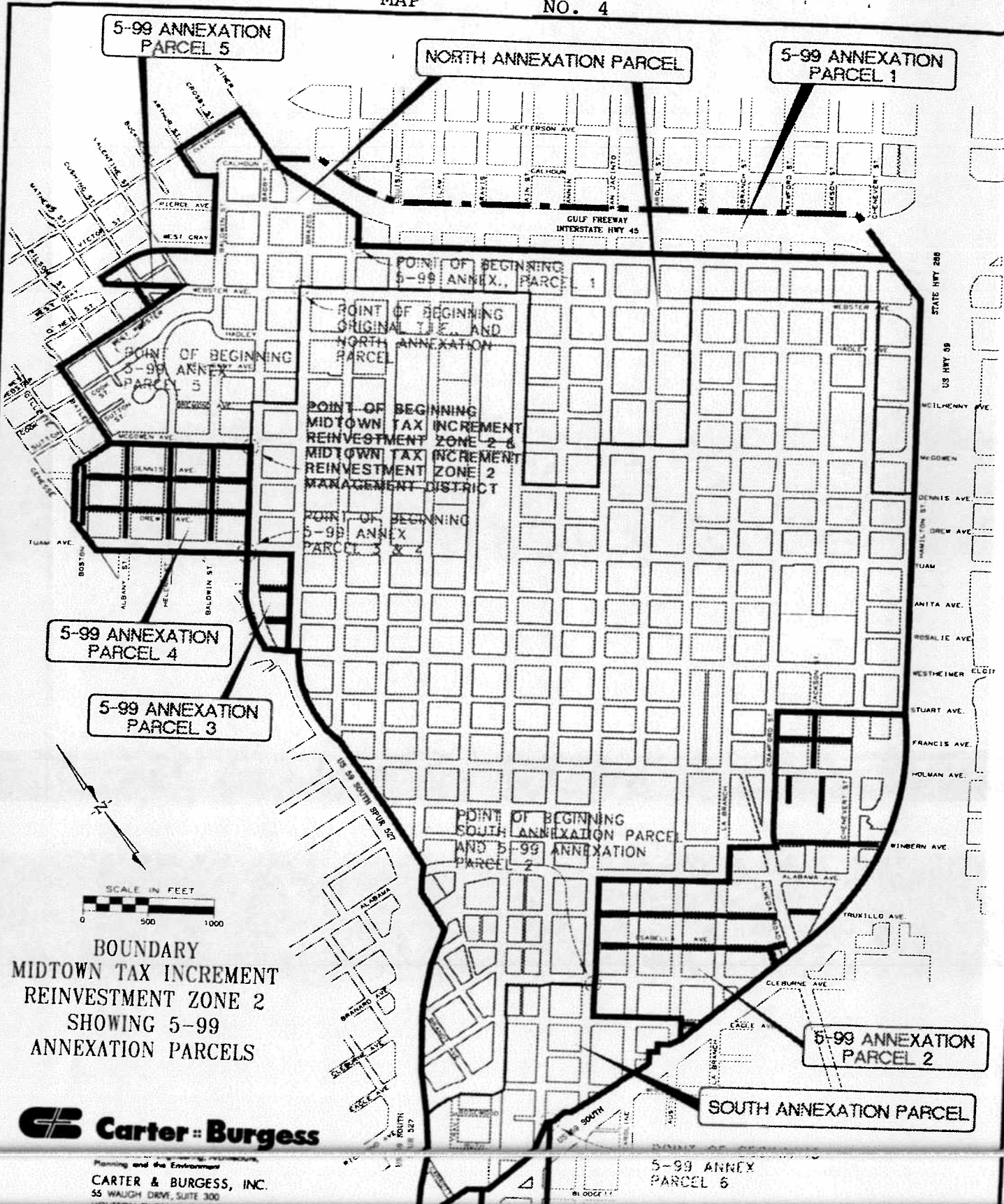


Vernon G. Harry & Associates, Inc.
Date: 6 - 14 - 90



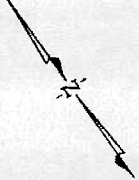
THIS MAP SHOWS A GENERALIZED APPLICATION OF THE CONCEPTS AND LAND USE PLANNED FOR THIS ZONE. IT IS NOT DESIGNED TO BE AN EXACT LITERAL REPRESENTATION OF LAND OR FACILITIES.

