

City of Houston, Texas, Ordinance No. 2011- 969

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

* * * * *

WHEREAS, the Gulfgate Redevelopment Authority ("Authority"), a local government corporation acting on behalf of the City in connection with Reinvestment Zone Number Eight, City of Houston, Texas ("Zone"), has submitted an Operating Budget for Fiscal Year 2012 ("Budget") to the City Council for approval pursuant to that certain agreement among the City, the Authority, and the Zone approved by Ordinance No. 97-1571, as amended by Ordinance No. 2001-411; and

WHEREAS, the City designated the Zone on December 10, 1997, by Ordinance No. 97-1524, over a certain area within the City (the "Original Area") and added additional area to the Zone in 1999 pursuant to Ordinance No. 99-706 (the "Annexed Area"); and

WHEREAS, the Budget is based upon the following revenue assumptions:

1. The Tax Year 2011 uncertified Captured Appraised Value of \$59,119,552 which 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 uncertified Captured Appraised Value:
 - a. a City tax rate of \$0.63875/\$100 appraised value;

b. a Houston Independent School District ("HISD") tax rate of \$1.1567/\$100 appraised value on the Original Area and a tax rate of \$0.96/\$100 appraised value for the Annexed Area, which reflects the HISD participation rate specified in that certain agreement among HISD, the City, and the Zone approved by Ordinance No. 1999-913 (the "HISD Agreement"); and

c. a Harris County tax rate of \$0.38805/\$100 appraised value of property in the Zone which reflects the Harris County participation rate specified in that certain agreement among Harris County, the City, and the Zone approved by Ordinance No. 1999-1069, as amended by Ordinance No. 2001-302 (the "Harris County Agreement"); and

3. HISD's participation is based on the uncertified 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. A tax collection rate of:

- a. 100% by the City in the Original Area;
- b. 78.7% by the City in the Annexed Area;
- c. 100% by HISD in the Original Area;
- d. 87.6% by HISD in the Annexed Area;
- e. 100% by Harris County in the Original Area;
- f. 83.1% by Harris County in the Annexed Area; and

WHEREAS, the Budget is also based on the following assumptions:

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

2. The Authority may receive grants from local, 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

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

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

5. 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 Authority will pursue the most cost-effective means of obtaining coverage, including but not limited to, competitive bidding; and

WHEREAS, the City Council desires to approve the Budget; **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 the Authority is authorized to spend any grant money not reflected in the 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's Finance Department, may spend an amount not to exceed 10% of the Budget for such match.

Section 5. That not later than the end of Fiscal Year 2013, the Director of the City's Finance Department (or any successor 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 Director's analysis shows that more revenues will be available than necessary to make the payments described in the preceding sentence, the Director 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 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 8. The approval of the Budgets 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 9. 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.

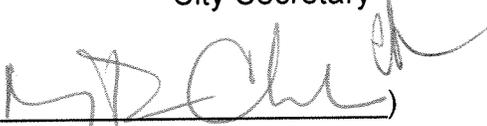
PASSED AND ADOPTED this 16th day of November, 2011.

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 NOV 22 2011.


City Secretary

(Prepared by Legal Department )
(MFC:mfc November 8, 2011) Assistant City Attorney
(Requested by Andrew F. Icken, Chief Development Officer)
(L.D. File No. 0619700066038)

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CAPTION PUBLISHED IN DAILY COURIER
REVIEW
DATE: NOV 22 2011

| AYE | NO | |
|---------|---------|---------------------------------------|
| | | MAYOR PARKER |
| | | COUNCIL MEMBERS |
| ✓ | | STARDIG |
| ✓ | | JOHNSON |
| | | GLUTTERBUCK |
| | | ADAMS |
| | | SULLIVAN |
| ✓ | | HOANG |
| ✓ | | PENNINGTON |
| ✓ | | VICE MAYOR PRO TEM PRESIDING GONZALEZ |
| ✓ | | RODRIGUEZ |
| ✓ | | COSTELLO |
| ✓ | | LOVELL |
| | | NORIEGA |
| ✓ | | BRADFORD |
| ✓ | | JONES |
| CAPTION | ADOPTED | |

