

City of Houston, Texas, Ordinance No. 2007-1423

AN ORDINANCE APPROVING A FOURTH AMENDED PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS (MAIN STREET/MARKET SQUARE ZONE); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; DETERMINING THE PORTION OF TAX INCREMENT THE CITY WILL PAY FROM THE AREA ANNEXED INTO THE ZONE; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

WHEREAS, by City Ordinance No. 95-1323, adopted on December 13, 1995, the City Council of the City of Houston (the "City") created Reinvestment Zone Number Three, City of Houston, Texas (the "Zone") pursuant to Chapter 311 of the Texas Tax Code, as amended (the "Code"), for the purposes of redevelopment in the downtown area of the City generally referred to as the Market Square area; and

WHEREAS, the City enlarged the boundaries of the Zone by City Ordinance No. 98-1204, adopted on December 16, 1998, and Ordinance No. 2005-1049, adopted September 14, 2005, to include additional areas within the downtown area of the City generally referred to as the Main Street area; and

WHEREAS, the Board of Directors of the Zone adopted and the City approved, by City Ordinance No. 96-911, adopted on September 11, 1996, the Project Plan and Reinvestment Zone Financing Plan for the Zone; and

WHEREAS, Section 311.011 of the Code authorizes the Board of Directors of the Zone to adopt an amendment to its project plan, and such amendment takes effect upon approval of the City Council of the City; and

WHEREAS, the Board of Directors of the Zone adopted, and the City approved, by Ordinance No. 98-1205, adopted on December 16, 1998, the Amended Project Plan and Reinvestment Zone Financing Plan dated November 23, 1998, for the Zone; and

WHEREAS, the Board of Directors of the Zone adopted, and the City approved, by City Ordinance No. 1999-828, adopted on August 11, 1999, the Second Amended Project Plan and Reinvestment Zone Financing Plan dated August 9, 1999, for the Zone; and

WHEREAS, the Board of Directors of the Zone adopted, and the City approved, by City Ordinance No. 2005-1050, adopted on September 14, 2005, the Third Amended Project Plan and Reinvestment Zone Financing Plan dated September 7, 2005, (as amended, the "Project Plan") for the Zone; and

WHEREAS, the Board of Directors of the Zone, at its November 8, 2007 board meeting, considered and adopted a Fourth Amended Project Plan and Reinvestment Zone Financing Plan (the "Fourth Amendment"), and requested City Council approval of the Fourth Amendment; and

WHEREAS, the Board of Directors of the Zone, at its November 8, 2007 board meeting, approved the annexation of an additional area into the Zone (the "Annexed Area") and has requested City Council approval of the annexation; and

WHEREAS, the Fourth Amendment includes projects for the Annexed Area;

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

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

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

WHEREAS, the City Council conducted a public hearing on the proposed Fourth Amendment on December 5, 2007; and

WHEREAS, at the public hearing, interested persons were allowed to speak for or against the proposed Fourth Amendment and the enlargement of the boundaries of the Zone; and

WHEREAS, evidence was received and presented at the public hearing in favor of the proposed Fourth Amendment and the enlargement of the boundaries of the Zone; and

WHEREAS, the City gave reasonable opportunity for the owners of property in the area proposed for inclusion in the Zone to protest the inclusion of such properties in the Zone; and

WHEREAS, the City desires to approve the Fourth Amendment; and

WHEREAS, the City Council approved the enlargement of the boundaries of the Zone to include the Annexed Area pursuant to City Ordinance No. 2007- 1422;¹

WHEREAS, the City desires to establish its level of participation in the Annexed Area;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

¹ Ordinance number of the ordinance enlarging the boundary of the zone to be inserted by the City Secretary.

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

Section 1. Approval of the Fourth Amendment. That the Amended Project Plan and the Reinvestment Zone Financing Plan dated September 5, 2007, approved by City Ordinance No. 2005-1050, adopted on September 14, 2005, is hereby amended by adding Part D, attached to this Ordinance as Exhibit "A" (the "Fourth Amendment"). The Fourth Amendment is hereby determined to be feasible and is approved. The appropriate officials of the City are authorized to take all steps reasonably necessary to implement the Fourth Amendment.

