

REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS

MARKET SQUARE TIRZ

Amended Project Plan and
Reinvestment Zone Financing Plan

August 9, 1999

**REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS
MARKET SQUARE TIRZ – Amended Project Plan and Reinvestment Zone Financing
Plan**

Table of Contents

Introduction i
Exhibit 1 – Market Square TIRZ Enlargement..... ii

Part A: Project Plan and Reinvestment Zone Financing Plan (as adopted by
Houston City Council on September 11, 1996

Executive Summary 1
Project Plan Summary 1
Reinvestment Zone Financing Plan..... 3
Exhibit 2 - Market Square TIRZ Existing Land Use 6
Exhibit 3 - Market Square TIRZ Proposed Development 7
Exhibit 4- Market Square TIRZ Proposed Streetscape Improvements 8
Exhibit 5- Market Square TIRZ Future Land Use 9
Reinvestment Zone Financing Plan Analysis 10
Exhibit 6 - Market Square TIRZ Financing Analysis..... 11

Part B: Final Project Plan and Reinvestment Zone Financing Plan for Enlarged
Market Square TIRZ

General Summary 12
Existing Uses and Conditions..... 13
Proposed Improvements..... 14
Proposed Uses 19
Municipal Ordinances 19
Non-Project Costs 19
Relocation..... 20
Amended Financing Plan..... 21
Exhibit 7 - Existing Land Uses and Conditions 26
Exhibit 8 - Deteriorated Sidewalks and Streets 27
Exhibit 9 - Insufficient Retail Parking 27
Exhibit 10 - Blighted and Deteriorated Structures..... 28
Exhibit 11 - Discontinuous Retail Environment with Dead Spaces 28
Exhibit 12 - Downtown Sales Subject to Sales Tax 29
Exhibit 13 - Deteriorated Sidewalk and Street; Inadequate Transit Amenities 30
Exhibit 14 - Overburdened Sidewalk and Transit Stop 30
Exhibit 15 - Street Level Retail and Retail Development Zones 31
Exhibit 16 - Downtown Transit Center 32
Exhibit 17 - Superstop Location..... 32
Exhibit 18 - Superstop Lobby..... 33
Exhibit 19 - Tunnel Connections 33

**REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS
MARKET SQUARE TIRZ – Amended Project Plan and Reinvestment Zone Financing
Plan**

Table of Contents - Continued

Exhibit 20 – Proposed Improvements to Property and Proposed Uses.....	34
Exhibit 21 - Streetscape/Pedestrian Improvements	35
Exhibit 22 - Transit Improvements.....	36
Exhibit 23 - Retail Development Assistance.....	37
Exhibit 24 - Bayou Improvements and Educational Facilities.....	38
Exhibit 25 - Economic Activity and Increment Revenue for Plan B Area.....	39
Exhibit 26 - Annual Tax Increment Revenue for Enlarged Market Square TIRZ	40
Exhibit 27 - Annual Cash Flow and Monetary Obligations.....	41

INTRODUCTION: THE PLAN FOR THE ENLARGED MARKET SQUARE TIRZ

The purpose of the Project Plan and Reinvestment Zone Financing Plan for the Reinvestment Zone Number Three, City of Houston, Texas (Market Square TIRZ) is to set forth the goals, expectations, plans, programs and financial projections necessary to create and support an environment attractive to private investment around the central business core of the downtown area in a manner that will ensure the long term stability and attractiveness of the entire central business district.

The Market Square TIRZ was created by City Council on December 13, 1995 covering a nine-block area. A Project Plan and Reinvestment Zone Financing Plan ("Original Financing Plan") for that nine block zone was adopted by City Council on September 11, 1996. On November 11, 1998 the Board of Directors of the Market Square TIRZ recommend that the City add approximately 50 blocks into the Zone; to adopt an Amended Project Plan and Reinvestment Zone Financing Plan ("Amended Financing Plan") for the enlarged Zone; and to recommend the Amended Plan to the Mayor and City Council for adoption. This enlargement of the Zone and the Amended Project Plan and Reinvestment Zone Financing Plan was adopted by the City on December 16, 1998. See Exhibit 1 (page ii) for boundaries of original blocks, added blocks and complete enlarged zone. On August 9, 1999 the Board of Directors of the Market Square TIRZ recommended to the Mayor and City Council amendments to the Amended Project Plan and Reinvestment Zone Financing Plan necessitated by modifications made in the general session of the 76th Texas Legislature to the state laws governing TIRZs.

The Amended Project Plan and Reinvestment Zone Financing Plan consists of two parts:

Part A is the Original Project Plan and Original Financing Plan covering the initial nine-block area of the Zone. Part B describes the proposed enlargement and Amended Financing Plan, highlighting the relevant synergies and differences from the Original Financing Plan. Together the Amended Project Plan (Parts A and B) and the Amended Financing Plan will provide the tools needed to help alleviate blight, deteriorated street and site conditions, obsolete transit services and facilities and will encourage the sound growth of residential, retail, hotel and other commercial development within the area, which in turn is critical to the long term economic health of the entire City of Houston.

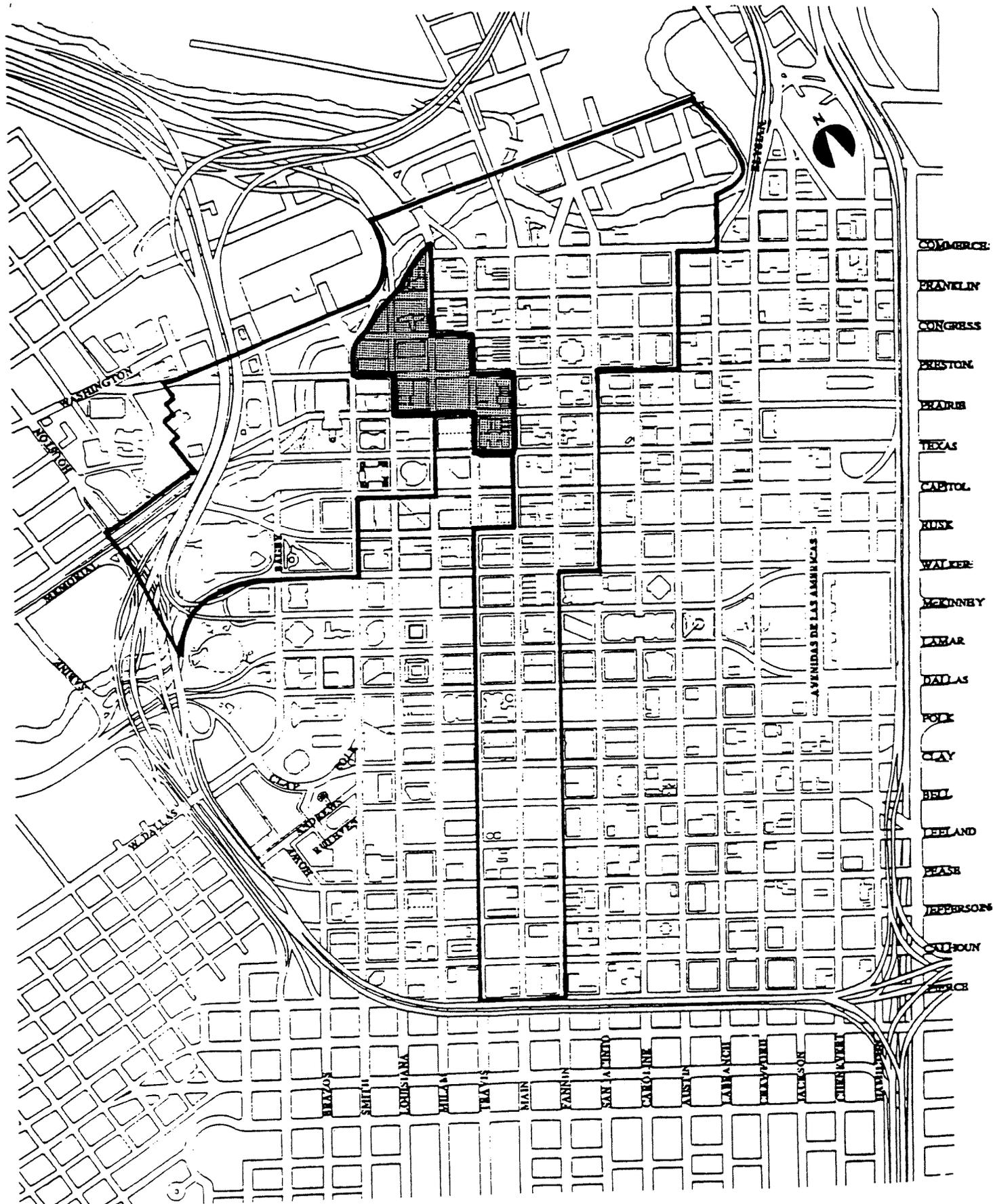


Exhibit 1: Market Square TIRZ Enlargement
 (Original/Part A area shaded)

Part A: Final Project Plan and Reinvestment Zone Financing Plan (as adopted by Houston City Council September 11, 1996)

Part 1: Executive Summary

The Market Square TIRZ is a tool to stimulate construction of new housing in downtown Houston, including the rehabilitation of the Rice Hotel into residential units. The Market Square TIRZ will help finance public improvements and services needed to support the zone's anticipated 905 housing units (including the Rice Hotel), and 188,000 square feet of supporting retail/commercial/office development. (Refer to Exhibits 2-5; pages 6-9.)

During its 30-year life, it is projected that the Market Square TIRZ will require the expenditure of \$34 million for needed public improvements and services. These expenditures will be funded by tax increment funds generated from new development within the Zone. Major improvements to be financed by the Zone include the following:

- streetscape enhancements (lighting, walks, landscaping, etc.)
- Buffalo Bayou greenbelt improvements (walkways, landscaping, etc.);
- improvement of sites for residential redevelopment; provision of housing;
- utility improvements; security enhancements;
- pedestrian and parking facilities (above and below ground); and,
- acquisition and rehabilitation of historic buildings.

These \$34 million in expenditures will be financed by the tax increments expected from the project's planned 905 housing units and 188,000 square feet of retail/commercial/office development. Harris County and the Houston Independent School District have indicated a commitment to participate in the TIRZ, making possible the full-scale implementation of the TIRZ plan. The project plan does not require land use controls, nor the request for condemnation actions.

Part 2: Project Plan Summary

The Market Square TIRZ is intended to provide the financing and management tool needed to help alleviate blight, deteriorated site conditions, and obsolete platting, and to encourage sound growth of residential development and supporting uses within the downtown area, the State Enterprise Zone, the Federal Enhanced Enterprise Community and the City of Houston. The project plan calls for 905 new residential

units; retail, commercial and office development totaling approximately 188,000 square feet (this is in addition to other services, retail, restaurants, and entertainment places expected to be spun-off on properties outside of the zone); parking garage facilities containing 2,000 spaces; and, 0.25 acres of open space.

Current Site Conditions: The proposed zone consists of approximately nine city blocks extending north-northwest from the northwest corner of Texas Avenue and Main Street to Buffalo Bayou (see Exhibit 2). Parking and drive-in bank facilities dominate land uses, occupying the approximate equivalent of five city blocks. A mixture of older buildings occupy an additional two and one-half blocks and the remaining one-and-one-half blocks are occupied by Market Square Park (a city park) and the public easement along Buffalo Bayou. Currently, the park has been improved but surrounding streets and the easement along Buffalo Bayou are in poor condition.

Current Economic Activity: Much of the building stock in the area is vacant and deteriorating, with the Rice Hotel being an appropriate setting for sidewalk cafe type investments that will be part of this streetscape strategy. These improvements will be integrated with the street reconstruction program of METRO and with the street enhancements proposed for the neighboring Cotswold area.

Reinvestment Zone Duration: The TIRZ was created for a duration of 30 years.

Project Plan Objective: Increased residential development and activity has been determined to be a critical component of an overall strategic plan to revitalize downtown. Extensive market research has identified the Theater District and Market Square areas within downtown as the two most preferred locations for potential residents who have expressed a strong interest in living downtown. The proposed zone boundaries incorporate the geographic area lying between these two areas, including the Rice Hotel.

The Project Plan is designed to integrate with a number of improvement efforts which are already underway:

- METRO Transit Streets/Downtown District Betterments – These will improve Smith, Louisiana, Milam, Travis, Main, Congress and Preston Streets within the TIRZ boundaries.
- Buffalo Bayou Partnership Improvements – Current projects include Sesquicentennial Park (immediately to the west), Allen's Landing (to the east) and a bike trail on the north bank (just outside the TIRZ).

Project Plan Impacts: No relocation of displaced residents will be required. Currently, the Hogg Building has been redeveloped as a multi-family residential property containing 79 dwelling units. This plan proposes no change to this building's

residential use.

Municipal ordinances: Other than ordinances directly associated with the formation of the reinvestment zone, no other changes to development ordinances, building codes or master plans are called for by the project plan. No condemnation actions are anticipated by the project plan.

Tax Rates: The project plan does not and cannot call for increases in tax rates by any governmental unit above those levied on all properties within the jurisdiction of each governmental unit.

Part 3: Reinvestment Zone Financing Plan

Project Plan Description: The project plan includes the following public improvements to encourage further residential and supporting development. The budget for these public improvements, including administrative costs, totals \$34,000,000. The projected value of all property improvements within the proposed TIRZ over the life of the project is approximately \$72 million:

1. Streetscape Enhancements.....\$2,000,000

Public streetscape enhancements are proposed to properly serve a residential population, including but not limited to lighting, walks, landscaping and related street furniture. These improvements will be in addition to and integrated with street reconstruction already planned by METRO on some streets within the boundaries for the reinvestment zone. Crime Prevention Through Environmental Design (CPTED) principles will be followed to enhance security which, along with neighborhood character, is the foremost concern for potential residents.

Texas Avenue (5 blocks), Prairie (3 blocks), Franklin (1 block) and Congress (1/2 block) would be rebuilt with improved street lighting, sidewalks, landscaping, street furniture and utilities. Four blocks of Texas Avenue would be improved outside of the TIRZ in order to link the Rice Hotel with the Theater District and Christ Church Cathedral.

Texas:	\$1,100,000
Prairie:	\$600,000
Franklin:	\$200,000
Congress:	\$100,000

2. Buffalo Bayou Riverwalk.....\$4,000,000

Waterfront amenities and recreational greenbelts are key amenities for potential residents that were identified in market research. A riverwalk along the south bank of Buffalo Bayou will be created to take advantage of existing structures lining the stream in this area and to connect between Sesquicentennial Park and Allen's

Landing. Improvements include but are not limited to walkways and access point landscaping.

Channel Edge/Structure:	\$2,000,000
Waterfront Park:	\$800,000
Walkway/Access:	\$900,000
Lighting/Amenities:	\$300,000

3. Preparation of Residential Development Sites\$5,000,000
 Plan provides utilities, public parking and eligible developer reimbursements associated with residential/mixed use development and redevelopment to support new construction consisting of 640 dwelling units on sites currently occupied by surface parking lots. Approximately 2,000 structured parking spaces are anticipated to serve the residential population and general public visiting the zone. Many of these spaces will be integrated into residential development projects.

Utilities:	\$500,000
Parking:	\$4,500,000

4. Rice Hotel Financial Assistance\$18,750,000
 The Plan will assist in the conversion of existing Rice Hotel building to provide 345 dwelling units, associated ground-level retail space, parking facilities, and needed above and below ground pedestrian facilities.

Acquisition:	\$3,000,000
Tunnel Link	\$1,000,000
Asbestos/Lead Paint Abatement	\$3,000,000
Demolition/Parking	\$1,000,000
Finance Charges	\$10,750,000

5. Acquisition and Rehabilitation of Historic Structures\$1,500,000
 Ensure preservation and restoration of the smaller historic structures in the area through acquisition/resale and/or rehabilitation of roofs, other structural elements, and facades. These projects will also allow for retail and other services for area residents. No property will be acquired through condemnation.

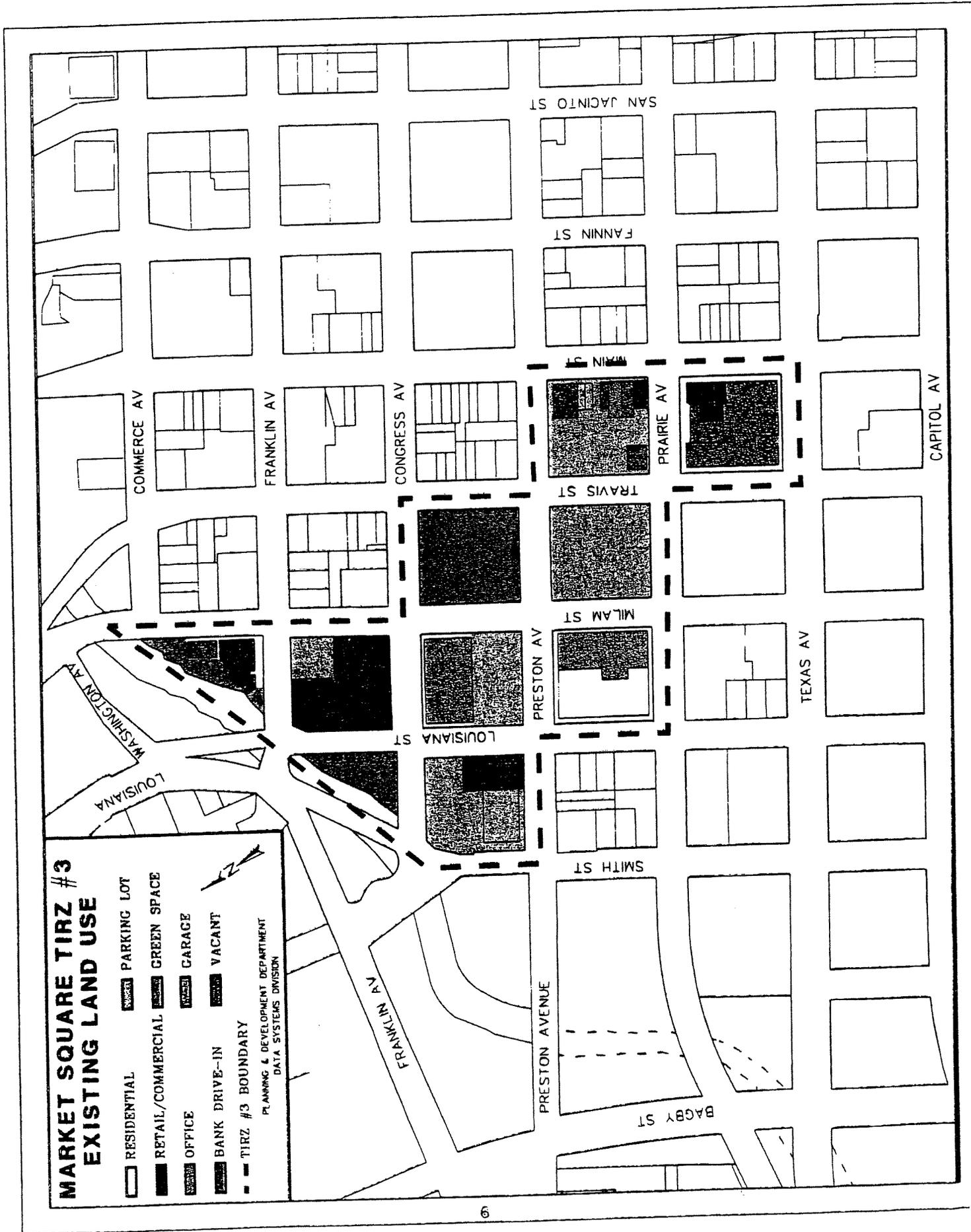
Acquisition/Resale (net)	\$500,000
Rehabilitation	\$1,000,000