EXHIBIT "A"

| | | | |
|--|--|----|--------------|
| P R O F I L E | Base Year: | | 1997 |
| | Base Year Taxable Value: | \$ | 9,728,120 |
| | Projected Taxable Value (TY2011): | \$ | 39,828,375 |
| | Current Taxable Value (TY2010): | \$ | 39,106,366 |
| | Acres: | | 296.18 acres |
| | Administrator (Contact): | | Knudson, LP |
| | Contact Number: | | 713-463-8200 |

| | |
|--|--|
| N A R R A T I V E | Zone Purpose: |
| | The Zone was created with the purpose of acquiring the Gulfgate Shopping Center for redevelopment, after which a Joint Venture Partnership was formed, in which the Houston Redevelopment Authority (HRA) has an ownership share in the Mall. The Zone was enlarged in 1999 with the purpose of facilitating the redevelopment of the surrounding areas by providing funding for utility relocation, traffic signalization & realignments, refurbishment of the Loop 610 Crosswalk and landscaping along the ROWs. |
| | Accomplishments in FY11 (Projects Underway): |
| | In fiscal year 2011, the Gulfgate TIRZ and TXDOT completed the STEP grant-funded streetscape and pedestrian-related transportation enhancements including the renovation of a pedestrian bridge across 610S. The Gulfgate TIRZ continued to pay debt service on the Wells Fargo loan and HGP Land Note. |

| P R O J E C T P L A N | | Cumulative Expenses | | |
|---|---|----------------------------|----------------------|----------------------|
| | | Total Plan | (to 6/30/10) | Variance |
| | Capital Projects: | | | |
| | Property Acquisition (Original Plan) | \$ 5,250,000 | \$ 5,391,214 | \$ (141,214) |
| | Box Culvert Replacement & Realignment | 2,676,930 | - | 2,676,930 |
| | Right Turn Lane Additions & Traffic Signalization | 759,000 | 100,844 | 658,156 |
| | Refurbished Crosswalk & Landscaping & Irrigation | 261,756 | 971,784 | (710,028) |
| | Total Capital Projects | \$ 8,947,686 | \$ 6,463,842 | \$ 2,483,844 |
| | Affordable Housing | - | - | - |
| | Education Facilities | 15,867,163 | 2,172,470 | 13,694,693 |
| | Financing Costs | 15,161,953 | 4,752,820 | 10,409,133 |
| | Administration Costs | - | - | - |
| | Creation Costs | 1,460,000 | 1,289,488 | 170,512 |
| | Total Project Plan | \$ 41,436,802 | \$ 14,678,620 | \$ 26,758,182 |

| D E B T | Additional Financial Data | FY2011 Budget | FY2011 Estimate | FY2012 Budget |
|----------------------------|---|------------------------------|--|--|
| | | Debt Service | \$ 550,000 | \$ 550,000 |
| | Principal | \$ 425,000 | \$ 425,000 | \$ 425,000 |
| | Interest | \$ 125,000 | \$ 125,000 | \$ 21,095 |
| | | Balance as of 6/30/10 | Projected Balance as of 6/30/11 | Projected Balance as of 6/30/12 |
| | Year End Outstanding (Principal) | | | |
| | Bond Debt | \$ - | \$ - | \$ - |
| | Bank Loan - Wells Fargo | \$ 3,714,538 | \$ 3,289,538 | \$ 2,864,538 |
| | Developer Agreement - HGP | \$ 2,954,226 | \$ 2,354,226 | \$ 1,754,226 |
| | | | | |

CITY OF HOUSTON
 ECONOMIC DEVELOPMENT DIVISION
 FISCAL YEAR 2012 BUDGET DETAIL

Fund Summary
 Fund Name: **Gulfgate Redevelopment Authority**
 TIRZ: **08**
 Fund Number: **7556/64**

| TIRZ Budget Line Items | FY2011 Budget | FY2011 Estimate | FY2012 Budget |
|--|---------------------|---------------------|---------------------|
| RESOURCES | | | |
| RESTRICTED Funds - Capital Projects | \$ - | \$ - | \$ - |
| RESTRICTED Funds - Affordable Housing | \$ - | \$ - | \$ - |
| RESTRICTED Funds - Debt Service (Wells Fargo Loan) | \$ 550,000 | \$ - | \$ 446,095 |
| RESTRICTED Funds - HGP Land Note | \$ 600,000 | \$ - | \$ - |
| UNRESTRICTED Funds | \$ 213,853 | \$ 1,400,672 | \$ 469,396 |
| Beginning Fund Balance | \$ 1,363,853 | \$ 1,400,672 | \$ 915,491 |
| City tax revenue | \$ 348,832 | \$ 263,808 | \$ 338,144 |
| ISD tax revenue | \$ 595,160 | \$ 579,659 | \$ 593,085 |
| ISD tax revenue - Pass Through | \$ - | \$ 435,509 | \$ - |
| County tax revenue | \$ 225,388 | \$ 183,783 | \$ 208,458 |
| Incremental property tax revenue | \$ 1,169,380 | \$ 1,462,759 | \$ 1,139,687 |
| COH TIRZ Interest Income | \$ 2,443 | \$ 2,443 | \$ 2,443 |
| Other Interest Income | \$ 2,443 | \$ 2,443 | \$ 2,443 |
| Developer Advances (1) | \$ 44,331 | \$ 44,331 | \$ - |
| Developer Advances | \$ 44,331 | \$ 44,331 | \$ - |
| TxDOT Grant (1) | \$ 1,737,585 | 1,737,585 | \$ - |
| Grant Proceeds | \$ 1,737,585 | \$ 1,737,585 | \$ - |
| | \$ - | \$ - | \$ - |
| Special assessment bond proceeds | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| Proceeds from bank loan | \$ - | \$ - | \$ - |
| TOTAL AVAILABLE RESOURCES | \$ 4,317,592 | \$ 4,647,790 | \$ 2,057,621 |