Section 2. Approval of the City's Level of Participation in the Expanded Zone. That the City will participate in the Annexed Area by contributing tax increment to the tax increment fund for the Zone from taxes levied and collected by the City at the rate specified in the Fourth Amendment.

Section 3. Distribution to Taxing Units. That the City Secretary is directed to provide copies of the Fourth Amendment to each taxing unit levying ad valorem taxes in the Zone.

Section 5. Severability. That if any provision, section, subsection, sentence, clause or phrase of this Ordinance, or the application of same to any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining provisions of this Ordinance shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any

unconstitutionality, voidness or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 6. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 7. 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 12th day of December, 2007.

APPROVED this _____ day of _____, 2007.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is DEC 18 2007.



City Secretary

(Prepared by Legal Dept. D. F. ALDRIDGE
 (DFM/dfm December 11, 2007) Senior Assistant City Attorney)
 (Requested by Judy Gray Johnson, Director, Finance and Administration Department)
 (L.D. File No. 0619500030056)

AYE	NO	
✓		MAYOR WHITE
••••	••••	COUNCIL MEMBERS
✓		LAWRENCE
✓		JOHNSON
✓		CLUTTERBUCK
✓		EDWARDS
✓		WISEMAN
		ABSENT-OUT OF CITY ON PERSONAL BUSINESS KHAN
✓		HOLM
✓		GARCIA
✓		ALVARADO
✓		BROWN
✓		LOVELL
✓		NORIEGA
✓		GREEN
	ABSENT	BERRY
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT
 REVIEW
 DATE: DEC 18 2007

Exhibit A

Fourth Amended Project Plan and
Reinvestment Zone Financing Plan

Part D: Project Plan and Reinvestment Zone Financing Plan, Reinvestment Zone Number Three (Main Street Market Square), City of Houston, Texas

Overview

Reinvestment Zone Number Three, City of Houston, Texas, also known as the Main Street Market Square Tax Increment Reinvestment Zone (TIRZ) was created by Ordinance No. 95-1323 dated December 13, 1995, covering a 9-block area. A Project Plan and Reinvestment Zone Financing Plan (Part A) for the 9-block area was adopted by City Council on September 11, 1996 by Ordinance No. 96-911. On November 11, 1998, the Board of Directors of the TIRZ recommended that the City expand the original zone boundaries by adding approximately 65 blocks primarily along the Main Street corridor, and increase project costs to reflect necessary public improvements to redevelop the enlarged zone. This enlargement of the zone ("1998 Amended Plan") was adopted by City Council on December 16, 1998 by Ordinance 98-1205 (Part B). Together, the 1996 Part A and 1998 Part B TIRZ plan elements highlighted the relevant synergies of development activities to be achieved through the financing of zone-related improvements within the zone and provided the tools needed to alleviate blight, deteriorated street and site conditions, obsolete transit services and facilities, and encourage the sound growth of the Central Business District's residential, retail, hotel and commercial sectors.

Subsequently, by Resolution No. 1999-39, dated June 30, 1999, the Houston City Council approved the creation of the Main Street Market Square Redevelopment Authority. The Authority was established to assist the City and the Zone Board of Directors in implementing the TIRZ Project Plan and Financing Plan and in promoting and developing housing, educational facilities, and the economic development of the Main St. Market Square Zone. Further, on August 9, 1999, the TIRZ Board of Directors recommended to City Council amendments to 1998 Plan ("1999 Second Amended Plan") approved by City Council on August 11, 1999 by Ordinance 1999-828 to increase the Houston Independent School District tax increment participation rate for educational facilities project costs that may be constructed either inside or outside the TIRZ boundaries.

The Third Amended Plan, Part C, was approved by City Council on September 14, 2005 (Ord. 05-1050). Part C of the TIRZ plan provided for an enlargement of the zone by the addition of two city blocks that were in use as surface parking lots. These blocks were bounded by Dallas St. to the north, Polk St. to the south, Fannin St. to the west, and Caroline St. to the east. The purpose of the enlargement of the zone was to facilitate and support the development of the Houston Pavilions Project, a mixed-use retail and office complex aimed at stimulating major investment in the southeastern portion of the Central Business District and a reallocation of project costs as set out in the 1995 Part A and the 1998 Part B elements of the plan.