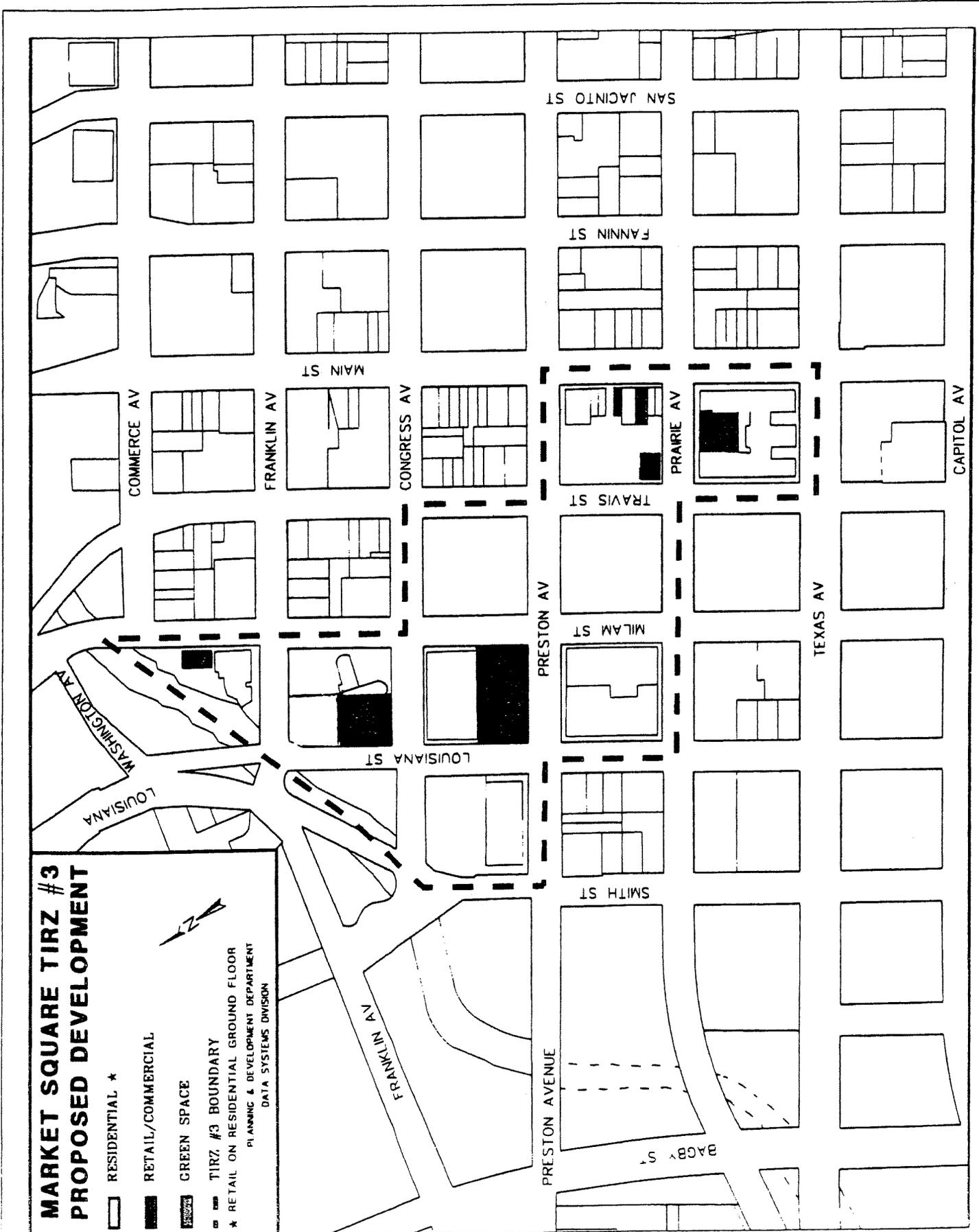
- 6. Administration Cost\$750,000**
- 7. Additional Financing Cost (excluding Rice Hotel)\$2,000,000**
- Total Project Plan Budget\$34,000,000**

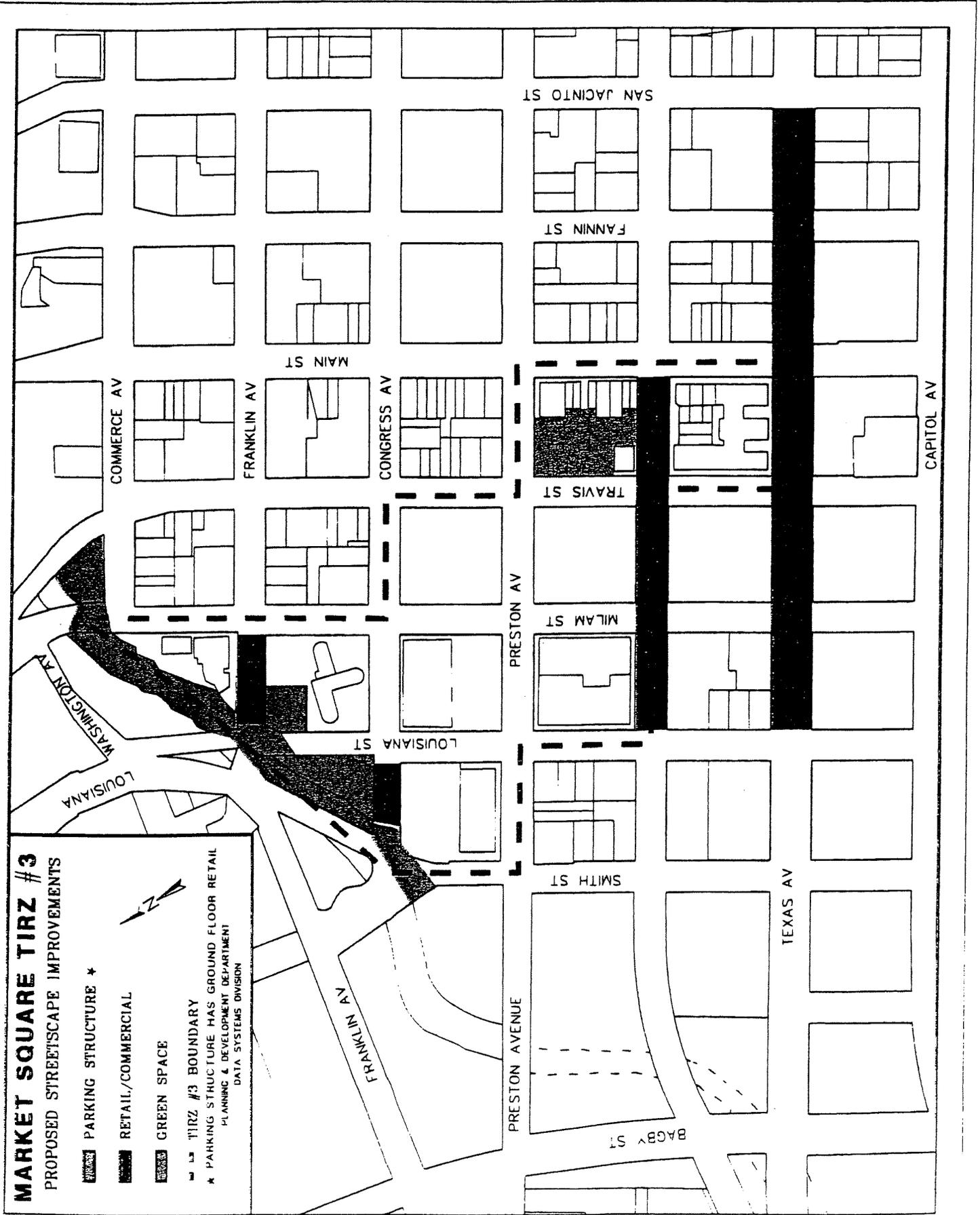
Please refer to the Exhibits 2-5 for:

Units/Area Added

Exhibit 2	Existing Land Uses	
Exhibit 3	Proposed Land Uses (Project Plan)	
	• Residential (3+ stories)	905 du
	• Retail/Commercial/Office	188,000 sf
	• Banking Drive-Through	0 sf
	• Parking Structures* (w/ground floor retail in new facilities)	2,000 cars
	• Surface Parking	0 sf
	• Open Space	.25 ac
	• Vacant Building (existing land use category only)	0 ac
Exhibit 4	Infrastructure Improvements (Project Plan)	
Exhibit 5	Private Development Sites (Project Plan)	
	• Greenbelt/Park/Riverwalk	
	• Streetscape	
	• Tunnel	
	• Residential Development Site (new and rehab)	
	• Retail/Commercial Rehabilitation Site	
	• Parking Structure (with ground floor retail)	
	• Residential (3+ stories)	
	• Retail/Commercial	
	• Office	
	• Banking Drive-Through	
	• Parking Structure (w/ ground floor retail in new facilities)	
	• Surface Parking	
	• Open Space	
	• Vacant Building (existing land use category only)	
	• Greenbelt/Park/Riverwalk	
	• Streetscape	
	• Tunnel	
	• Residential Development Site (new and rehab)	
	• Retail/Commercial/Rehabilitation Site	
	• Parking Structure (with ground floor retail)	
	• METRO Transit Streets	
	• Related Improvements to Buffalo Bayou	
	• Many parking garage units will be integrated with residential development	

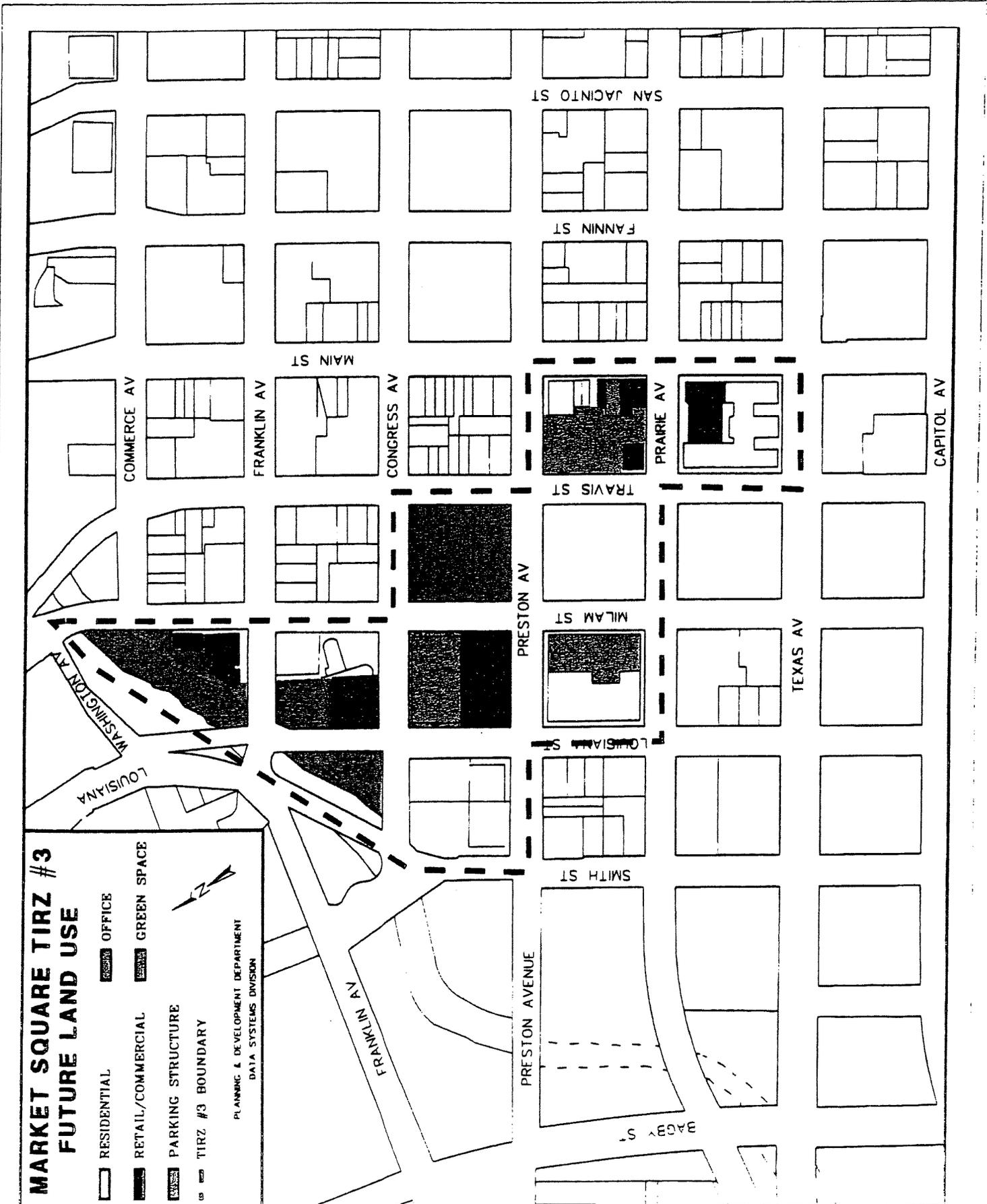






MARKET SQUARE TIRZ #3
 PROPOSED STREETScape IMPROVEMENTS

PARKING STRUCTURE *
 RETAIL./COMMERCIAL
 GREEN SPACE
 TIRZ #3 BOUNDARY
 * PARKING STRUCTURE HAS GROUND FLOOR RETAIL
 PLANNING & DEVELOPMENT DEPARTMENT
 DATA SYSTEMS DIVISION



Part 4: Reinvestment Zone Financing Plan Analysis

Over its 30-year development period, the Market Square TIRZ is projected to attract approximately \$72 million in new taxable ad valorem valuation, generating a cumulative tax increment of approximately \$34 million. (Refer to Exhibit 6; page 11.) This projected \$34 million, which assumes the participation of Harris County and HISD, will offset the cost of needed capital improvements and services while still providing a safety margin for market and project contingencies.

The projected \$34 million increment is deemed to be a conservative figure, partly because an increase in the value of existing structures and land was not factored in, but could nonetheless be reasonably expected during the project's 30-year time frame. However, it should be noted that the tax increment revenue forecast does not reflect any historic tax exemptions that might be granted in the future to properties within the proposed TIRZ.

In terms of the structure of the financing plan, the first \$10,000 of increment revenue will be allocated to the TIRZ Board for administrative/organizational expenses. The next \$750,000 of the annual tax increment revenue will be obligated to finance debt and expenditures associated with the renovation of the Rice Hotel, for the project's first 25 years. Most non-Rice Hotel improvements will be funded on a pay-as-you-go basis, but some may be financed. In any case, however, non-Rice improvements will be undertaken only with funds that remain after the Rice Hotel obligations are paid. If the TIRZ does not produce \$760,000 in annual increments in any given year, the deficit plus interest will be paid out of future increments that do exceed \$760,000 per year.

Economic Feasibility: Exhibit 6 supports the economic feasibility of this project. The market absorption rates assumed by the financing plan are corroborated by the findings of several market studies conducted for the downtown/central Houston residential market: *Market Analysis of Housing Potential in Downtown Houston*, December 1993, prepared by CDS Research, Inc.; and *Final Report: Loft Resident Living Experiences - Focus Groups*, July 1996, prepared by CDS Research, Inc. These studies conclude that an unmet demand exists for downtown housing units that far exceeds the 905 units called for in this project plan.

Exhibit 6: FINANCING ANALYSIS - MARKET SQUARE TIRZ

100% Participation of City, County and HISD; 905 apts., 188,000 sq retail/ services
 (Reflex is \$411,000 per year cap on HISD's contribution to the increment fund)

Year	RESIDENTIAL				NONRESIDENTIAL				RESID. + NONRESID.		Total Increment
	DUs	Annual Value	Cumulative Value	Square Feet	Annual Value	Cumulative Value	Annual City Increment	Annual CO Increment	Annual HISD Increment		
1996		0	0		0	0	0	0	0	0	0
1997	155	10,850,000	10,850,000		0	0	72,153	67,270	150,164	289,587	
1998	200	14,000,000	24,850,000	40,000	1,800,000	1,800,000	177,223	165,230	368,836	711,289	
1999		0	24,850,000		0	1,800,000	177,223	165,230	368,836	711,289	
2000	100	7,000,000	31,850,000		0	1,800,000	223,773	208,630	410,000	842,403	
2001	100	7,000,000	38,850,000	20,000	900,000	2,700,000	229,758	214,210	410,000	853,968	
2002		0	38,850,000		0	2,700,000	276,308	257,610	410,000	943,918	
2003	100	7,000,000	45,850,000	40,000	1,800,000	4,500,000	276,308	257,610	410,000	943,918	
2004		0	45,850,000		0	4,500,000	334,828	312,170	410,000	1,056,998	
2005	145	10,150,000	56,000,000		0	4,500,000	334,828	312,170	410,000	1,056,998	
2006		0	56,000,000		0	4,500,000	402,325	375,100	410,000	1,187,425	
2007	105	7,350,000	63,350,000	20,000	900,000	5,400,000	408,310	380,680	410,000	1,198,990	
2008		0	63,350,000		0	5,400,000	457,188	426,250	410,000	1,293,438	
2009		0	63,350,000		0	5,400,000	457,188	426,250	410,000	1,293,438	
2010		0	63,350,000		0	5,400,000	457,188	426,250	410,000	1,293,438	
2011		0	63,350,000		0	5,400,000	469,158	437,410	410,000	1,316,568	
2012		0	63,350,000		0	5,400,000	469,158	437,410	410,000	1,316,568	
2013		0	63,350,000		0	5,400,000	469,158	437,410	410,000	1,316,568	
2014		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2015		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2016		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2017		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2018		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2019		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2020		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2021		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2022		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2023		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2024		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
2025		0	63,350,000		0	5,400,000	477,537	445,222	410,000	1,332,759	
Total:	905	63,350,000	63,350,000	188,000	8,460,000	8,460,000	9,055,172	8,442,416	9,497,836	33,659,217	

Assumptions
 Value per Residential Unit: \$70,000
 Value per Nonresid. Sq Ft: \$45
 Applic. City Tax Rate/ \$100: 0.665
 Applic. County Tax Rate/ \$100: 0.620
 Applic. HISD Tax Rate/ \$100: 1.364

Note: This generalized analysis does NOT reflect the following: a lag in tax collections; tax delinquencies; and, tax exemptions/ abatements on new development.

Part B: Amended Project Plan and Reinvestment Zone Financing Plan for Enlarged Market Square TIRZ

Part B details the expanded area and plans for the Market Square TIRZ. See Exhibit 1 (page ii) for the original Market Square TIRZ and enlarged area. Except where noted, improvements proposed in Part A remain the same.

General Summary

The plan anticipates development of some 1,295 residential units, almost 180,000 square feet of predominantly street-level retail space, some 3,500 needed garage parking spaces, 1300 hotel rooms and 2,270,000 square feet of new and upgraded office space within the added area (excluding anticipated development in the original area). These new developments will take place within a corridor along both sides of Main Street running from the Union Pacific railroad tracks on the north to the Pierce Street at the southern end of the central business district (CBD) where it effectively adjoins the Reinvestment Zone Number Two, City of Houston, Texas (Midtown TIRZ).

Most critical to the continued and long term repositioning and strengthening of the CBD are:

- 1) The creation of a pedestrian friendly environment through the reconstruction of streets and sidewalks amply provided with lighting, shade trees, planting, benches and other street furniture and amenities;
- 2) The establishment of seamless connections between the eastern and western portions of downtown by changing the environment along Main Street;
- 3) The reinforcement of pedestrian attractive retail activities along Main Street with special emphasis on the area adjacent to Foley's department store to help anchor that facility, which is essential to a vibrant economic renewal of downtown;
- 4) The restructuring of the transit system serving downtown;
- 5) The economic development and redevelopment of vacant or under utilized buildings for a variety of residential and commercial uses that will contribute to a vibrant downtown and provide long term added value to the city's tax base;
- 6) The establishment of educational facilities that will help provide qualified, well-trained employees for existing and new retail, lodging, and commercial uses.
- 7) The completion of walkways, pathways and park lands along Buffalo Bayou at the north end of the area.

8) The completion of improvements to the Theater District's streets, sidewalks, and public parks and plazas.

With this plan for strengthening the core area, the redevelopment that has started in other areas of the CBD will be enhanced and protected. This will allow the 94% of CBD value not in the Zone to increase more rapidly. Without this plan, downtown will remain largely an unattractive environment for pedestrians: its retail core, limited as it is, will likely shrink even further and retreat entirely underground; potential investments will either not take place or will be made in a manner which does not promote the retail/pedestrian environment needed to sustain investment and attract more residential development in the downtown area; and, the opportunities and benefits of extending activities along Buffalo Bayou from Sesquicentennial Park will be pushed off into the unforeseeable future.

Existing Uses and Conditions

The existing land uses of the enlarged zone are shown on Exhibit 7 (page 26). The total 1998 assessed value of taxable property within the added area of the Market Square TIRZ is \$187,769,310, which is less than 8% of the entire CBD tax base. The Main Street corridor contains a mix of commercial uses with varying degrees of activity and tenancy. Much of the building stock is underutilized and deteriorating. Along Main Street itself, 63.8% of the office space is vacant and property values have declined by 72% over the last decade, in contrast to a decline for the entire CBD during that same period of 40%. Main Street retains some vestiges of its old role as a retail street, but most of the street level retail space is either marginal or vacant. Of the total 857,649 square feet of retail space along the entire length of Main Street (in CBD), 47.8% is vacant. Foley's accounts for more than 41.5% of the occupied retail space. The excessively high vacancy rate is reflected in dilapidated facades and the decaying street environment, brought about by years of neglect and overuse.

Negative street conditions combined with deteriorating facades, lack of visitor parking and weak connections between retail anchors like Foley's and the Park Shops (immediately outside the TIRZ) have also contributed to the steady decline of downtown retailing during the last few decades. See Exhibits 8 through 11 on pages 27 and 28 for photographed conditions. Since 1984 downtown retail sales subject to sales taxes declined by 61% (inflation adjusted), resulting in an annual loss of \$3.3 million revenues to the City (see Exhibit 12; page 29.) During this same period, more than half of downtown's clothing stores closed.

Retail closings not only result in reductions in property and sales tax revenues, but in losses in central city employment and important services for downtown workers and residents. Further erosion of the retail sector will impede the expansion of the CBD office and residential markets that view retail as an important amenity and threaten the future of Foley's downtown store.

The state of Main Street has been a cause of concern for investors for over twenty years. Its deteriorating physical condition creates a void that divides downtown—east from west. Compounding the problem is the fact that Main Street disproportionately shoulders the burden of heavy all-day bus traffic. Overburdened and decaying streets, sidewalks and bus shelters impede business development and investment along Main and discourage transit use through inconvenience to METRO patrons. See Exhibits 13-14 (page 30) for photographs.

Proposed Improvements

The improvements proposed in relationship to the goals of the Market Square TIRZ plan are as follows:

Goal 1. The creation of a pedestrian-friendly environment through the construction and reconstruction of streets and sidewalks amply provided with shade trees, planting, benches and other street furniture amenities.

