City of Houston, Texas, Ordinance No. 2011 - 535

AN ORDINANCE RELATING TO THE FISCAL AFFAIRS OF THE MIDTOWN REDEVELOPMENT AUTHORITY ON BEHALF OF REINVESTMENT ZONE NUMBER TWO, CITY OF HOUSTON, TEXAS (MIDTOWN ZONE); APPROVING THE FISCAL YEAR 2012 OPERATING BUDGET FOR THE AUTHORITY AND THE FISCAL YEARS 2012-2016 CAPITAL IMPROVEMENTS BUDGET FOR THE ZONE; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * * * *

WHEREAS, the Midtown Redevelopment Authority (the "Authority"), a local government corporation acting on behalf of the City in connection with Reinvestment Zone Number Two, City of Houston, Texas (the "Zone"), has submitted an Operating Budget for Fiscal Year 2012 (the "Operating Budget") and a five-year Capital Improvements Budget for Fiscal Years 2012-2016 (the "CIP Budget," and, collectively with the Operating Budget, the "Budgets") to the City Council for approval pursuant to the amended and restated agreement among the City, the Authority, and the Zone approved by Ordinance No. 2000-494 ("Tri-Party Agreement"); and

WHEREAS, the Budgets are based upon the following revenue assumptions:

1. The Tax Year 2011 Projected Captured Appraised Value of $950,428,935 is based on the most current certified property tax roll of the Harris County Appraisal District property values in the Zone as of April 15, 2011; and

2. The tax increment is calculated based on applying the following to the Projected Captured Appraised Value:

a. A City tax rate of $.63875/$100 appraised value of property in the Zone; and

b. A Houston Independent School District ("HISD") tax rate of $1.1567/$100 appraised value on the area originally included in the Zone when it was created in 1994 ("Original Area") and the area added to the Zone in 1995 ("First Annexed Area"), and a tax rate of $.9600/$100 appraised value for the area added to the Zone in 1999 ("Second Annexed Area"), which reflects the HISD participation rate specified in that certain agreement among HISD, the City, and the Zone approved by Ordinance No. 1997-119, as amended by Ordinance No. 1999-914 (the "HISD Agreement"); and

c. A Harris County tax rate of $.41728/$100 appraised value of property in the Original Area and the First Annexed Area which reflects the Harris County participation rate specified in that certain agreement among Harris County, the City, and the Zone approved by Ordinance No. 2001-307 (the "Harris County Agreement"); and

d. A Houston Community College ("HCC") tax rate of $.0922/$100 appraised value of property in the Zone which reflects HCC's participation rate specified in that certain agreement among HCC, the City and the Zone approved by Ordinance No. 2008-999 (the "HCC Agreement"); and

3. HISD's participation is based on the Projected Captured Appraised Value of the Zone for Tax Year 2011 shown in the Project Plan and Reinvestment Zone Financing Plan for the Zone; and

4. The tax collection rate is as follows:

a. 96.5% for the City in the Original Area;

b. 96.3% for the City in the First Annexed Area;

c. 93.3% for the City in the Second Annexed Area;

d. 89.9% for the City in the Third Annexed Area;

e. 96.1% for the County in the Original Area;

f. 96.0% for the County in the First Annexed Area;

g. 95.8% for HISD in the Original and First Annexed Area;

h. 95.0% for HISD in the Second Annexed Area;

i. 95.9% for HCC in all three areas; and

WHEREAS, the Budgets are also based on the following assumptions:

1. Capital improvements for Fiscal Years 2012-2016 include approximately $56,474,576 for land acquisition, parks, roadway and public utility reconstruction, and cultural and public facility improvements; and

2. The timely implementation of capital improvement projects in the Budget may require the Authority to incur debt; and

3 The City's Finance Department will assist the Authority in identifying a cost-efficient method to finance the costs of the capital improvements; and

4 The Authority expects to receive approximately $1,137,000 in grants from the state and federal agencies during Fiscal Year 2012, and may receive grants from other sources, which may require the Authority to pay a local match; and

5. Amounts will be paid from the HISD Tax Increment Participation in the manner prescribed by the HISD Agreement; and

6. Amounts will be paid from the Harris County Tax Increment Participation in the manner prescribed by the Harris County Agreement; and

7. Amounts will be paid from the HCC Tax Increment Participation in the manner prescribed by the HCC Agreement; and

8. The type and amount of coverage for all forms of insurance will be reasonable and appropriate under the circumstances of the Zone, and the Zone and the Authority will pursue the most cost-effective means of obtaining coverage, including but not limited to, competitive bidding; and