The Fourth Amended Plan, Part D, approved by the Main Street Market Square Redevelopment Authority and the TIRZ Board of Directors, provides for an enlargement of the zone by the addition of the city blocks that encompass City Hall, the Jones Building and the Julia Ideson Building of the Central Library, City Hall Annex, and Sam Houston Park (see Exhibit 38). In addition, projects costs as set out in the 1998 Part B and the 2005 Part C have been reallocated. The purpose of the enlargement of the zone is to facilitate and support the improvement of the Julia Ideson Building and potentially other institutional facilities. In addition, two new specific projects within the existing zone have been defined. These projects are the financial support of

the Wortham Theater Skybridge, a skybridge connecting the Wortham Theater to the Houston Ballet's new building on Block 36 and the development of an office and/or residential complex on the southwestern portion of the Bayou Place complex. The former project falls under the general project category defined in Part B as "Theater District: Cultural and Public Facility Improvements" and the latter falls under the general project category defined in Part D "Retail Residential Development".

Overview of Plan Amendments

The Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Three, City of Houston, Texas (Market Square TIRZ) sets 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. This Fourth Amendment to the Final Project Plan and Reinvestment Zone Financing Plan is referenced as Part D and describes the changes to the zone project plan, including Parts A, B and C.

Parts A, B, C and D, together, provide the programs and investment strategies to help revitalize the Central Business District, improve infrastructure and alleviate deteriorated street and site conditions, promote transit services through a pedestrian-friendly environment and encourage the sound growth of residential, retail, hotel, office and other commercial development within the area.

Amendments to Part B

Part B Goals remain unchanged. Proposed Improvements for Part B are amended as follows. Resulting projects and budgets are described in Exhibit 39.

1. Buffalo Bayou Improvements: Funding has been reduced to a total of \$2.3 million in Part B. Together with Part A provisions, total funding for Buffalo Bayou is now \$6.3 million.

Amendments to Part C

Part C Goals remain unchanged. Proposed Improvements for Part C are amended as follows. Resulting projects and budgets are described in Exhibit 39.

1. Affordable Housing: Affordable housing for the downtown workforce has emerged as an important public policy goal. The funding for this has been increased to \$15,000,000 to account for increased land acquisition and construction costs.

Part D

Part D encompasses all of the geographic areas of Part A, Part B and Part C plus the proposed expanded area described below.

Proposed Expansion Area Zone Boundaries: The fourth amended zone boundaries (refer to Exhibit 38) reflect the inclusion of blocks roughly bounded by Walker on the north, Smith on the east, Lamar on the south and the existing zone boundary (approximately I-45) on the west. This area is approximately 21 acres and includes City Hall, City Hall Annex, the Jones and Julia Ideson Buildings of the Central Library and Sam Houston and Herman Square Parks.

Part D Improvements

Part D improvements along with the changes to the other parts of the plan are described in Exhibit 39.

1. Residential Site Development \$5,000,000
This would extend to the annexed areas the residential site development project already defined in Part A for the original area. This would provide for utilities and developer reimbursements for residential development in the entire zone. A subproject included within this would be the development of a residential project associated with the Bayou Place tract owned by the city.
2. Parks, Plazas and Streetscapes \$20,000,000
This would provide for the development or redevelopment of parks and plazas within the expanded zone such as Market Square Park. Other potential projects include improvements to Hermann Square Park in front of City Hall and Sam Houston Park. Additionally, this would fund public streetscape improvements such as brick pavers, street furniture, and landscaping along the public right-of-way in the expanded zone.
3. Retail/Residential Development \$14,000,000
The Authority desires to promote the development of street-level retail and residential development within the Central Business District. This could be done through developer agreements for such projects that would provide for public right-of-way improvements and could also entail the use of economic development grants similar to that utilized for the Houston Pavilions project. Such a use would require the development of a project-specific economic development program and approval by City Council. Such a program would require careful evaluation of costs and benefits to be achieved. A defined project within this category is the development of an office and/or residential complex on the southwestern portion of the Bayou Place complex.
4. Institutional Facilities \$19,500,000
The Authority will partner with a private philanthropic fundraising effort to expand and restore the Julia Ideson Building of the Central Library. Additional institutional projects may include other City of Houston facilities included in the expanded boundaries of the zone such as City Hall and City Hall Annex.
5. Property Acquisitions \$10,000,000
To promote further redevelopment within the zone, the Authority will acquire as opportunities arise properties for redevelopment. Multiple properties may be assembled over time to facilitate redevelopment.