Public streetscape enhancements are required to create an environment that will help stimulate new private investment in residential, retail and other commercial uses include street lighting, signage, trees and landscaping, benches, and related street furniture. Reconstruction will be undertaken of some sidewalks within the TIRZ because they are undermined by structurally deteriorated basement vaults (or voids) that extend outward from adjacent buildings. Such sidewalk areas are within the street right of way and must be reconstructed to ensure long term public safety. Parks and pocket parks that provide an appropriate setting for sidewalk cafe type investments will be part of this streetscape strategy. These improvements will be integrated with the street reconstruction program of METRO and with the street enhancements proposed for the neighboring Cotswold area but will address conditions not being covered by those projects.

Goal 2. The establishment of a seamless connection between the eastern and western portions of downtown by changing the environment along Main Street.

The state of Main Street is a cause of concern for investors. Its deteriorating physical condition creates a void that divides downtown—east from west. Compounding the problem is the fact that Main Street disproportionately shoulders the burden of heavy all-day bus traffic. Overburdened and decaying streets, sidewalks and bus shelters impede business development and investment along Main and discourage transit through inconvenience to METRO patrons.

The METRO program for reconstruction of major transit streets within the downtown area is a critical piece of the redevelopment plan mosaic for the area. Reconstruction will eliminate infrastructure blight and deterioration and help improve

transit operations. The design program calls for street furniture enhancements including trees, landscaping, bus shelters, etc. Continued delays of this major street reconstruction program will cause major adverse impacts on investment and development decisions in the area. METRO is completing the Major Investment Study (MIS) of light rail or enhanced bus serving the Main Street corridor in late 1999 to determine if, where, when, how, and at what cost such a system might be implemented. Locating light rail transit on Main Street will require a design of the street that is different than the transit street design for buses. Redesign of the street will cause further delays, as METRO cannot commence preliminary engineering work until 2000.

It is proposed that the Market Square TIRZ will take the following steps to assure the timely reconstruction of Main Street providing for either enhanced bus or light rail options:

(a) Enhanced bus. Provide funds to cover the remaining costs to complete the engineering designs for Main Street transit street reconstruction and bring those plans to the bidding stage. The estimated cost is \$250,000. If the construction plans are implemented with no change, the funds will be reimbursed to the Market Square TIRZ upon METRO's receipt of Federal funding. Without these funds, METRO cannot finish the engineering and design documents.

(b) Light rail. Provide up to \$16,000,000 for the design and reconstruction of sidewalks, curbs, gutters, intersections, and pavement overlays including trees, landscaping, traffic signals, street signage, streetlighting, other street fixtures, and utility work to begin reconstruction of Main Street as soon as possible. The design of these improvements would be coordinated with plans for the light rail tracks and stations to be constructed in the center of the street at a later date by METRO. This approach minimizes the impact of light rail construction on properties along Main Street.

The alternative to this is to wait several more years for reconstruction of Main Street until the final decisions are made on the subject of rail within the Main Street corridor. This choice will only lead to further and probably accelerated deterioration and vacancies along Main Street and the likely prospect that anticipated development will fade away as the street decline accelerates.

Goal 3. The reinforcement of pedestrian attractive retail activities along Main Street with special emphasis on the area adjacent to Foley's Department Store to help anchor that facility, which is essential to a vibrant economic revitalization of downtown.

The retention of existing retail and the expansion of retail along Main Street with special emphasis on strengthening the remaining retail core surrounding Foley's around Dallas, Travis, Lamar, and San Jacinto requires more than an investment in upgrading the streetscape. See Exhibit 15 (page 31). A variety of strategic plans and programs must be put into effect as appropriate to attract and retain a viable retail base

in downtown. A key strategy to achieve this goal is the provision of adequate parking for visitors, shoppers and workers.

Easy access to parking at acceptable rates is crucial to the central business district's competing successfully with outlying shopping centers. To facilitate the 368,000 square feet of new retail activity called for in Parts A and B and support existing retail, it is projected that at least 750 and as much as 1500 conveniently located garage parking spaces will be required. This assumes a parking ratio at the low end of 2 spaces per 1,000 square feet of retail space, about half the requirements for conventional shopping centers, to a high of 4 spaces per 1,000 square feet. A comprehensive review to determine the correct mix will be undertaken by the Market Square TIRZ.

To meet this parking need in a manner that assures and supports the retail activities downtown, it is anticipated that the Market Square TIRZ will undertake the development of necessary parking facilities and arrange for appropriate leasing and management operations. A special financial feasibility analysis will be undertaken before any single facility is developed. It is projected that the development cost of the maximum number of spaces could be on the order of \$15 million, but the actual net cost of debt service based on leasing terms can only be established on a case basis.

Goal 4. The restructuring of the transit system serving downtown.

The development of an upgraded streetscape and the provision of convenient and affordable parking to serve retail needs are elements of the comprehensive strategy needed to encourage sound downtown redevelopment, but will in and of themselves not solve the problems created by the excessively high volume of bus traffic presently programmed along Main Street.

One element of the METRO transit program calls for a redistribution of bus service downtown so that passengers transferring out of downtown will be able to do so at a convenient location outside of the central core and those destined for downtown will be able to get on and off buses at points distributed more evenly throughout the core area, rather than predominately on Main. The METRO plan for redistribution and enhanced service contains two elements that will have significant impact upon the investment environment in downtown:

(a) Downtown Transit Center: This facility is programmed for a site owned by METRO at the southern end of the Main Street corridor. See Exhibit 16 (page 32). The present METRO development schedule calls for this \$17 million facility to begin construction in July 2002, with completion in July 2004.

Until the transit center is operational, METRO cannot change its bus service system and therefore the heavy burden of bus activity on Main Street with its attendant inconvenience to the transit users will continue. This condition will be exacerbated by the fact that the METRO transit street project will be underway, making it even more difficult for pedestrians and bus users and motor vehicle users in general. This generally disruptive condition will continue for some years, making it even more difficult to sustain existing retail life on the street and rendering it quite unlikely that new retail activity will take place along the street.

A speed-up of the METRO development schedule for the transit center will have immeasurable benefits for the early development potential of Main Street. METRO has a federal grant for 80% of the cost of the facility. It is proposed to provide the 20% local match of \$3.5 million through Market Square TIRZ borrowing, with METRO reimbursing the TIRZ in 2004 when it is otherwise scheduled to construct the facility.

(b) Transit-to-Tunnel Superstop: The concept of a superstop in the center of the downtown business district in the block bounded by Travis, McKinney, Main and Lamar (see Exhibit 17; page 32) is to integrate bus service to downtown destinations (as distinct from transfers to other destinations in the region that will be focused at the downtown transit center at the southern end of Main). This superstop will be integrated into a major office development planned for the subject block. The superstop will provide passengers immediate access to the downtown tunnel system achieving a long-sought goal for downtown revitalization: open and easy access to the street and tunnel system for all people and the integration of tunnel and street level retail at one central point. Importantly, this superstop concept will also provide tunnel and street level links to the all important retail anchor in downtown—Foley's (see Exhibits 18-19 on page 33, depicting plans and views of the superstop). This superstop offers an enhanced retail environment, cements a development concept that will not be executed if not for the TIRZ #3, and offers improved and convenient transit service thereby reducing demand for automobile access and parking in downtown.

Market Square TIRZ funding for the project will be \$2.5 million, supported by \$5 million from METRO and \$750,000 from the Downtown District.

Goal 5. The redevelopment of vacant or underutilized older or historic buildings for a variety of residential and commercial uses which will add ambiance to the pedestrian/retail environment and contribute to a vibrant downtown environment.

A number of vacant and/or underutilized structures in the Market Square TIRZ possess architectural or historic character which will increase the ambiance of the pedestrian/retail environment. Restoration is often uneconomic for owners because of substantial costs involved. The Market Square TIRZ may use tax increment reinvestment funds to acquire, lease, and or sell properties or participate with property owners to cause the redevelopment of older or historic structures. Proceeds from sale or lease by the TIRZ would be used to take on additional properties. Use of eminent domain is not anticipated.

Goal 6. The provision of qualified, well trained employees for existing and new retail, lodging, and commercial uses.

Employment in anticipated development within the enlarged Market Square TIRZ will likely exceed 12,000 persons. The mix of uses ensure that jobs will range from retail sales, restaurant and entertainment, and hospitality, to office-based positions at varying skill levels. Improved transit services provides an excellent opportunity for commuting without a car. However, recent, newly opened businesses are finding some difficulty in recruiting workers.

To assist in the provision of well qualified workers, it is anticipated that the Market Square TIRZ will assist HISD in the improvement or development of educational facilities targeted toward preparing workers for the type of jobs created in the area. The development of such facilities also can take advantage of the Market Square TIRZ's location at the heart of the City of Houston Enhanced Enterprise Community, the state Enterprise Zone, and the proposed federal Empowerment Zone.

Goal 7. The completion of walkways, pathways and park lands along the bayou edge at the north end of the area.

Buffalo Bayou improvements proposed are extensions of the type of riverwalk development discussed in the Part A plan.

Goal 8. The completion of improvements to the Theater District's streets, sidewalks, and public parks and plazas.

Serving as a major attraction, the performing arts and entertainment activities of the Theater District draws more than 2.5 million visitors annually to downtown. This visitation further strengthens the market for retail activity especially for food and beverage. Although improvements to streets and public spaces are planned in Transit Streets, the Texas Avenue Project, and the Houston Downtown Management District's capital improvement plan, unmet needs will exist for streetscape, signature amenities, lighting, and pedestrian improvements. While recognizing the priority of improvements to Main Street, meeting these unmet improvement needs are part of this plan.

Proposed Uses

The various land uses that are anticipated to be developed as a result of the improvements set out above are shown as generalized land uses and opportunities on Exhibit 20; page 34.

Municipal Ordinances

Other than ordinances directly associated with the enlargement of the Zone, no other changes to development ordinances, building codes or master plans are called for by the project plan. No condemnation actions are anticipated by the project plan.

Non-Project Costs

The Houston Downtown Management District (Downtown District), created in 1995 by the Texas Legislature, levies a \$.085 per \$100 assessment fee for services. Operating under the 1996-2000 Services and Improvements Plan, the Downtown District focuses a substantial portion of its annual public safety, cleaning, economic development, communications/promotion, and planning budget on the portion of the CBD in the enlarged zone. METRO (with Federal grant assistance), the City, and the Downtown District are participating in the reconstruction of 11 downtown transit streets to be completed in four phases. Several transit streets are included in the enlarged zone. On October 14, 1998 City Council approved a contract for street and sidewalk master planning, test blocks, and Phase I design of streets within the Cotswold area north of Capitol Avenue. Cotswold streets, envisioned to have more curbside parking and increased pedestrian amenities, will be built in at least three phases over five years. Please see the following page for a list of non-project expenditures that will be made in the enlarged zone over the 30 year life of the Market Square TIRZ.

Non-Project Operating Costs (Downtown District over 30 years)

Public Safety and Cleanliness	\$ 9,802,000
Economic Development	3,276,000
Retail Promotion	14,339,000
Planning	2,532,400
TOTAL	\$ 29,949,400

Non-Project Capital Costs

Superstop	(METRO)	\$ 5,000,000	
	(Downtown District)	750,000	
Transit Center	(METRO)	17,000,000	
Allen's Landing	(Downtown District)	200,000	
	(City CIP, County, State)	1,100,000	
Buffalo Bayou	(City CIP)	3,000,000	*
Transit Streets	Main (METRO)	11,000,000	
	McKinney (METRO)	1,200,000	**
	Lamar (METRO)	1,200,000	**
	St. Joseph's Pkwy. (METRO)	1,200,000	**
	Smith (METRO)	3,000,000	**
	Louisiana (METRO)	2,400,000	**
	Milam (METRO)	3,600,000	**
	Travis (METRO)	9,600,000	**
	Fannin (METRO)	11,400,000	**
	San Jacinto (METRO)	4,800,000	**
	Pedestrian Enhancements (Dt.District)	500,000	
Cotswold Streets	Commerce	1,120,000	
	Franklin	1,400,000	
	Congress	4,480,000	
	Preston	5,180,000	
	Prairie	1,680,000	
	Texas	560,000	
TOTAL		\$ 91,370,000	

* This CIP item also covers land acquisition costs on Buffalo Bayou outside of downtown so funds available within the Market Square TIRZ will be less than \$3 million.

** Pro rata share of budget based on number of blocks in the Market Square TIRZ.

Relocation

No relocation of residential occupants is anticipated by the Market Square TIRZ Project Plan.

Amended Financing Plan

Part B Proposed Improvements. The nature of the improvements proposed for the enlarged area added to the Market Square TIRZ is described in detail under the section noted "PROJECT IMPROVEMENTS." The estimated costs for these improvements and activities are set forth in the list below. Exhibits 21-24 on pages 35-38 depict the locations of these proposed improvements.

Streetscape Enhancements.....\$11,675,000

Streets that are programmed for the enhancements and areas where sidewalk vault improvements are needed are shown in Exhibit 21. These streets are not included in Transit Streets or Cotswold. Pocket parks are shown for illustrative purposes. The location will depend on planned developments, land costs, and other factors that must be examined on a case basis.

Transit Streets.....\$16,000,000

Main Street will be improved through Market Square TIRZ funding and is shown in Exhibit 22.

Transit Center and Super-Stop.....\$6,775,000

The locations of the transit center and the Superstop are shown in Exhibit 22.

Public Parking Facilities\$15,000,000

The areas in which retail oriented or joint use public parking facilities will be most critical to the retail success of the zone are shown in Exhibit 23. TIRZ funding will supplement garage development.

Acquisition/Rehabilitation of Historic Structures.....\$15,000,000

The exact location of older or historic structures to be acquired and restored redeveloped will be determined on a case basis within the area shown in Exhibit 23.

Education Facilities.....\$82,541,820

Educational facilities improvements will be as provided in Chapter 311 of the Texas Tax Code and may be located inside or outside the Zone pursuant thereto. These facilities will be provided by HISD using a portion of the HISD tax increment as provided by the Interlocal Agreement with HISD.

Buffalo Bayou Improvements:.....\$6,000,000

The sections of the bayou to be extended from Part A improvements as a continuous riverwalk and park area are shown in Exhibit 24.

Theater District Improvements:.....\$11,500,000

The area where improvements to streets, streetscape, parks and plazas are proposed is shown in Exhibit 24.

Estimated Project Costs

Part A

		Estimated Costs		
		Bonds	Pay-as-you-go	TOTAL
Buffalo Bayou Riverwalk				\$4,000,000
	Channel Edge/Structure		\$2,000,000	
	Waterfront Park		\$800,000	
	Walkway/Access		\$900,000	
	Lighting/Amenities		\$300,000	
Preparation of Residential Development Sites				\$5,000,000
	Utilities		\$500,000	
	Parking		\$4,500,000	
Rice Hotel Financial Asst.				\$18,750,000
	Acquisition		\$3,000,000	
	Tunnel Link		\$1,000,000	
	Asbestos/Lead Paint Abatement		\$3,000,000	
	Demolition/Parking		\$1,000,000	
	Finance Charges		\$10,750,000	
Acquisition/Rehabilitation of Historic Structures				\$1,500,000
	Acquisition (net)		\$500,000	
	Rehabilitation		\$1,000,000	
				\$29,250,000

Part B

		Estimated Costs		
		Bonds	Pay-as-You-Go	TOTAL
Streetscape Enhancements				\$11,675,000
	Streetscape Enhancements	\$2,750,000	\$3,250,000	
	Parks/Pocket Parks	\$425,000	\$2,250,000	
	Basement/Electrical Vaults	\$3,000,000		
Transit Streets				\$16,000,000
	Main Street improvements	\$16,000,000		
Retail Parking Facilities				\$15,000,000
	Garage A (750 spaces @ \$10,000/space)	\$7,500,000		
	Garage B (750 spaces @ \$10,000/space)		\$7,500,000	
Transit Improvements				\$6,750,000
	Superstop Tunnels (1/2 cost of 3 tunnels @ \$20,000/FT x 250 FT)	\$2,500,000		
	Transit Center participation	\$4,250,000		
Acquisition/Rehabilitation of Historic Structures				\$15,000,000
	Acquisition and/or Rehabilitation		\$15,000,000	
Educational Facilities				\$82,541,820
	(Funded by dedicated HISD increment)		\$82,541,820	
Buffalo Bayou Improvements				\$6,000,000
	Channel edge, trail, walkway, and access		\$6,000,000	
Theater District Improvements				\$11,500,000
	Roadway improvements		\$1,000,000	
	Streetscape enhancements		\$3,700,000	
	Park improvements and signage		\$5,000,000	
	Exterior and street lighting		\$1,800,000	
				\$164,466,820

Administration

	Contract Staff	\$840,000	
	Consultants (including Counsel)	\$700,000	
	Other Administrative Expenses	\$351,000	
			\$1,891,000

PROJECT PLAN TOTAL

\$195,607,820

Estimated Project Costs. The chart on page 22 lists the estimated project costs for: (i) the activities described in detail under the Project Improvements section of this Part B; (ii) the activities described in Part A of this amended plan with the exception of \$2 million in streetscape enhancements that are now being funded through the City's Cotswold 2000 Project; and (iii) the combined total project costs for the enlarged Market Square TIRZ. Actual costs may be above or below these estimated costs. Priority will be given to improvements in the Main Street corridor.

Economic Feasibility. Exhibit 25 (page 39) provides projected economic development activity for the Plan B area and Exhibit 26 (page 40) provides total anticipated revenue for Plan A and Plan B combined. Market absorption rates are corroborated by current market trends and the findings of several market studies conducted for the downtown/central Houston area.

Market Analysis of Housing Potential in Downtown Houston, December, 1993 and Final Report: Loft Resident Living Experiences – Focus Groups, July 1996—both prepared by CDS Market Research, Inc.—conclude that unmet demand for downtown housing units far exceeds the 2,200 units called for in Parts A and B. Moreover, current leasing and sales experience further corroborates projected development in this plan.

Projected retail space is corroborated by the findings of *Downtown Houston Redevelopment Plan, October, 1998* prepared by Urban Marketing Collaborative. The 368,000 square feet of new space in the plan is sustainable by the report's unmet demand of 284,000 square feet of general, apparel, furnishings, and other (GAFO) space and 334,000 square feet of restaurant and bar space. In addition to the 617,000 square feet of retail currently demanded, the report projects future demand to be an additional 292,000 square feet.

Office space of 2,270,000 is projected based on improving office leasing. Baca Landata, Inc. reports October, 1998 downtown Class A space is 96.78% leased at weighted average rate of \$20.75 per square foot. This is a substantial increase from the 87% level at \$14.50 per square foot of five years ago. More significantly, only 823,930 square feet of Class A space is currently available in downtown with few large blocks of space.

The 1300 hotel rooms in the plan are corroborated by current improving occupancies and rates for downtown hotel rooms as reported by PKF Consulting/Hospitality Advisory Services. While occupancies during the first half of 1998 were down 2.2% to 68.9%, room rates have risen 12.3% to \$133.16 increasing revenue per available room (RevPAR) by 8.9%. This reflects a continuance of a six year trend of improving RevPAR, and because of downtown's notably low number of hotel rooms at 1,798, the 1,300 rooms proposed (in addition to the 1,000 room Convention Center Hotel) will benefit from the completion of major projects such as the Ballpark at Union Station and the expansion of the George R. Brown Convention Center.

Estimated Amount of Bonded Indebtedness. Payment for improvements both from the proceeds of tax increment bonds and annual property tax increments are anticipated. Two bond sales are anticipated, the first in 2000 provides funds for high priority projects (\$33,240,720); the second in 2003, after further redevelopment has occurred (\$11,475,000).

Timing of Monetary Obligations. Monetary obligations will be incurred over a twenty (20) year period with the predominance of the obligations occurring within the next four years. See Exhibit 27 (pages 41-43) for project annual expenditures.

Description of Methods of Financing and Sources of Revenue. The Market Square TIRZ will use four methods of financing. The first as described in Part A of the plan for the Rice project involves bank financing and refinancing loan from the City of Houston's federal HUD Section 108 Loan program. The Market Square TIRZ is obligated to pay \$750,000 per year for 25 years to the Houston Housing Finance Corporation to service this debt; Houston Housing Finance Corporation assigned a portion of this revenue stream to secure the City's Section 108 HUD loan. This obligation will be met in the year 2020 however; the TIRZ may seek to defease or refinance this obligation prior to 2020. The second method is tax increment bonds. It is anticipated that these bonds will be used to finance priority improvements and fund developer reimbursements for eligible public improvements in the plan. Such bonds are expected to have a twenty-year term and will be paid off by 2023. The third method of paying for project expenses is short term obligations in anticipation of bond proceeds. The fourth method is paying for project expenses with cash from the tax increment fund.

Sources of revenue include deposits of the incremental ad valorem taxes by the City into the Market Square TIRZ tax increment fund, including taxes received from Harris County and the Houston Independent School District, subject to their approval of modified Interlocal agreements. The anticipated percentages of participation are City 100%, Harris County 100%, and HISD at 100%. The actual tax rates of the Taxing Jurisdictions are established annually and may be decreased or increased by the Taxing Jurisdictions in any year. Of the total increment projected, 24.0% will be received from the City of Houston, 23.2% from Harris County, and 52.8% from HISD including funds for educational facilities.

Total Appraised Value of Taxable Real Property. As of November, 1998, the taxable real property value within the added area of the Market Square TIRZ is \$187,769,310. The 1995 base value for the original area in the Zone is \$22,314,700.