CITY OF HOUSTON
 ECONOMIC DEVELOPMENT DIVISION
 FISCAL YEAR 2012 BUDGET DETAIL

Fund Summary
 Fund Name: **Gulfgate Redevelopment Authority**
 TIRZ: **08**
 Fund Number: **7556/64**

| TIRZ Budget Line Items | FY2011 Budget | FY2011 Estimate | FY2012 Budget |
|---|---------------------|---------------------|---------------------|
| EXPENDITURES | | | |
| Accounting | \$ 6,500 | \$ 6,500 | \$ 6,500 |
| Administration Consultant | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Administration Salaries & Benefits | \$ - | \$ - | \$ - |
| Auditor | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| Insurance | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Office Expenses | \$ 500 | \$ 500 | \$ 500 |
| TIRZ Administration and Overhead | \$ 38,000 | \$ 38,000 | \$ 38,000 |
| Legal | \$ 8,000 | \$ 8,030 | \$ 8,000 |
| Construction Audit | \$ - | \$ - | \$ - |
| Program and Project Consultants | \$ 8,000 | \$ 8,030 | \$ 8,000 |
| Management consulting services | \$ 46,000 | \$ 46,030 | \$ 46,000 |
| TxDOT STEP Grant Project | \$ 1,781,916 | \$ 1,781,916 | \$ - |
| TIRZ Capital Expenditures | \$ 1,781,916 | \$ 1,781,916 | \$ - |
| Wells Fargo Loan | | | |
| Principal | \$ 425,000 | \$ 425,000 | \$ 425,000 |
| Interest | \$ 125,000 | \$ 125,000 | \$ 21,095 |
| Houston Gulfgate Partners - Land Note (2) | \$ 600,000 | \$ 600,000 | \$ 600,000 |
| Other Debt Items | | | \$ - |
| Loan fees | \$ - | \$ - | \$ - |
| System debt service | \$ 1,150,000 | \$ 1,150,000 | \$ 1,046,095 |
| TOTAL PROJECT COSTS | \$ 2,977,916 | \$ 2,977,946 | \$ 1,092,095 |
| Payment/transfer to ISD - Educational Facilities | \$ 238,122 | \$ 271,464 | \$ 237,960 |
| Payment/transfer to ISD - Educational Facilities (Pass Through) | \$ - | \$ 435,509 | \$ - |
| Administration Fees: | | | |
| City | \$ 17,442 | \$ 13,190 | \$ 16,907 |
| County | \$ 11,269 | \$ 9,189 | \$ 10,423 |
| ISD | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Total Transfers | \$ 291,833 | \$ 754,352 | \$ 290,290 |
| Total Budget | \$ 3,269,749 | \$ 3,732,298 | \$ 1,382,385 |
| RESTRICTED Funds - Capital Projects | \$ - | \$ - | \$ - |
| RESTRICTED Funds - Affordable Housing | \$ - | \$ - | \$ - |
| RESTRICTED Funds - Debt Service (Wells Fargo Loan) | \$ 550,000 | \$ 446,095 | \$ 446,095 |
| RESTRICTED Funds - HGP Land Note | \$ - | \$ - | \$ - |
| RESTRICTED Funds - Debt Service (3) | \$ 200,000 | \$ - | \$ 200,000 |
| UNRESTRICTED Funds | \$ 297,843 | \$ 469,396 | \$ 29,142 |
| Total Ending Fund Balance | \$ 1,047,843 | \$ 915,491 | \$ 675,237 |
| Total Budget & Ending Fund Balance | \$ 4,317,592 | \$ 4,647,790 | \$ 2,057,621 |

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.