6. Acquisition Rehabilitation of Historic Structures \$5,000,000
To promote further redevelopment, the Authority will acquire and/or support the restoration or rehabilitation of historic structures within the zone.

Other Project Plan Provisions

Reinvestment Zone Duration: When initially created by City Council on December 13, 1995, the term of the zone was established at 30 years. No change is proposed to the zone duration.

Estimated Bonded Indebtedness: In addition to bonds issued in FY 2002, additional bond issues are projected. A financial analysis of the zone's present capacity indicates that approximately \$38 million in bonds could be issued in FY 2009 (see Tables 40 and 41). The Authority will seek as required per its Tri-Party Agreement with the city authorization for any specific issuance.

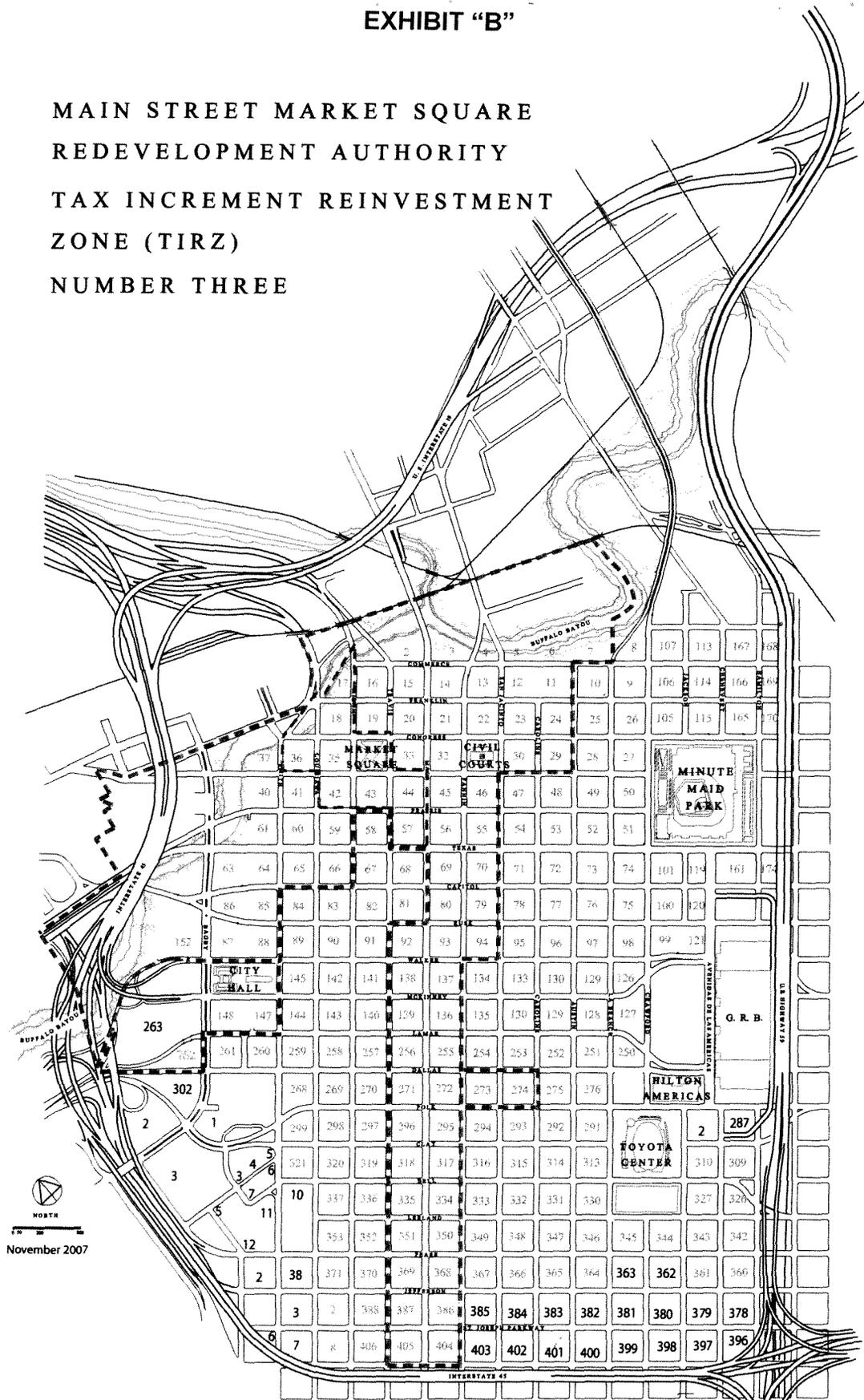
Project Plan Impacts: No displacement or relocation of residents is anticipated based on the public land use of the blocks to be annexed.