Duration of Zone. The duration of the zone is thirty years from its original creation date or until 2025. The Market Square TIRZ is intended to be in existence until all debt obligations for Market Square TIRZ projects are retired. Cash flow analyses indicate that the Market Square TIRZ will likely complete all projects and retire all Zone

debt before 2025. If this is true, the Market Square TIRZ may contract a portion of the tax increment fund revenues to the City's general fund, Harris County, and HISD until its termination date.

Estimated Captured Future Value of Real Property. Exhibit 26 provides the captured property taxes projected for the life of the Market Square TIRZ. Total projected tax increment for the entire zone is \$280,918,039. This is deemed to be a conservative figure, partly because an increase in the value of existing structures and land was not factored in, but could nonetheless be reasonably expected during the plan's 30-year time frame. However, it should be noted that the tax increment revenues forecasted reflect historic tax exemptions for the Hogg Palace and the Humble Building only and not any exemptions that might be granted in the future to properties within the Market Square TIRZ.

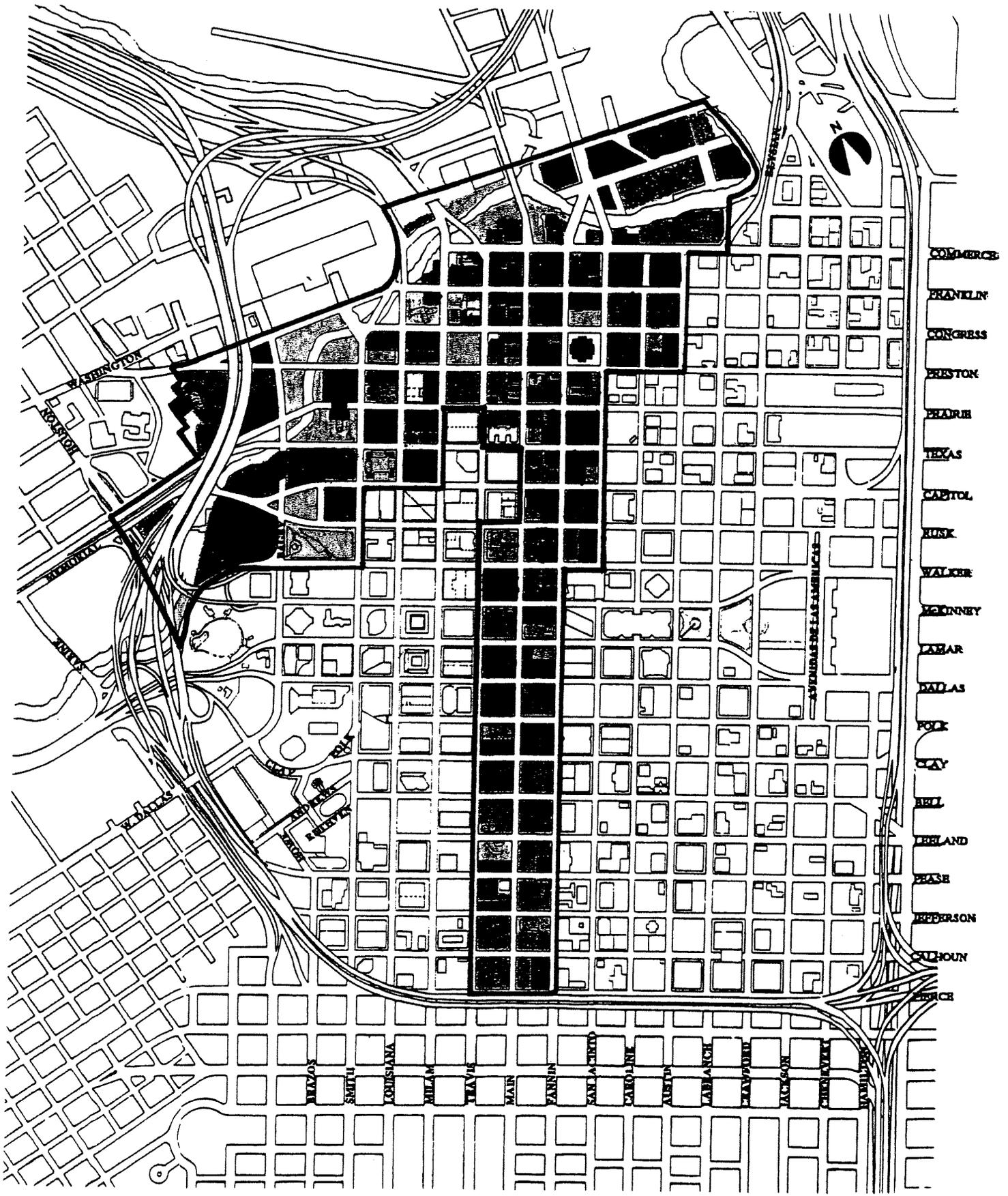


Exhibit 7: Existing Land Uses

- | | | | | | |
|--------|---------------|---------------|------------|-----------------|--------|
| Retail | Institutional | Industrial | Open Space | Surface Parking | Office |
| Garage | Residential | Drive-Through | Vacant | Hotel | |

Exhibit 9: Insufficient Retail Parking

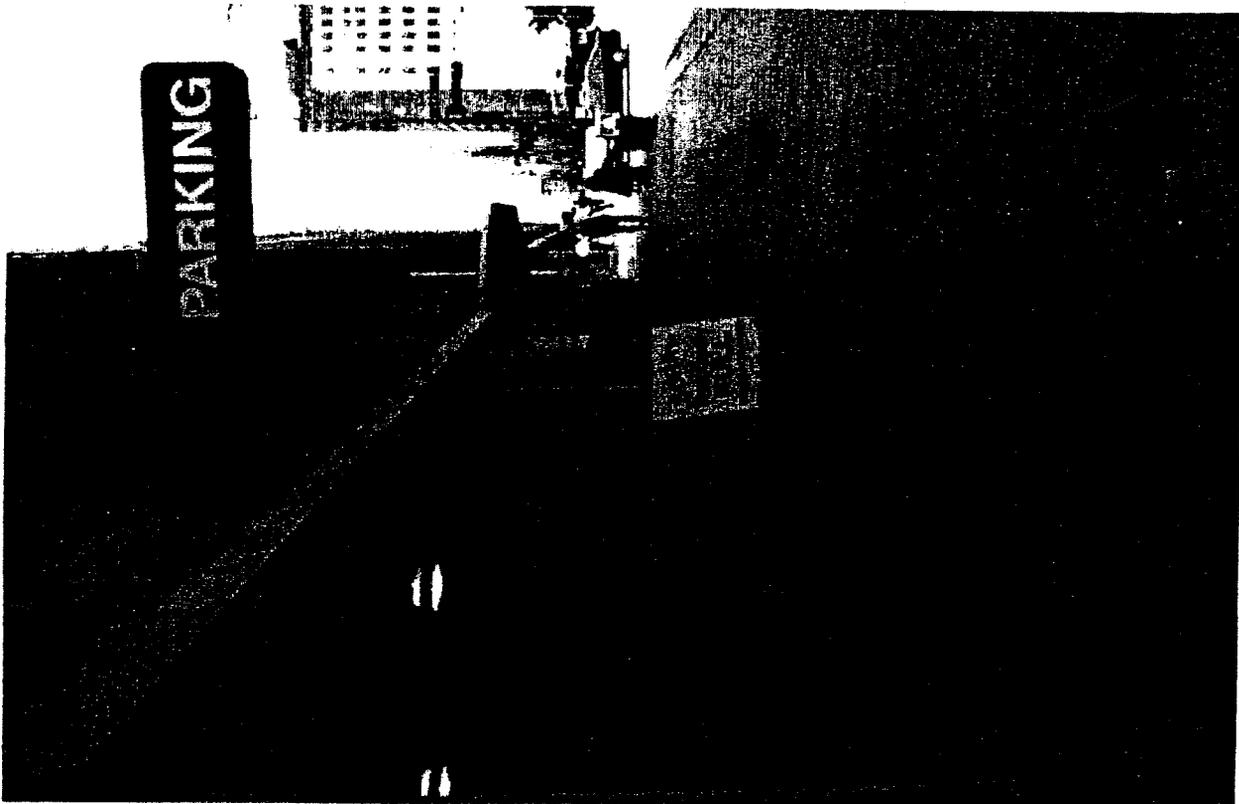


Exhibit 8: Deteriorated Sidewalks and Streets

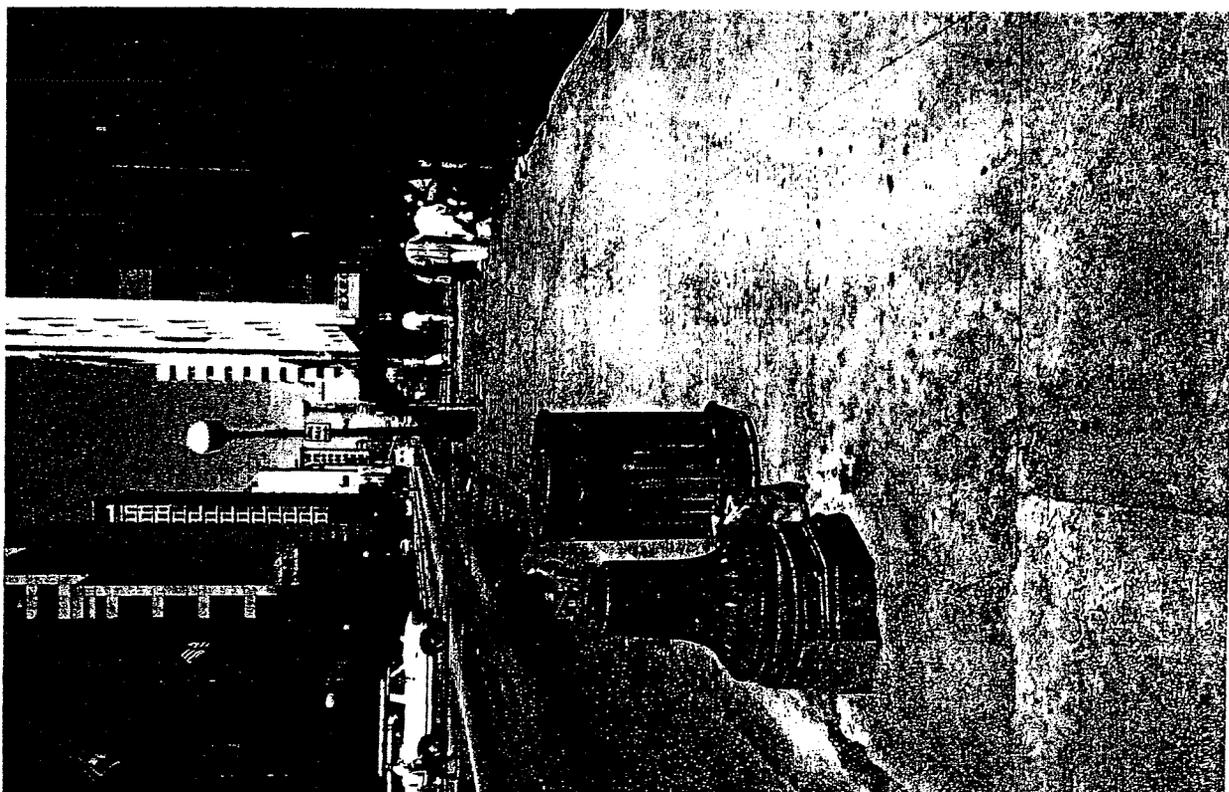


Exhibit 27

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Page 1

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUE												
Increment	\$0	\$289,587	\$711,289	\$737,067	\$1,009,072	\$3,585,768	\$8,288,892	\$8,565,465	\$9,150,418	\$9,150,418	\$9,653,780	\$9,678,672
Short Term Obligations				\$1,000,000								
A-Bond Proceeds					\$33,240,720							
B-Bond Proceeds								\$11,475,000				
Metro Reimbursement									\$3,500,000			
Balance Carryover												
TOTAL	\$0	-\$460,413	-\$1,270,413	-\$1,439,124	-\$783,767	\$2,068,617	\$401,143	\$1,506,450	\$1,286,429	\$1,262,211	\$992,993	\$579,079
EXPENSES												
Admin	\$0	\$0	\$10,000	\$160,000	\$225,000	\$120,000	\$123,000	\$143,000	\$123,000	\$118,000	\$117,000	\$112,000
Rice Debt	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Interest	\$60,000	\$60,000	\$120,000	\$171,710	\$176,370	\$158,129						
Superstop				\$2,500,000								
Transit Center				\$4,250,000								
Main Street				\$16,000,000								
Streetscape/Parks				\$3,000,000								
Res. Dev. Assist.							\$500,000				\$500,000	
Retail Parking												\$500,000
Building Rehabilitation							\$500,000					\$500,000
Educational Facilities					\$168,598	\$1,061,833	\$2,454,544					\$1,000,000
Buffalo Bayou									\$2,709,662	\$2,709,662	\$2,858,720	\$2,866,091
Theater District									\$2,000,000	\$500,000		
Capitalized Interest*										\$500,000	\$500,000	\$500,000
Bond Soft Costs**												
Short Term Obligation Payment***												
A-Bond Payment****												
B-Bond Payment*****												
TOTAL	\$750,000	\$810,000	\$880,000	\$1,081,710	\$3,397,408	\$5,253,242	\$7,183,586	\$20,260,486	\$12,674,636	\$9,419,636	\$10,067,694	\$9,570,065
CASH BALANCE	-\$750,000	-\$1,270,413	-\$1,439,124	-\$783,767	\$2,068,617	\$401,143	\$1,506,450	\$1,286,429	\$1,262,211	\$992,993	\$579,079	\$687,686

*6% interest rate

**7% bond soft costs

***Two year loan at 8%

****6% interest rate, 20 year term

Bold figures indicate bond financed costs

Educational Facilities indicated in italics funded by dedicated HISD increment

Exhibit 27

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Page 2

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

REVENUE	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Increment	\$10,123,954	\$11,230,246	\$11,673,454	\$11,673,454	\$11,673,454	\$12,253,151	\$12,253,151	\$12,253,151	\$12,253,151	\$12,387,289	\$12,387,289	\$12,525,576
Short Term Obligations												
A-Bond Proceeds												
B-Bond Proceeds												
Metro Reimbursement												
Balance Carryover	\$687,686	\$1,379,718	\$850,441	\$2,943,127	\$2,035,812	\$1,882,498	\$2,887,218	\$391,939	-\$103,341	-\$98,620	\$2,000,516	\$4,599,653
TOTAL	\$10,811,641	\$12,609,964	\$12,523,895	\$14,616,581	\$13,709,267	\$14,135,649	\$15,140,369	\$12,645,090	\$12,149,810	\$12,288,669	\$14,387,806	\$17,125,229
EXPENSES												
Admin	\$92,000	\$92,000	\$32,000	\$32,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Rice Debt Interest	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Superstop Transit Center Main Street Streetscape/Parks Res. Dev. Assist.	\$500,000	\$1,250,000	\$500,000	\$1,000,000	\$750,000		\$500,000					
Retail Parking	\$750,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Building Rehabilitation Educational Facilities	\$2,997,949	\$3,325,549	\$3,456,795	\$3,456,795	\$3,456,795	\$3,628,457	\$3,628,457	\$3,628,457	\$3,628,457	\$3,668,178	\$3,668,178	\$3,709,128
Buffalo Bayou Theater District	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$500,000
Capitalized Interest* Bond Soft Costs**	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Short Term Obligation Payment***												
A-Bond Payment	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042
B-Bond Payment	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932
TOTAL	\$9,431,923	\$11,759,523	\$9,580,769	\$12,580,769	\$11,826,769	\$11,248,431	\$14,748,431	\$12,748,431	\$12,248,431	\$10,288,152	\$9,788,152	\$9,329,102
CASH BALANCE	\$1,379,718	\$850,441	\$2,943,127	\$2,035,812	\$1,882,498	\$2,887,218	\$391,939	-\$103,341	-\$98,620	\$2,000,516	\$4,599,653	\$7,796,127

Exhibit 27

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Page 3

	2020	2021	2022	2023	2024	2025	TOTAL
REVENUE							
Increment	\$12,555,999	\$12,970,858	\$12,970,858	\$12,970,858	\$12,970,858	\$12,970,858	\$280,918,039
Short Term Obligations							\$1,000,000
A-Bond Proceeds							\$33,240,720
B-Bond Proceeds							\$11,475,000
Metro Reimbursement							\$3,500,000
Balance Carryover	\$7,796,127	\$11,264,014	\$16,023,911	\$23,889,850	\$32,005,789	\$41,107,660	
TOTAL	\$20,352,125	\$24,234,872	\$28,994,769	\$36,860,708	\$44,976,647	\$54,078,518	
EXPENSES							
Admin	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$1,891,000
Rice Debt Interest	\$750,000						\$18,750,000
							\$686,209
Superstop							\$2,500,000
Transit Center							\$4,250,000
Main Street							\$16,000,000
Streetscape/Parks							\$11,675,000
Res. Dev. Assist.							\$5,000,000
Retail Parking	\$500,000	\$500,000	\$250,000				\$15,000,000
Building Rehabilitation	\$250,000						\$15,000,000
Educational Facilities	\$3,718,137	\$3,840,987	\$3,840,987	\$3,840,987	\$3,840,987	\$3,840,987	\$82,541,820
Buffalo Bayou							\$10,000,000
Theater District							\$11,500,000
Capitalized Interest*							\$3,994,560
Bond Soft Costs**							\$3,130,160
Short Term Obligation Payment***							
A-Bond Payment	\$2,856,042	\$2,856,042					
B-Bond Payment	\$985,932	\$985,932	\$985,932	\$985,932			
TOTAL	\$9,088,111	\$8,210,961	\$5,104,919	\$4,854,919	\$3,868,987	\$3,868,987	
CASH BALANCE	\$11,264,014	\$16,023,911	\$23,889,850	\$32,005,789	\$41,107,660	\$50,209,530	