9. One-third of all tax increments paid into the Zone's Tax Increment Fund by HISD, Harris County, HCC, and the City will be used to provide affordable housing, and, as agreed in the Tri-Party Agreement, will be allocated to the Affordable Housing Account established by the Authority pursuant to the Indenture of Trust dated July 1, 1998, between the Authority and Chase Bank of Texas, National Association, securing the Authority's Series 1998 Bonds; and

WHEREAS, the City has experienced an incremental increase in the cost of providing municipal services as a result of the creation of the Zone and the development and redevelopment of the land in the Zone; and

WHEREAS, the City Council finds that it is appropriate to recover its incremental costs of municipal services for Fiscal Year 2012 from the tax increment produced by the City and paid into the Tax Increment Fund of the Zone, subject to complying with the provisions of Texas Tax Code Section 311.010(i); and

WHEREAS, the City Council finds that the incremental costs of providing municipal services set forth in the Budget attached hereto as Exhibit "A" are reasonable and will be paid from the tax increment produced by the City and paid into the Tax Increment Fund of the Zone; and

WHEREAS, the City Council desires to approve the Budgets; **NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

Section 1. That the findings contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the City Council takes cognizance of the fact that in order to implement the Project Plan and Reinvestment Zone Financing Plan for the Zone, and to make adjustments occasioned by events transpiring during the year, the Authority may need to transfer funds from one Line Item of Project Costs shown on Exhibit "A" to another. Unless approved by the City Council, the Authority may transfer funds only (1) as needed for Debt Service; and (2) from one Line Item of Project Costs to another, provided that the aggregate of such transfers does not exceed the lesser of $400,000 or 5% of the Project Costs during Fiscal Year 2012. Subject to the foregoing, the Operating Budget attached hereto as Exhibit "A" is hereby approved for the Authority.

Section 3. That the CIP Budget attached hereto as Exhibit "B" is hereby approved for the Zone.

Section 4. That one-third of the total annual tax increments paid into the Zone's Tax Increment Fund by HISD, Harris County, HCC, and the City into the Tax Increment Fund of the Zone will be allocated to the Authority's Affordable Housing Account to be used to provide affordable housing.

Section 5. That not later than the end of Fiscal Year 2013, the Directors of the City's Finance and Planning and Development Departments (or any respective successors with the responsibility of preparing a budget for the Zone) shall determine the amount of money necessary to (1) complete and pay for the estimated costs of all projects listed in

the Project Plan and Reinvestment Zone Financing Plan of the Zone; (2) pay any tax increment bonds or notes issued for the Zone; and (3) pay any other obligations of the Zone. If the Directors' analysis shows that more revenues will be available than necessary to make the payments described in the preceding sentence, the Directors shall initiate the process to reduce the portion of the tax increment produced by the City and paid into the Tax Increment Fund of the Zone pursuant to applicable law.

Section 6. That not later than March 31, 2012, the Zone and the Authority shall, in cooperation with City representatives, (1) identify surplus funds in the Authority's Fiscal Year 2012 Operating Budget based on the difference between Zone revenues and the Fiscal Year 2012 Operating Budget for the Authority approved by the City; and (2) make available any surplus Zone funds, through appropriate agreement, for projects identified by the City that are eligible for tax increment funding, such as affordable housing, areas of public assembly, incremental costs of municipal services attributable to development and redevelopment in the Zone, and capital projects that benefit the City and the Zone. The agreement may provide for the payment of surplus funds into one or more accounts established by the City or may provide for direct payment by the Authority for the purpose. The Zone and the Authority shall consider amendments to the Zone Project Plan and Reinvestment Zone Financing Plan that may be necessary to accomplish this purpose and shall expedite any such amendments.

Section 7. That the Authority is authorized to spend any grant money not reflected in the Operating Budget that it receives during Fiscal Year 2012 in the manner prescribed by law. In the event the Authority is required to pay a matching share of any such grant, the Authority, after consultation with and approval by the Director of the City

Finance Department, may expend an amount not to exceed 10% of the Operating Budget for such match.

Section 8. That the Director of the Finance Department is directed to assist the Authority in identifying a cost-efficient method for financing public infrastructure consistent with financing principles used by the City.

Section 9. The approval of this Budget is contingent upon receipt by the Director of the Finance Department of a document signed by the Administrator of the Authority and/or Zone disclosing the name of each owner or developer of property within the Zone from which the Administrator has received compensation during the last five calendar years, and the amount of compensation by owner by year. Compensation may be expressed by category as follows:

Category I	Less than $1,000.00
Category II	At least $1,000.00 but less than $10,000.00
Category III	At least $10,000.00 but less than $50,000.00
Category IV	At least $50,000.00 but less than $100,000.00
Category V	At least $100,000.00 but less than $500,000.00
Category VI	At least $500,000.00 but less than $1,000,000.00
Category VII	$1,000,000.00 or more

Section 10. That 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 22nd day of June, 2011.