Municipal Ordinances: No changes to city codes or ordinances are proposed in this Part D amendment to the TIRZ plan.

Taxing Jurisdiction Participation: As noted previously, all the land to be annexed to the zone in Part D is publicly owned and is not presently taxed. Neither of the participation agreements with Harris County or with HISD will be affected by this Part D amendment.

EXHIBIT "B"

MAIN STREET MARKET SQUARE REDEVELOPMENT AUTHORITY TAX INCREMENT REINVESTMENT ZONE (TIRZ) NUMBER THREE



NORTH
November 2007

PROPOSED EXPANSION MAP

KEY:

- 1996 Original TIRZ No. 3 Boundary - - - - -
- 2005 Annexed Boundary - - - - -
- 1999 Annexed Boundary - - - - -
- 2007 Proposed COH Expansion - - - - -

BLOCK AND BLOCK NUMBER
(TYPICAL) 405

EXHIBIT 39

Project Cost Amendments: The following table includes the approved project costs for Parts A, B and C and the changes made to those through this

Part A	Estimated Costs: 1999 Plan	Estimated Costs: 2005 Plan	Estimated Costs: 2007 Plan	Change 2005 to 2007
Buffalo Bayou Riverwalk	\$4,000,000	\$4,000,000	\$4,000,000	\$0
Affordable Housing	\$5,000,000	\$5,000,000	\$5,000,000	\$0
Rice Hotel Financial Asst.	\$18,750,000	\$18,750,000	\$18,750,000	\$0
Acquisition/Rehabilitation of Historic Structures	\$1,500,000	\$1,500,000	\$1,500,000	\$0
Sub-Total for Part A	\$29,250,000	\$29,250,000	\$29,250,000	\$0
Part B				
Streetscape Enhancements, Related Roadways and Parks	\$11,675,000	\$7,100,000	\$7,100,000	\$0
Transit Streets	\$16,000,000	\$10,000,000	\$10,000,000	\$0
Retail Parking Facilities	\$15,000,000	\$0	\$0	\$0
Transit Improvements	\$6,750,000	\$2,500,000	\$2,500,000	\$0
Acquisition/Rehabilitation of Historic Structures	\$15,000,000	\$12,000,000	\$12,000,000	\$0
Educational Facilities (Educational Facilities paid directly to HISD (\$82,541,820))	\$82,541,820	\$82,541,820	\$82,541,820	\$0
Buffalo Bayou Improvements (Bayou to be extended from Original Zone as a riverwalk and park area)	\$6,000,000	\$6,000,000	\$2,300,000	(\$3,700,000)
Theater District, Cultural & Public Facility Improvements	\$11,500,000	\$11,500,000	\$11,500,000	\$0
Sub-Total for Part B	\$164,466,820	\$131,641,820	\$127,941,820	(\$3,700,000)
Part C				
Economic Development Grant: For projects that provide parking that is accessible to the public	\$0	\$8,800,000	\$8,800,000	\$0
Economic Development Grant: For projects that provide pedestrian access improvements	\$0	\$5,500,000	\$5,500,000	\$0
Public Parking Facilities	\$0	\$3,100,000	\$3,100,000	\$0
Transit Streets and Transit Center	\$0	\$5,500,000	\$5,500,000	\$0
Affordable Housing	\$0	\$2,375,000	\$15,000,000	\$12,625,000
Sub-Total for Part C	\$0	\$25,275,000	\$37,900,000	\$12,625,000
Part D				
Residential Site Development	\$0	\$0	\$5,000,000	\$5,000,000
Parks, Plazas & Streetscapes	\$0	\$0	\$20,000,000	\$20,000,000
Retail/Residential Development	\$0	\$0	\$14,000,000	\$14,000,000
Institutional Facilities	\$0	\$0	\$19,500,000	\$19,500,000
Property Acquisitions/Land Assemblage	\$0	\$0	\$10,000,000	\$10,000,000
Acquisition/Rehabilitation of Historic Structures	\$0	\$0	\$5,000,000	\$5,000,000
Sub-Total for Part D	\$0	\$0	\$73,500,000	\$73,500,000
Estimated Financing Costs (The Rice excluded)	See Note 1	\$21,650,000	\$10,650,000	(\$11,000,000)
Estimated Administration Costs	\$1,891,000	\$1,891,000	\$6,750,000	\$4,859,000
PROJECT PLAN TOTAL	\$195,607,820	\$209,707,820	\$285,991,820	\$76,284,000