Exhibit 10: Blighted and Deteriorated Structures and Facades

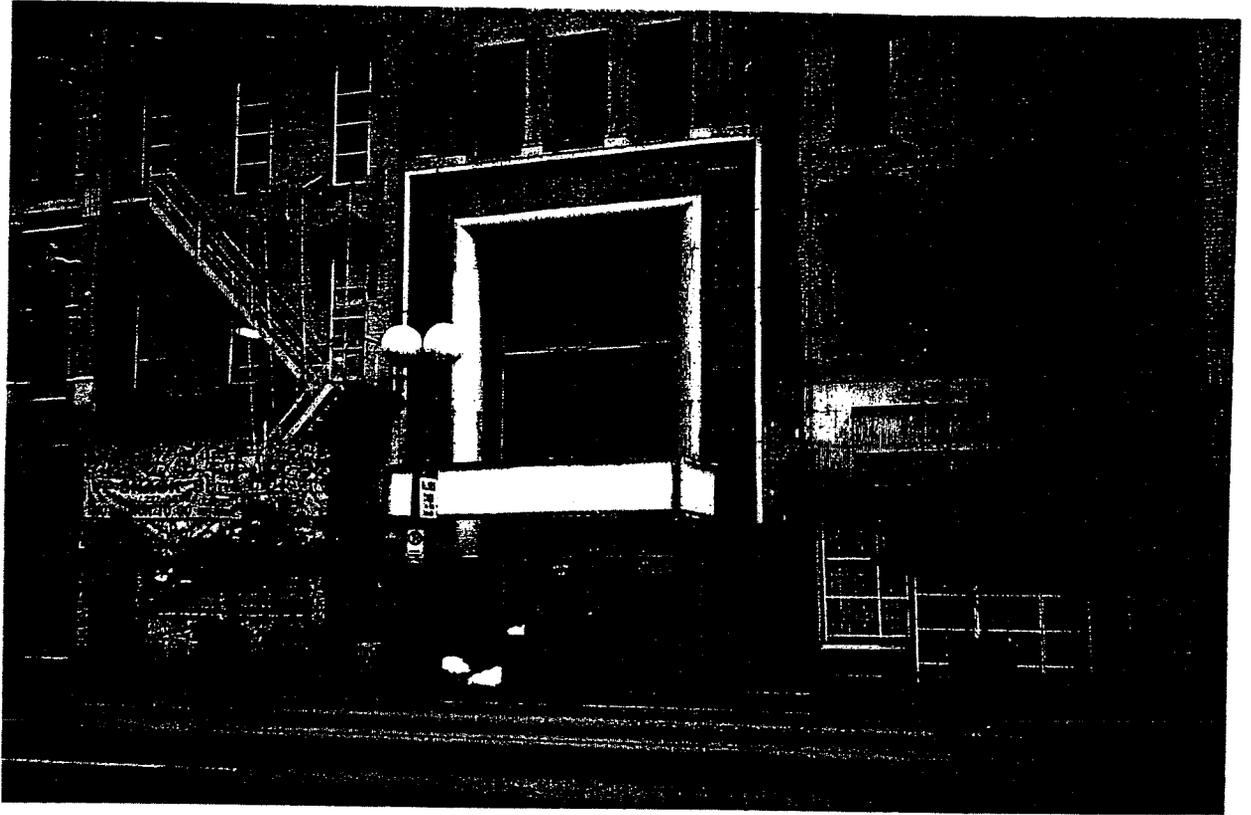


Exhibit 11: Discontinuous Retail Environment with Many Dead Spaces



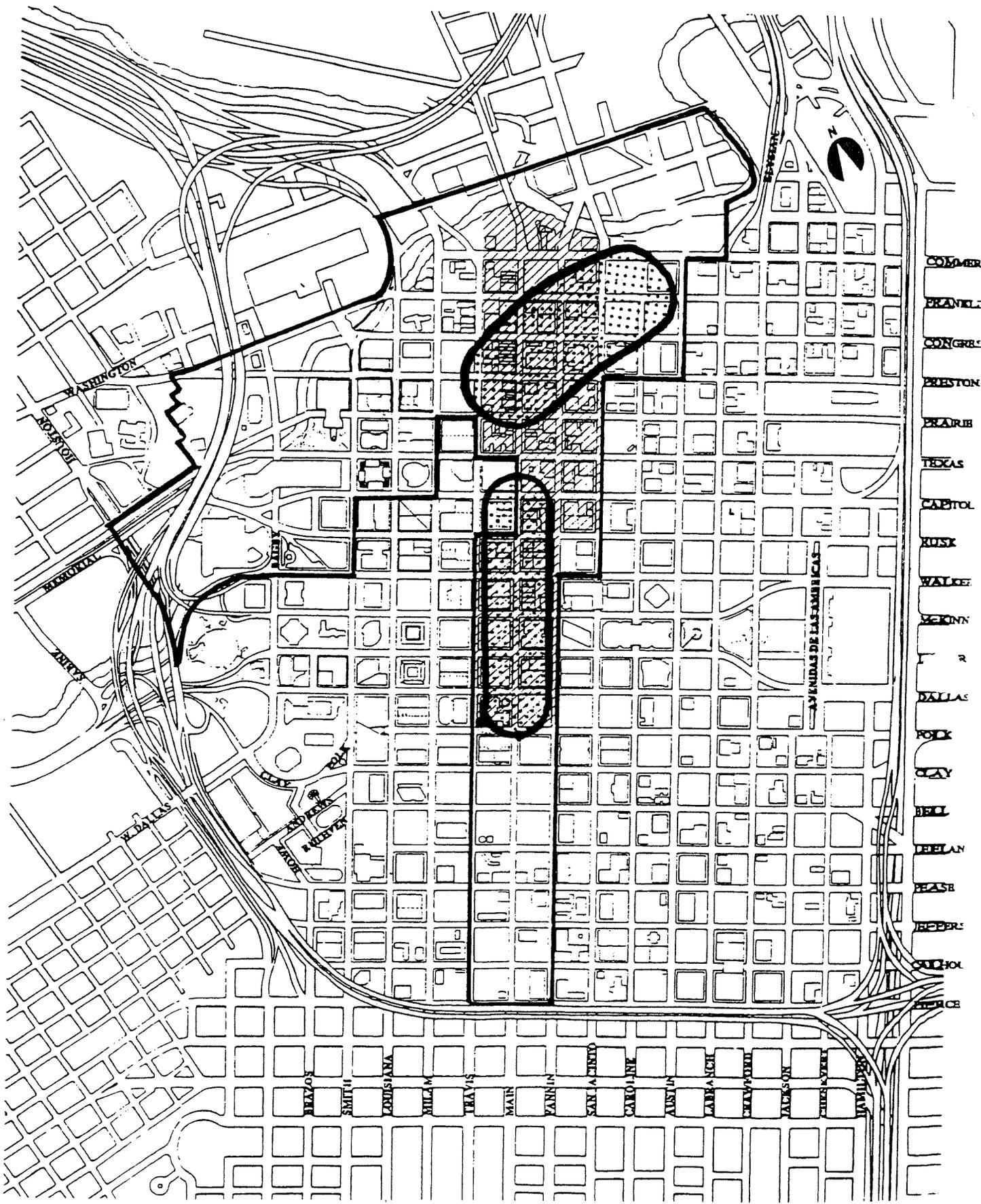


Exhibit 23: Retail Development Assistance

- Retail Parking Facilities
- Acquisition/Rehabilitation of Historic Structures

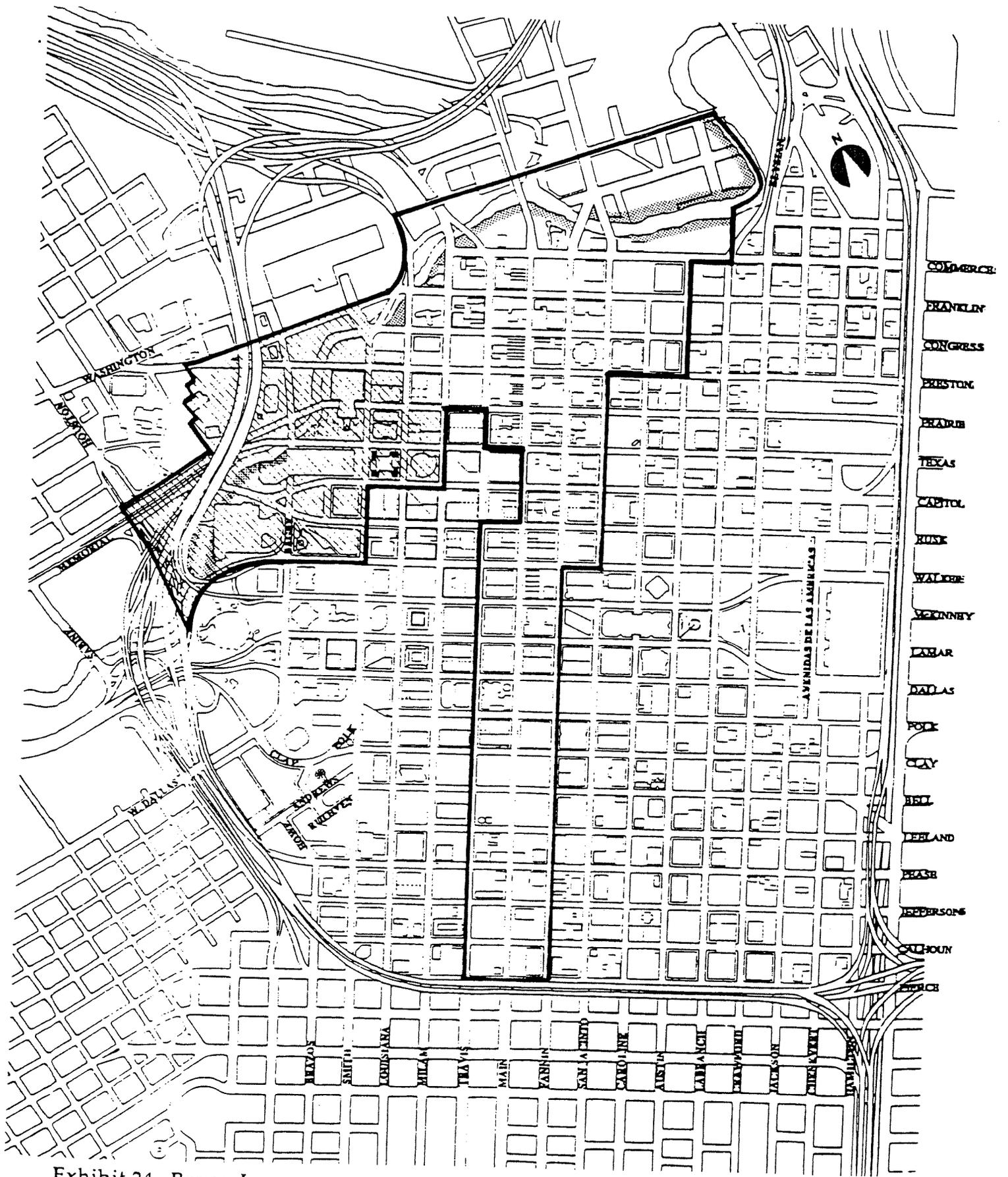


Exhibit 24: Bayou Improvements and Theater District Improvements

Bayou Improvements

Theater District Improvements

Exhibit 25

Economic Activity and Increment Revenue for Enlarged Area (excluding original area) - Market Square TIRZ

	future residential		future hotel rooms		future retail		future office space		annual tax increment			HISD Increment*		TOTAL REVENUE
	units	value	rooms	value	sq. feet	value	sq. feet	value	City* Increment	County* Increment	General	Dedicated**		
1999		\$0		\$0		\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2000	25	\$4,000,000		\$0		\$0		\$0	\$39,900	\$38,504	\$38,400	\$49,140	\$78,404	\$0
2001	215	\$20,000,000		\$0		\$0	1478000	\$68,000,000	\$632,415	\$610,285	\$608,640	\$778,869	\$2,630,209	\$2,630,209
2002	100	\$7,500,000		\$0		\$0	800000	\$140,000,000	\$1,716,698	\$1,656,626	\$1,652,160	\$2,114,249	\$7,139,732	\$7,139,732
2003		\$0		\$0		\$0		\$0	\$1,783,198	\$1,720,799	\$1,716,160	\$2,196,149	\$7,416,305	\$7,416,305
2004	150	\$11,250,000		\$0		\$0		\$0	\$1,865,325	\$1,800,053	\$1,795,200	\$2,297,295	\$7,757,873	\$7,757,873
2005		\$0		\$0		\$0		\$0	\$1,865,325	\$1,800,053	\$1,795,200	\$2,297,295	\$7,757,873	\$7,757,873
2006	100	\$7,500,000		\$0		\$0		\$0	\$1,918,858	\$1,851,712	\$1,846,720	\$2,363,225	\$7,980,514	\$7,980,514
2007		\$0		\$0		\$0		\$0	\$1,918,858	\$1,851,712	\$1,846,720	\$2,363,225	\$7,980,514	\$7,980,514
2008	102	\$7,650,000		\$0		\$0		\$0	\$1,977,045	\$1,907,863	\$1,902,720	\$2,434,887	\$8,222,515	\$8,222,515
2009	80	\$6,000,000		\$0		\$0		\$0	\$2,243,045	\$2,164,555	\$2,158,720	\$2,762,487	\$9,328,807	\$9,328,807
2010	175	\$13,125,000		\$0		\$0		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,722,232	\$9,722,232
2011		\$0		\$0		\$0		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,722,232	\$9,722,232
2012		\$0		\$0		\$0		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,722,232	\$9,722,232
2013	100	\$7,500,000		\$0		\$0		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,722,232	\$9,722,232
2014		\$0		\$0		\$0		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$10,267,081	\$10,267,081
2015		\$0		\$0		\$0		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$10,267,081	\$10,267,081
2016		\$0		\$0		\$0		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$10,267,081	\$10,267,081
2017	50	\$3,750,000		\$0		\$0		\$0	\$2,500,899	\$2,413,386	\$2,406,880	\$3,080,054	\$10,401,219	\$10,401,219
2018		\$0		\$0		\$0		\$0	\$2,500,899	\$2,413,386	\$2,406,880	\$3,080,054	\$10,401,219	\$10,401,219
2019		\$0		\$0		\$0		\$0	\$2,534,149	\$2,445,473	\$2,438,880	\$3,121,004	\$10,539,506	\$10,539,506
2020		\$0		\$0		\$0		\$0	\$2,541,464	\$2,452,532	\$2,445,920	\$3,130,013	\$10,569,929	\$10,569,929
2021	200	\$15,000,000		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788	\$10,984,788
2022		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788	\$10,984,788
2023		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788	\$10,984,788
2024		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788	\$10,984,788
2025		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788	\$10,984,788
		\$103,275,000		\$74,000,000		\$9,900,000		\$210,000,000	\$56,131,653	\$54,167,467	\$54,021,440	\$69,130,562	\$233,363,581	\$233,363,581

Assumptions

- 977 future residential units valued at \$75,000 each plus current projects
- 800 future hotel rooms valued at \$50,000 each plus current projects
- 180,000 sq. feet of new retail valued at \$55/sq. foot
- Humble Building tax exempt until 2009
- In accordance with the Interlocal Agreements between the City, the Zone, and the Taxing Jurisdictions, each Taxing Jurisdiction participants in the Zone 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.
- **Dedicated to educational facilities.

Current Projects (Indicated in bold)

Project Name	Value	Project Name	Value
Travis Tower	\$15,000,000	Woolworth Garage	\$3,000,000
One City Centre	\$30,000,000	Kress Building	\$8,000,000
Century Tower	\$140,000,000	Hermann Lotis	\$4,000,000
Sakowitz Garage	\$2,000,000	Bayou Lotis	\$12,000,000
921 Main	\$20,000,000	Humble Building	\$40,000,000

Exhibit 26
Annual Tax Increment Revenue for Expanded Market Square TIRZ

	Plan A*	Plan B	TIRZ #3 Total
1996	\$0		\$0
1997	\$289,587		\$289,587
1998	\$711,289		\$711,289
1999	\$737,067	\$0	\$737,067
2000	\$930,668	\$78,404	\$1,009,072
2001	\$955,559	\$2,630,209	\$3,585,768
2002	\$1,149,160	\$7,139,732	\$8,288,892
2003	\$1,149,160	\$7,416,305	\$8,565,465
2004	\$1,392,545	\$7,757,873	\$9,150,418
2005	\$1,392,545	\$7,757,873	\$9,150,418
2006	\$1,673,266	\$7,980,514	\$9,653,780
2007	\$1,698,158	\$7,980,514	\$9,678,672
2008	\$1,901,439	\$8,222,515	\$10,123,954
2009	\$1,901,439	\$9,328,807	\$11,230,246
2010	\$1,951,222	\$9,722,232	\$11,673,454
2011	\$1,951,222	\$9,722,232	\$11,673,454
2012	\$1,951,222	\$9,722,232	\$11,673,454
2013	\$1,986,070	\$10,267,081	\$12,253,151
2014	\$1,986,070	\$10,267,081	\$12,253,151
2015	\$1,986,070	\$10,267,081	\$12,253,151
2016	\$1,986,070	\$10,267,081	\$12,253,151
2017	\$1,986,070	\$10,401,219	\$12,387,289
2018	\$1,986,070	\$10,401,219	\$12,387,289
2019	\$1,986,070	\$10,539,506	\$12,525,576
2020	\$1,986,070	\$10,569,929	\$12,555,999
2021	\$1,986,070	\$10,984,788	\$12,970,858
2022	\$1,986,070	\$10,984,788	\$12,970,858
2023	\$1,986,070	\$10,984,788	\$12,970,858
2024	\$1,986,070	\$10,984,788	\$12,970,858
2025	\$1,986,070	\$10,984,788	\$12,970,858
	\$47,554,458	\$233,363,581	\$280,918,039

*Tax revenue from the Plan A area differs from revenue anticipated in the original plan (shown in Exhibit 6) because of anticipated change in HISD participation in 1999. Subject to approval by HISD, a modified participation agreement would provide that HISD contributions to the TIRZ fund will be the greater of \$410,000 annually or a sum based on HISD's tax rate less an amount dedicated to educational facilities (the increment of HISD's tax rate less \$.64)

Exhibit 27

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Page 1

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007

REVENUE

Increment	\$0	\$289,587	\$711,289	\$737,067	\$1,009,072	\$3,585,768	\$8,288,892	\$8,565,465	\$9,150,418	\$9,150,418	\$9,653,780	\$9,678,672
Short Term Obligations				\$1,000,000								
A-Bond Proceeds					\$33,240,720							
B-Bond Proceeds												
Metro Reimbursement								\$11,475,000				
Balance Carryover									\$3,500,000			
TOTAL	\$0	-\$460,413	-\$559,124	\$297,943	\$33,466,025	\$5,654,385	\$8,690,035	\$21,546,915	\$13,936,847	\$10,412,629	\$10,646,772	\$10,257,751

EXPENSES

Admin	\$0	\$0	\$10,000	\$160,000	\$225,000	\$120,000	\$123,000	\$143,000	\$123,000	\$118,000	\$117,000	\$112,000
Rice Debt	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Interest	\$60,000	\$120,000	\$171,710	\$176,370	\$158,129							

Superstop					\$2,500,000							
Transit Center					\$4,250,000							
Main Street					\$16,000,000							
Streetscape/Parks					\$3,000,000							
Res. Dev. Assist.						\$500,000		\$3,175,000	\$1,000,000	\$500,000	\$500,000	\$500,000
Retail Parking						\$500,000		\$500,000	\$1,000,000	\$500,000	\$500,000	\$500,000
Building Rehabilitation						\$7,500,000		\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Educational Facilities						\$500,000		\$2,000,000	\$1,250,000	\$500,000	\$1,000,000	\$1,000,000
Buffalo Bayou				\$168,598	\$1,061,833	\$2,454,544	\$2,536,444	\$2,709,662	\$2,709,662	\$2,856,720	\$2,866,091	\$2,866,091
Theater District								\$2,000,000	\$500,000	\$500,000	\$500,000	\$500,000

Capitalized Interest*					\$1,997,280	\$1,997,280						
Bond Soft Costs**					\$2,330,160							
Short Term Obligation Payment***					\$1,166,000							
A-Bond Payment****						\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042
B-Bond Payment****						\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932
TOTAL	\$750,000	\$810,000	\$880,000	\$1,081,710	\$31,397,408	\$5,253,242	\$7,183,586	\$20,260,486	\$12,674,636	\$9,419,636	\$10,067,694	\$9,570,065

CASH BALANCE	-\$750,000	-\$1,270,413	-\$1,439,124	-\$783,767	\$2,068,617	\$401,143	\$1,506,450	\$1,286,429	\$1,262,211	\$992,993	\$579,079	\$687,686
---------------------	------------	--------------	--------------	------------	-------------	-----------	-------------	-------------	-------------	-----------	-----------	-----------

*6% interest rate
 **7% bond soft costs
 ***Two year loan at 8%
 ****6% interest rate, 20 year term

Educational Facilities indicated in italics funded by dedicated HISD increment

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
------	------	------	------	------	------	------	------	------	------	------	------	------

Revenue	\$10,123,954	\$11,230,246	\$11,673,454	\$11,673,454	\$11,673,454	\$12,253,151	\$12,253,151	\$12,253,151	\$12,253,151	\$12,387,289	\$12,387,289	\$12,525,576
Net Term Obligations												
Net Proceeds												
Net Reimbursement												
Net Carryover	\$687,686	\$1,379,718	\$850,441	\$2,943,127	\$2,035,812	\$1,882,498	\$2,887,218	\$391,939	-\$103,341	-\$98,620	\$2,000,516	\$4,599,653
TOTAL	\$10,811,641	\$12,609,964	\$12,523,895	\$14,616,581	\$13,709,267	\$14,135,649	\$15,140,369	\$12,645,090	\$12,149,810	\$12,288,669	\$14,387,806	\$17,125,229

Net Debt	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Net Investment												
Net Capital												
Net Other												
Net Total	\$92,000	\$92,000	\$32,000	\$32,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000

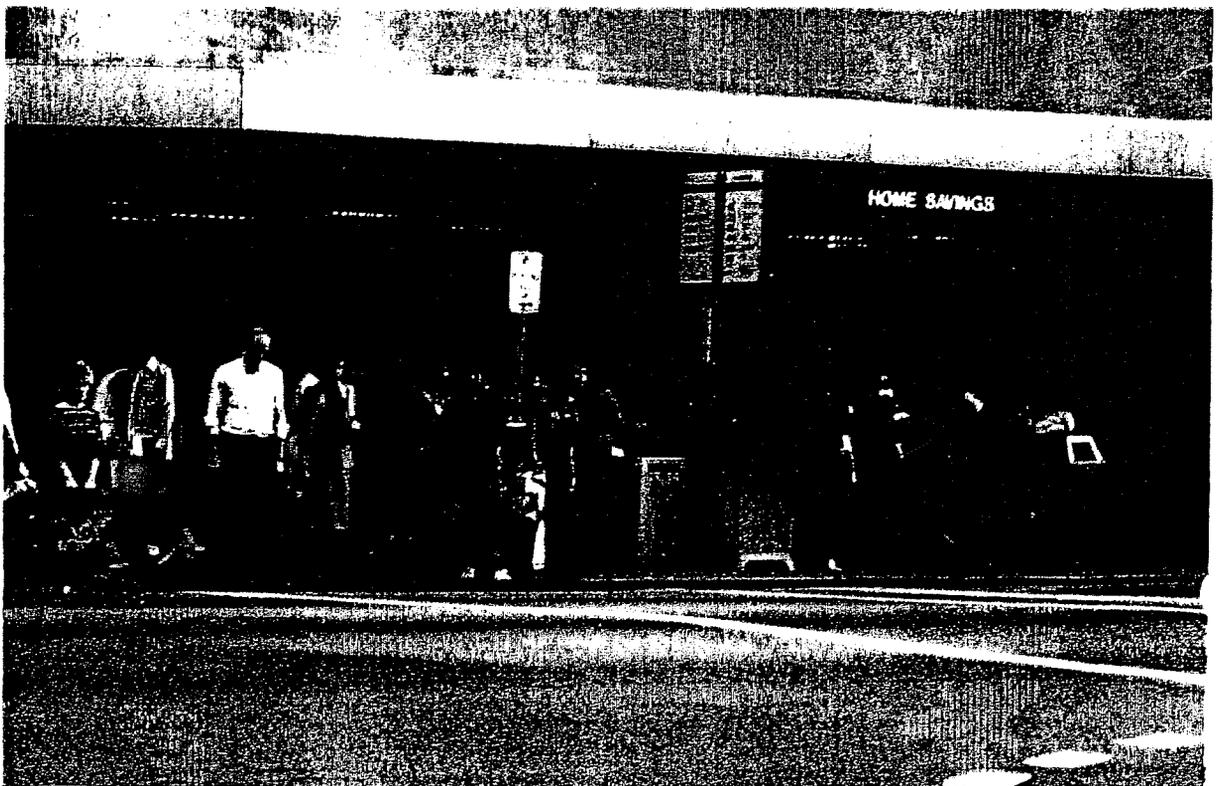
Net Debt	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Net Investment												
Net Capital												
Net Other												
Net Total	\$500,000	\$1,250,000	\$500,000	\$1,000,000	\$750,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt	\$750,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Investment	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Capital	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Other	\$2,997,949	\$3,325,549	\$3,456,795	\$3,456,795	\$3,628,457	\$3,628,457	\$3,628,457	\$3,628,457	\$3,628,457	\$3,668,178	\$3,668,178	\$3,709,128
Net Total	\$1,000,000	\$500,000	\$500,000	\$1,000,000	\$1,000,000	\$1,000,000	\$4,000,000	\$3,000,000	\$1,000,000	\$1,000,000	\$500,000	\$500,000