NORTH
0 100 200
Feet
100 200
Meters
Gordon G. Henry & Associates, Inc.
Date: 8-14-99



5-99 ANNEXATION PARCEL 4

5-99 ANNEXATION PARCEL 3



SCALE IN FEET
0 500 1000

BOUNDARY
MIDTOWN TAX INCREMENT
REINVESTMENT ZONE 2
SHOWING 5-99
ANNEXATION PARCELS

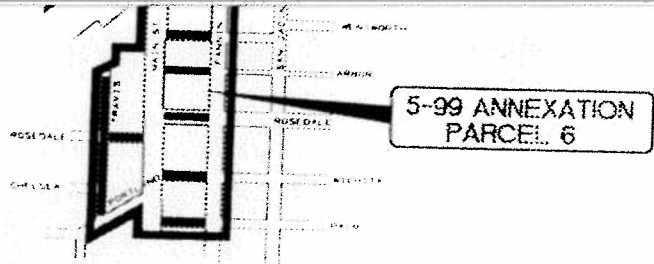
Carter Burgess

Planning and the Environment
CARTER & BURGESS, INC.
55 WAUGH DRIVE, SUITE 300
HOUSTON, TX 77056

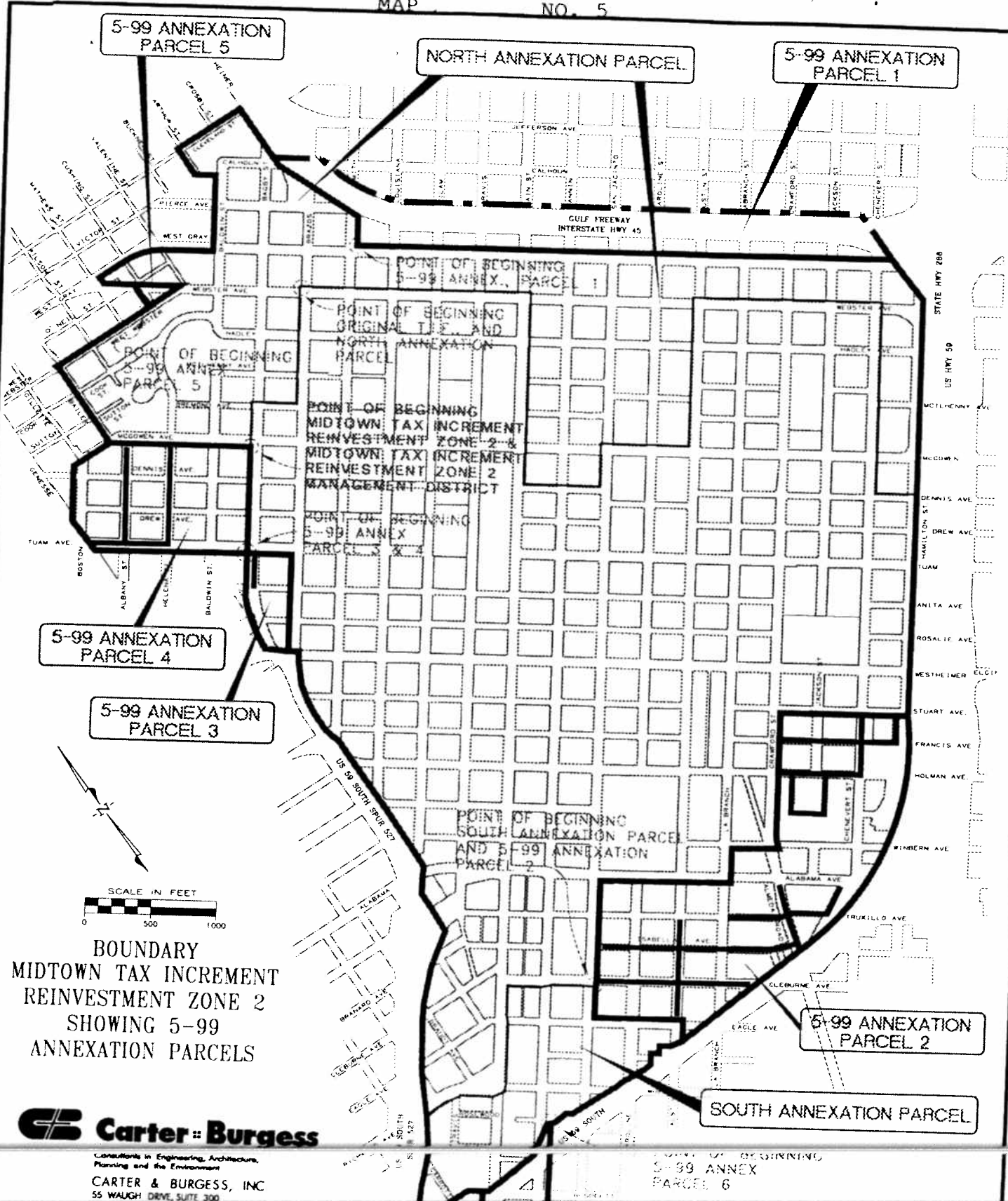
SOUTH ANNEXATION PARCEL

STREET
IMPROVEMENTS

LEGEND
— PROP. IMPROVEMENTS



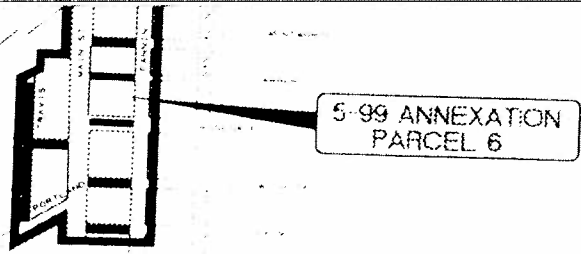
5-99 ANNEXATION PARCEL 6

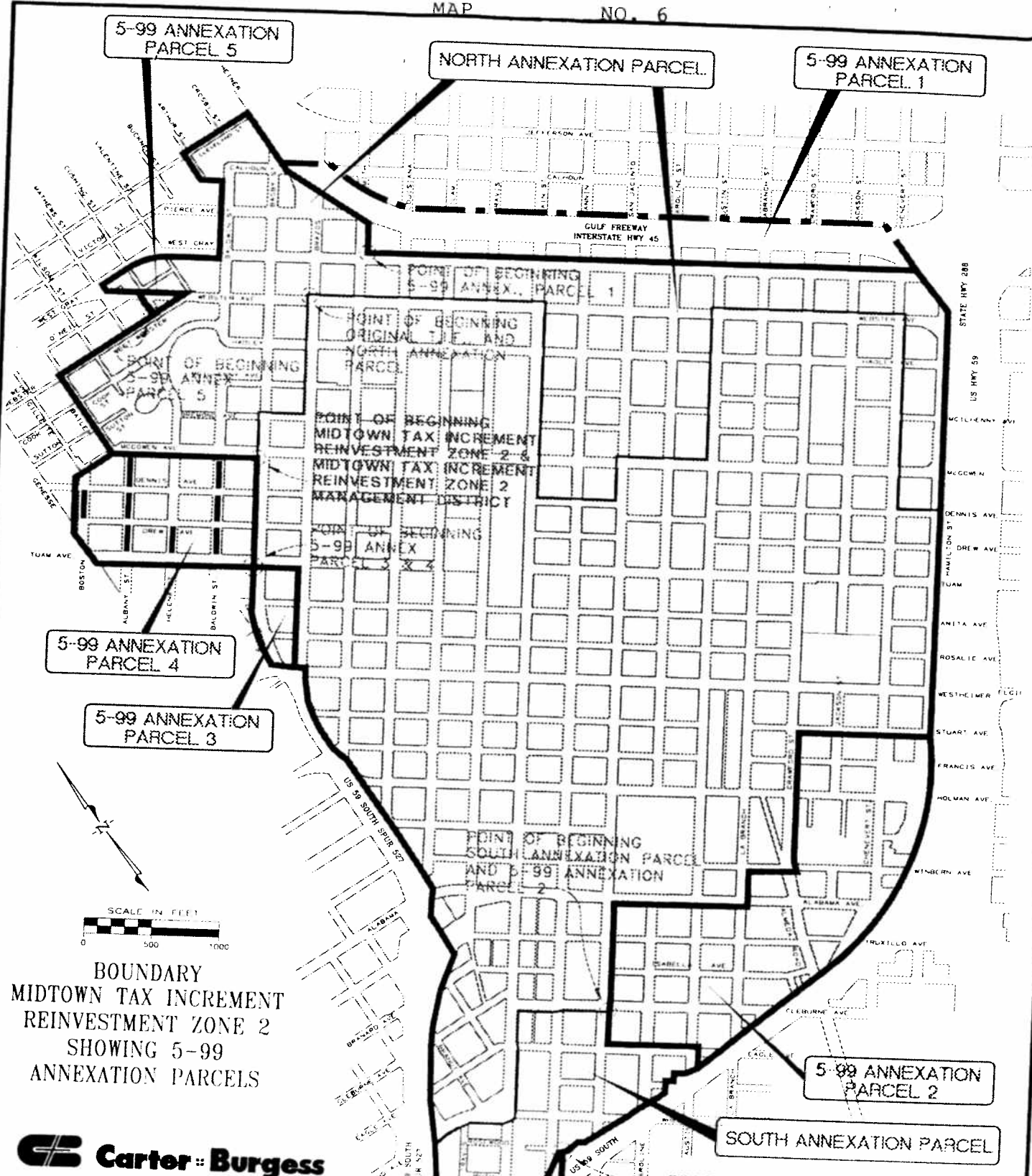


WATER MAIN IMPROVEMENTS

LEGEND

— PROP. IMPROVEMENTS





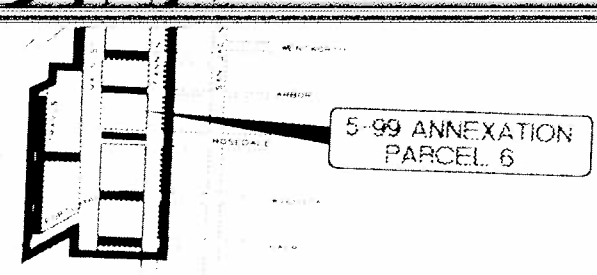
BOUNDARY
MIDTOWN TAX INCREMENT
REINVESTMENT ZONE 2
SHOWING 5-99
ANNEXATION PARCELS



Planning and the Environment
CARTER & BURGESS, INC
55 WAUGH DRIVE, SUITE 300
HOUSTON, TX 77002-6800

WASTEWATER
IMPROVEMENTS

LEGEND
— PROPOSED WASTEWATER



5-99 ANNEXATION