Note 1: The 1999 Amended Plan did not include Part B financing costs. This plan includes an estimate of these costs beginning in FY 2006. Because of interest rates and other variables, it is not possible to provide exact projections of these costs. This estimate does not include payments for The Rice or for FY 2002 bonds, but it does include \$2,000,000 specifically budgeted for Part A for financing costs not yet incurred as of the date of the Third Amended Plan.

Note 2: In addition to direct project costs, additional costs attributable to developer reimbursements and bonds in FY 2009 that could partially fund developer reimbursements are included in the "Financing Costs" line.

EXHIBIT 40

PROJECTION OF TAX INCREMENT FUND CASH FLOWS Main Street / Market Square Redevelopment Authority Reinvestment Zone Number Three - City of Houston, Texas Projection of Future Growth

Fiscal Year	Original Area			Annexed Area			Total			Less: Debt Service Requirements	Less: Payments on Public Safety	Less: THRF Admin Expenses	Interest Earnings	Reserve Earnings	Annual Surplus (Deficit)	Fiscal Year Ending Jun 30
	Projected City Net Tax Collections	Projected County Net Tax Collections	Projected HSD Net Tax Collections	Projected City Net Tax Collections	Projected County Net Tax Collections	Projected HSD Net Tax Collections	Projected Total Net Tax Collections	Projected Total Net Tax Collections	Projected Total Net Tax Collections							
2006	322,390	316,226	410,000	298,615	3,149,153	26,610	1,834,220	5,009,984	1,084,504	550,000	300,000	134,964	43,424	3,552,414	2006	
2009	349,904	346,316	410,000	356,220	4,511,437	34,243	1,834,220	6,379,900	1,081,164	250,000	300,000	204,198	43,424	5,352,579	2009	
2010	363,960	360,169	410,000	384,069	4,691,895	36,613	1,890,220	6,617,728	1,080,858	250,000	300,000	214,818	43,424	5,679,201	2010	
2011	1,030,456	374,575	410,000	1,163,031	4,891,895	405,416	2,148,220	8,321,029	1,083,123	250,000	300,000	284,038	43,424	7,428,465	2011	
2012	1,079,638	1,026,479	439,020	2,489,767	5,789,394	405,416	2,237,260	9,642,844	1,081,025	250,000	300,000	390,375	43,424	10,143,166	2012	
2013	1,178,664	1,087,539	439,020	2,582,196	7,067,968	337,427	2,237,260	9,938,860	1,081,095	250,000	300,000	405,598	43,424	13,997,433	2013	
2014	1,163,410	1,110,240	439,020	2,765,144	7,564,703	364,961	2,237,260	10,246,924	1,082,196	250,000	300,000	421,308	43,424	15,564,915	2014	
2015	1,258,344	295,562	447,084	1,952,612	7,950,491	379,559	2,363,340	10,663,390	1,081,550	250,000	300,000	442,789	43,424	17,441,361	2015	
2016	1,304,676	0	447,084	1,705,428	8,288,511	410,531	2,363,340	11,073,122	1,083,815	250,000	300,000	462,499	43,424	19,064,917	2016	
2017	1,361,025	0	447,084	1,868,109	8,943,221	428,982	2,363,340	11,373,122	1,085,004	250,000	300,000	480,376	43,424	20,944,103	2017	
2018	1,415,466	0	447,084	1,862,550	9,300,950	441,792	2,363,340	11,733,514	1,085,004	250,000	300,000	500,196	43,424	22,944,103	2018	