Net Debt	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042	\$2,856,042
Net Investment	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932	\$985,932
Net Capital	\$9,431,923	\$11,759,523	\$9,580,769	\$12,580,769	\$11,826,769	\$11,248,431	\$14,748,431	\$12,748,431	\$12,248,431	\$10,288,152	\$9,788,152	\$9,329,102
Net Other												
Net Total	\$1,379,718	\$850,441	\$2,943,127	\$2,035,812	\$1,882,498	\$2,887,218	\$391,939	-\$103,341	-\$98,620	\$2,000,516	\$4,599,653	\$7,796,127

Exhibit 13: Deteriorated Sidewalks and Streets; Inadequate Transit Amenities



Exhibit 14: Overburdened Sidewalk and Transit Stop



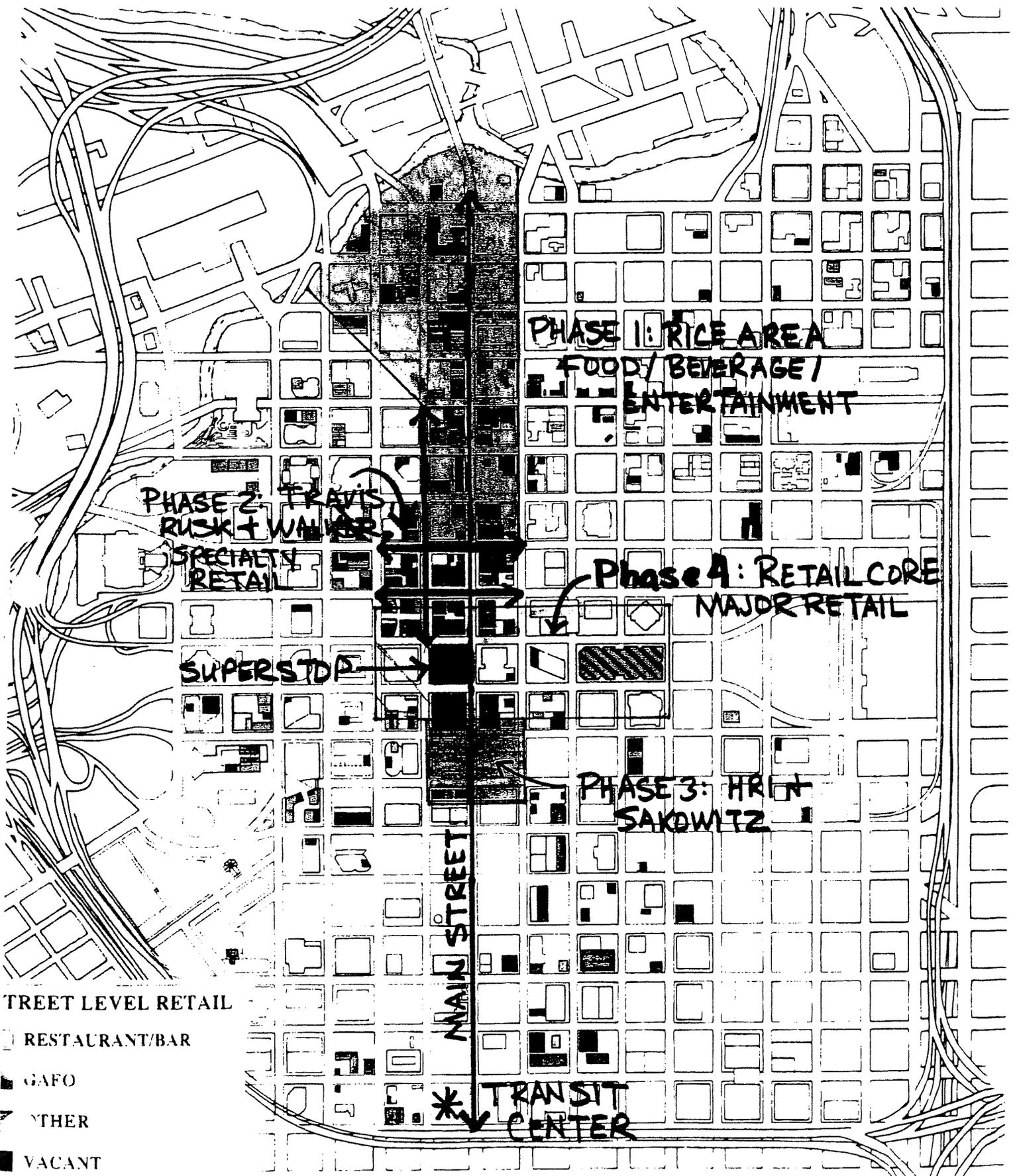


Exhibit 16: Downtown Transit Center

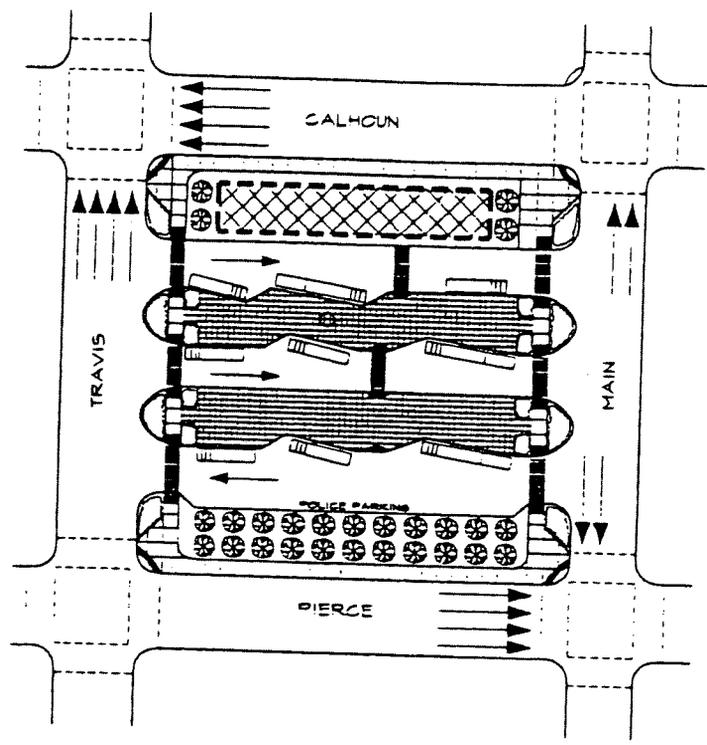


Exhibit 17: Superstop Location

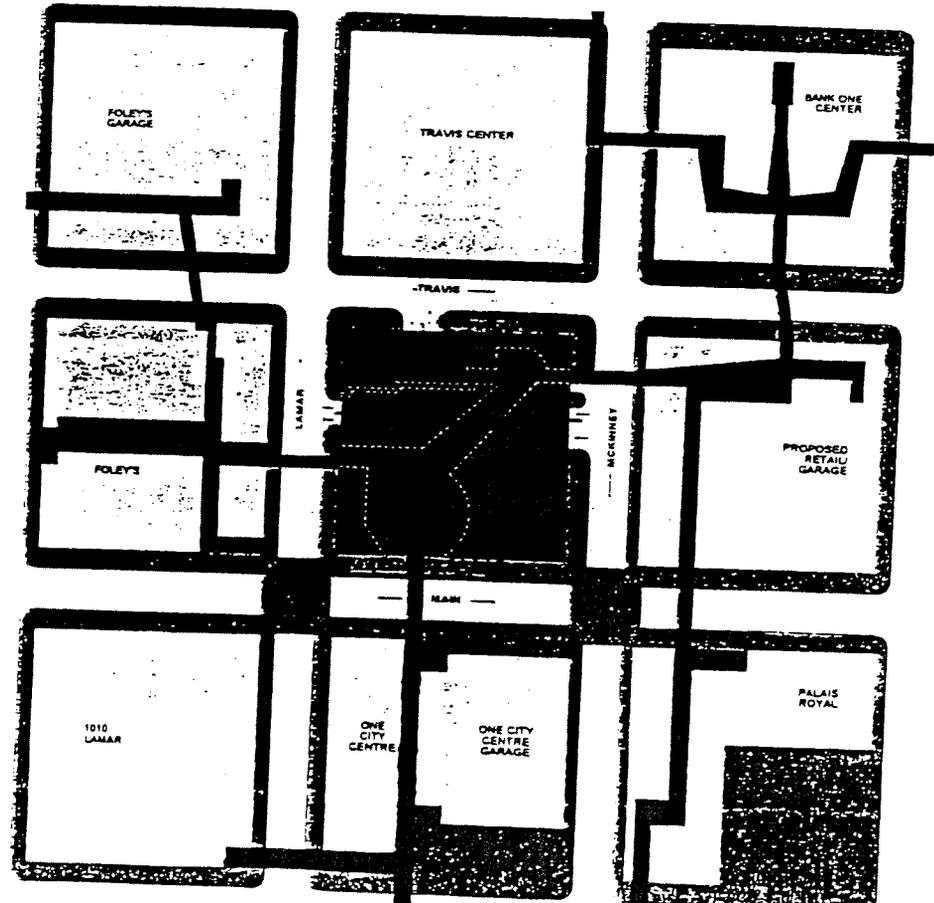


EXHIBIT 18: SUPERSTOP LOBBY

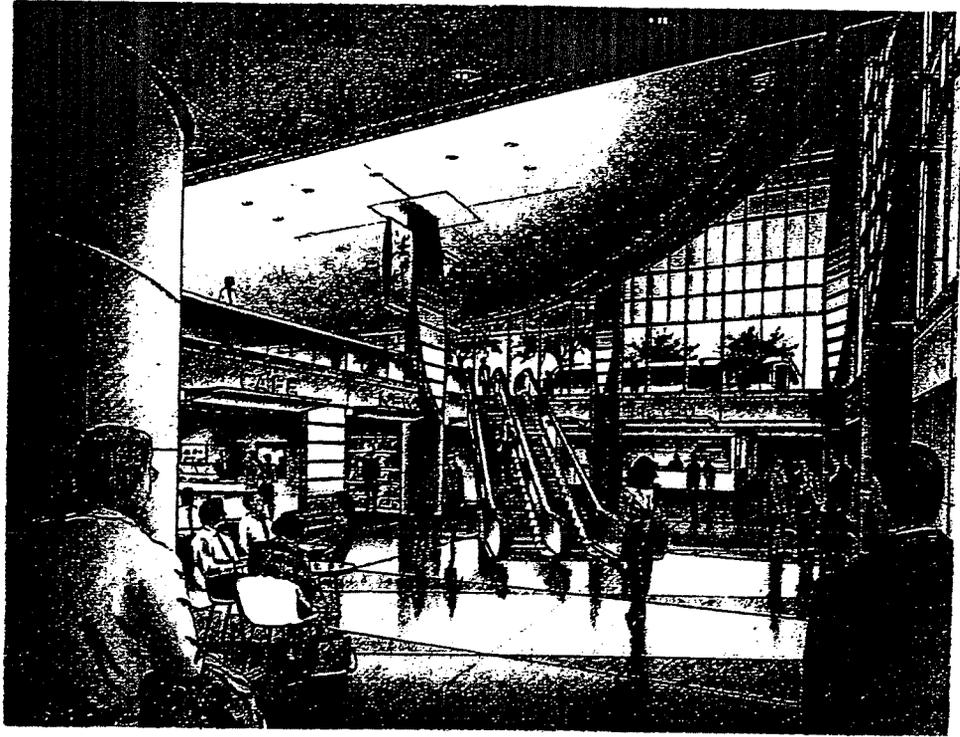
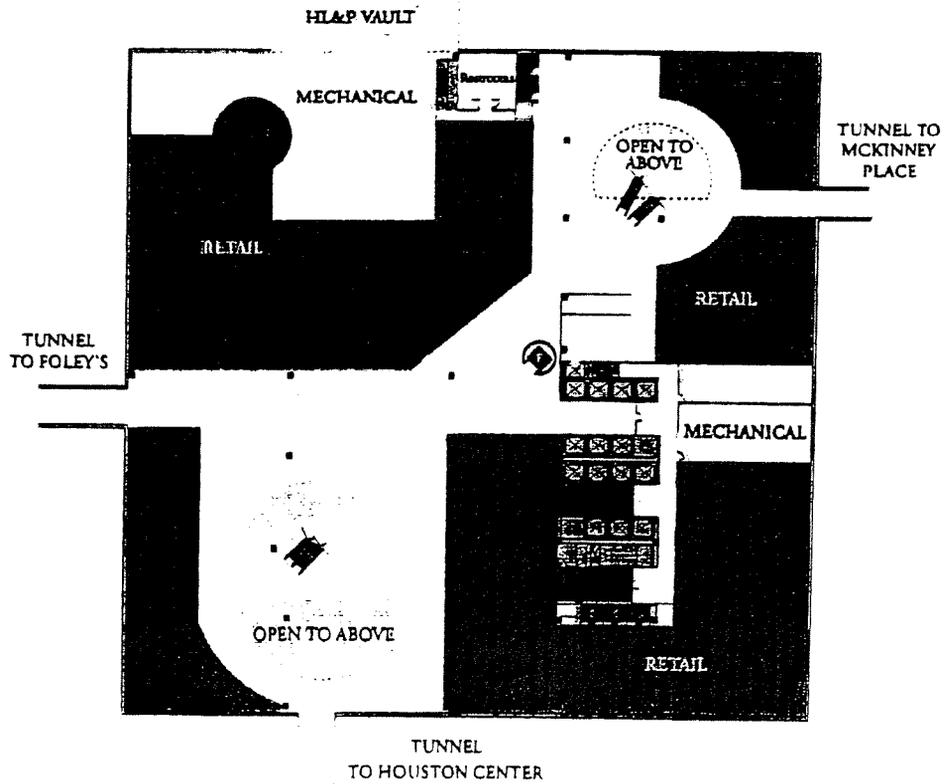


EXHIBIT 19: TUNNEL CONNECTIONS



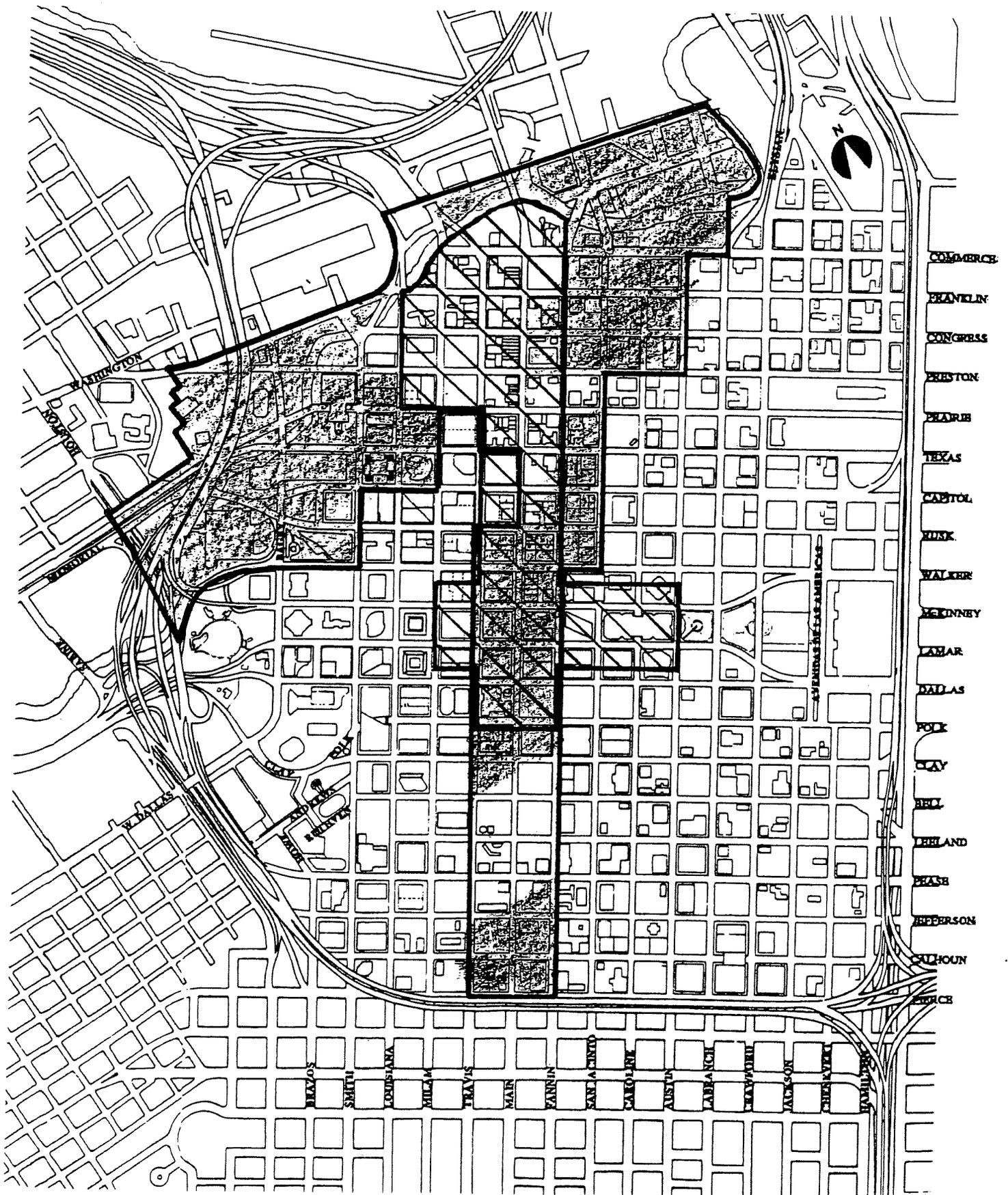


Exhibit 20: Anticipated Land Uses

- | | | |
|---|---|--|
|  Residential |  Hotel |  Office |
|  Institutional |  Street-Level Retail | |