PARCEL 6

5-99 ANNEX
PARCEL 6

REINVESTMENT ZONE FINANCING PLAN

Summary

Redevelopment of real estate in Midtown will be enabled, facilitated and accelerated by the T.I.R.Z. The participation of the three largest taxing jurisdictions is helping Midtown to "prime the pump" of economic rehabilitation in Houston's inner city. T.I.R.Z. #2 was created for a period of 30 years by Houston City Council. Harris County participation is for the same 30 years. Houston Independent School District participation started in 1997 for a period of 25 years.

Redevelopment Area

The redevelopment area modeled is approximately 356 acres (net of right-of-way) of the area known as Midtown. Of this total, 203 acres (57%) are designated for redevelopment during the life of the proposed T.I.R.Z. Approximately fifty-three acres are planned to remain in their present uses. Of the land area to be redeveloped, 88% is planned for taxable uses, with the remainder planned for tax exempt uses. Redevelopment activity will continue long after the T.I.R.Z. expires. The development plan assumes that some 100 acres will remain to be redeveloped after the T.I.R.Z. has expired.

Revenue Model

The following tables present the assumptions that contributed to the calculation of projected revenue flows to the T.I.R.Z. All assumptions were developed by the Midtown T.I.R.Z., the Midtown Redevelopment Authority and its consultants.

Revenue Model Assumptions

Annual Rates of Change (growth rates):	
Value of Property not yet Redeveloped	1.8%
Redevelopment Costs	1.8%
Value of Redeveloped Property	1.8%

1999 Set Tax Rates:		<u>Rate</u>
City of Houston	\$0.66500	
Harris County	\$0.42768	
HISD	\$1.45900	
T.I.R.Z. Participation by Taxing Jurisdictions: (1)		
City of Houston	100.00%	
Harris County	100.00%	
HISD	100.00%	
Rate dedicated to Midtown:		<u>Rate</u> <u>Share</u>
City of Houston	\$0.66500	26.06%
Harris County	\$0.42768	16.76%
HISD (2)	\$1.45900	57.18%
Yields Overall Rate :	\$2.55168	100.00%