2019	1,472,085	0	447,084	1,919,169	9,672,988	459,474	2,426,380	12,529,160	1,080,844	250,000	300,000	519,696	43,424	24,944,103	2019	
2020	1,530,968	0	447,084	2,039,291	10,059,908	480,263	2,426,380	13,395,198	1,080,844	250,000	300,000	540,231	43,424	26,944,103	2020	
2021	1,592,217	0	447,084	2,189,291	10,462,304	499,474	2,433,420	13,929,669	1,080,844	250,000	300,000	566,756	43,424	28,944,103	2021	
2022	1,655,895	0	447,084	2,352,979	11,316,028	519,453	2,529,420	14,385,679	0	250,000	300,000	607,546	0	30,944,103	2022	
2023	1,722,131	0	447,084	2,169,215	11,768,669	561,940	2,529,420	14,859,829	0	250,000	300,000	629,166	0	32,944,103	2023	
2024															2024	
Total	20,333,972	6,061,776	7,773,984	14,260,131	147,408,335	6,674,059	41,106,840	195,189,233	16,235,257	4,800,000	5,400,000	7,520,564	1,730,974	143,031,667		

(a) Assumes 3% delinquencies and 5% City of Houston administration fee. HSD has an administration fee of \$25,000. Assumes 4% growth and City of Houston bailout assumptions.

(b) Source: Estimate taken from City of Houston projections.

(c) Earnings are estimated for the purpose of illustration.

NOTE: These cash flows are based on various assumptions, current market conditions, and a flow of funds that allows for the accumulation of reserves. These cash flows will change based on actual revenues and expenses, as well as market conditions at the time of the bonds. There are usually differences between estimated and actual revenues and expenses, because events and circumstances frequently do not occur as expected and such differences may be material.

EXHIBIT 41

PROJECTION OF SOURCES AND USES OF FUNDS

Main Street / Market Square Redevelopment Authority Reinvestment Zone Number Three - City of Houston, Texas Projection of Future Bond Sales Based on Growth

	Series <u>2002A</u>	Series <u>2009</u>	Series <u>2011</u>	Series <u>2013</u>	<u>Total</u>
<u>Sources of Funds:</u>					
Par Amount of Bonds	12,785,000	38,435,000	14,120,000	2,980,000	68,320,000
Original Issue Discount	(93,179)				(93,179)
Other Funds	0	0	0	0	0
Total Sources of Funds	12,691,821	38,435,000	14,120,000	2,980,000	68,226,821
<u>Uses of Funds:</u>					
Costs of Issuance (a)	705,511	2,306,100	847,200	178,800	4,037,611
Reserve Fund Deposit (b)	1,085,609	4,121,130	1,777,977	573,243	7,557,958
Capitalized Interest (c)	413,873	1,056,963	388,300	81,950	1,941,086
Payments to HHFC (Rice Hotel)	1,698,623				1,698,623
Metro Super Stop Project	2,500,000				2,500,000
Available for Reimbursement	6,288,206	30,950,808	11,106,523	2,146,007	50,491,544
Total Uses of Funds	12,691,821	38,435,000	14,120,000	2,980,000	68,226,821

(a) Estimated at 6% of the par amount of the Bonds, except for Series 2002A Bonds which are based on line-item estimates.

(b) Estimated at 100% of maximum annual debt service.

(c) Represents 6 months of interest on the Bonds.