APPROVED this _____ day of _____, 2011.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JUN 28 2011.

City Secretary

(Prepared by Legal Department _____)
(MFC:mfc June 7, 2011) Assistant City Attorney
(Requested by Andrew F. Icken, Chief Development Officer)
(L.D. File No. 0610800104013)
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AYE	NO	
✓		MAYOR PARKER
••••	••••	COUNCIL MEMBERS
✓		STARDIG
✓		Johnson
	✓	CLUTTERBUCK
✓		ADAMS
	ABSENT	SULLIVAN
✓		HOANG
✓		PENNINGTON
✓		GONZALEZ
	ABSENT	RODRIGUEZ
✓		COSTELLO
✓		LOVELL
✓		NORIEGA
✓		BRADFORD
✓		JONES

CAPTION PUBLISHED IN DAILY COURT REVIEW DATE: JUN 28 2011

EXHIBIT "A"

CITY OF HOUSTON
ECONOMIC DEVELOPMENT DIVISION
FISCAL YEAR 2012 BUDGET DETAIL

Fund Summary
Fund Name: **Midtown Redevelopment Authority**
TIRZ: **02**
Fund Number: **7550/64**

TIRZ Budget Line Items	*FY2011 Budget	FY2011 Estimate	FY2012 Budget
EXPENDITURES			
Accounting	$ 48,500	$ 30,076	$ 32,000
Administration Salaries & Benefits	$ 306,000	$ 256,976	$ 260,000
Auditor (GDD)	$ 17,750	$ 22,050	$ 21,000
Bond Services/Trustee/Financial Advisor	$ 17,500	$ 17,660	$ 17,500
Insurance	$ 23,000	$ 31,000	$ 31,000
Office Admin	$ 125,000	$ 164,941	$ 155,000
TIRZ Administration and Overhead	**$ 537,750**	**$ 522,703**	**$ 516,500**
Affordable Housing Consultant	$ 79,500	$ -	$ -
Engineering Consultants	$ 10,000	$ 57,302	$ -
Grant Solicitor	$ 80,000	$ 160,750	$ -
Legal	$ 50,000	$ 55,128	$ 45,000
Construction Audit	$ 13,000	$ 8,500	$ 8,500
Midtown Management District	$ 182,000	$ 226,148	$ -
Midtown Management District (Office Expense)	$ 50,000	$ 14,421	$ -
Planning Consultants	$ 10,000	$ 7,500	$ -
FTA Project/Program Management (Midtown Staff)	$ 40,000	$ 40,000	$ -
Program and Project Consultants	**$ 514,500**	**$ 569,749**	**$ 53,500**
Management consulting services	**$ 1,052,250**	**$ 1,092,452**	**$ 570,000**
Capital Expenditures (See CIP Schedule)	$ 12,484,000	$ 6,800,377	$ 19,096,576
Affordable Housing Land Banking Program	$ 1,500,000	$ 1,663,942	$ 4,603,000
TIRZ Capital Expenditures	**$ 13,984,000**	**$ 8,464,319**	**$ 23,699,576**
Asia Society	$ -	$ 750,000	$ -
Brazos/Drew Bed & Breakfast (pending; in construction)	$ 200,000	$ -	$ -
Buffalo Soldiers Museum (pending)	$ 389,000	$ 450,000	$ -
Camden Developer Agreement - Principal only (City Centre)	$ -	$ 9,020	$ -
Project Legal	$ 20,000	$ -	$ -
Houston Museum of African American Culture	$ -	$ 355,000	$ -
HMAAC Site Acquisition	$ -	$ 2,125,000	$ -
Developer / Project Reimbursements	**$ 609,000**	**$ 3,689,020**	**$ -**
Bond Debt Service (Series 1998)			
Principal	$ 1,446,667	$ 1,510,000	$ -
Interest	$ 1,728,409	$ 1,655,838	$ -
Bond Debt Service (Series 2001)			
Principal	$ 723,333	$ 755,000	$ -
Interest	$ 864,203	$ 827,919	$ -
Bond Debt Service (Series 2003)			
Principal	$ -	$ -	$ 605,000
Interest	$ -	$ -	$ 480,924
Bond Debt Service (Series 2005)			
Principal	$ -	$ -	$ 505,000
Interest	$ -	$ -	$ 935,675
New Bond Sale (Series 2011)			
Principal	$ -	$ -	$ 2,160,000
Interest	$ -	$ -	$ 565,521
Cost of Issuance	$ -	$ -	$ 1,550,000
Loan debt service (HMAAC)			
Principal	$ -	$ 59,316	$ 102,032
Interest	$ -	$ 54,943	$ 93,886
System debt service	**$ 4,762,612**	**$ 4,863,016**	**$ 6,998,038**
TOTAL PROJECT COSTS	$ 20,407,862	$ 18,108,807	$ 31,267,614
Payment/transfer to ISD - educational facilities	$ 1,957,933	$ 2,163,469	$ 2,182,850
Payment/transfer to ISD - educational facilities (Pass Through)	$ -	$ 2,652,963	$ -
Adminstration Fees:			
City	$ 298,097	$ 308,847	$ 291,176
County	$ 167,737	$ 159,211	$ 158,520
ISD	$ 25,000	$ 25,000	$ 25,000
HCC	$ 25,000	$ 25,000	$ 25,000
Affordable Housing:			
City	$ -	$ -	$ -
ISD to City of Houston	$ -	$ -	$ -
HCC to City of Houston	$ -	$ -	$ -
Midtown - ISD Pass Through	$ -	$ 1,087,925	$ -
Transfer to Harris County	$ 634,115	$ 603,278	$ 603,278
Municipal Services (Payable to COH)	$ 910,000	$ 1,974,000	$ 1,274,000
Total Transfers	**$ 4,017,882**	**$ 8,999,693**	**$ 4,559,824**
Total Budget	$ 24,425,744	$ 27,108,500	$ 35,827,438