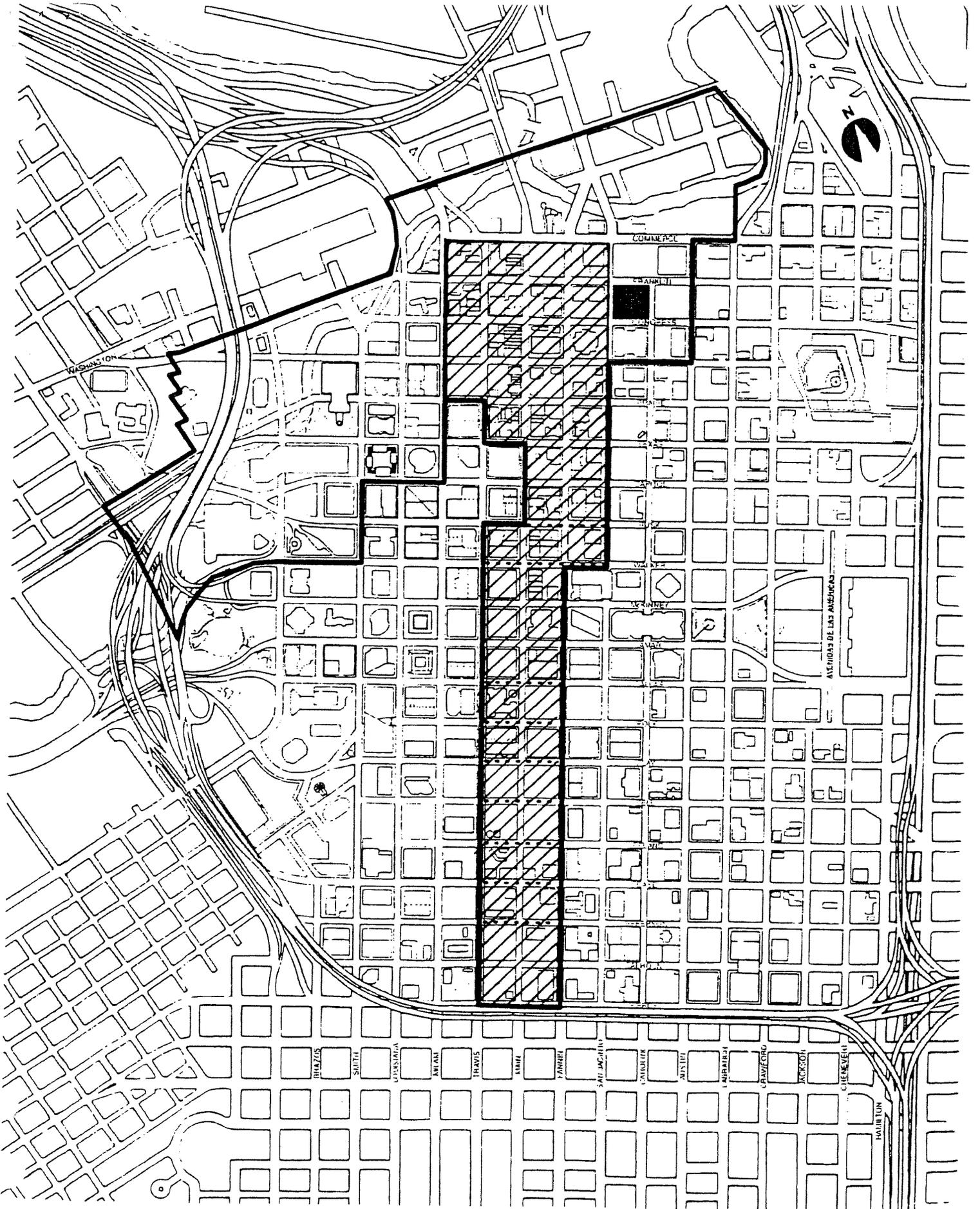


Exhibit 21: Streetscape / Pedestrian Improvements

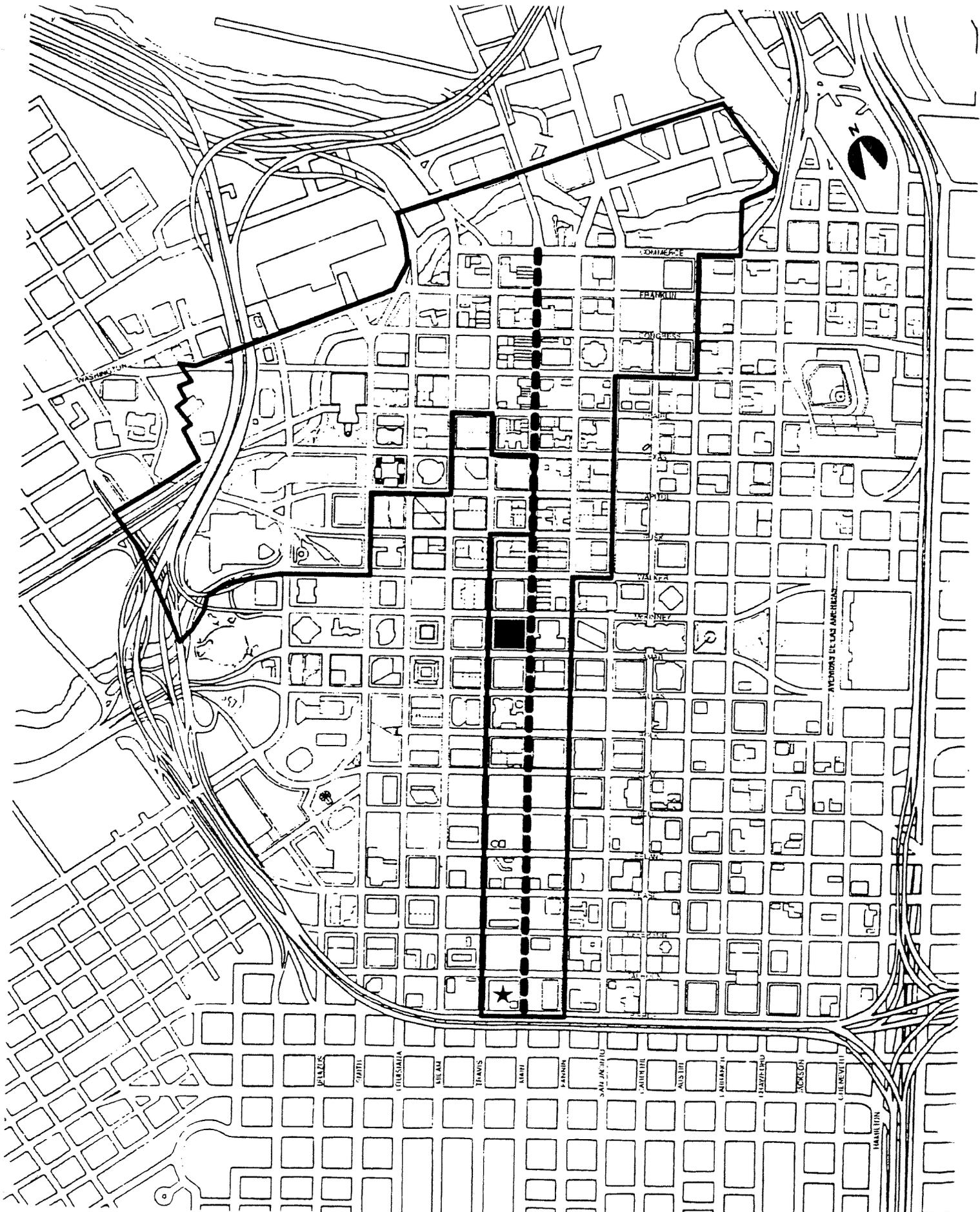


Exhibit 22: Transit Improvements

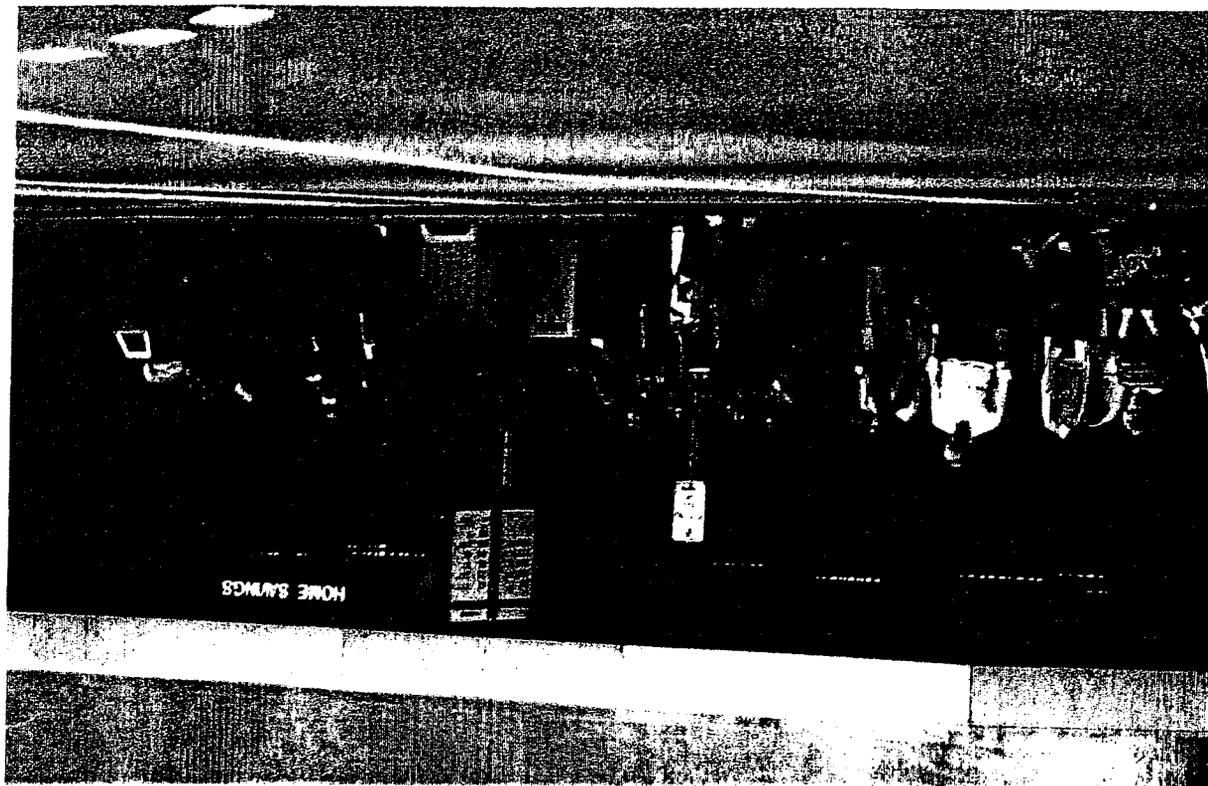


Exhibit 14: Overburdened Sidewalk and Transit Stop



Exhibit 13: Deteriorated Sidewalks and Streets; Inadequate Transit Amenities

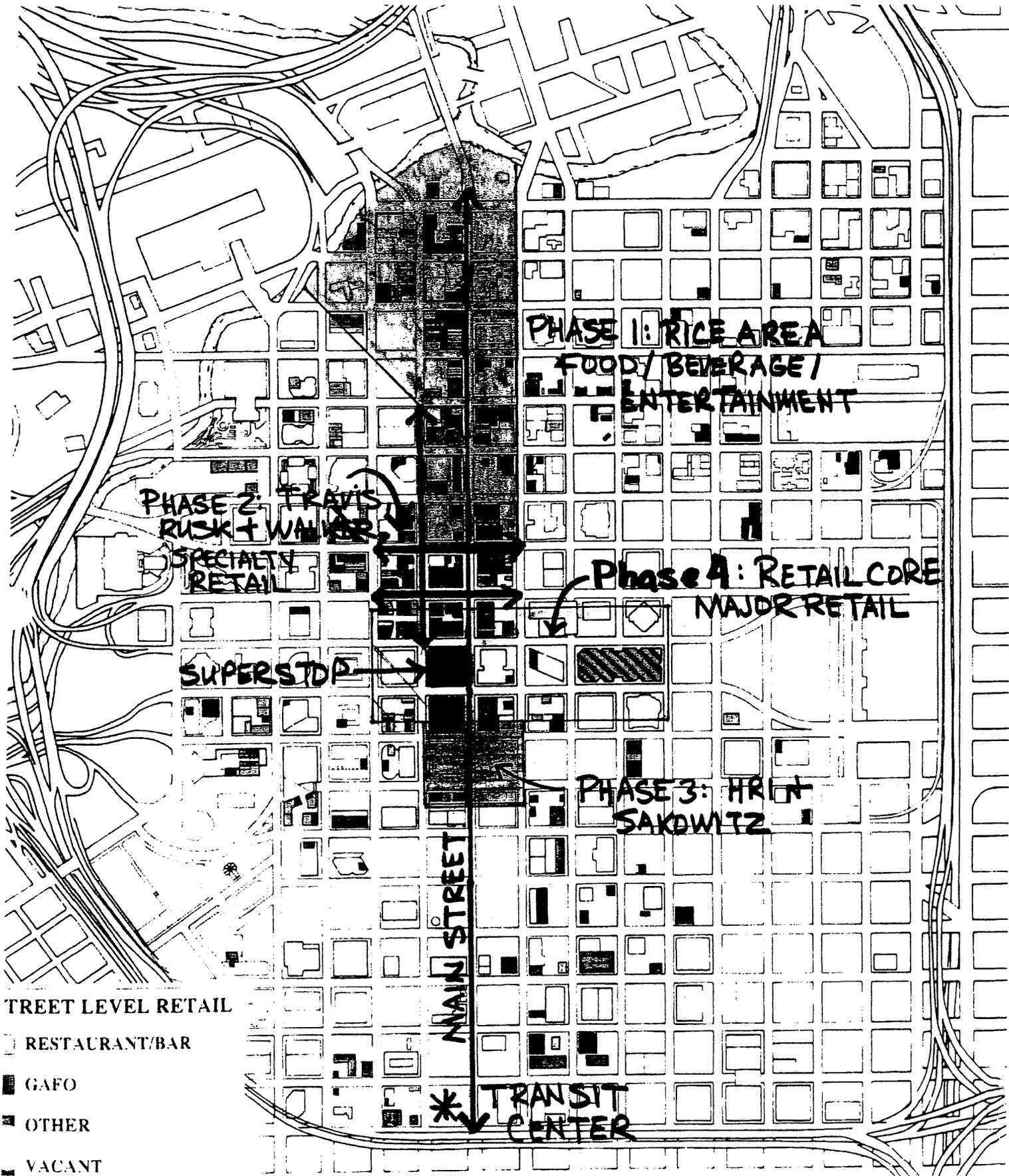


Exhibit 16: Downtown Transit Center

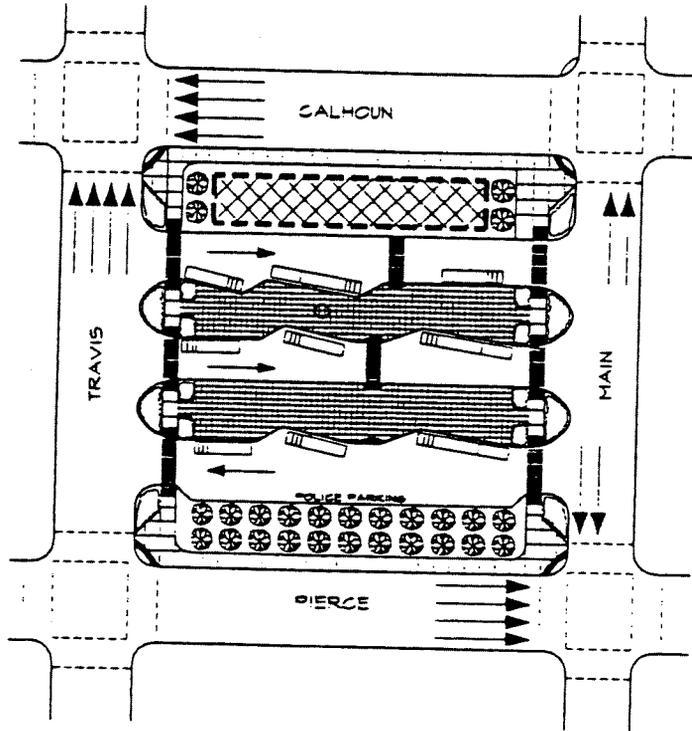


Exhibit 17: Superstop Location

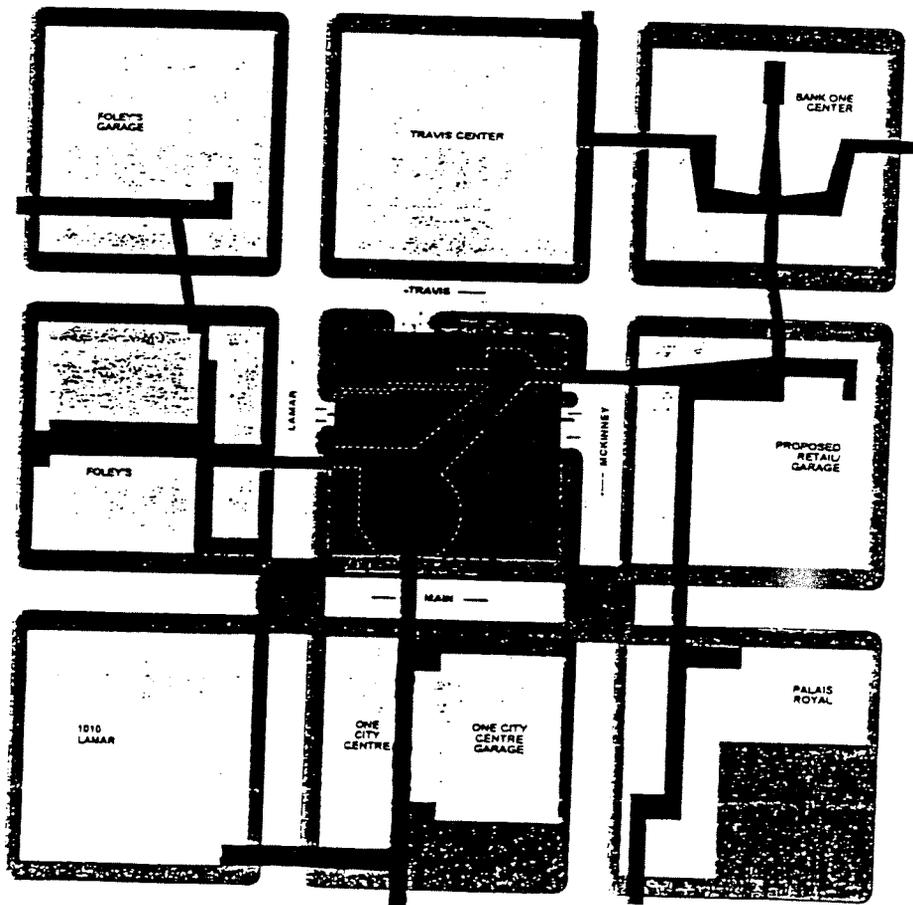


EXHIBIT 18: SUPERSTOP LOBBY

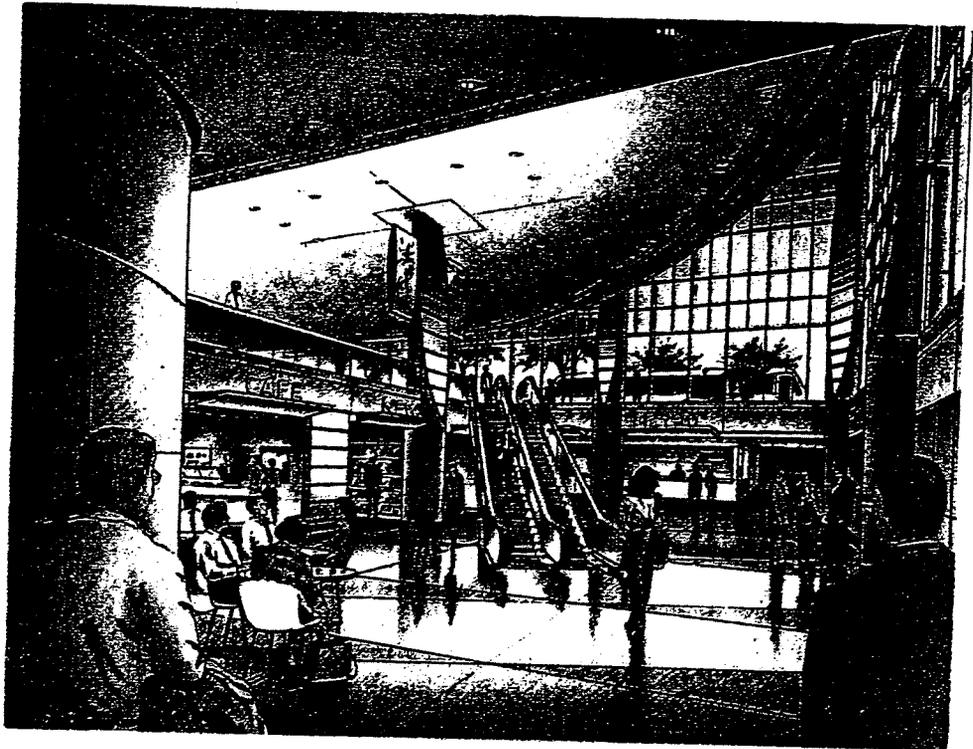
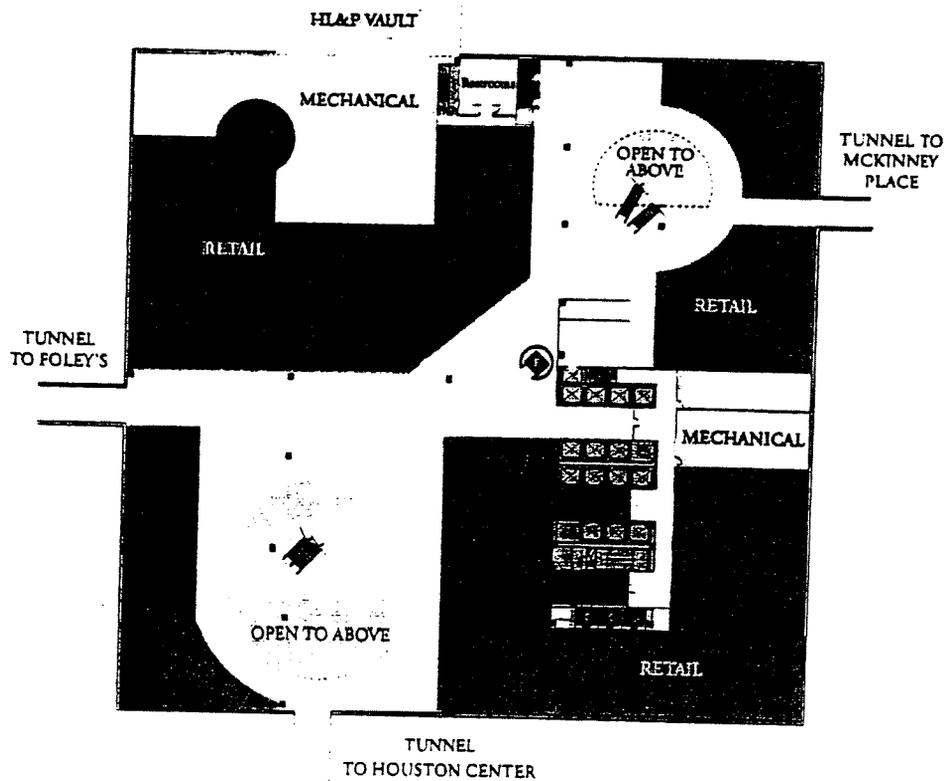