- (1) TxDOT STEP Grant project.
- (2) Payment in September 2010 (FY11).
- (3) Additional reserve in anticipation of loan restructuring and/or HGP land note

EXHIBIT "B"

2012 - 2016 CAPITAL IMPROVEMENT PLAN
 TIRZ No. 08 - Gulfgate Redevelopment Authority
 CIP by Project

CITY OF HOUSTON - TIRZ PROGRAM
 Economic Development Division

| Council District | CIP No. | Project | Fiscal Year Planned Appropriations | | | | | | | | Cumulative Total (To Date) | |
|------------------|---------|--|------------------------------------|----------------|------|------|------|------|------|-------------------|----------------------------|-----------|
| | | | Through 2010 | Projected 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | FY12 - FY16 Total | | |
| 1 | T-0801 | Gulfgate/TxDOT Pedestrian Bridge Urban Design Enhancements and Landscaping | \$ 368,908 | \$ 1,781,916 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 2,150,824 |
| Totals | | | 368,908 | 1,781,916 | - | - | - | - | - | - | - | 2,150,824 |

2012 - 2016 CAPITAL IMPROVEMENT PLAN
 TIRZ No. 08 - Gulfgate Redevelopment Authority
 CIP by Sources of Funds

CITY OF HOUSTON - TIRZ PROGRAM
 Economic Development Division

| Source of Funds | Fiscal Year Planned Appropriations | | | | | | | | | | Cumulative Total (To Date) |
|---------------------------------|------------------------------------|------------------|------|------|------|------|------|-------------------|---|---|----------------------------|
| | Through 2010 | Projected 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | FY12 - FY16 Total | | | |
| TIRZ funds | - | - | - | - | - | - | - | - | - | - | - |
| Revenue bond proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from bank loan | - | - | - | - | - | - | - | - | - | - | - |
| Developer Advance/Reimbursement | 73,782 | 44,331 | - | - | - | - | - | - | - | - | 118,113 |
| City of Houston | - | - | - | - | - | - | - | - | - | - | - |
| Grants | 295,126 | 1,737,565 | - | - | - | - | - | - | - | - | 2,032,711 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Project Total | 368,908 | 1,781,916 | - | - | - | - | - | - | - | - | 2,150,824 |

| | | | | | | |
|---|--|------|--------------|------|--------|-------|
| Project: Gulfgate/TxDOT Pedestrian Bridge Urban Design Enhancements and Landscaping | City Council District | 535J | WBS.: | | T-0801 | |
| | Location: | I | | | | |
| | Served: | I | 69 | | | |
| Description: Gulfgate/TxDOT funded refurbishment and major urban design enhancements to pedestrian crosswalk over Loop 610, between Evergreen and Woodridge. Includes concrete replacement, painting and beautification. | Operating and Maintenance Costs: (\$ Thousands) | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
| Personnel | - | - | - | - | - | \$ - |
| Supplies | - | - | - | - | - | \$ - |
| Svcs. & Chgs. | - | - | - | - | - | \$ - |
| Capital Outlay | - | - | - | - | - | \$ - |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | - | - | - | - | - | - |

Fiscal Year Planned Expenditures

| Project Allocation | Projected Expenses thru 6/30/10 | 2011 Budget | 2011 Estimate | 2012 | 2013 | 2014 | 2015 | 2016 | FY12 - FY16 Total | Cumulative Total (To Date) |
|--------------------------|---------------------------------|--------------|---------------|------|------|------|------|------|-------------------|----------------------------|
| Phase | | | | | | | | | | |
| 1 Planning | - | - | - | - | - | - | - | - | \$ - | \$ - |
| 2 Acquisition | - | - | - | - | - | - | - | - | \$ - | \$ - |
| 3 Design | 368,908 | 44,331 | 44,331 | - | - | - | - | - | \$ - | \$ 413,239 |
| 4 Construction | - | 1,737,585 | 1,737,585 | - | - | - | - | - | \$ - | \$ 1,737,585 |
| 5 Equipment | - | - | - | - | - | - | - | - | \$ - | \$ - |
| 6 Close-Out | - | - | - | - | - | - | - | - | \$ - | \$ - |
| 7 Other | - | - | - | - | - | - | - | - | \$ - | \$ - |
| Other Sub-Total: | - | - | - | - | - | - | - | - | \$ - | \$ - |
| Total Allocations | \$ 368,908 | \$ 1,781,916 | \$ 1,781,916 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,150,824 |

| Source of Funds | 2012 | 2013 | 2014 | 2015 | 2016 | FY12 - FY16 Total | Cumulative Total (To Date) |
|---------------------------|------------|--------------|--------------|------|------|-------------------|----------------------------|
| TIRZ Increment Revenue | - | - | - | - | - | \$ - | \$ - |
| TIRZ Increment Bond Funds | - | - | - | - | - | \$ - | \$ - |
| Grant Funds - TxDOT STEP | 295,126 | 1,737,585 | - | - | - | \$ - | \$ 2,032,711 |
| Developer Advance | 73,782 | 44,331 | - | - | - | \$ - | \$ 118,113 |
| Total Funds | \$ 368,908 | \$ 1,781,916 | \$ 1,781,916 | \$ - | \$ - | \$ - | \$ 2,150,824 |