- (1) In accordance with the Interlocal Agreements between the City, the Midtown T.I.R.Z. and the Taxing Jurisdictions, each Taxing Jurisdiction participates in the Midtown T.I.R.Z. at 100% of its tax rate. The tax rate of the Taxing Jurisdictions are established annually and may be increased or decreased by the Taxing Jurisdictions in any year.
- (2) T.I.R.Z. Revenue assumes HISD participation at .9600 for tax years 1996 through 1998 and participation at 1.4590 for tax years 1999 through 2023. In addition, T.I.R.Z. Revenue assumes a 97% collection rate.

Summary of TIRZ Revenue Projections

Tax Year	Increment Value	HISD @ 0.96000	HISD @ 1.45900	HISD Increase	Houston @ 0.66500	Harris Cty @ 0.42768	Calendar Year	TIRZ * Revenue
1996	3,139,000	0		n/a	20,874	13,425	1997	33,250
1997	31,298,000	300,461		n/a	208,132	133,855	1998	623,100
1998	54,798,000	526,061		n/a	364,407	234,360	1999	1,091,000
1999	76,507,000	734,467	1,116,237	381,770	508,772	327,205	2000	1,893,640
2000	95,942,000	921,043	1,399,794	478,751	638,014	410,325	2001	2,374,680
2001	126,507,000	1,214,467	1,845,737	631,270	841,272	541,045	2002	3,131,210
2002	166,537,000	1,598,755	2,429,775	831,020	1,107,471	712,245	2003	4,122,000
2003	209,984,000	2,015,846	3,063,667	1,047,820	1,396,394	898,060	2004	5,197,370
2004	241,541,000	2,318,794	3,524,083	1,205,290	1,606,248	1,033,023	2005	5,978,450
2005	274,116,000	2,631,514	3,999,352	1,367,839	1,822,871	1,172,339	2006	6,784,720
2006	330,105,000	3,169,008	4,816,232	1,647,224	2,195,198	1,411,793	2007	8,170,520
2007	372,827,000	3,579,139	5,439,546	1,860,407	2,479,300	1,594,507	2008	9,227,950
2008	432,299,000	4,150,070	6,307,242	2,157,172	2,874,788	1,848,856	2009	10,699,960
2009	478,094,000	4,589,702	6,975,391	2,385,689	3,179,325	2,044,712	2010	11,833,440
2010	525,348,000	5,043,341	7,664,827	2,621,487	3,493,564	2,246,808	2011	13,003,040
2011	586,654,000	5,631,878	8,559,282	2,927,403	3,901,249	2,509,002	2012	14,520,440
2012	631,020,000	6,057,792	9,206,582	3,148,790	4,196,283	2,698,746	2013	15,618,563
2013	693,155,000	6,654,288	10,113,131	3,458,843	4,609,481	2,964,485	2014	17,156,485
2014	740,166,000	7,105,594	10,799,022	3,693,428	4,922,104	3,165,542	2015	18,320,068
2015	788,594,000	7,570,502	11,505,586	3,935,084	5,244,150	3,372,659	2016	19,518,724
2016	865,213,000	8,306,045	12,623,458	4,317,413	5,753,666	3,700,343	2017	21,415,143
2017	917,065,000	8,803,824	13,379,978	4,576,154	6,098,482	3,922,104	2018	22,698,547
2018	988,824,000	9,492,710	14,426,942	4,934,232	6,575,680	4,229,002	2019	24,474,676
2019	1,044,117,000	10,023,523	15,233,667	5,210,144	6,943,378	4,465,480	2020	25,843,249
2020	1,101,029,000	10,569,878	16,064,013	5,494,135	7,321,843	4,708,881	2021	27,251,895
2021	1,141,091,000	10,954,474	16,648,518	5,694,044	7,588,255	4,880,218	2022	28,243,481
2022	1,181,089,000	11,338,454	17,232,089	5,893,634	7,854,242	5,051,281	2023	29,233,483
2023	1,222,106,000	11,732,218	17,830,527	6,098,309	8,127,005	5,226,703	2024	30,248,707
		<u>147,033,850</u>	<u>222,204,679</u>	<u>75,997,351</u>	<u>101,872,447</u>	<u>65,517,005</u>		<u>378,708,033</u>

* TIRZ Revenue assumes HISD participation at .9600 for tax years 1996 through 1998 and participation at 1.4590 for tax years 1999 through 2023. In addition, TIRZ Revenue assumes a 97% collection rate.