CITY OF HOUSTON
ECONOMIC DEVELOPMENT DIVISION
FISCAL YEAR 2012 BUDGET DETAIL

Fund Summary
Fund Name: **Midtown Redevelopment Authority**
TIRZ: **02**
Fund Number: **7550/64**

TIRZ Budget Line Items	*FY2011 Budget	FY2011 Estimate	FY2012 Budget
RESTRICTED Funds - Capital Projects	$ 2,970,942	$ 4,827,085	$ -
RESTRICTED Funds - Affordable Housing	$ 3,856,145	$ 3,677,382	$ 6,874,382
RESTRICTED Funds - Bond Debt Service	$ 10,195,178	$ 10,045,720	$ 10,631,292
UNRESTRICTED Funds	$ 5,271,909	$ 5,103,039	$ 5,725,051
Ending Fund Balance	**$ 22,294,174**	**$ 23,653,226**	**$ 23,230,725**
Total Budget & Ending Fund Balance	$ 46,719,918	$ 50,761,726	$ 59,058,163

Notes:
The TY10/FY11 Estimate for incremental property tax revenue and transfers from the City of Houston, all ISDs, Harris County, and Community Colleges is based on the Harris County Tax Office collections report dated April 2011.

The TY11/FY12 Budget for incremental property tax revenue and transfers is based on the TY10 Harris County Tax Office collections report dated April 2011 and the Harris County Appraisal District's tax year 2011 projections by property use category.

A FY11 Budget was not approved for Midtown; therefore, the zone operated under its approved FY10 Budget per section VI of the Triparty agreement between the City of Houston, Reinvestment Zone Number 2, and the Midtown Redevelopment Authority.

Midtown anticipates issuing a total par amount of approximately $31 million of tax exempt bonds in Fiscal Year 2011, of which approximately $16,650,000 million will be used to defease the outstanding Series 1998 and 2001 Bonds and the remainder will be spent on capital improvement projects.

Engineering Consultants, Grant Solicitor, Planning Consultant and FTA Project/Program Management (Midtown Staff) have been allocated among the Capital Expenditures such costs support and can be seen in the attached CIP Schedule.

EXHIBIT "B"

2012 - 2016 CAPITAL IMPROVEMENT PLAN
TIRZ No. 02 - Midtown Redevelopment Authority
CIP by Sources of Funds

CITY OF HOUSTON - TIRZ PROGRAM
Economic Development Division

Source of Funds	Fiscal Year Planned Appropriations								
	Through 2010	Projected 2011	2012	2013	2014	2015	2016	FY12 - FY16 Total	Cumulative Total (To Date)
TIRZ funds	2,351,943	6,235,891	4,443,182	6,650,000	4,575,000	7,850,000	-	23,518,182	32,106,016
Revenue bond proceeds	11,879,125	564,486	13,653,394	6,600,000	600,000	-	-	20,853,394	33,297,005
Proceeds from bank loan	-	-	-	-	-	-	-	-	-
Developer Advance/Reimbursement	-	-	-	-	-	-	-	-	-
City of Houston	-	-	-	-	-	-	-	-	-
Grants	-	-	1,000,000	3,000,000	500,000	-	-	4,500,000	4,500,000
Other (Affordable Housing Fund)	8,202,419	1,663,942	4,603,000	1,000,000	1,000,000	1,000,000	-	7,603,000	17,469,361
Project Total	**22,433,487**	**8,464,319**	**23,699,576**	**17,250,000**	**6,675,000**	**8,850,000**	**-**	**56,474,576**	**87,372,382**