EXHIBIT 19: TUNNEL CONNECTIONS



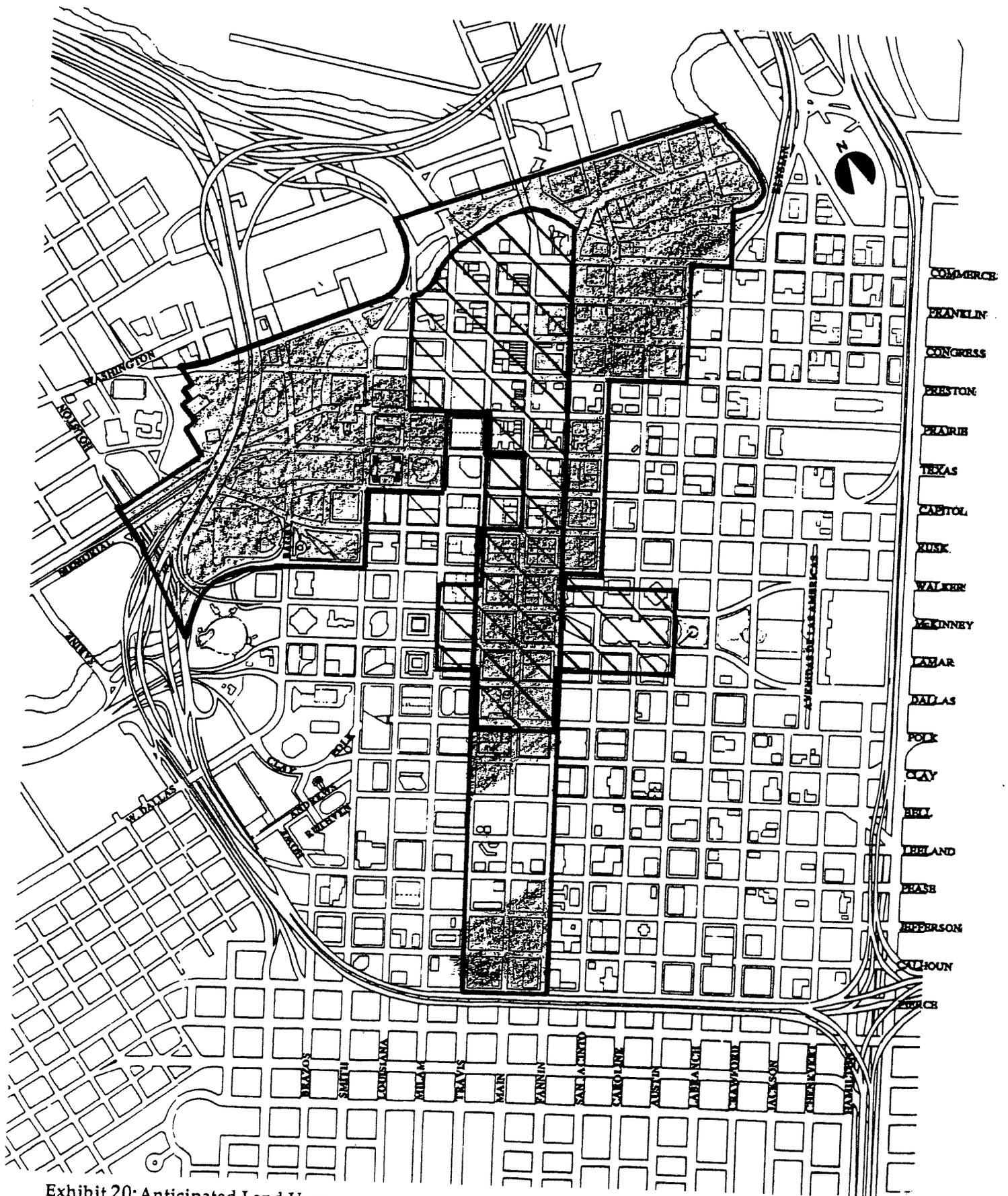


Exhibit 20: Anticipated Land Uses

- | | | |
|--|---|--|
|  Residential |  Hotel |  Office |
|  Institutional |  Street-Level Retail | |

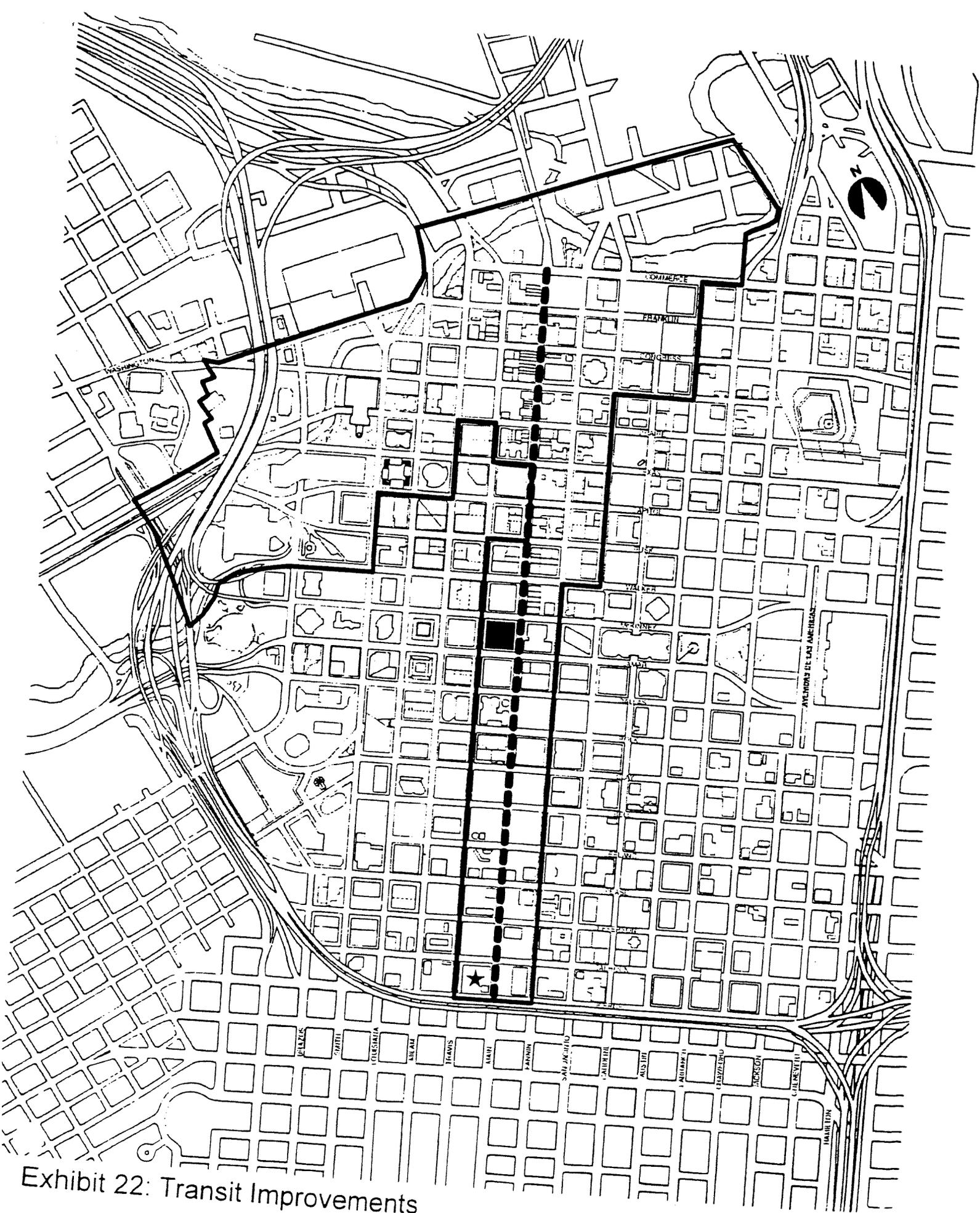


Exhibit 22: Transit Improvements

- Main Street Improvements
- ★ Transit Center
- Superstop

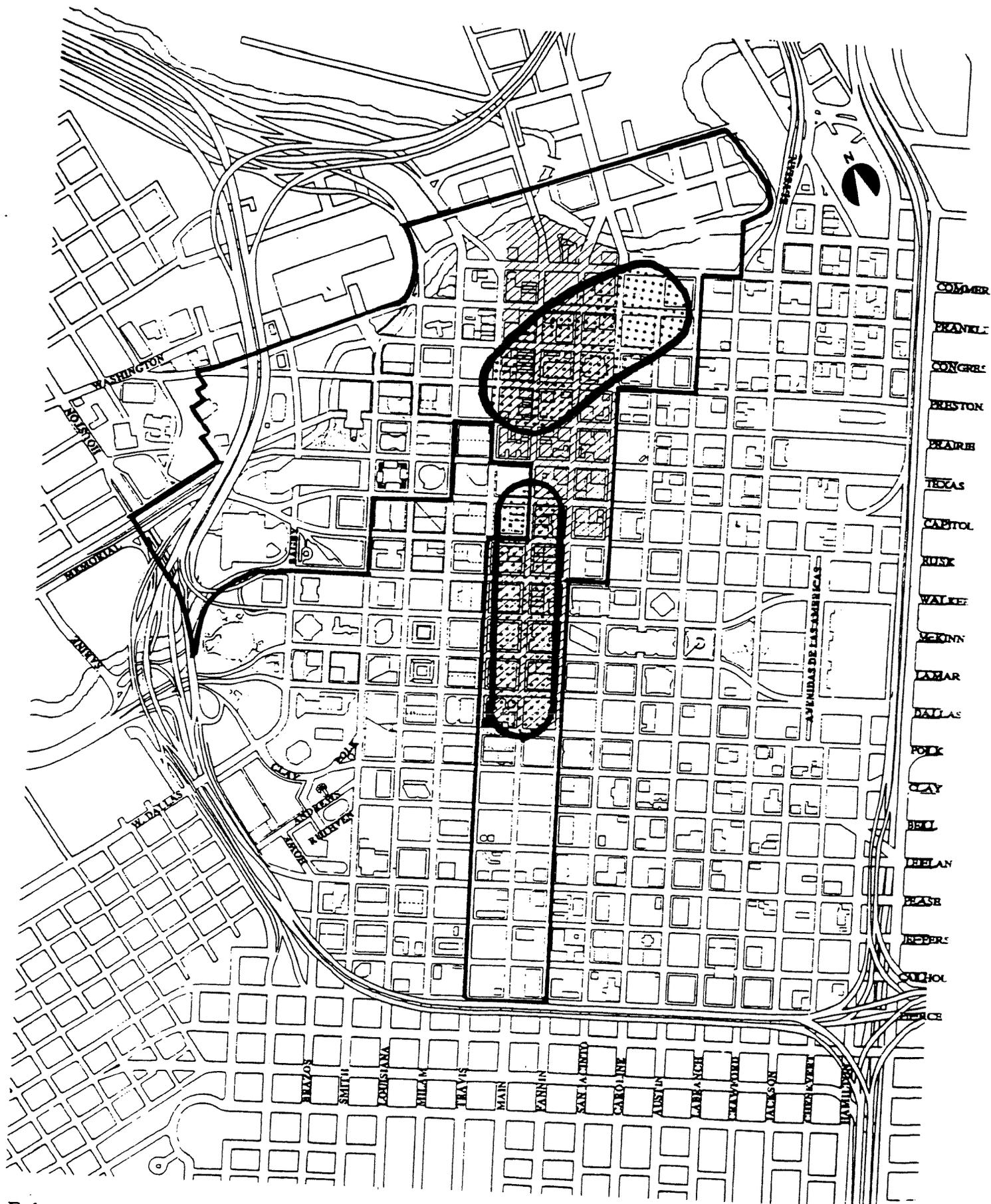


Exhibit 23: Retail Development Assistance

-  Retail Parking Facilities
-  Acquisition/Rehabilitation of Historic Structures

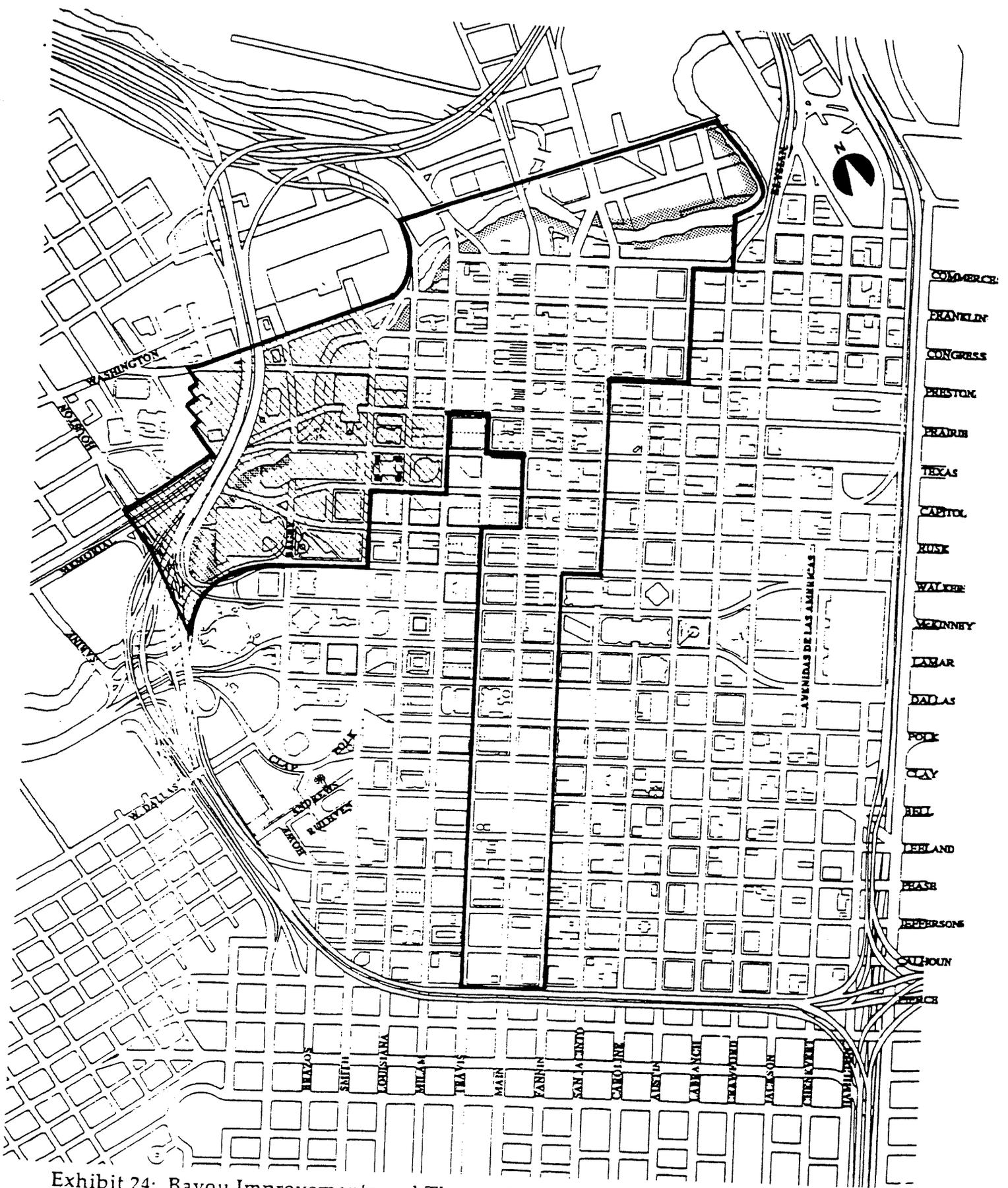


Exhibit 24: Bayou Improvements and Theater District Improvements

 Bayou Improvements

 Theater District Improvements

Exhibit 25

Economic Activity and Increment Revenue for Enlarged Area (excluding original area) - Market Square TIRZ

1999	future residential		future hotel rooms		future retail		future office space		annual tax increment			tax revenue	
	units	value	rooms	value	sq. feet	value	sq. feet	value	City* Increment	County* Increment	HISD Increment* General	Dedicated**	TOTAL REVENUE
2000	25	\$4,000,000		\$0		\$0		\$0	\$39,900	\$38,504	\$0	\$49,140	\$78,404
2001	215	\$20,000,000		\$0	20000	\$1,100,000	1478000	\$2,000,000	\$632,415	\$610,285	\$608,640	\$778,869	\$2,630,209
2002	100	\$7,500,000	300	\$15,000,000	10000	\$550,000	8000000	\$140,000,000	\$1,716,698	\$1,656,626	\$1,652,160	\$2,114,249	\$7,416,305
2003	150	\$11,250,000	200	\$10,000,000	20000	\$1,100,000		\$0	\$1,865,325	\$1,800,053	\$1,795,200	\$2,297,295	\$7,757,873
2004	100	\$7,500,000		\$0	10000	\$550,000		\$0	\$1,918,858	\$1,851,712	\$1,846,720	\$2,297,295	\$7,757,873
2005	102	\$7,650,000		\$0	20000	\$1,100,000		\$0	\$1,977,045	\$1,907,863	\$1,902,720	\$2,434,887	\$7,980,514
2006	80	\$6,000,000	500	\$34,000,000		\$0		\$0	\$2,243,045	\$2,164,555	\$2,158,720	\$2,762,487	\$8,222,515
2007	175	\$13,125,000		\$0	20000	\$1,100,000		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,328,807
2008	100	\$7,500,000		\$0		\$0		\$0	\$2,337,641	\$2,255,841	\$2,249,760	\$2,878,990	\$9,722,232
2009	100	\$7,500,000	200	\$10,000,000	40000	\$2,200,000		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$9,722,232
2010		\$0		\$0		\$0		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$10,267,081
2011	50	\$3,750,000		\$0	20000	\$1,100,000		\$0	\$2,468,646	\$2,382,262	\$2,375,840	\$3,040,333	\$10,267,081
2012		\$0		\$0		\$0		\$0	\$2,500,899	\$2,413,386	\$2,406,880	\$3,080,054	\$10,267,081
2013		\$0		\$0		\$0		\$0	\$2,500,899	\$2,413,386	\$2,406,880	\$3,080,054	\$10,401,219
2014	200	\$15,000,000	100	\$5,000,000	20000	\$1,100,000		\$0	\$2,534,149	\$2,445,473	\$2,438,880	\$3,121,004	\$10,539,506
2015		\$0		\$0		\$0		\$0	\$2,541,464	\$2,452,532	\$2,445,920	\$3,130,013	\$10,569,929
2016		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788
2017		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788
2018		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788
2019		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788
2020		\$0		\$0		\$0		\$0	\$2,641,214	\$2,548,791	\$2,541,920	\$3,252,863	\$10,984,788
2021		\$103,275,000		\$74,000,000		\$9,900,000		\$210,000,000	\$56,131,653	\$54,167,467	\$54,021,440	\$69,130,562	\$233,363,581

Assumptions

- 977 future residential units valued at \$75,000 each plus current projects
- 800 future hotel rooms valued at \$50,000 each plus current projects
- 180,000 sq. feet of new retail valued at \$55/sq. foot
- Humble Building tax exempt until 2009
- *In accordance with the Interlocal Agreements between the City, the Zone, and the Taxing Jurisdictions, each Taxing Jurisdiction participants in the Zone 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.
- **Dedicated to educational facilities.

Current Projects (Indicated in bold)

Travis Tower	\$15,000,000	Woolworth Garage	\$3,000,000
One City Centre	\$30,000,000	Kress Building	\$8,000,000
Century Tower	\$140,000,000	Hermann Lofts	\$4,000,000
Sakowitz Garage	\$2,000,000	Bayou Lofts	\$12,000,000
921 Main	\$20,000,000	Humble Building	\$40,000,000

Exhibit 26
Annual Tax Increment Revenue for Expanded Market Square TIRZ

	Plan A*	Plan B	TIRZ #3 Total
1996	\$0		\$0
1997	\$289,587		\$289,587
1998	\$711,289		\$711,289
1999	\$737,067	\$0	\$737,067
2000	\$930,668	\$78,404	\$1,009,072
2001	\$955,559	\$2,630,209	\$3,585,768
2002	\$1,149,160	\$7,139,732	\$8,288,892
2003	\$1,149,160	\$7,416,305	\$8,565,465
2004	\$1,392,545	\$7,757,873	\$9,150,418
2005	\$1,392,545	\$7,757,873	\$9,150,418
2006	\$1,673,266	\$7,980,514	\$9,653,780
2007	\$1,698,158	\$7,980,514	\$9,678,672
2008	\$1,901,439	\$8,222,515	\$10,123,954
2009	\$1,901,439	\$9,328,807	\$11,230,246
2010	\$1,951,222	\$9,722,232	\$11,673,454
2011	\$1,951,222	\$9,722,232	\$11,673,454
2012	\$1,951,222	\$9,722,232	\$11,673,454
2013	\$1,986,070	\$10,267,081	\$12,253,151
2014	\$1,986,070	\$10,267,081	\$12,253,151
2015	\$1,986,070	\$10,267,081	\$12,253,151
2016	\$1,986,070	\$10,267,081	\$12,253,151
2017	\$1,986,070	\$10,401,219	\$12,387,289
2018	\$1,986,070	\$10,401,219	\$12,387,289
2019	\$1,986,070	\$10,539,506	\$12,525,576
2020	\$1,986,070	\$10,569,929	\$12,555,999
2021	\$1,986,070	\$10,984,788	\$12,970,858
2022	\$1,986,070	\$10,984,788	\$12,970,858
2023	\$1,986,070	\$10,984,788	\$12,970,858
2024	\$1,986,070	\$10,984,788	\$12,970,858
2025	\$1,986,070	\$10,984,788	\$12,970,858
	\$47,554,458	\$233,363,581	\$280,918,039

*Tax revenue from the Plan A area differs from revenue anticipated in the original plan (shown in Exhibit 6) because of anticipated change in HISD participation in 1999. Subject to approval by HISD, a modified participation agreement would provide that HISD contributions to the TIRZ fund will be the greater of \$410,000 annually or a sum based on HISD's tax rate less an amount dedicated to educational facilities (the increment of HISD's tax rate less \$.64)