This financial plan will be updated from time to time to match actual development or revised trends or changes in the State laws.

FINANCING COSTS **\$55,714,787**

This category of costs includes all interest, legal fees, brokerage charges, transfer or placement charges, premium and fees paid for loans, credit enhancement fees, notes, bonds or other instruments of credit issued to pay for project costs. It also includes any premium paid over the principal amount of any obligations because of redemption before maturity or for late payments.

REAL PROPERTY ASSEMBLY **\$20,000,000**

These costs include amounts paid to property owners, commissions or professional fees, closing costs, tax certificate, title registration fees, title insurance, environmental and archaeological assessments, relocation costs, boundary and topographic surveying, signs and advertising, management or maintenance costs and any other costs normally associated with purchasing property, holding property for resale, and the sale of property.

PROFESSIONAL SERVICES **\$5,393,000**

These costs include all those that may be incurred for architectural, planning, engineering, legal, landscape architectural, financial, marketing, public relations, management, leasing, bookkeeping, tax roll verification, environmental, archaeological, and other services and advice necessary to the project.

CAPITAL PROJECTS **\$298,385,000**

This category includes the costs of the acquisition, construction, demolition, alteration, remodeling, repair, reconstruction, beautification and enhancement, historic preservation, and environmental remediation of the following: existing buildings, structures, and fixtures; housing; parks and plazas; streets and public works; infrastructure, including drainage, storm water control, public and private utilities; pedestrian and bike paths; streetscape enhancements including lighting, signage, and public art; educational facilities, including schools and colleges; parking facilities; security equipment.

School Education & Cultural Facilities	\$77,770,000
Housing	104,100,000
Historic Preservation	8,000,000
Parks & Plazas	14,650,000
Streets & Utilities	55,215,000
Streetscape & Gateways	21,000,000
Security Equipment	3,750,000
Demolition & Clean Up	3,000,000

ORGANIZATIONAL EXPENSES

These costs include environmental, archaeological, historical and other impact studies, the cost of publicizing the Zone and its benefits through various media in person and by events, and the cost of implementing the project plan including building plan review, field investigations, project brochures, and office expenses. Organizational Expenses are included in the amounts shown under Professional Services and Zone Operations in the accompanying Pro Forma Cash Flow Estimate table.

CONSTRUCTION INTEREST

This category of costs includes interest, transfer or placement charges, premiums and fees paid for loans, notes or other instruments or credit issued before and during construction of project buildings, facilities or structures and for a period of one year after the completion of construction. Construction Interest is included under Financing Costs in the accompanying table.

ZONE OPERATIONS **\$11,881,000**

This category covers the cost of operating the reinvestment zone and project facilities, including office or display, rent, construction or purchase; utilities and office supplies; salary and benefit costs for zone employees; Board operations; fees for conferences and travel; reproduction expenses; equipment; building management or leasing charges.

DISCRETIONARY PAYMENTS

This category covers any cost necessary or convenient to the creation of the zone and the implementation of the project plan that is not covered by the other categories listed and which may or may not be foreseen at the time the financial plan is adopted. It could include costs associated with a unique opportunity or an unusual climatic event such as a hurricane. In the accompanying Pro Forma Cash Flow Estimate table, the amount of Discretionary Payments appears as a part of Zone Operations.

CREATION AND PLAN EXPENSES **\$532,300**

These costs include legal, planning and engineering, preparation of plan and engineering analysis, financial feasibility studies, site planning, coordinating and maintaining data bank to create the zone and prepare the project plan and reinvestment zone financing plan.

Midtown Pro Forma Cash Flow Estimates

	1997					1998					1999					2000					2001					Cumulative				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years	1-25	26-28	All Years 1-28							
Capital Program Outlays																														
Capital Projects	3,400,000	4,300,000	3,700,000	5,000,000	5,100,000	21,500,000	33,300,000	22,400,000	55,300,000	98,800,000																				
Educational Facility Expenditures *	0	(194,298)	(340,186)	(721,833)	(905,200)	(2,161,517)	(8,706,378)	(12,901,213)	(17,099,095)	(21,800,000)																				
Financing Costs	195,000	195,000	180,000	150,000	150,000	870,000	750,000	0	0	0																				
Real Property Assembly	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000	5,000,000	5,000,000	5,000,000	5,000,000																				
Professional Services	443,000	250,000	250,000	250,000	200,000	1,393,000	1,000,000	1,000,000	1,000,000	1,000,000																				
TOTAL	6,038,000	6,745,000	6,130,000	7,400,000	7,450,000	33,763,000	40,050,000	28,400,000	56,300,000	99,800,000																				
Operating Expenses																														
Creation and Plan Expenses	260,000	150,000	122,300	0	0	532,300	0	0	0	0																				
Zone Operations	131,000	200,000	300,000	450,000	450,000	1,531,000	2,250,000	2,250,000	2,250,000	2,250,000																				
TOTAL	391,000	350,000	422,300	450,000	450,000	2,063,300	2,250,000	2,250,000	2,250,000	2,250,000																				
Existing Short-Term Debt Payments																														
HHFC Note Payments	265,000	0	0	0	0	265,000	0	0	0	0																				
Reliable Life Note Payments	40,000	40,000	40,000	125,228	125,228	370,456	375,685	0	0	0																				
TOTAL	305,000	40,000	40,000	125,228	125,228	635,456	375,685	0	0	0																				
Future Borrowing																														
Borrowings	6,500,000	6,500,000	6,000,000	5,000,000	5,000,000	29,000,000	25,000,000	0	0	0																				
Payments	(455,000)	(910,000)	(1,330,000)	(1,680,000)	(2,030,000)	(6,405,000)	(19,041,208)	(29,644,817)	(19,598,344)	(19,598,344)																				
Borrowed Proceeds Escrow	(910,000)	(910,000)	(840,000)	(700,000)	(700,000)	(700,000)	(700,000)	0	0	0																				
Cash Flow																														
Cash Earmarked for Debt Service																														
Beginning Cash on Hand	236,000	455,000	455,000	420,000	350,000	236,000	350,000	350,000	350,000	350,000																				
Tax Incremental Revenues	33,270	623,174	1,091,083	1,893,647	2,374,689	6,015,864	25,213,774	52,934,928	85,134,285	121,683,560																				
Sale of Assembled Real Property	910,000	910,000	840,000	700,000	700,000	4,060,000	3,500,000	0	0	0																				
Borrowed Proceeds Escrow	1,179,270	1,988,174	2,386,083	5,013,647	5,424,689	14,311,864	37,063,774	58,284,928	88,134,285	121,683,560																				
Available to Repay Borrowings	(760,000)	(950,000)	(1,370,000)	(1,805,228)	(2,155,228)	(7,040,456)	(19,416,893)	(27,654,817)	(29,644,549)	(19,598,344)																				
Debt Service Coverage Ratio	155%	209%	174%	278%	252%	203%	191%	211%	297%	61%																				
Cash After Repayments Retained in Escrow	419,270	1,038,174	1,016,083	3,208,419	3,269,461	7,271,408	17,646,881	30,630,111	58,489,736	102,085,166																				
Cash Flow After Debt Service																														
Cash Carried Forward	0	35,270	23,445	67,227	75,647	0	95,108	91,989	72,100	11,836																				
Cash Available for General Use	(35,730)	618,445	619,527	2,925,647	2,995,108	6,921,408	17,391,989	30,722,100	58,561,836	102,097,005																				
New Borrowings	6,500,000	6,500,000	6,000,000	5,000,000	5,000,000	29,000,000	25,000,000	0	0	0																				
Operating Expenses	(391,000)	(350,000)	(422,300)	(450,000)	(450,000)	(2,063,300)	(2,250,000)	(2,250,000)	(2,250,000)	(2,250,000)																				
Capital Program Expenditures	(6,038,000)	(6,745,000)	(6,130,000)	(7,400,000)	(7,450,000)	(33,763,000)	(40,050,000)	(28,400,000)	(56,300,000)	(99,800,000)																				
Ending Cash	35,270	23,445	67,227	75,647	95,108	95,108	91,989	72,100	11,836	47,005																				

* Amounts shown are minimum amounts to be dedicated to pay principal and interest for Schools, Educational and Cultural Facilities. They are included in the amounts shown for Capital Projects.